

**TOWN OF BROOKHAVEN INDUSTRIAL
DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)**

Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	1-2
<div>REQUIRED SUPPLEMENTARY INFORMATION</div>	
Management's Discussion and Analysis	3-6
<div>BASIC FINANCIAL STATEMENTS</div>	
Statements of Net Position.....	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10-24
<div>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MANAGEMENT'S DISCUSSION AND ANALYSIS</div>	
Schedule of Proportionate Share of the Net Pension Liability	25
Schedule of Pension Contributions	26
<div>OTHER INFORMATION</div>	
Schedule of Indebtedness – Conduit Debt	27
Schedule of Exemptions – Bonds	28
Schedule of Exemptions – Leases	29-34
<div>OTHER REPORTS</div>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based Upon the Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	35-36
Independent Auditors' Report on Compliance with Agency Investment Policy	37



INDEPENDENT AUDITORS' REPORT

To the Agency Board
Town of Brookhaven Industrial Development Agency
Farmingville, New York

Report on Financial Statements

We have audited the accompanying financial statements of the Town of Brookhaven Industrial Development Agency (the "Agency"), a component unit of the Town of Brookhaven, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Agency'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 involves 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 Agency'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 Agency'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...

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of December 31, 2017 and 2016, 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, schedule of proportionate share of the net pension liability and schedule of pension contributions as listed in the table of contents, 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Agency taken as a whole. The accompanying schedule of indebtedness - conduit debt, schedule of exemptions - bonds and schedule of exemptions - leases are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of bonds and schedule of exemptions - bonds and schedule of exemptions - leases are the responsibility of management and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

Albert, Vijay, Zoh & Conny P.C.

Hauppauge, New York
March 28, 2018

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Town of Brookhaven Industrial Development Agency's (the "Agency"), a component unit of the Town of Brookhaven, New York (the "Town"), financial condition and activities for the years ended December 31, 2017 and 2016. Please read this information in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The Agency's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at close of 2017 and 2016 by \$2,373,518 and \$1,789,579, respectively. These funds, except for investments in capital assets, are unrestricted and may be utilized for the general operations of the Agency.

Charges for services totaled \$1,260,739 in 2017 and \$585,096 in 2016.

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 Agency's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Agency's operating plan, and other management tools were used for this analysis.

The financial statements report information about the Agency, which is an enterprise-type fund. The Agency 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 the 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 Agency's assets, liabilities, and deferred outflows/inflows of resources, and provide information about the nature and amount of investments.

The statements of revenues, expenses, and changes in net position present the results of the Agency'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.

The statements of cash flows report changes in cash and cash equivalents resulting from operating, financing and investing and activities, as applicable.

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 Agency's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL ANALYSIS OF THE AGENCY

One of the most important objectives of the financial analysis is to determine if the Agency, 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 Agency and changes in these net positions.

**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE AGENCY (continued)

The amount of net position, the difference between total assets, liabilities and deferred outflows/inflows of resources, is a significant measure of the financial health or financial position of the Agency.

Over time, increases or decreases in the Agency's net position is one 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 be considered in evaluating the financial condition of the Agency.

The following comparative 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 Agency's condensed statements of net position at December 31st is presented as follows:

	2017	2016	(As Restated) 2015
Assets			
Current and other assets	\$ 2,666,318	\$ 1,824,599	\$ 1,819,137
Capital assets	18,802	27,538	36,274
Total Assets	2,685,120	1,852,137	1,855,411
Deferred Outflows of Resources	78,753	148,464	34,264
Liabilities			
Current liabilities	274,636	44,633	80,150
Long-term liabilities	100,754	149,161	28,915
Total Liabilities	375,390	193,794	109,065
Deferred Inflows of Resources	14,965	17,228	-0-
Net Position			
Net investment in capital assets	18,802	27,538	36,274
Unrestricted	2,354,716	1,762,041	1,744,336
Total Net Position	\$ 2,373,518	\$ 1,789,579	\$ 1,780,610

Reclassifications are made to the prior year's financial statements whenever necessary to conform to current year's presentation. Such reclassifications have had no effect on income as previously reported.

Total assets and deferred outflows of resources as of December 31, 2017 were \$2,763,873 which exceeded total liabilities and deferred inflows of resources by \$2,373,518 (i.e. net position). Of the Agency's net position, \$18,802 was net investment in capital assets, and \$2,354,716 was unrestricted, which is available to support operations. Total assets and deferred outflows of resources increased \$763,272 between December 31, 2017 and 2016, primarily due to the increase in cash and cash equivalents stemming from the increase in revenues.

**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE AGENCY (continued)

Net Position (continued)

Total liabilities and deferred inflows of resources increased \$179,333 primarily due to an increase in due to other governments for payments in lieu of taxes received in December 2017 and payable in January 2018. The net position increased by \$583,939 from the prior year.

Total assets and deferred outflows of resources as of December 31, 2016 were \$2,000,601 which exceeded total liabilities and deferred inflows of resources by \$1,789,579 (i.e. net position). Of the Agency's net position, \$27,538 was net investment in capital assets, and \$1,762,041 was unrestricted, which is available to support operations. Total assets and deferred outflows of resources increased \$110,926 between December 31, 2016 and 2015, primarily due to the increase in deferred outflows of resources related to pensions. Total liabilities and deferred inflows of resources increased \$101,957 primarily due to an increase in the net pension liability. The Agency's total net position increased slightly by \$8,969 from the prior year.

Operating Results

The Agency's condensed statements of revenues, expenses, and changes in net position at December 31st are presented as follows:

	2017	2016	(As Restated) 2015
Operating Revenues			
Charges for services	\$ 1,260,739	\$ 585,096	\$ 789,052
Total Operating Revenues	<u>1,260,739</u>	<u>585,096</u>	<u>789,052</u>
Operating Expenses			
Contractual goods and services	677,845	576,159	488,891
Depreciation	8,736	8,736	9,904
Total Operating Expenses	<u>686,581</u>	<u>584,895</u>	<u>498,795</u>
Income from Operations	<u>574,158</u>	<u>201</u>	<u>290,257</u>
Non-Operating Revenues	<u>9,781</u>	<u>8,768</u>	<u>4,600</u>
Change in Net Position	583,939	8,969	294,857
Net Position at Beginning of Year, as Restated	<u>1,789,579</u>	<u>1,780,610</u>	<u>1,485,753</u>
Net Position at End of Year	<u>\$ 2,373,518</u>	<u>\$ 1,789,579</u>	<u>\$ 1,780,610</u>

*In the year ended December 31, 2015, the Agency implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – Amendment of GASB Statement No. 68*. The cumulative effect of applying the change of accounting principle is shown as an adjustment to the 2015 beginning net position.

In 2017, the Agency's revenues increased \$675,643 or 115% from \$585,096 in 2016 to \$1,260,739 in 2017 primarily due to the number and size of the projects closed during the year, which drives closing fee revenues. The Agency's expenses increased \$101,686 or 17% from \$584,895 in 2016 to \$686,581 in 2017. The increase in expense is mainly due to an increase in advertising and promotion, professional fees, and salaries and related benefits.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE AGENCY (continued)

Operating Results (continued)

The Agency's revenues decreased \$203,956 or 26% from \$789,052 in 2015 to \$585,096 in 2016 primarily due to size of the projects which drives closing fee revenues. The Agency's expenses increased \$86,100 or 17% from \$498,795 in 2015 to \$584,895 in 2016. The increase in expense is mainly due to increased salaries and related benefits.

CAPITAL ASSET ADMINISTRATION

The Agency's capital assets of \$27,538 at December 31, 2016 less depreciation expense recognized during 2017 resulted in capital asset balance of \$18,802 at December 31, 2017. There were no additions during the 2017 year.

The Agency's capital assets of \$36,274 at December 31, 2015 less depreciation expense recognized during 2016 resulted in capital asset balance of \$27,538 at December 31, 2016. During 2016, the Agency sold a fully depreciated asset for \$6,600. There were no additions during the 2016 year.

ECONOMIC FACTORS AND NEXT YEAR'S PLAN

The overall mission of the Agency is to improve the quality of life for Brookhaven Town residents by promoting and assisting the growth of businesses that will increase employment opportunities, increase the commercial tax base, while being sensitive to the quality of the environment. To accomplish this mission, we will market to companies currently located within the Town, as well as those organizations external to the Town, utilizing the various incentives available to the Agency such as sales tax and mortgage recording tax exemptions, real estate tax abatements and the ability to issue tax-exempt and taxable bonds.

The Agency plans to continue and expand its assistance to the businesses located in or relocating to the Town of Brookhaven through:

- Federally tax-exempt and taxable revenue bonds
- Local property tax abatements
- Sales tax exemptions
- Mortgage recording tax exemptions

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Brookhaven Industrial Development Agency at 1 Independence Hill, Farmingville, New York 11738.

BASIC FINANCIAL STATEMENTS

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,391,707	\$ 926,912
Cash - restricted	247,631	18,381
Investments	-0-	847,779
Miscellaneous receivables	-0-	2,373
Prepaid expenses	26,980	29,154
Total Current Assets	2,666,318	1,824,599
Non-current Assets:		
Depreciable capital assets, net of depreciation	18,802	27,538
Total Assets	2,685,120	1,852,137
DEFERRED OUTFLOWS OF RESOURCES		
Pension amounts	78,753	148,464
Total Deferred Outflows of Resources	78,753	148,464
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	27,005	26,252
Funds held for Ronkonkoma Hub Transit Orientated Development	2,675	1,980
Due to other governments	244,956	16,401
Total Current Liabilities	274,636	44,633
Non-current Liabilities:		
Compensated absences	13,519	9,283
Net pension liability	87,235	139,878
Total Liabilities	375,390	193,794
DEFERRED INFLOWS OF RESOURCES		
Pension amounts	14,965	17,228
Total Deferred Inflows of Resources	14,965	17,228
NET POSITION		
Net investment in capital assets	18,802	27,538
Unrestricted	2,354,716	1,762,041
Total Net Position	\$ 2,373,518	\$ 1,789,579

See notes to financial statements.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Charges for services	\$ 1,260,739	\$ 585,096
OPERATING EXPENSES		
Administration salaries, benefits and payroll taxes	400,583	374,689
Advertising, public relations and special projects	129,725	49,785
Insurance	34,146	28,301
Depreciation	8,736	8,736
Meeting, conferences and publications	19,304	23,626
Professional fees	44,958	42,163
Rent	18,000	18,000
Office expense	23,372	29,225
Travel and conferences	7,757	10,370
Total Operating Expenses	686,581	584,895
Income from Operations	574,158	201
NON-OPERATING REVENUES		
Interest and investment income, net	9,781	2,168
Gain on sale of asset	-0-	6,600
Total Non-Operating Revenues	9,781	8,768
Change in Net Position	583,939	8,969
Net Position at Beginning of Year	1,789,579	1,780,610
Net Position at End of Year	\$ 2,373,518	\$ 1,789,579

See notes to financial statements.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services and projects	\$ 1,260,739	\$ 585,096
Cash paid for payroll and related expenses	(381,542)	(362,337)
Cash payments for contractual expenses	(271,962)	(199,451)
Net Cash Provided by Operating Activities	<u>607,235</u>	<u>23,308</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received for funds held for Ronkonkoma Hub		
Transit Orientated Development	18,101	(127,313)
Cash payments of funds held for Ronkonkoma Hub		
Transit Orientated Development	(17,406)	119,718
Cash received from recapture of project benefits	8,422	-0-
Cash received from payments in lieu of taxes and other	14,893,604	14,535,487
Cash paid for payments in lieu of taxes and other	(14,673,471)	(14,552,865)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>229,250</u>	<u>(24,973)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-0-	(500,856)
Proceeds from sale of investment	847,779	-0-
Proceeds from sale of capital asset	-0-	6,600
Interest income	9,781	2,703
Net Cash Provided (Used) by Investing Activities	<u>857,560</u>	<u>(491,553)</u>
Net Increase (Decrease) in Cash	1,694,045	(493,218)
Cash and Cash Equivalents at Beginning of Year	945,293	1,438,511
Cash and Cash Equivalents at End of Year	<u>\$ 2,639,338</u>	<u>\$ 945,293</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	\$ 574,158	\$ 201
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation expense	8,736	8,736
(Increase) decrease in assets:		
Prepaid expenses	2,174	3,766
Miscellaneous receivables	2,373	(2,125)
(Increase) decrease in deferred outflows of resources	69,711	(114,200)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	753	(7,695)
Compensated absences	4,236	6,434
Net pension liability	(52,643)	110,963
Increase (decrease) in deferred inflows of resources	(2,263)	17,228
Net Cash Provided by Operating Activities	<u>\$ 607,235</u>	<u>\$ 23,308</u>

See notes to financial statements.

**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

A. Summary of Significant Accounting Policies

The Town of Brookhaven Industrial Development Agency (the "Agency") was created as a New York State public benefit corporation. The Agency was established in 1971 pursuant to Title A of Article 18-A, Chapter 358 of the New York General Municipal Law ("NYGML"), at the request of the Town of Brookhaven. The Agency is a quasi-governmental, tax-exempt agency that was created to promote, develop, encourage and assist in acquiring, developing and equipping various business facilities, thereby advancing the job opportunities, general prosperity and economic welfare of the people of the Town of Brookhaven, New York. The Agency provides companies with the following incentives:

- Federally tax-exempt and taxable revenue bonds
- Local property tax abatements
- Sales tax exemptions
- Mortgage recording tax exemptions

The Agency is governed by a Board of Members ("Agency Board") which is the legislative body responsible for overall operations. The Agency's Board of Members are appointed by the Town of Brookhaven (the "Town"). The Agency Board appoints the Executive Director of the Agency who is the Chief Executive Officer. The Agency is a component unit of the Town of Brookhaven.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles in the United States, as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

The Agency's more significant accounting policies are described below.

1. Financial Reporting

The financial reporting entity includes all functions and activities of the Town of Brookhaven Industrial Development Agency. No other governmental organization has been included or excluded from the reporting entity.

2. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures 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 Agency 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 recorded when the liability is incurred or economic asset used.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

2. Measurement Focus/Basis of Accounting (continued)

Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows.

3. Cash, Cash Equivalents and Investments

Generally, for purposes of reporting cash flows, cash equivalents are defined as short-term highly liquid investments and includes unrestricted and restricted cash. Cash equivalents are carried at amortized costs which approximates fair value.

Restricted cash consists of recaptured benefits payable to the State of New York, payment in lieu of taxes ("PILOT") funds collected which have not been remitted to the appropriate taxing jurisdictions and funds held for Ronkonkoma Hub Transit Oriented Development as disclosed in Note F.

Investments, except for highly liquid market investments with maturities of one year or less at the time of purchase, which are stated at amortized costs, are reported at fair value.

Interest and investment income, including changes in the fair value, are reported in the statement of revenues, expenses and changes in net position.

4. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future periods and are reported as prepaid expenses.

5. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more and an estimated useful life in excess of one year, are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except donated capital assets, which are recorded at acquisition value at 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 all assets is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Machinery and equipment	3-10 years
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**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

A. Summary of Significant Accounting Policies (continued)

6. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue/contra expense) until that time.

The Agency's deferred outflows and inflows of resources reported in the statements of net position are related to the pension and are determined by the New York State Employees' Retirement System. These represent the effect of the net change in the Agency's proportion of the collective net pension asset or liability and difference during the measurement period between the Agency's contributions and its proportion share of total contributions to the New York State Employees' Retirement System not included in pension expense. Additionally, the pension related deferred outflows of resources, also includes the Agency contributions to the pension system subsequent to the measurement date.

7. Due to Other Governments

The Agency bills and collects payments in lieu of taxes from the project properties and are deposited and subsequently are disbursed to the appropriate taxing jurisdictions, within 30 days of receipt by the Agency as required by law. (See Note D). Payments collected are not considered revenues to the Agency and are disbursed to the appropriate taxing jurisdictions. Due to other governments consists of payments in lieu of taxes received that have been collected but not yet disbursed to the taxing jurisdictions. Also included in due to other governments are recaptured benefits payable to the State of New York. Payments will be from the restricted cash.

8. Net Position Classification

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

- a. 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 attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints placed on net position use are either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Agency has no restricted net position.

**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

A. Summary of Significant Accounting Policies (continued)

8. Net Position Classification (continued)

- c. Unrestricted net position - is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, and information about the fiduciary net position of the New York State and Local Retirement System (the "System") have been determined on the same basis as they were reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms, and reports investments at fair value.

10. Compensated Absences

Certain qualifying Agency employees earn accrued leave time/paid time off in varying amounts. In the event of separation from service, employees are paid for a portion of accumulated unused accrued paid time off. The liability for the accrued leave time/paid time off is recorded in the statement of net position as a non-current liability.

11. Revenue

The Agency's primary source of operating revenue is from application fees and financing fees (bond issuance and lease fees) which are computed as a percentage of the total project. Fees are recorded as income when earned at the time of closing on the projects. Nonoperating revenues consists of investment earning and gains/losses on sale of property.

12. Advertising

The Agency follows the policy of charging the costs of advertising and marketing to expense as incurred. Advertising and marketing expense for the years ended December 31, 2017 and 2016 was approximately \$130,000 and \$49,000, respectively.

13. 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, liabilities, deferred inflows/outflows of resources 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. Actual results could differ from those estimates.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies (continued)

14. New Pronouncements

The Agency has adopted all of the current Statements of the Governmental Accounting Standards Board ("GASB") that are applicable for the year ended December 31, 2017 as follows:

- Statement No. 73, *"Accounting and Financing Reporting for Pensions and Related Assets that Are Not Within the Scope of Statement. 68"*.
- Statement No. 80, *"Blending Requirements for Certain Component Units- an Amendment of Statement No. 14"*.
- Statement No. 81, *"Irrevocable Split-Interest Agreements"*.
- Statement No. 82, *"Pension Issues - an Amendment of Statements No. 67, 68 and 73"*.

The implementation of the aforementioned Statements had no impact on the Agency's financial statement.

15. 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.

B. Deposits and Investments

Deposits

Cash and cash equivalents consist of funds deposited in demand accounts and certificates of deposit with maturities of less than three months.

The Agency's investments are governed by a formal investment policy. The Agency's monies must be deposited in commercial banks or trust companies, which are members of the Federal Deposit Insurance Corporation and located within New York State.

The Agency is authorized to use certificates of deposit and money market deposit accounts. Permissible investments include certificates of deposit and United States Treasuries with a maturity no longer than one year.

Collateral is required for demand deposits and time deposits accounts at 105% 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 Agency's collateral agreements are based on the Agency's available balance.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

B. Deposits and Investments (continued)

Deposits (continued)

Custodial Credit Risk - Deposits/Investments - Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government 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, a government 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 Agency's name.

At December 31, 2017, the carrying amount of the Agency's cash and equivalents totaled \$2,639,038, exclusive of petty cash of \$300. The bank balances totaled \$2,662,745, of which \$250,000 was covered by Federal Depository Insurance Corporation, \$2,335,195 was collateralized by security held by the Agency's agent, a third-party financial institution and \$77,550 was not collateralized due to timing difference between the date of deposit and the collateralization process.

Investments

As of December 31, 2017, and 2016, the Agency held the following investments:

	December 31,	
	2017	2016
Measured at cost:		
Certificate of deposits	\$ -0-	\$ 247,951
Money market	-0-	399
Measured at fair value:		
U.S. Treasury securities	-0-	599,429
Total	\$ -0-	\$ 847,779

Fair Value Hierarchy

The Agency categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs (the Agency does not value any of its investments using Level 2 or Level 3 inputs).

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

B. Deposits and Investments (continued)

Fair Value Hierarchy (continued)

The following is a summary of the fair value hierarchy of the fair value investment of the Agency as of December 31, 2016:

	<u>Credit Rating</u>	<u>Significant Other Observable Inputs (Level 1)</u>
<u>Debt Securities:</u>		
U.S. Treasury Securities	N/A	\$ 599,429

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

Investments classified as a Level 1 of the fair value hierarchy are valued using quoted prices through active markets. Investments classified in Level 2 are valued using matrix pricing techniques by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various sources by our custodian bank. Investments classified as Level 3 are based on unobservable inputs such as management's assumptions. The Agency had no investments classified as Level 2 or Level 3.

C. Capital Assets

Capital asset activity for the years ended December 31, 2017 and 2016 is as follows:

	<u>Balance 01/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 01/01/17</u>	<u>Additions</u>	<u>Balance 12/31/17</u>
Depreciable assets:						
Vehicles	\$ 45,336	\$ -0-	\$17,257	\$ 28,079	\$ -0-	\$ 28,079
Computer equipment	15,599	-0-	-0-	15,599	-0-	15,599
Total depreciable capital assets	<u>60,935</u>	<u>-0-</u>	<u>17,257</u>	<u>43,678</u>	<u>-0-</u>	<u>43,678</u>
Accumulated depreciation:						
Vehicles	23,101	5,616	17,257	11,460	5,616	17,076
Computer equipment	1,560	3,120	-0-	4,680	3,120	7,800
Total accumulated depreciation	<u>24,661</u>	<u>\$ 8,736</u>	<u>\$17,257</u>	<u>16,140</u>	<u>\$ 8,736</u>	<u>24,876</u>
Total net depreciable assets	<u>\$ 36,274</u>			<u>\$ 27,538</u>		<u>\$ 18,802</u>

Depreciation expense totaled \$8,736 for the years ended December 31, 2017 and 2016, respectively.

**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

C. Capital Assets (continued)

The Agency evaluates capital assets for prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Agency's policy is to record an impairment loss in the period when the Agency determines that the carrying amount of the asset will not be recoverable. At December 31, 2017 and 2016, the Agency has not recorded any such impairment losses.

D. Payments in Lieu of Taxes

The Agency, as a condition of providing assistance, may require that the benefiting company remit a 'payment in lieu of taxes' ("PILOT") payment. PILOT payments are billed annually by the Agency and are payable by the company on a semi-annual basis.

Receipts of PILOT payments are deposited and subsequently are disbursed to the appropriate taxing jurisdictions within 30 days of receipt by the Agency as required by law. PILOT payments are not considered revenues of the Agency.

At December 31, 2017 and 2016, the Agency owed \$244,956 and \$16,401, respectively, to other governments for PILOT payments received and not yet remitted to the local municipalities.

E. Retirement System

Plan Description

The Agency participates in the New York State and Local Employees' Retirement System (the "System"), which is a cost-sharing multiple-employer defined benefit pension plan and the Public Employees' Group Life Insurance Plan, collectively (the "Plan"). The System provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York ("Comptroller") serves as a sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found on the website of the Office of the New York State Comptroller or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy

Plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their salary for NYSEERS members throughout active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, depending upon their salary, throughout active membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

E. Retirement System (continued)

Funding Policy (continued)

The Agency is required to contribute at an actuarially determined rate. During the years ended December 31, 2017 and 2016, the Agency paid \$35,612 and \$35,129, respectively, to the System for its regular pension contribution.

The Agency's contribution to the System was equal to 100% of the contributions required for each year.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflow of Resources Related to Pensions

At December 31, 2017 and 2016, the Agency reported a liability of \$87,235 and \$139,878, respectively, for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2017 and 2016, respectively, for the System. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined by the System. Below is the Agency's proportionate share of the net pension liability of the System and its related employer allocation percentage.

	2017	2016
System's actuarial valuation date	April 1, 2016	August 1, 2015
Net pension liability	\$87,235	\$139,878
Agency's portion of the System's total net pension liability	.0009284%	.0008715%

There was no significant change in the Agency's proportion from March 31, 2016 to March 31, 2017.

For the years ended December 31, 2017 and 2016, the Agency's recognized a pension expense of \$50,296 and \$50,156, respectively, in the statements of revenues, expenses and changes in net position. At December 31, 2017 and 2016, the Agency's reported deferred outflows/inflows of resources related to pension from the following sources:

	2017	2016
Deferred outflows of resources:		
Differences between expected and actual experience	\$ 2,186	\$ 707
Net difference between projected and actual investment earning on pension plan investments	17,424	82,984
Change in assumptions	29,803	37,301
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	2,630	1,125
Contributions made subsequent to the measurement date	26,710	26,347
Total Deferred Outflows of Resources - pension amounts	<u>\$ 78,753</u>	<u>\$ 148,464</u>
Deferred inflows of resources:		
Differences between expected and actual experience	\$ 13,247	\$ 16,580
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	1,718	648
Total Deferred Inflows of Resources - pension amounts	<u>\$ 14,965</u>	<u>\$ 17,228</u>

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

E. Retirement System (continued)

Pension Liabilities, Pension Expense and Deferred Outflows/Inflow of Resources Related to Pensions (continued)

The Agency's contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31, 2018	\$ 16,837
2019	16,837
2020	14,961
2021	<u>(11,557)</u>
	<u>\$ 37,078</u>

The System's Actuarial Assumptions

The total pension liability as of the measurement dates was determined by using an actuarial valuation as of April 1st, with update procedures used to roll forward the System's total pension liability to the measurement date of March 31st.

The System's actuarial valuation used the following actuarial assumptions:

	Measurement Date	
	March 31, 2017	March 31, 2016
Actuarial valuation date	April 1, 2016	April 1, 2015
Investment rate of return, net	7.00%	7.00%
Inflation	2.50%	2.50%
Salary increases	3.80%	3.80%
Cost of living adjustments	1.30%	1.30%
Decrement tables	April 1, 2010 - March 2015 System's Experience	April 1, 2010 - March 2015 System's Experience

Annuitant mortality rates for the April 1, 2017 and 2016 actuarial valuations are based on April 1, 2010 to March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

E. Retirement System (continued)

The System's Actuarial Assumptions (continued)

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, Section of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consider was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation of as March 31, 2017 and 2016 are summarized below:

Asset Type	March 31, 2017		March 31, 2016	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
Equity:				
Domestic equity	36.00%	4.55%	38.00%	7.30%
International equity	14.00%	6.35%	13.00%	8.55%
Alternatives:				
Private equity	10.00%	7.75%	10.00%	11.00%
Real estate	10.00%	5.80%	8.00%	8.25%
Absolute return strategies	2.00%	4.00%	3.00%	6.75%
Opportunistic portfolio	3.00%	5.89%	3.00%	8.60%
Real assets	3.00%	5.54%	3.00%	8.65%
Bonds and mortgages	17.00%	1.31%	18.00%	4.00%
Cash	1.00%	-0.25%	2.00%	2.25%
Inflation-indexed bonds	4.00%	1.50%	2.00%	4.00%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate

The discount rate used to calculate the total pension liability as of March 31, 2017 and 2016 was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

E. Retirement System (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension liability calculated by the System using the discount rate of 7.0% as of March 31, 2017 and 2016, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1.00% Decrease 6.00%	Current Assumption 7.00%	1.00% Increase 8.00%
Agency's proportionate share of the collective net pension liability/(asset) for the Plan year ended:			
March 31, 2017	\$ 278,612	\$ 87,235	\$ (74,573)
March 31, 2016	\$ 315,416	\$ 139,878	\$ (8,443)

Pension Plan Fiduciary Net Position

The components of the System's net pension liability of the employers as of the respective measurement date as of March 31, 2017 and 2016 are as follows:

Measurement date	(Dollars in Thousands) March 31, 2017	(Dollars in Thousands) March 31, 2016
Employers' total pension liability	\$ (177,400,586)	\$ (172,303,544)
Plan net position	168,004,363	156,253,265
Employers' net pension liability	<u>\$ (9,396,223)</u>	<u>\$ (16,050,279)</u>
Ratio of Plan's net position to the Employers' total pension liability	94.70%	90.70%

F. Funds Held for Ronkonkoma Hub Transit Oriented Development

Pursuant to a Master Developer Designation Agreement dated September 16, 2012, the Town of Brookhaven, in cooperation with the Agency is committed to revitalize the area surrounding the Ronkonkoma railroad station. The revitalization project known as Ronkonkoma Hub Transit Oriented Development ("Ronkonkoma TOD") has been identified as an urban renewal project and may require acquisition of property by the Agency.

Ronk Hub LLC, a limited liability company, organized and existing under the laws of the State of Delaware (the "Company") has been selected by the Town of Brookhaven to develop of the Ronkonkoma TOD. The Company has requested financial assistance from the Agency and the Agency will provide assistance in the form of sales and use tax exemptions and abatement of real property taxes. In connection with the possible condemnation of the property within the boundaries of the Ronkonkoma TOD project, the Agency will receive funds from the Company for expenses related to the development of the Ronkonkoma TOD. As of December 31, 2017 and 2016, the Agency was holding in escrow \$2,675 and \$1,980, respectively, related to this.

**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

G. Conduit Debt Obligations

The Agency has at times, issued revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities 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 Agency, 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, 2017 and 2016, there were \$87,038,245 and \$100,968,471 of conduit debt outstanding, respectively.

H. Recapture of Abatements Payment "Benefits"

Recapture of benefits includes property tax abatements, mortgage recording tax exemptions, and full sales tax exemptions payment. The Agency is empowered by its enabling legislation to grant various benefits in connection with qualifying projects it agrees to help finance, including granting exemptions from the imposition of sales and use taxes on purchases for use in connection with a project. However, it is the policy of the Agency to grant benefits with respect to a qualifying project only in return for a commitment from the business receiving the Agency benefits to operate and maintain the project consistent with the term of the lease agreement or the life of the bonds. Failure to do so may result in financial penalties being imposed on the business in the form of a required recapture of benefits payment, the severity of which is dependent upon the length of time the project is, in fact, operated and maintained pursuant to the applicable project financing documentation. As required, the Agency would remit any applicable sales and use taxes recaptured to New York State including the local portion and any interest, real property tax and mortgage recording tax benefits recaptured would be allocated on a pro-rata basis for distribution to the local taxing jurisdictions. During 2017, the Agency received \$8,422 for the recapture of sales tax-exemptions including interest charged thereto. During 2016, the Agency did not impose any recapture benefits.

I. Lease Commitments

The Agency assists private-sector companies and not-for-profit entities (the "companies") with the acquisition of industrial and commercial facilities deemed to be in the public interest. Upon closing on the properties, the Agency takes title or leasehold interest as a nominal owner (which allows the Agency to pass through tax and other incentives) and the companies take title as beneficial owners. The Agency then leases the properties to the companies for a negligible amount, if any. The lease terms usually expire in conjunction with the payments in lieu of taxes of the companies. The leasing transactions are not recorded in the accompanying financial statements of the Agency.

J. Litigation

The Agency 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 Agency.

**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

K. Related Party Transactions

The Agency and the Town of Brookhaven have some personnel in common. Salaries and related benefits for these common employees are paid for by the Town and the Agency. Additionally, the Agency rents the office space from the Town on a month to month basis.

During the years ended December 31, 2017 and 2016, the Agency paid the Town \$18,000 each year for office space rent and paid \$23,468 and \$32,663, respectively, to the Town for the Agency's share of employee benefits paid by the Town related to a shared employee.

L. New Pronouncements

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

Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 82, *"Pension Issues - An Amendment of GASB Statements No. 67, 68 and 73"*, is to be implemented over multiple years. The objective of this Statement to be implemented in the future is to address issues regarding the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and. In those certain circumstances, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Statement No. 83, *"Certain Assets Retirement Obligations"* establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. It also addresses that measurement of both the asset retirement obligation and deferred outflows of resources should be based on the estimated of the current value of expected outlays. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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. This Statement also provides guidance for the recognition of a liability when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

L. New Pronouncements (continued)

Statement No. 85, "*Omnibus 2017*" was issued to address practice issues identified in the implementation and application of certain GASB Statements. It addresses a number of topics including, but not limited to: blending component units, goodwill, fair value measurement and applications, and postemployment benefits such as pension and other postemployment benefits. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 86, "*Certain Debt Extinguishment Issues*" was issued to improve the consistency in accounting and reporting for in-substance defeasance of debt and prepaid insurance on debt that is extinguished. This Statement clarifies that the governments should recognize any difference between the reacquisition price (the amount required to be placed in trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance, regardless if utilizing existing resources or issuing refunding debt. It also clarifies that any prepaid insurance related to the extinguished debt be included in the net carrying amount of debt for purposes of calculating the difference between the reacquisition price and carrying amount of the debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, "*Leases*" establishes accounting and financial reporting of leases. It 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. The requirements of this Statement are effective for reporting periods beginning after December 31, 2019.

The Agency is currently evaluating the impact of the above pronouncements.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION
AND ANALYSIS**

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2017

	<u>2017</u>	<u>March 31, 2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.0009284%	0.000871506%	0.00085559%
Agency's proportionate share of the net pension liability	\$ 87,235	\$ 139,878	\$ 28,915
Covered payroll	\$ 235,848	\$ 221,695	\$ 183,006
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	36.99%	63.09%	15.80%
System's fiduciary net position as a percentage of total pension liability	94.70%	90.70%	97.95%

Note - amounts presented were determined as of the System's measurement date of March 31st.

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2017

Years Ended December 31,	Contractually Required Contributions	Contributions Recognized by the Plan in Relation to the Contractually Required Contributions	Contribution Deficiency (excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 35,941	\$ 35,941	\$ -	\$ 249,368	14.41%
2016	35,617	35,617	-	271,758	13.11%
2015	38,609	38,609	-	241,982	15.96%
2014	46,915	46,915	-	243,008	19.31%
2013	50,258	50,258	-	246,810	20.36%
2012	22,858	22,858	-	244,433	9.35%
2011	10,173	10,173	-	91,158	11.16%
2010	6,533	6,533	-	78,650	8.31%
2009	6,033	6,033	-	83,641	7.21%
2008	10,433	10,433	-	63,394	16.46%

Note - the Agency joined the retirement system in 2008.

Note - amounts presented for each year were determined as of December 31st and the contractually required contributions are based on the amounts invoiced by the New York State Local Retirement System.

OTHER INFORMATION

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF INDEBTEDNESS - CONDUIT DEBT
December 31, 2017

Company Name	Issue Date	Maturity Date	IDA Project Code	Interest Rate	Original Amount	Balance 01/01/17	Payments	Balance 12/31/17	Tax Status
A&E Platinum Partners (Enecon)	09/07	2018	4702-07-6A	5.80%	\$ 860,000	\$ 215,000	\$ (105,000)	\$ 110,000	Taxable
A&E Platinum Partners (Enecon)	09/07	2033	4702-07-6A	6.30%	2,735,000	2,735,000	-	2,735,000	Taxable
BK at Lake Grove LLC	12/13	2046	4702-13-9A	7.75%	10,000,000	10,000,000	-	10,000,000	Taxable
BK at Lake Grove LLC	12/13	2046	4702-13-9A	7.75%	14,980,000	14,980,000	-	14,980,000	Taxable
BK at Lake Grove LLC	12/13	2046	4702-13-9A	7.75%	15,015,000	15,015,000	-	15,015,000	Taxable
Blue Diamond Sheet Metal, Inc.	04/05	2020	4702-05-2A	5.62%	1,700,000	557,770	(151,987)	405,783	Taxable
Brookhaven Memorial Hospital	12/06	2030	4702-98-04A	5.18%	20,000,000	14,730,000	(745,000)	13,985,000	Exempt
Dowling College Civic Facility	11/02	2032	4702-93-01A	6.75%	10,900,000	8,755,000	-	8,755,000	Exempt
Emma S. Clark Memorial Library	12/98	2018	4702-98-05A	4.60%	3,750,000	525,000	(248,790)	276,210	Exempt
Framerica Corporation	12/00	2019	4702-00-8A	3.71%	5,250,000	5,801,440	(171,034)	5,630,406	Taxable
Frank Lowe Rubber & Gasket Co.	12/06	2021	4702-06-9A	2.63%	6,270,000	4,124,471	(313,725)	3,810,746	Taxable
Intercounty Appliances Corp.	01/05	2025	4702-04-3A	0.89%	9,000,000	5,165,000	(515,000)	4,650,000	Taxable
Pallets R Us, Inc.	11/08	2028	4702-07-3A	5.95%	9,500,000	7,092,747	(407,647)	6,685,100	Taxable
Woodcrest Senior Housing	01/12	2038	4702-98-06A	4.45%	19,205,000	11,272,043	(11,272,043)	-	Taxable
					<u>\$ 129,165,000</u>	<u>\$ 100,968,471</u>	<u>\$(13,930,226)</u>	<u>\$ 87,038,245</u>	

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXEMPTIONS - BONDS
 December 31, 2017

Project Code	Total Project Amount	Bond/Project/Applicant Name and Address	Estimated Amount of Tax Exemptions	Purpose for which Bond or Note was Issued	Year Financial Assistance is Planned to End	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	Actual Payments Made			Payments Due Per Agreement		
								County PILOT	Local PILOT	School District PILOT	County PILOT	Local PILOT	School District PILOT
4702-00-8A	\$ 5,250,000	Framerica Corporation 519 Johnson Ave, Bohemia, NY	\$ 193,388	Manufacturing	2020	168	0	\$ 2,601	\$ 3,253	\$ 11,704	\$ 2,601	\$ 3,253	\$ 11,704
4702-07-3A	\$ 9,500,000	Nicla Enterprises, 38-42 Wyandanch Ave, Wyandanch NY	\$ 197,325	Manufacturing	2028	0	0	6,010	7,999	27,041	6,010	7,999	27,041
4702-04-3A	\$ 9,000,000	Intercounty Yaphank, LLC 360 Moreland Road, Commack, NY	\$ 546,669	Wholesale Trade	2025	180	0	52,154	64,644	272,379	52,154	4,644	272,379
4702-05-2A	\$ 1,700,000	Blue Diamond Sheet Metal, Inc., 36 Commercial Blvd, Medford, NY	\$ 89,409	Manufacturing	2020	40	0	13,091	17,422	58,896	13,091	17,422	58,896
4702-06-9A	\$ 6,270,000	Frank Lowe Rubber & Gasket Co., Inc., 10 Dubon Court, Farmingdale, NY	\$ 126,693	Manufacturing	2016	8	0	1,462	2,043	7,684	1,462	2,043	7,684
4702-07-6A	\$ 3,595,000	ENECON Corporation, 700 Hicksville Rd Suite 3, Setauket, NY	\$ 79,613	Manufacturing	2027	20	0	489	607	2,570	489	607	2,570
4702-13-9A	\$ 39,999,999	Bk at Lake Grove, 67 Clinton Rd, Garden City, NY	\$ 607,355	Continuing Care Retirement Communities	2025	50	0	9,134	12,747	47,174	9,134	12,747	47,174
4702-93-01A	\$ 10,900,000	Dowling College, Idle Hour Blvd, Oakdale, NY		Civic Facility	2032	162	0						
4702-98-04A	\$ 20,000,000	Brookhaven Memorial Hospital, 101 Hospital Rd, Patchogue, NY		Civic Facility	2030	128	992						
4702-98-05A	\$ 3,750,000	Emma S. Clark Memorial Library Foundation, 120 Main Street, Setauket, NY 11733		Other Categories	2018	1	45						
4702-98-06A	\$ 19,205,000	WB Woodcrest Associates, LLC, 570 Taxter Rd, Elmsford NY		Other Categories	2038	6	0						

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXEMPTIONS - LEASES
 December 31, 2017

Project Code	Is the applicant a Not for Profit corporation?	Lease Project and Applicant Name and Address	Estimated Amount of Tax Exemptions	Purpose for which Each Transaction was Made	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	Actual Payments Made			Payments Due Per Agreement		
							County PILOT	Local PILOT	School District PILOT	County PILOT	Local PILOT	School District PILOT
4702-14-13A	N	AARCO PRODUCTS INC, 21 OLD DOCK RD, NY, 11980	84,024	Wholesale Trade	15	0	\$ 5,159	\$ 6,452	\$ 23,210	\$ 5,159	\$ 6,452	\$ 23,210
4702-06-6A	N	Able Electronics, Inc., 40 Sawgrass Drive, NY, 11713	21,256	Manufacturing	3	0	237	316	1,067	237	316	1,067
4702-05-4A	N	Alternative Parts, Inc., 11-1 Old Dock Road, NY, 11980	22,774	Manufacturing	18	0	237	316	1,067	237	316	1,067
4702-12-2A	N	AMNEAL PHARMACEUTICALS, 85 ADAMS AVE, NY, 11788	590,440	Manufacturing	400	190	51,493	68,532	231,672	51,493	68,532	231,672
4702-08-8A	N	Briad Lodging, 78 Okner Pkwy, NJ, 07039	448,735	Other Categories	0	0	1,161	1,545	5,223	1,161	1,545	5,223
4702-07-2A	N	Caithness Corporation, 565 Fifth Avenue, NY, 10017	11,056,036	Manufacturing	27	0	1,432,686	1,791,745	6,445,764	1,432,686	1,791,745	6,445,764
4702-11-2A	N	CMD REALTY ASSOCIATES, 37C CEDARHURST AVENUE, NY, 11763	14,671	Manufacturing	3	13	161	201	722	161	201	722
4702-06-5A	N	CRAZ WOODWORKING, 86 HORSEBLOCK RD, NY, 11980	20,159	Manufacturing	14	9	235	312	1,056	235	312	1,056
4702-15-2A	N	CRESTWOOD FARMS INC, 22 SPENCE STREET, NY, 11706	19,333	Other Categories	6	40	1,411	1,877	6,347	1,411	1,877	6,347
4702-13-17A	N	CROSS SOUND CABLE COMPANY LLC, 110 TURNPIKE ROAD, MA, 01581	1,952,781	Transportation, Communication, Electric, Gas and Sanitary Services	0	0	250,133	245,732	1,191,324	250,133	245,732	1,191,324
4702-14-2A	N	D&F PATCHOGUE A.L. LLC, 100 SCHOOLHOUSE RD, NY, 11756	15,635	Other Categories	50	0	2,297	2,098	11,240	2,297	2,098	11,240

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXEMPTIONS - LEASES
December 31, 2017

Project Code	Is the applicant a Not for Profit corporation?	Lease Project and Applicant Name and Address	Estimated Amount of Tax Exemptions	Purpose for which Each Transaction was Made	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	Actual Payments Made			Payments Due Per Agreement		
							County PILOT	Local PILOT	School District PILOT	County PILOT	Local PILOT	School District PILOT
4702-07-7A	N	DeRossa, 250 Knickerbocker Ave, NY, 11716	23,280	Manufacturing	2	0	\$ 235	\$ 312	\$ 1,056	\$ 235	\$ 312	\$ 1,056
4702-05-3A	N	DiCarlo Distributors, Inc., 1630 North Ocean Avenue, NY, 11742	211,997	Manufacturing	35	190	30,367	35,502	123,543	30,367	35,502	123,543
4702-14-1A	N	EB AT HOLTSVILLE LLC, 67 CLINTON RD, NY, 11530	8,191	Other Categories	70	0	1,262	1,653	5,135	1,262	1,653	5,135
4702-06-2A	N	Envirotrac, Ltd., 80B Airpark Drive, NY, 11779	36,744	Manufacturing	36	0	494	631	2,596	494	631	2,596
4702-15-14A	N	Excel Holdings, 1901 Fort Myers Drive, VA, 22209	300,582	Other Categories	0	0	36,721	37,882	149,396	36,721	37,882	149,396
4702-15-15A	N	Excel Holdings, 1901 Fort Myers Drive, VA, 22209	7,383	Other Categories	24	0	1,210	1,249	4,924	1,210	1,249	4,924
4702-09-1A	N	Exhale Properties, 90 Precision Drive, NY, 11967	46,498	Manufacturing	5	0	388	542	2,038	388	542	2,038
4702-15-8A	N	Four Keys Realty, 25 Mill Road, NY, 11779	0	Manufacturing	46	38						
4702-15-12A	N	FTS PROJECT OWNER 2, 2180 SOUTH 1300 EAST, UT, 84106	40,824	Transportation, Communication, Electric, Gas and Sanitary Services	0	0	43,924	46,879	209,197	43,924	46,879	209,197
4702-08-6A	N	Global Tissue, 870 Expressway Dr., NY, 11980	299,350	Manufacturing	91	0	1,309	1,672	6,880	1,309	1,672	6,880
4702-15-1-A	N	Greenwood Energy Holdings , 134 East 40 Street, NY, 10016	0	Construction	0	0						
4702-15-7A	N	GREENWOOD ENERGY HOLDINGS, 134 E. 40TH STREET , NY, 10016	0	Construction	0	0						

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXEMPTIONS - LEASES
December 31, 2017

Project Code	Is the applicant a Not for Profit corporation?	Lease Project and Applicant Name and Address	Estimated Amount of Tax Exemptions	Purpose for which Each Transaction was Made	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	Actual Payments Made			Payments Due Per Agreement		
							County PILOT	Local PILOT	School District PILOT	County PILOT	Local PILOT	School District PILOT
4702-13-12A	N	Grucci Properties East, 20 Pinehurst Drive, Bellport, NY	44,199	Manufacturing	26	0	\$ 425	\$ 566	\$ 1,914	\$ 425	\$ 566	\$ 1,914
4702-13-15A	N	ISLANDAIRE, 22 RESEARCH WAY, NY, 11733	101,566	Manufacturing	29	133	1,170	1,274	6,145	1,170	1,274	6,145
4702-15-5A	N	J-CAD REALTY LLC, 664 BLUEPOINT AVE, NY, 11742		Wholesale Trade			3,430	3,840	13,955	3,430	3,840	13,955
4702-12-9A	N	JENNA GRACE PROPERTIES, LLC, 10 MOFFITT BLVD, NY, 11706	70,791	Other Categories	158	9	3,381	5,211	17,767	3,381	5,211	17,767
4702-16-4A	N	JONES VENTURE, 723 BROADWAY AVENUE, NY, 11741	0	Wholesale Trade	13	1						
4702-99-12A	N	KCWM Corp., 35 Old Dock Road, NY, 11980	0	Manufacturing	20	0						
4702-10-1A	N	LI Precast, 20 Stiriz Rd, NY, 11713	116,970	Manufacturing	5	0	3,581	4,739	16,113	3,581	4,739	16,113
4702-12-5A	N	Maehr Industries, 86C Horseblock Road, NY, 11980	38,058	Manufacturing	4	9	243	323	1,093	243	323	1,093
4702-08-4A	N	Maharam Fabric, 45 Rasons Ct, NY, 11788	113,032	Manufacturing	0	0	1,877	2,348	8,446	1,877	2,348	8,446
4702-06-7A	N	McKeon Rolling Steel Door Co., Inc., 95 29th Street, NY, 11232	118,509	Manufacturing	20	0	1,235	1,644	5,556	1,235	1,644	5,556
4702-02-3A	N	Melconian Enterprises, Inc., 133 Medford Avenue, NY, 11772	0	Manufacturing	10	0						

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXEMPTIONS - LEASES
 December 31, 2017

Project Code	Is the applicant a Not for Profit corporation?	Lease Project and Applicant Name and Address	Estimated Amount of Tax Exemptions	Purpose for which Each Transaction was Made	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	Actual Payments Made			Payments Due Per Agreement		
							County PILOT	Local PILOT	School District PILOT	County PILOT	Local PILOT	School District PILOT
4702-03-4A	N	MTK Electronics, Inc., 1696 Church Street, NY, 11741	18,626	Manufacturing	5	0	\$ 2,485	\$ 3,083	\$ 13,058	\$ 2,485	\$ 3,083	\$ 13,058
4702-06-8A	N	North Shore Components, Inc., 100 Kroemer Avenue, NY, 11901	19,569	Manufacturing	4	0	237	316	1,067	237	316	1,067
4702-01-7A	N	Northrock Industries, Inc., 30-A Carlough Road, NY, 11716	0	Manufacturing	19	0						
4702-05-1A	N	Nussdorf Associates, 2060 9th Avenue, NY, 11779	806,373	Manufacturing	5	0	8,860	11,791	39,861	8,860	11,791	39,861
4702-03-2A	N	Omega Moulding Co., Ltd., 75 Austin Boulevard, NY, 11725	245,622	Manufacturing	180	0	22,387	29,795	100,722	22,387	29,795	100,722
4702-15-9A	N	Penn Fabricators, 106 Bellport Avenue, NY, 11980	0	Manufacturing	7	0						
4702-06-4A	N	Precision International, 210 Knickerbocker Avenue, NY, 11716	89,091	Manufacturing	10	0	1,205	1,507	5,423	1,205	1,507	5,423
4702-14-5A	N	RAIL REALTY LLC, 414 MAIN ST, NY, 11777	69,244	Other Categories	5	0	2,316	2,640	11,574	2,316	2,640	11,574
4702-11-1A	N	Relle Electric, 26 Sawgrass Drive, NY, 11713	20,159	Manufacturing	14	13	1,349	1,795	6,067	1,349	1,795	6,067
4702-99-01A	N	Renaissance Technologies Corp., 25 E. Loop Road, NY, 11790	416,836	Finance, Insurance and Real Estate	84	0	56,767	61,852	298,217	56,767	61,852	298,217
4702-14-7A	N	ROSE-BRESLIN ASSOC, LLC, ONE EXECUTIVE BLVD, NY, 10701	1,247,489	Other Categories	9	0	8,284	11,574	43,533	8,284	11,574	43,533
4702-14-6C	N	Sayville Browning Properties, Inc., 5000 Express Drive South, NY, 11779	0	Other Categories	37	0						

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXEMPTIONS - LEASES
December 31, 2017

Project Code	Is the applicant a Not for Profit corporation?	Lease Project and Applicant Name and Address	Estimated Amount of Tax Exemptions	Purpose for which Each Transaction was Made	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	Actual Payments Made			Payments Due Per Agreement		
							County PILOT	Local PILOT	School District PILOT	County PILOT	Local PILOT	School District PILOT
4702-99-18A	N	Sayville Browning Properties, Inc., 5000 Express Drive South, NY, 11779	0	Services	120	0						
4702-09-2A	N	SCHEFF RLTY, 28 BARRETTS AVENUE, NY, 11742	156,087	Other Categories	143	131	\$ 22,353	\$ 25,022	\$ 90,941	\$ 22,353	\$ 25,022	\$ 90,941
4702-13-11A	N	Selden Commercial Center, LLC, 750 Route 25A, Setauket, NY	268,838	Other Categories	7	19	17,306	28,311	89,382	17,306	28,311	89,382
4702-16-2A	N	SHOREHAM SOLAR COMMUNICATION, 15 WACKER DRIVE, IL, 60606	0	Transportation, Communication, Electric, Gas and Sanitary Services	0	0						
4702-09-4A	N	Six Roses LLC, 72 Clare Rose Blvd, NY, 11772	567,042	Wholesale Trade	0	0	6,590	9,208	34,632	6,590	9,208	34,632
4702-08-5A	N	Stafford Assoc, 24 Hub Rd., NY, 11733	111,087	Manufacturing	6	0	8,667	9,443	45,531	8,667	9,443	45,531
4702-05-7A	N	T.A. Morris Sons, Inc., 422 Great East Neck Road, NY, 11704	57,358	Manufacturing	37	0	1,216	1,619	5,472	1,216	1,619	5,472
4702-12-6A	N	TATE'S WHOLESALE, LLC, 62 PINE STREET, NY, 11940	99,797	Manufacturing	10	67	8,449	9,772	44,580	8,449	9,772	44,580
4702-13-8A	N	THANX M.S. ZORN BLVD., LLC, 50-1 INDUSTRIAL WAY, NY, 11778	141,706	Manufacturing	4	4	1,258	1,674	5,658	1,258	1,674	5,658
4702-07-4A	N	Torino Realty Enterprises, Inc., 6 Van Brunt Manor Road, NY, 11733	50,610	Manufacturing	21	0	709	943	3,189	709	943	3,189
4702-07-5A	N	Tower Fasteners, 1690 N. Ocean Ave, NY, 11742	66,247	Manufacturing	13	65	10,621	12,417	43,209	10,621	12,417	43,209

TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXEMPTIONS - LEASES
December 31, 2017

Project Code	Is the applicant a Not for Profit corporation?	Lease Project and Applicant Name and Address	Estimated Amount of Tax Exemptions	Purpose for which Each Transaction was Made	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	Actual Payments Made			Payments Due Per Agreement		
							County PILOT	Local PILOT	School District PILOT	County PILOT	Local PILOT	School District PILOT
4702-00-9A	N	Uncle Wally's / United Baking Co. 30 Oser Ave, Hauppauge, NY	121,724	Manufacturing	71	0	\$ 1,217	\$ 1,701	\$ 6,396	\$ 1,217	\$ 1,701	\$ 6,396
4702-13-6A	N	Wincoram/CV Village, 183 East Main Street Suite 600, Rochester, NY	354,856	Other Categories	4	0	8,968	13,823	47,128	8,968	13,823	47,128

OTHER REPORTS



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

To the Agency Board
Town of Brookhaven Industrial Development Agency
Farmingville, 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 Brookhaven Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's 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...

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ahmed, Vijay, Zuh & Company P.C.

Hauppauge, New York
March 28, 2018



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH AGENCY INVESTMENT POLICY

To the Agency Board
Town of Brookhaven Industrial Development Agency
Farmingville, New York

Report

We have examined the Town of Brookhaven Industrial Development Agency's (the "Agency") compliance with the Agency's investment policy during the period January 1, 2017 through December 31, 2017.

Management's Responsibility

Management is responsible for the Agency's compliance with their investment policy.

Auditors' Responsibility

Our responsibility is to express an opinion on the Agency'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 Agency'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 Agency's compliance with specified requirements.

Opinion

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements during the period January 1, 2017 through December 31, 2017.

Other Matters

This report is intended solely for the information and use of the Board, audit committee, management of the Agency, 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
March 28, 2018

BEYOND THE NUMBERS...

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