



March 22, 2023

To the Board of Directors
Town of Babylon Industrial Development Agency
Babylon, New York

Re: Auditors' Communication with Those Charged with Governance

We have audited the financial statements of the Town of Babylon Industrial Development Agency (the "Agency"), a component unit of the Town of Babylon, as of and for the year ended December 31, 2022 and have issued our report thereon dated March 22, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 7, 2022. This letter confirms our discussions and provides additional required communications related to our audit.

Our Responsibility Under Professional Standards

Our responsibility is to form and express an opinion about whether the financial statements, which are the responsibility of management, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Those individuals charged with governance of the Agency are responsible for the oversight of the financial reporting process, and our audit does not relieve management and those charged with governance of their respective responsibilities.

We applied certain limited procedures to the management's discussion and analysis, schedule of changes in the total other postemployment benefits liability and related ratio, schedule of proportionate share of the net pension liability and schedule of pension contributions, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on schedule of exemption information and employment information, which accompany the financial statements but are not RSI. Such information has 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 it.

PKF O'CONNOR DAVIES LLP
878 Veterans Memorial Highway, 4th Floor, Hauppauge, NY 11788 | Tel: 631.434.9500 | Fax: 631.434.9518 | www.pkfod.com

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Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements, except for the implementation of GASB 87, "Leases". During 2022, the Agency implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, "Leases", as discussed in Note 1 and Note 16. The implemented GASB Statement No. 87, "Leases", resulted in the Agency reporting an intangible right-to-use leased asset (capital asset) and a lease liability, retroactively to January 1, 2021, which resulted in a restatement of the financial statements as of and for the year ended December 31, 2021.

No matters have come to our attention that would require us to inform you about (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.

Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change. The most sensitive estimates affecting the Agency's financial statements were:

- Management's estimate of the other postemployment benefits liability ("OPEB") is reported in accordance with GASB Statement No. 75; it represents the sum of expected future benefit payments which may be attributed to past service (or earned) discounted to the end of the year based on certain assumptions included in an actuarial valuation.
- Management's estimate of the Agency's depreciation expense on its capital assets is based on the estimated useful lives of the assets in accordance with its capitalization policy.
- The estimate of the Agency's proportionate share of the net pension asset/(liability) for the New York State and Local Employees' Retirement System is based on an actuarial valuation as of March 31, 2022. The Agency's proportion of the net pension asset/(liability) was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members based on an actuarial calculation.

Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent and clear.

Going concern

We concur with management's assessment that the Agency will continue as a going concern for one year from the auditors' report date.

Significant Risks

We have identified the following significant risks in connection with our audit:

- Management override of controls
- Financial statement presentation and disclosure issues such as obscuring, misstating, or omitting significant information in disclosures.
- Implementation of GASB 87

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

We are required to communicate to you misstatements that remain uncorrected, including any related to prior periods, and the effect, if any, that they may have on the opinion in our report, and request their correction. There are no such financial statement misstatements that remain uncorrected.

In addition, we are required to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management in a separate letter dated March 22, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Matters Discussed with Management

We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Agency, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

Auditor Independence

We affirm that PKF O'Connor Davies, LLP is independent with respect to the Agency in accordance with the AICPA's *Code of Professional Conduct*.

This communication is intended solely for the information and use of the Board of Directors and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Yours sincerely,

PKF O'Connor Davies, LLP

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