

**TOWN OF BABYLON L.D. CORPORATION II**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2018 and 2017

**TOWN OF BABYLON L.D. CORPORATION II  
TABLE OF CONTENTS**

	<u>Page No.</u>
Independent Auditors' Report .....	1-2
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Management's Discussion and Analysis .....	3-6
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position.....	7
Statements of Revenues, Expenses and Changes in Net Position .....	8
Statements of Cash Flows .....	9
Notes to Financial Statements .....	10-15
<b>OTHER REPORTS</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	16-17
Independent Auditors' Report on Compliance with Town of Babylon L.D. Corporation II Investment Policy.....	18



CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Honorable Board of Directors  
Town of Babylon L.D. Corporation II  
North Babylon, New York

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Town of Babylon L.D. Corporation II (the "Corporation"), a component unit of the Town of Babylon, New York, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BEYOND THE NUMBERS...

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

245 PARK AVENUE, 39TH FLOOR  
NEW YORK, NY 10167  
T: 212.792.4075

25 SUFFOLK COURT  
HAUPPAUGE, NY 11788-3715  
T: 631.434.9500 F: 631.434.9518

www.avz.com  
INDEPENDENT MEMBER OF BKR INTERNATIONAL

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of December 31, 2018 and 2017, and the respective changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 24, 2019, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Albert, Visser, Zeh & Conroy P.C.*

Hauppauge, New York  
May 24, 2019

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Management's Discussion and Analysis**

## **TOWN OF BABYLON L.D. CORPORATION II MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section presents management's analysis of the Town of Babylon L.D. Corporation II (the "Corporation"), a component unit of the Town of Babylon, New York (the "Town") financial condition and activity for the years ended December 31, 2018 and 2017. Please read this information in conjunction with the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Corporation exceeded its liabilities at the close of 2018 by \$2,332,521 (net position). The Corporation's total net position increased by \$2,313,161 in 2018, primarily as result of a new Copiague facade renovation grant program, sale of lease rights for two parcels of land, and funds received as a result of a Community Benefit Agreement with a third-party.
- The assets of the Corporation exceeded its liabilities at the close of 2017 by \$19,360 (net position). This unrestricted net position represents the portion available to maintain the Corporation's continuing obligations. The Corporation's total net position decreased by \$8,436 (or 30%) in 2017.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Corporation's financial condition and performance. Summary financial statements data, key financial and operational indicators used in the Corporation's strategic plan, operating plan, bond covenants and other management tools were used for this analysis.

The financial statements report information about the Corporation, which follows enterprise-type fund reporting. The Corporation applies full accrual accounting methods as used by similar business activities in the private sector. The statements offer short and long-term financial information.

The financial statements include statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows and notes to the financial statements. The statements of net position include all of the Corporation's assets and liabilities.

The statements of revenues, expenses, and changes in net position presents the results of the Corporation's activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide information about whether the Corporation has successfully recovered its costs through its user fees and other charges, profitability and credit worthiness.

The statements of cash flows present changes in cash and cash equivalents resulting from operating and other activities.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes present information about the Corporation's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**TOWN OF BABYLON L.D. CORPORATION II  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE CORPORATION**

One of the most important objectives of the financial analysis is to determine if the Corporation, as a whole, is better or worse off as a result of the year's activities. The statements of net position and the statements of revenues, expenses, and changes in net position provide useful information in this regard. The statements report the net position of the Corporation and changes in these net positions.

The amount of net position, the difference between total assets and liabilities, is a significant measure of the financial health or financial position of the Corporation.

Over time, increases or decreases in the Corporation's net position can be an indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in economic conditions, population growth, zoning, and new government legislation or changes to existing government legislation should also be considered in evaluating the financial condition of the Corporation.

The following condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

**Net Position**

A summary of the Corporation's condensed statements of net position at December 31<sup>st</sup> is presented as follows:

**Assets**

Current assets	\$ 2,058,821	\$ 19,360	\$ 27,796
Capital assets	273,700	-0-	-0-
Total Assets	<u>2,332,521</u>	<u>19,360</u>	<u>27,796</u>

**Liabilities**

Current and other liabilities	-0-	-0-	-0-
Total Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

**Net Position**

Investment in capital assets	273,700	-0-	-0-
Restricted	2,050,742	-0-	-0-
Unrestricted	8,079	19,360	27,796
Total Net Position	<u>\$ 2,332,521</u>	<u>\$ 19,360</u>	<u>\$ 27,796</u>

Total assets at December 31, 2018 consists of cash in the amount of \$2,058,021, of which \$123,990 is restricted for the Copiague facade renovation grant program, \$963,376 is restricted for affordable housing activities and \$963,376 is restricted for economic development activities, and capital assets (land parcels) in the amount of \$273,700. The remaining \$8,079 is unrestricted to be used for the Corporation's operating activities.

Total assets at December 31, 2017, which consists of cash in the amount of \$19,360, is also the amount of unrestricted net position.

There were no liabilities as of December 31, 2018 and 2017.

**TOWN OF BABYLON L.D. CORPORATION II  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE CORPORATION (continued)**

**Operating Results**

The Corporation's condensed statements of revenues, expenses and changes in net position at December 31<sup>st</sup>, are presented as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>			
Charges for services	\$ 30,000	\$ -0-	\$ 5,000
Total Operating Revenues	<u>30,000</u>	<u>-0-</u>	<u>5,000</u>
<b>Operating Expenses</b>			
Contractual goods and services	<u>41,543</u>	<u>8,500</u>	<u>17,765</u>
Total Operating Expenses	<u>41,543</u>	<u>8,500</u>	<u>17,765</u>
Loss from Operations	<u>(11,543)</u>	<u>(8,500)</u>	<u>(12,765)</u>
<b>Non-Operating Revenues (Expenses)</b>	<u>2,324,704</u>	<u>64</u>	<u>72</u>
Change in Net Position	2,313,161	(8,436)	(12,693)
<b>Net Position at Beginning of Year</b>	<u>19,360</u>	<u>27,796</u>	<u>40,489</u>
Net Position at End of Year	<u>\$ 2,332,521</u>	<u>\$ 19,360</u>	<u>\$ 27,796</u>

The Corporation's charges for services revenue during the year ended December 31, 2018 increased by \$30,000 from the prior year due to the WR Communities fees transferred to the Corporation. The Corporation's operating expenses for the year ended December 31, 2018 were \$41,543, an increase of \$33,043 from the prior year. This increase was primarily related to costs associated with professional fees and office expenses of approximately \$33,000. The increase in non-operating revenues and expenses primarily relates to funding received from a third party based on a Community Benefits Agreement entered into in a previous year in the amount of \$1,925,000 and revenues related to payments made by a third party developer to the Town of Babylon for two parcels of land on behalf of the Corporation. In addition, the Corporation received funds from the Town of Babylon, New York in the amount of \$209,250 to administer the Copiague facade renovation grant program. The Corporation received \$209,250 for this program and disbursed \$85,260 during the year ended December 31, 2018.

The Corporation did not have any operating revenue during the year ended December 31, 2017, a decrease of \$5,000 from the year ending December 31, 2016. The Corporation's operating expenses for the year ended December 31, 2017 was \$8,500, a decrease of \$9,265 from the prior year. This decrease was primarily related to less costs associated with professional fees and donations in the current year when compared to the prior year.

**TOWN OF BABYLON L.D. CORPORATION II  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ECONOMIC FACTORS AND NEXT YEAR'S PLAN**

The Corporation was formed to relieve and reduce unemployment, to maintain job opportunities and to create better paid job opportunities, to instruct or train individuals to improve or to develop their capabilities for jobs; to carry on scientific research for the purpose of aiding the community or geographical area by attracting industry to the community, or by encouraging the development of or retention of an industry in the community; to lessen the burden of government; and to act in the public interest. The public objective of each and every of the purposes enumerated above is to promote the general and public welfare of the Town's people.

The Corporation plans to continue and expand its assistance to businesses, not-for-profits, and affordable housing developers in the Town of Babylon by providing federally tax-exempt and taxable revenue bonds.

**CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our readers with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Babylon L.D. Corporation II at 816 Deer Park Avenue, North Babylon, New York 11703, [ldc@townofbabylon.com](mailto:ldc@townofbabylon.com) or call (631) 442-2900.

**BASIC FINANCIAL  
STATEMENTS**

**TOWN OF BABYLON L.D. CORPORATION II**  
**STATEMENTS OF NET POSITION**  
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 2,058,821	\$ 19,360
Total Current Assets	<u>2,058,821</u>	<u>19,360</u>
<b>Capital Assets</b>	<u>273,700</u>	<u>-0-</u>
Total Assets	<u>2,332,521</u>	<u>19,360</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>-0-</u>	<u>-0-</u>
<b>NET POSITION</b>		
Investment in capital assets	273,700	-0-
Restricted - Copiague facade renovation grant program	123,990	-0-
Restricted - Affordable housing	963,376	-0-
Restricted - Economic development	963,376	-0-
Unrestricted	<u>8,079</u>	<u>19,360</u>
Total Net Position	<u>\$ 2,332,521</u>	<u>\$ 19,360</u>

See notes to the financial statements.

**TOWN OF BABYLON L.D. CORPORATION II**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues:</b>		
Charges for services	\$ 30,000	\$ -0-
Total Operating Revenues	<u>30,000</u>	<u>-0-</u>
<b>Operating Expenses:</b>		
Professional fees	40,350	7,500
Office expense	193	-0-
Rent	1,000	1,000
Total Operating Expenses	<u>41,543</u>	<u>8,500</u>
Loss from Operations	<u>(11,543)</u>	<u>(8,500)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	2,014	64
Sale of lease right	273,700	-0-
Copiague facade renovation grant program	209,250	-0-
Community benefit agreement income	1,925,000	-0-
Copiague facade renovation grant program	(75,000)	-0-
Copiague facade renovation grant program fees	(10,260)	-0-
Total Non-Operating Revenues	<u>2,324,704</u>	<u>64</u>
Change in Net Position	2,313,161	(8,436)
<b>Net Position at Beginning of Year</b>	<u>19,360</u>	<u>27,796</u>
<b>Net Position at End of Year</b>	<u>\$ 2,332,521</u>	<u>\$ 19,360</u>

See notes to the financial statements.

**TOWN OF BABYLON L.D. CORPORATION II**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2018 and 2017

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Cash received from customers, clients	\$ 30,000	\$ -0-
Cash payments for contractual expenses	(41,543)	(8,500)
Net Cash Used by Operating Activities	(11,543)	(8,500)
<b>Cash Flows from Investing Activities</b>		
Cash received from related party	-0-	11,615
Interest income	2,014	64
Net Cash Provided by Investing Activities	2,014	11,679
<b>Cash Flows from Noncapital Financing Activities</b>		
Cash received from Copiague facade renovation grant program	209,250	-0-
Cash received from community benefit agreement income	1,925,000	-0-
Payments of Copiague facade renovation program	(85,260)	-0-
Net Cash Provided by Noncapital Financing Activities	2,048,990	-0-
Net Increase in Cash	2,039,461	3,179
<b>Cash at Beginning of Year</b>	19,360	16,181
Cash at End of Year	\$ 2,058,821	\$ 19,360
<b>Reconciliation of Loss from Operating to Net Cash Used by Operating Activities:</b>		
Loss from operations	\$ (11,543)	\$ (8,500)
Net Cash Used by Operating Activities	\$ (11,543)	\$ (8,500)
<b>NONCASH INVESTING ACTIVITIES</b>		
Land transferred from the Town of Babylon	\$ 273,700	
Less: payment made on behalf of Town of Babylon L.D., Corporation II	(273,700)	
Net Cash Paid for Acquisition of Land	\$ -0-	

See notes to the financial statements.

**TOWN OF BABYLON L.D. CORPORATION II**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

Organization

The Town of Babylon L.D. Corporation II (the "Corporation"), was created as a New York State not-for-profit public benefit corporation. The Corporation was established on August 18, 1988 pursuant to Section 1411 of the not-for-profit corporation law as defined in section 102(a)(5). The Board of Directors have complete responsibility for approval and adoption of policies of the Corporation and accountability for fiscal matters. The Board of Directors appoints the Executive Director of the Corporation who is the Chief Executive Officer. The Corporation is a government instrumental tax-exempt corporation that was created to promote the economic welfare, recreation opportunities and prosperity of the inhabitants of the Town of Babylon. The Corporation provides companies with federally tax-exempt and taxable revenue bonds as incentives.

Reporting Entity

The financial reporting entity includes all functions and activities over which the appointed officials exercise responsibility. No other governmental organization has been included or excluded from the reporting entity. The governing body of the Town of Babylon appoints the Corporation's Board of Directors which results in interdependency with the Town of Babylon. Accordingly, the Corporation has been determined to be a discretely presented component unit of the Town of Babylon.

Measurement Focus / Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Corporation uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, liabilities, and resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The financial statements include statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to financial statements.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Corporation considers all highly liquid investments with a maturity when purchased of three months or less to be cash equivalents. As of December 31, 2018 and 2017, the Corporation did not have any cash equivalents. The statements of cash flows presented use the direct method.

**TOWN OF BABYLON L.D. CORPORATION II**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on depreciable assets is recorded on the straight-line basis over the estimated useful lives.

Net Position Classification

In the financial statements, equity is classified as net position, and can be displayed in three components:

- Net investment in capital assets - Consists of capital assets including, restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets.
- Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - is the remaining net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as needed. As of December 31, 2018 and 2017, the Corporation has restricted and unrestricted net position.

Revenue Recognition

The Corporation's primary source of operating revenue is from bond issuance fees, which are computed according to the Corporation's administrative fee schedule for bonds (tax-exempt and taxable). Fees are recorded as income, when earned, at the time of closing, unless otherwise specified. For the year ended December 31, 2018, the Corporation received revenues from the Town of Babylon and a third-party to be used for specific purposes. These revenues are recognized when earned, based on when funds have been allocated by the Town for the program or as designated in the third-party agreement (see Note 4 and 5).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

**TOWN OF BABYLON L.D. CORPORATION II**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies** (continued)

Recent Accounting Pronouncements

The Corporation has adopted all of the Statements of the Governmental Accounting Standards Board ("GASB") that are applicable for the year ended December 31, 2018. The GASB Statements that were adopted in the current year did not have any significant impact on the Corporation's financial statements.

Subsequent Events

Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

**2. Cash**

As of December 31, 2018 and 2017, cash consists of funds deposited in an interest bearing account.

The Corporation's investments are governed by a formal investment policy. The Corporation's monies must be deposited in Federal Depository Insurance Corporation (the "FDIC") insured commercial banks or trust companies located within New York State. The Corporation is authorized to use certificates of deposit, and money market deposit accounts. Permissible investments include certificates of deposits, obligations of the United States, obligations of the State of New York, repurchase agreements, and obligations of agencies of the federal government where principal and interest are guaranteed by the United States.

Collateral is required for demand deposits and time deposits accounts at certain percentage of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. The Corporation's collateral agreements are based on the Corporation's available cash balance.

Custodial Credit Risk - Deposits/Investments - Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the Corporation may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized,
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Corporation's name.

At December 31, 2018 and 2017, the Corporation's cash was insured by the FDIC or collateralized by securities held in the pledging bank's trust department in the Corporation's name.

**TOWN OF BABYLON L.D. CORPORATION II**  
**NOTES TO FINANCIAL STATEMENTS**

**3. Capital Assets**

A summary of changes of capital assets for the year ended December 31, 2018 is as follows:

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/18</u>
Capital assets not being depreciated:				
Land	\$ -0-	\$ 273,700	\$ -0-	\$ 273,700
Total capital assets	<u>\$ -0-</u>	<u>\$ 273,700</u>	<u>\$ -0-</u>	<u>273,700</u>

The Corporation evaluates capital assets for prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Corporation's policy is to record an impairment loss in the period when the Corporation determines that the carrying amount of the asset will not be recoverable. At December 31, 2018, the Corporation has not recorded any such impairment losses. There were no depreciable assets acquired during 2018 therefore, there was no depreciation expense for the year ending December 31, 2018. The Corporation did not report any capital assets as of December 31, 2017.

**4. Revenues**

During the years ended December 31, 2018 and 2017, the Corporation adopted fee guidelines were as follows:

- a) A one-time non-refundable fee of \$1,500 for all bond issues per application.
- b) Public hearing notice fee related to newspaper publications.
- c) Administrative fees are charged by the Corporation at closing as follows:
  - $\frac{3}{4}$  of 1% of the bond project amount on the first \$15 million
  - $\frac{1}{2}$  of 1% of the bond project amount between \$15 - \$25 million
  - $\frac{1}{4}$  of 1% of the bond project amount between \$25 - \$35 million
  - $\frac{1}{10}$  of the 1% of the bond project amount over \$35 million

Applicants pay the Corporation's bond counsel fees at closing to handle the bond transaction.

The Corporation had fee service income during the years ended December 31, 2018 and 2017 in the amounts of \$30,000 and \$-0-, respectively.

**5. Sale of Lease Right**

During 2018, the Town of Babylon transferred title of two parcels of land to the Corporation. A third party developer paid the Town of Babylon \$273,700 for the two parcels on behalf of the Corporation. This is classified as a sale of lease right on the Corporation's statement of revenues, expense, and changes in net position. At the time of the title transfer of land, the Corporation entered into a Development Lease Agreement ("Lease agreement") with the third party developer in which the third party acting as the lessee subleased the land to the Babylon IDA, who in turn subleased the property back to the third party developer for a \$1 per annum. The purpose of the lease leaseback transaction is to provide future financial benefits to the third party developer such as certain sales tax and mortgage recording tax exemptions and real estate tax abatements.

**TOWN OF BABYLON L.D. CORPORATION II**  
**NOTES TO FINANCIAL STATEMENTS**

**6. Copiague Facade Renovation Grant Program**

The Town of Babylon established the downtown Copiague facade renovation grant program to revitalize the downtown area of Copiague, New York. During the year ended December 31, 2018, the Town board appointed and authorized the Corporation to administer the downtown Copiague program for which the purpose is to improve downtown structures in need of facade and/or sign renovations. In 2018, the Town transferred \$209,250 of the funds associated with the downtown Copiague facade improvement program to the Corporation. Funds are to be distributed to various companies that have applied and been awarded grant assistance in the renovation of their building's facade. As of December 31, 2018, the Corporation disbursed \$75,000 of the funding including related fees of \$10,260 and the remaining funds will be disbursed in 2019. The revenues and expenses related to the Copiague Facade Downtown grant program are reported as non-operating revenues and expenses.

**7. Community Benefit Agreement**

The Corporation entered into a Community Benefit Agreement (the "Agreement") with a third-party, who is working on a development project involving the acquisition and construction of a multi-phased, multi-family, residential units located in Amityville, New York. As a condition of receiving financial assistance for the project through the Town of Babylon Industrial Development Agency, the third party, will deposit certain funds based on the completion the phases of the project, as defined in the Agreement. These funds are designated to be used for an Economic Development fund and an Affordable Housing Fund, of which the specific activities as defined in the Agreement. The Corporation will administer the funds as prescribed in the Agreement. During the year ended December 31, 2018, the Corporation received affordable housing funds of \$962,500 and economic development funds of \$962,500. There were no disbursements related to these funds as of December 31, 2018 and accordingly, these funds plus interest earned less any related costs, have been reported as restricted in the Statement of Net Position. The amounts received related to the Agreement are reported as non-operating revenue.

**8. Conduit Debt Obligations, Industrial Revenue Bonds and Note Transactions**

The Corporation has, at times, issued Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of facilities and affordable housing deemed to be in the public interest.

The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Corporation, the Town, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2018 and 2017, there were series of Revenue Bonds and Notes outstanding, with an aggregate principal amount payable of \$20,795,000 and \$21,889,000, respectively.

**TOWN OF BABYLON L.D. CORPORATION II**  
**NOTES TO FINANCIAL STATEMENTS**

**9. Lease Commitments**

The Corporation leases a board room from the counselor of the Corporation for the purposes of meetings and conducting business. The lease agreement expired in August 31, 2018 and was extended for one year through August 31, 2019. During the years ended December 31, 2018 and 2017, rent expense was \$1,000.

**10. Litigation**

The Corporation is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Corporation.

**11. New Pronouncements**

The following statements have been issued by the GASB and are to be implemented in future years, as applicable:

Statement No. 84, "*Fiduciary Activities*" establishes criteria for identifying fiduciary activities of all state and local governments. The criteria focus is generally on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. The Statement establishes the four fiduciary funds that should be reported (as applicable): (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, "*Leases*", has been issued and will be effective for reporting periods beginning after December 15, 2019. This Statement establishes the accounting and financial reporting of leases and requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For leases with terms in-excess of 12 months, the Statement requires the leases to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Statement No. 90, "*Majority Equity Interests - an Amendment of GASB Statements No. 14 and 61*" provides guidance regarding the accounting and financial reporting of a government's majority equity interest in a legally separate organization. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

The Corporation is currently evaluating the impact of these pronouncements.

**OTHER REPORTS**



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Board of Directors  
Town of Babylon L.D. Corporation II  
North Babylon, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Babylon L.D. Corporation II (the "Corporation"), a component unit of the Town of Babylon, New York, as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 24, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

BEYOND THE NUMBERS...

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

245 PARK AVENUE, 39TH FLOOR  
NEW YORK, NY 10167  
T: 212.792.4075

25 SUFFOLK COURT  
HAUPPAUGE, NY 11788-3715  
T: 631.434.9500 F: 631.434.9518

www.avz.com  
INDEPENDENT MEMBER OF BKR INTERNATIONAL

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ahnt, Vignar, Zek & Conn P.C.*

Hauppauge, New York  
May 24, 2019



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH TOWN OF BABYLON L.D. CORPORATION II INVESTMENT POLICY

Honorable Board of Directors  
Town of Babylon L.D. Corporation II  
North Babylon, New York

**Report**

We have examined the Town of Babylon L.D. Corporation II (the "Corporation"), a component unit of the Town of Babylon, New York, compliance with the Corporation's investment policy during the period January 1, 2018 through December 31, 2018.

**Management's Responsibility**

Management is responsible for the Corporation's compliance with those requirements.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Corporation's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

**Opinion**

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the period January 1, 2018 through December 31, 2018.

**Other Matters**

This report is intended solely for the information and use of the Board, audit committee, management of the Corporation, Authority Budget Office, and the New York State Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Albrecht, Viggiano, Zureck & Company P.C.*

Hauppauge, New York  
May 24, 2019

BEYOND THE NUMBERS...

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

245 PARK AVENUE, 39TH FLOOR  
NEW YORK, NY 10167  
T: 212.792.4075

25 SUFFOLK COURT  
HAUPPAUGE, NY 11788-3715  
T: 631.434.9500 F: 631.434.9518

www.avz.com  
INDEPENDENT MEMBER OF BKR INTERNATIONAL