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TOWN OF BROOKHAVEN
INDUSTRIAL DEVELOPMENT AGENCY

- - - - -x

AUDIT COMMITTEE MEETING
HELD BY ZOOM VIDEOCONFERENCE

- - - - -x

March 10, 2021
10:04 a.m.

TRANSCRIPT OF PROCEEDINGS

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A P P E A R A N C E S :

MEMBERS :

FREDERICK C. BRAUN, III
FELIX J. GRUCCI, JR.
GARY POLLAKUSKY
ANN-MARIE SCHEIDT

ALSO PRESENT :

LISA M.G. MULLIGAN, CHIEF EXECUTIVE OFFICER
LORI J. LaPONTE, CHIEF FINANCIAL OFFICER
JAMES M. TULLO, DEPUTY DIRECTOR
JOCELYN LINSE, EXECUTIVE ASSISTANT
TERRI ALKON, ADMINISTRATIVE ASSISTANT
WILLIAM F. WEIR, ESQ., NIXON PEABODY
HOWARD R. GROSS, ESQ.,
WEINBERG GROSS & PERGAMENT, LLP
JEFFREY S. DAVOLI, PKF O'CONNOR DAVIES
ELIZABETH F. CASEY, PKF O'CONNOR DAVIES
OCTAVIO CHACON, PKF O'CONNOR DAVIES

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MS. MULLIGAN: This is the audit committee meeting for the IDA.

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MR. DAVOLI: Well, good morning everyone. I'm Jeff Davoli. I'm a partner of the accounting firm of PKF O'Connor Davies. You'll notice that the letterhead has changed; we merged AVZ and PKF O'Connor Davies effective January 1, 2021, so this audit will be issued under PKF O'Connor Davies.

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So with the agenda, I think maybe I need ten or 15 minutes tops, I know you probably got a lot of busy items on the agenda, so I'll go through this relatively quickly.

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I'm going to go to the audit status. Our responsibility as auditors, your responsibility as those charged with governance, some scope and approach to the audit, some financial highlights, some required communications, internal controls and some things that are coming down the pike.

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So audit status. We're effectively done with the audit, the audit is wrapped up. We're in the housekeeping stage of the audit,

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which means that pending this meeting, we get

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approval to issue the financial statements.

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We'll issue rep letters to management to be

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signed. I believe all other housekeeping

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items, either Octavio or Beth, correct me if

7

I'm wrong, I think all other housekeeping

8

items are ready to go and we can issue our

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statement in the next day or two.

10

MS. CASEY: We may have a couple of

11

small things pending.

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MR. DAVOLI: Okay.

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MS. CASEY: That should be easy to be

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resolved.

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MR. DAVOLI: Yeah. The timing is

16

always an issue with IDA's because the AAA

17

PARIS filings. Those filings were extended

18

due to COVID, so there's no real push to get

19

it issued, although I'm sure the board I

20

imagine wants to get it issued as soon as

21

possible.

22

Our opinion is unmodified, which means

23

that it's a clean opinion, which again means

24

that the financial statements are clearly and

25

materially stated in accordance with general

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2

accepted accounting principles.

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Again, we will be needing approval of those charged with governance and the rep letter and those couple of items that Beth mentioned.

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Our responsibility as auditors, form an opinion on the financial statements, perform the audit in accordance with professional standards.

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Considering internal control, but not reporting on it. If there were items to report on during our procedures for internal control related matters, we would communicate them to you here today.

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Accumulating misstatements that we identified during the audit and then reporting on those items as well as all the other items in the financial statements including the MD&A.

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Again, we communicate significant matters that came up during the audit, material weaknesses, significant deficiencies, internal control clause, fraud or illegal acts. We are required to perform certain

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procedures regarding fraud which involve

3

inquires of management and I'm happy to report

4

that there were no reports of fraud, there was

5

nothing that came up in our audit that

6

indicated there was fraud, either material or

7

otherwise and the process used by management

8

to formulate particularly sensitive accounting

9

estimates and conclusions.

10

Responsibilities of management is

11

selecting appropriate accounting policies;

12

fairly stating the financial statements in

13

accordance with GAAP; establishing and

14

maintaining the effective internal control,

15

complying with laws and regs; providing all

16

the financial records to us to complete the

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audit.

18

Today we're communicating with you on

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the audit process and management always has

20

the responsibility of setting a proper tone at

21

the top and designing and implementing

22

effective internal controllers not only to

23

prevent, but also detect timely any fraud that

24

may exist.

25

These are the areas that we considered

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2

significant audit areas: Cash, cash is always

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an area of concern. There was no green cash

4

here, which makes it a little bit easier, but

5

it is generally one of the larger items on the

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balance sheet; therefore, it is significant to

7

us. Revenue is revenue and revenue

8

recognition is always an audit scope

9

implication and accounts payable per expenses

10

due to other governments, which are the PILOT

11

payments that are received and not remitted by

12

year end, payroll and payroll related expenses

13

and we look at subsequent events through the

14

date of issue, which means that we're

15

responsible for reporting on the results of

16

operations for the year 2020, on the balance

17

sheet as of 12/31/20 and we're also

18

responsible for checking to make sure that

19

there are no subsequent events that have a

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material impact on the financial statements or

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the operations.

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Some financial highlights for the IDA,

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net position totaled just under \$3 million,

24

which was a \$119,000 decrease, about a four

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percent decrease, from the prior year. The

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pension liability increased by \$301,000, but

3

because of the way the pension is booked,

4

there was also a deferred outflow of 211,000,

5

kind of minimizing the impact on the financial

6

statements.

7

Charges for services, which include the

8

closing fees, decreased by 131,000 from 909 in

9

2019 to 778 in 2020. There were 12 projects

10

closed in '19 and there were eight projects

11

closed in 2020.

12

The operating expenses totaled 923,000,

13

that's about a \$109,000 increase from the

14

prior year and most of that, as in the last

15

bullet there, relates to admin salaries,

16

benefits and payroll and specifically about

17

\$80,000 related to pension expense and 29,000

18

due to health insurance cost increases.

19

From a cash flow standpoint, obviously

20

the agency flows in and out. The PILOT's,

21

\$18.7 million flowed in and 18.5 flowed out,

22

the balance is still on the balance sheet as

23

of 12/31/2020 compared to 17.6 million in '19

24

flowing in and 17.5 flowing out.

25

We'll skip this, this is the LDC.

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2

Here again is a required communication.

3

We have communicated our procedures, an

4

engagement letter that was dated in October

5

and again, no matters have come to our

6

attention that requires us to inform you about

7

any significant accounting policy or

8

controversial or emerging areas, which there's

9

a lack of authoritative consensus. That just

10

means that there's no funky business going on

11

with the GAAP that you applied in closing the

12

books and also, there were no matters that

13

came to our attention that required us about

14

any significant unusual transactions.

15

There were no real GASB's implemented

16

this year that would affect our ability with

17

the prior year.

18

Every engagement includes an element of

19

accounting estimates. There were . . . the

20

only estimates that affect the IDA materially

21

was the net pension liability that we spoke

22

about and the deferred outflows. The net

23

pension liability is the liability that's

24

determined up at the state level and pushed

25

down to the local governments. That is a

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2

liability that is determined on an actuarially

3

determined basis by auditors of the plan up at

4

the state level and again, we accounted no

5

significant deficiencies -- difficulties in

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dealing with management, everything went

7

smoothly; there was no biting, no kicking, no

8

spitting, no scratching.

9

We had no disagreements with management

10

in the conducting of our audit and again,

11

we're going to get representations from

12

management that we will date as of the date of

13

the opinion on certain matters related to the

14

financial statements and the disclosures.

15

There were no consultation with other

16

accountants, what we refer to in the industry

17

as opinion shopping and none of the matters

18

discussed in our responses were a condition of

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retention of us being your auditors.

20

We're required under generally accepted

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auditing standards to affirm that we are

22

independent and we're also required to

23

communicate with you regarding any corrections

24

to the financial statements or the books and

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records and any data uncorrected as of the

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2

date of the balance sheet and there were no

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corrected and there were no uncorrected errors

4

in the financial statements.

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MS. CASEY: Kudos to you, Lori.

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MR. DAVOLI: Yup. Thank you, Lori and

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everybody who works on the books and records

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of the agency, it really makes our job easy

9

with the competence and it's rare that you

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have such qualified talent and it certainly

11

makes our job easier.

12

Professional standards require that we

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communicate any material weaknesses in

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internal control. These are the weaknesses,

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deficiencies in internal control. Significant

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deficiencies, which are combinations of

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deficiencies that rise to a higher level, but

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not a material weakness and a material

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weakness is a combination of significant

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deficiencies that effectively cause the

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financial statements not to be in GAAP or

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materially misstated and we're happy that we

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did not identify any deficiencies in internal

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control that are required to be communicated

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with you here today.

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Coming down the pike, there's a couple of things that are of interest specifically to IDA's and LDC's and that's GASB 91, which has to do with conduit debt, so that is effective for the year 2022.

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There's some omnibus, the lease standards that are coming in '22. 2021 will not apply to the agency.

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Everybody knows LIBOR's going away, I don't really think it's going to have a material impact on the financial statements of the IDA or the LDC. There's some component unit clarification that's coming down in GASB 97 and then down the road further, 2023, there's a GASB that talks about public-private partnerships. We're evaluating that now and will be in touch if that has an impact, but again, that's a couple of years down the road and then there's the SBITAs on the GASB 96.

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So that's it for the IDA, if there's any questions.

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MR. BRAUN: It's more a question for the attorneys.

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With LIBOR going away, some of our

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agreements obviously, it doesn't affect us

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directly, but with some of our agreements and

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the financing of those projects including a

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reference to LIBOR, again, a question for the

6

attorneys, do we need to get any additional

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documentation from the lenders and/or the

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projects as to how those projects will be or

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the index being used going forward?

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MR. WEIR: Most of our bond deals that

11

are currently outstanding, luckily they're

12

fixed rate bonds, we don't have too many

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variable rate bonds out there, but the ones we

14

do have (inaudible) bonds on behalf of Mather

15

Memorial Hospital through the LDC that was

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purchased by I believe it was Webster Bank, so

17

those bonds will have to be amended to put a

18

new rate in or new mechanism.

19

Some of the -- a lot of the mortgages

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on the straight lease transactions probably do

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have LIBOR provisions in there, so again, the

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notes, the loan agreements can be amended, the

23

IDA's not a party to that, they'll be amended

24

between the bank and the companies, should not

25

impact the mortgage because it's not changing

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2 the mortgage amount, but I'm sure we'll be
3 hearing from some banks during the course of
4 this year.

5 MR. BRAUN: Thank you.

6 MR. WEIR: Luckily we don't have too
7 many variable rate bonds outstanding.

8 MS. MULLIGAN: Did anyone have any
9 questions for our auditors?

10 MR. GRUCCI: Yeah, I have a question
11 for Jeff, it relates to the LIBOR.

12 Do they have a new vehicle in mind to
13 measure interest rates?

14 MR. DAVOLI: There's something out
15 there, I'm still doing a lot of reading on it,
16 but it will be some type of benchmark based
17 similar to LIBOR.

18 MR. GRUCCI: But they don't have
19 something yet, in other words, they're still
20 looking or researching it?

21 MR. DAVOLI: Yeah, I think they're just
22 about there. If not there on something,
23 they're just . . . the information is kind of
24 all over the board on it.

25 MR. GRUCCI: Okay.

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MS. CASEY: There's mention of the secured overnight financing rate, which they call SOFR, which I think a lot of entities are looking into.

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MR. DAVOLI: Yeah, this will change a lot of things because these -- almost all of these, you know, swapped out derivative mortgages that are out there for private industry is -- they're all based on LIBOR, so there will be -- there will have to be, you know, to the earlier question, there will be some kind of bridge built between those documents that reference LIBOR and what will be the new rate, it will be probably an amendment to those mortgage docs.

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MS. CASEY: The other thing I'll just mention is I have not researched it, but I've heard due to COVID the expiration date was extended.

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MR. DAVOLI: Right.

MS. CASEY: To I think sometime like mid 2023, but again, I would have to do the research on that.

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MR. DAVOLI: Yeah.

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MS. MULLIGAN: Did anyone have any other questions about our audit?

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MS. SCHEIDT: Just good to hear there was nothing funky and there was no fighting, no biting.

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MR. DAVOLI: And no spitting. There was no spitting.

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MS. SCHEIDT: Spitting.

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MS. MULLIGAN: That's too much.

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MR. BRAUN: If there are no other questions, we need a motion to adjourn the audit committee meeting for the Industrial Development Agency.

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MR. GRUCCI: Fred, do we need a motion to accept the audit and recommend it to the board?

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MR. BRAUN: That's probably a good idea.

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MR. GRUCCI: Then if so, I'll make that motion that we accept the audit report from the committee and present it to the board.

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MS. MULLIGAN: That won't happen until our March 24th meeting where the entire board will consider the audit and also PARIS.

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MR. POLLAKUSKY: I'll second that

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motion.

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MR. BRAUN: Thank you, Gary.

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Call a vote.

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Mr. Grucci?

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MR. GRUCCI: Yes.

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MR. BRAUN: Mr. Pollakusky?

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MR. POLLAKUSKY: Yes.

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MR. BRAUN: Ms. Scheidt?

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MS. SCHEIDT: Yes.

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MR. BRAUN: Mr. Braun votes yes.

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We have accepted the audit report. Now

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we need a motion to close the audit committee.

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MR. POLLAKUSKY: So moved.

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MS. SCHEIDT: Second.

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MR. BRAUN: Thank you.

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On the vote, Mr. Grucci?

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MR. GRUCCI: Yes.

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MR. BRAUN: Mr. Pollakusky?

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MR. POLLAKUSKY: Yes.

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MR. BRAUN: Ms. Scheidt?

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MS. SCHEIDT: Yes.

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MR. BRAUN: Mr. Braun votes yes.

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The audit committee for the Industrial

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Development Agency is closed.

(Time noted: 10:23 a.m.)

I, JOANN O'LOUGHLIN, a Notary Public
for and within the State of New York, do hereby
certify that the above is a correct transcription
of my stenographic notes.

JOANN O'LOUGHLIN