

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
Financial Statements
For the Year Ended December 31, 2013

ALBANESE SINI & REEVES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

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For the Year Ended December 31, 2013

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ALBANESE SINI & REEVES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

348 MAIN STREET
EAST SETAUKET, NY 11733
TEL. (631) 751-5225 • FAX (631) 751-5371
SINIREEVESCPA.COM

STEVEN W. ALBANESE, CPA
JOHN R. SINI, CPA
MICHAEL R. REEVES, CPA
LORI J. LAPONTE, CPA

JEANNINE M. FELICIANO, CPA
SUSAN S. MANFREDO, CPA
TAMMY J. WELLMAN, CPA
RITA A. JOHNSON
KATE L. HURNEY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Town of Riverhead Industrial Development Agency (the RIDA), a component unit of the Town of Riverhead, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise of the RIDA'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financials statements based on our audit. We conducted our audit in accordance with 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. 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 auditor's 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 RIDA'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 RIDA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the RIDA as of December 31, 2013, and the changes in financial position for the year then ended in accordance 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 and the budgetary comparison schedule as listed in the accompanying 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration that the RIDA'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 compliances 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 an audit performed in accordance with *Government Auditing Standards* in considering the RIDA's internal control over financial reporting and compliance.

Albanese Sini & Reeves LLP

East Setauket, New York
March 24, 2014

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2013

(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Riverhead Industrial Development Agency's (the RIDA's) financial performance provides an overview of the RIDA's financial activities for the year ended December 31, 2013. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights:

- The assets of RIDA exceeded its liabilities at December 31, 2013 by \$193,133.
- The RIDA's total assets increased by \$195,823 in year 2013 and the total liabilities increased by \$31,992 in the year ended December 31, 2013.
- The RIDA's 2013 operating revenues increased \$189,712 over the 2012 operating revenues.

Basic Financial Statements Ended December 31, 2013:

- The financial statements presented herein include all of the activities of the Riverhead Industrial Development Agency.
- The financial statements present the financial picture of the RIDA, which is an enterprise type fund and, accordingly, reflects business-type activities. These statements include all assets of the agency as well as liabilities.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are located immediately following the financial statements.
- The statement of net position and the statement of revenues, expenses and changes in net position report information about the RIDA as a whole and about its activities. These statements include all assets and liabilities of the RIDA using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the RIDA's net position and changes in net position. The net position is the difference between assets and liabilities, which is one way to measure the RIDA's financial health, or financial position. Over time, increases or decreases in the RIDA's net position are an indicator of whether its financial health is improving or deteriorating.

continued

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2013

(Unaudited)

Condensed Comparative Financial Statements:

	Condensed Balance Sheets at December 31,			
	2013	2012	Dollar Change	Percentage Change
Cash	\$ 260,961	\$ 64,128	\$ 196,833	307%
Current assets	6,300	6,594	(294)	-4%
Property and equipment (Net)	967	1,683	(716)	-43%
Total assets	<u>\$ 268,228</u>	<u>\$ 72,405</u>	<u>\$ 195,823</u>	<u>270%</u>
Current liabilities	\$ 68,545	\$ 38,837	\$ 29,708	76%
Noncurrent liabilities	6,550	4,266	2,284	100%
Total liabilities	<u>75,095</u>	<u>43,103</u>	<u>31,992</u>	<u>74%</u>
Net Position	193,133	29,302	163,831	559%
Total net position	<u>193,133</u>	<u>29,302</u>	<u>163,831</u>	<u>559%</u>
Total liabilities and net position	<u>\$ 268,228</u>	<u>\$ 72,405</u>	<u>\$ 195,823</u>	<u>270%</u>

	Condensed Statement of Revenues, Expenses and Changes in Net Position for the Year Ended December 31,			
	2013	2012	Dollar Change	Percentage Change
Total operating revenues	\$ 355,447	\$ 165,735	\$ 189,712	114%
Total operating expenses	191,720	187,669	4,051	2%
Net Operating income	163,727	(21,934)	185,661	-846%
Non-operating revenues	104	59	45	76%
Changes in net position	<u>\$ 163,831</u>	<u>\$ (21,875)</u>	<u>\$ 185,706</u>	<u>-849%</u>

Analysis of Financial Position and Results of Operations:

- RIDA operations during 2013 resulted in \$205,979 in revenues being generated by fees associated with completed projects. RIDA continues its approach to economic development by attracting new businesses and helping existing businesses expand.
- Included in total operating revenues is an authorized transfer in the amount of \$97,104 from the Riverhead Economic Job Development Corporation.

Budgetary Analysis:

This section will discuss the significant budget to actual variances in 2013.

The Charges for services line in the 2013 budget was established at \$136,000. During 2013 several additional projects closed. This resulted in an approximate \$101,954 operating revenue overage.

Payroll for 2013 was budgeted for using the payroll at that time. There was a salary increase resulting in an increase in both payroll and employee benefits causing both to be over budget.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2013

(Unaudited)

Professional fees came in under budget.

The aggregate variance in all other budget lines was immaterial and individual explanation of each line is deemed unnecessary for this report.

General Overview of RIDA Function

The Riverhead Industrial Development Agency (the RIDA) is a public benefit corporation of the State of New York created in 1980, pursuant to Article 18A of the General Municipal Law. The purpose of the RIDA is to promote economic development or redevelopment and prevent economic deterioration in the Town of Riverhead by assisting in the acquiring, constructing, reconstructing, leasing, improving and equipping of certain manufacturing, warehousing, research, civic, commercial, and industrial or public housing projects.

In order to promote economic development and redevelopment RIDA is authorized to provide financial assistance by issuing both tax exempt and taxable industrial development bonds, by providing an exemption from mortgage recording taxes and sales and compensating use taxes and by providing real property tax abatement for a project RIDA is authorized to provide financial assistance for applicants that either wish to locate or expand their eligible project in the Town of Riverhead. Typical projects eligible for financial assistance include the purchase and rehabilitation of existing buildings, the construction of new buildings or the construction of additions to existing buildings; including, in each case, the purchase and installation of machinery and equipment

In providing financial assistance, the RIDA acts as a conduit through which the transaction takes place. Although the RIDA may issue bonds, it does not loan money to an applicant. Rather, a financial institution provides moneys directly to an applicant either by purchasing the RIDA bonds, with the RIDA making the proceeds available to the applicant, or by loaning moneys directly to the applicant. It is the responsibility of the applicant to arrange for a financial institution to finance the applicant's project. The applicant and the financial institution are responsible for negotiating all terms and conditions of any proposed bond issue or loan independent of the RIDA.

A project bond issue or loan is secured by the financial strength and credit of the applicant. All bonds issued by the RIDA are special obligations of the RIDA and neither the RIDA, the Town of Riverhead nor the State of New York guarantee the payment of such obligations.

New York State Public Authority Accountability Act of 2005 (2005 Act), imposes rules and requirements for governmental agencies and their Boards. All members of the Board of Directors of the RIDA have completed the training requirements included within the Act and have filed necessary financial disclosure statements. The Board of Directors has adopted policies and codes required by the 2005 Act and have amended the RIDA by-laws to establish an Audit Committee and Governance Committee and appointed members thereto. A website has been established to make available for public review documents, notices and reports of the RIDA. The RIDA has taking all necessary action to comply with the provisions of the 2005 Act.

New York State Public Authorities Reform Act of 2009 (2009 Act), created an independent authorities budget office necessary to provide oversight of the operations and finances of public authorities in real time. The 2009 Act imposed additional rules and requirements for governmental agencies and their Boards. The RIDA has taken all necessary action to comply with the provisions of the 2009 Act. The RIDA has a website that is used to meet the requirements of the 2009 Act and to generate more public awareness as well as attract new businesses to Riverhead.

The following summary of the recent projects that have received financial assistance from the RIDA and those projects for which the RIDA has pending applications. Specific information on projects can be obtained by contacting the RIDA.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2013

(Unaudited)

COMPLETED PROJECTS

Hampton Jitney, Inc.

In July 2011, RIDA (the Agency) received an application for financial assistance from Hampton Jitney, Inc. (the applicant) a privately held corporation incorporated in the State of New York, with respect to the construction and equipping of a new building and related site improvements at 253 Edwards Avenue, Calverton, to be acquired by Applicant pursuant to an option to purchase held by the Applicant, for use as a bus maintenance repair, fueling and wash facility with necessary offices, a lobby including a snack bar, car rental facility and customer waiting and seating area, and a bus fueling area and customer parking area, and incidental work in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$8,745,800. The Project is expected to be operated by the Applicant, with possible incidental subleases from time to time for portions thereof, such as the snack bar and the car rental facility.

Resolution approving the provision of financial assistance occurred on October 3, 2011.

The financial assistance approved by RIDA for Hampton Jitney, Inc. included: (i) the provision of an exemption from Mortgage Recording Taxes, (ii) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (iii) a partial abatement of real property taxes attributable to any increase in assessed value of the real property comprising the Project over the present assessed value of such real property. The financial assistance described in (i), (ii) and (iii), above, is consistent with the uniform tax-exemption policy adopted by the Agency pursuant to Subdivision 4 of Section 874 of the General Municipal Law.

Final closing documents were approved December 2012 and the project closed in January 2013.

Woolworth Revitalization, LLC

In November 2012, RIDA received an application for financial assistance from Woolworth Revitalization, LLC (the applicant) a limited liability company qualified to do business in the State of New York on behalf of Woolworth Revitalization, LLC, and other related entities (collectively, the "Related Parties"), with respect to the renovation and reconstruction of a distressed building located at 126-138 East Main Street, Riverhead, New York, comprising approximately 42,000 square foot commercial building to be acquired by the applicant for repurpose as mixed commercial, retail, restaurant and office space on the first floor with living accommodations on the second floor requiring the abatement of asbestos, new utility services, new roof, façade improvements all in compliance with existing zoning and master plan recommendations and incidental expenses in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$5,707,500(the Project).

The financial assistance approved by RIDA for Woolworth Revitalization with respect to the Project was (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes by granting a partial abatement of real property taxes attributable to any increase in assessed value of the real property comprising the Project over the present assessed value of such real property (\$61,300) for a period of ten (10) years, and (iii) the provision of an exemption from Mortgage Recording Taxes. The financial assistance described in (i), (ii) and (iii), above, would be consistent with the uniform tax-exemption policy adopted by the Agency pursuant to Subdivision 4 of Section 874 of the General Municipal Law. Additionally the provision of real property abatement is subject to an improvement valuation which shall be adjusted by the percentage based upon the condition of the Project as of December 1st of the year immediately prior to which the PILOT payment is due.

Final closing documents were approved on February 4, 2013.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2013

(Unaudited)

Theriac Enterprises of Riverhead, LLC

In March 2013, RIDA received an application for financial assistance from of Theriac Enterprises of Riverhead, LLC, as property owner, and New York Radiation Therapy Management Services, LLC dba 21st Century Oncology, as facility user, each being a limited liability company qualified to do business in the State of New York (21st Century Oncology), with respect to the complete renovation of a vacant one-story building on a 1.9 acre parcel located at 896 Old Country Road, Riverhead, New York (S.C.T.M. 0600-108.00-3-24) including asbestos removal and construction of a radiation vault for its reuse for the provision of radiation oncology and other medical services at an aggregate cost, including costs associated with the financing thereof, estimated to be \$8,173,586(the Project).

The financial assistance approved by RIDA with respect to the Project included: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes by granting a partial abatement of real property taxes attributable to any increase in assessed value of the real property comprising the Project over the value established as of taxable status day March 1, 2013 of such real property (\$226,300.) for a period of five years as designated in the attached Schedule A of the PILOT agreement provided that if any portion of the facility is operated for a use which would not be eligible for Industrial Development Agency benefits under New York Law, the real property tax abatement shall be reduced, and the Payment In Lieu of Tax Payment (PILOT) increased based on the pro-rata floor area of the non-permitted use for the tax year of such use, and that no lease shall be entered into by the facility owner for a non-medical use without the prior application and approval of the Agency upon the form of standard application of the Agency, and (iii) the provision of an exemption from Mortgage Recording Taxes.

Final closing documents were approved June and the project closed in July 2013

400 Burman Boulevard/Island Green Steel, LLC

In April 2013, RIDA received an application for financial assistance from 400 Burman Boulevard/Island Green Steel, LLC (the Project) a limited liability company qualified to do business in the State of New York, with respect to the acquisition of parcel and renovation and reuse of existing buildings located at 400 Burman Boulevard, Calverton, NY (S.C.T.M. 0600-135.20-1-24) for use by a new business, Island Green Steel, LLC as manufacturing facility of metal studs used as framing component of exterior panel systems requiring the renovation, retrofitting and equipping of the buildings with new electric, HVAC, telecommunications, and storage and shelving systems estimated at a cost of \$5,300,000.

The financial assistance approved with respect to the Project included: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes by granting a partial abatement of real property taxes attributable to any increase in assessed value of the real property comprising the Project over the present assessed value of such real property (\$118,700.00) for a period of ten years as designated in the attached Schedule A of the PILOT agreement, and (iii) the provision of an exemption from Mortgage Recording Taxes.

The Project was approved and closed in August 2013.

1998 Peconic/Allied Building Products

In June 2013, RIDA received an application for financial assistance from 1998 Peconic LLC, as property owner, and Allied Building Products Corp.(the Project), as facility user, each being a company qualified to do business in the State of New York with respect to the construction of a 16,667 square foot building located at Edwards Avenue, Calverton, New York (S.C.T.M. #0600-117.000-002-002.008) for use as a distribution facility of building products at an aggregate cost, including costs associated with the financing thereof, estimated to be \$1,595,000.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

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December 31, 2013

(Unaudited)

The financial assistance approved with respect to 1998 Peconic and Allied Building Products included: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes by granting a partial abatement of real property taxes attributable to any increase in assessed value of the real property comprising the Project over the present assessed value of such real property (\$33,000) for a period of ten years as designated in Schedule A of the PILOT agreement, and (iii) the provision of an exemption from Mortgage Recording Taxes.

The closing of the Project occurred in October 2013.

Thirty West Main, LLC

In November of 2013, RIDA received an application for financial assistance from Thirty West Main, LLC (the Project) a limited liability company qualified to do business in the State of New York with respect to the acquisition of parcel and renovation, reuse and equipping of existing 12,000 square foot building, located within a designated urban renewal area at 30 West Main Street, Riverhead, New York (S.C.T.M. No. 0600-128-6-22) for use as not more than one third retail space with the balance for office professional including shared use business start-up offices with support services estimated at a cost of \$1,630,000.

The Project did not close in 2013. A public hearing is scheduled for 2014.

Refinances

Several refinances were assisted during 2013. Those entities included Jejope LLC, Riveredge LLC, and Woolworth Revitalization LLC.

Retired projects

Several IDA bond projects were retired in 2013 – Altaire Pharmaceuticals, John Wesley Village II and The Riverhead Free Library. Three projects were put fully back on the tax rolls in 2013 – 1. Cargex, 2. HDI, and 3. Trutech. Deeds were transferred back to two projects in 2013 and will be fully on the tax rolls in 2014 – Suffolk County National Bank and John Wesley Village II.

PENDING APPLICATIONS

Simshabs X, Inc.

In June 2013, RIDA received a draft application for financial assistance from Simshabs, X as property owner, being a company qualified to do business in the State of New York (Simshabs), with respect to the construction of a 70,000 +/- square foot building located at 11 West Main Street, Riverhead, New York (S.C.T.M. #0600-128.00-03.00-068.0021) for use as 48 units of one and two-bedroom residential apartments and indoor parking facility for project known as Blue River Estates at an aggregate cost, including costs associated with the financing thereof, estimated to be \$9,650,000.

The Public Hearing on Simshabs was postponed and the final approval did not occur in 2013.

Skydive Realty, LLC

In November of 2013, RIDA received an application for financial assistance from Skydive Realty, LLC, of the limited liability company qualified to do business in the State of New York (Skydive), with respect to the establishment of a 44,000 square foot indoor skydiving instruction and training facility on one acre of a 16.34 acre parcel located at 400 David Court, Calverton, NY (S.C.T.M. 0600-135.010-0001-010.000) for use by Indoor Skydiving New York Inc. at an estimated cost of \$4,553,000.

Skydive did not close in 2013. A public hearing is scheduled for 2014.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2013

(Unaudited)

E.B.S. Building Systems

In April 2010, RIDA received an application for financial assistance from E.B.S. Building Systems, LLC (EBS) to support the establishment of its company in the Town of Riverhead. EBS proposes to acquire approximately 10 acres located at EPCAL and construct thereon approximately 67,300 square feet of buildings to be used by EBS in the manufacture of wood building components, including roof and floor trusses and wall panels and the purchase and installation of equipment.

The financial assistance requested by EBS included: (i) the provision of an exemption from Mortgage Recording Taxes, (ii) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, (iii) a partial abatement of real property taxes through a PILOT.

The closing did not occur in 2013. Applications to keep permits open for EBS were acquired in 2013.

Wading River Catering, LLC

In June 2011, RIDA received an application for financial assistance from Wading River Catering, LLC (the Project) a limited liability company qualified to do business in the State of New York, on behalf of the Project and other related entities with respect to the construction of 6,600 square foot expansion to be used as a dining/meeting/storage facility with an aggregate cost estimated to be \$2,795,000.

A public hearing was not held in 2013. The Project is in litigation and currently on hold.



Marketing

RIDA (the Agency) works closely with local economic development organizations, such as the Town of Riverhead Community Development Agency, the Riverhead Chamber of Commerce and Suffolk County to market the Town of Riverhead as a business location. Cooperative meetings are arranged to provide incentive proposals to potential companies. Co-sponsored seminars/events are both cost effective and effectual means from a public relations standpoint as well as marketing. RIDA also works closely with regional and national economic development organizations such as the Stony Brook Small Business Development Center, Suffolk County Small Business Advisory Council, municipal economic development departments on the Long Island, and the Long Island Association (LIA). RIDA participates in the LIA's IDA Long Island Coalition to boost the cooperative efforts and marketing of the region. Memberships to the New York State Economic Development Council and the International Economic Development Council not only provide exposure, but are prime resources for leads and networking.

Efforts are ongoing with in-house marketing using electronic media, such as the website and social networks. Cold calls, editorials, and general public relations are all part of the grassroots approach to the Agency's marketing efforts. The Agency participates on panels hosted by Long Island Business periodicals; in seminars and in trade shows which all enhance marketing efforts.

General Business Assistance

The RIDA (the Agency) fields calls from real estate brokers, attorneys, and companies interested in establishing a presence in the Town of Riverhead who are seeking direction as to location, permitting processes and information regarding benefits and incentives.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2013

(Unaudited)

In addition, the current Director has the experience and knowledge to handle inquiries for assistance programs offered outside those of the Agency; providing a one stop service for businesses. These resources include low cost financing options, State and Federal incentive programs, grants, business planning, employment and housing assistance. The RIDA Director assists businesses through the government and financial maze and helps interested parties find suitable sites and provides contact information to resources. The Director current sits on the Suffolk County Industrial and Commercial Incentive Board that developed a county wide plan for a real property abatement program. The plan was adopted and approved by the Suffolk County Legislature in 2013.

This past year the agency made a concerted effort to attract a continuing community care center to address the needs of the local aging population, as well two other additional affordable housing projects. The agency adopted several new policies in 2013, setting completion targets for businesses that are receiving benefits.

The Agency also coordinated with the local community college to present and host a Workforce Symposium and continues to host its annual East End Employment Expo. It also sponsored a Health care Symposium in cooperation with the local hospital - Peconic Bay Medical Center and the Chamber of Commerce.

RIDA administers the Suffolk County/Town of Riverhead SC/TOR Empire Zone Program. The Empire Zone Program is a New York State Tax Credit program that has goals consistent with that of the Industrial Development Agency in regard to business attraction, expansion and retention. Although the program has sunset to new certifications, continued service to the zone certified entities and reporting is mandated by the State of New York for the life of the certified entity's benefit period. The SC/TOR Zone currently services 50 businesses. RIDA receives an annual fee for the administration of the zone.

RIDA also works cooperatively and assists with the Riverhead IDA Economic Job Development Corporation (the Corporation). As a result, RIDA received an authorized distribution from the RIDA Economic Job Development Corporation pursuant to NYS non for profit corporation law, Section 201(14).

This financial report is designed to provide a general overview of the RIDA's finances. If you have any questions about this report or need additional information, contact the following:

Riverhead Industrial Development Agency
200 Howell Avenue
Riverhead, NY 11901

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Statement of Net Position

December 31, 2013

ASSETS

Current Assets

Cash	\$ 260,961
Accounts Receivable	<u>6,300</u>

Total Current Assets	<u>267,261</u>
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Noncurrent Assets

Fixed assets	8,366
Less: accumulated depreciation	<u>(7,399)</u>

Total Noncurrent Assets	<u>967</u>
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Total Assets	<u><u>\$ 268,228</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities

Payroll taxes payable	\$ 6,899
PILOT's payable	51,099
Accounts payable and accrued expenses	<u>10,547</u>

Total Current Liabilities	<u>68,545</u>
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Noncurrent Liabilities

Compensated absences	<u>6,550</u>
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Total Noncurrent Liabilities	<u>6,550</u>
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Total Liabilities	<u>75,095</u>
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NET POSITION

Net Position

Unrestricted	<u>193,133</u>
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Total Net Position	<u>193,133</u>
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Total Liabilities and Net Position	<u><u>\$ 268,228</u></u>
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RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended December 31, 2013

Operating Revenues	
Charges for services	\$ 237,954
Other revenue	<u>117,493</u>
Total Operating Revenues	<u>355,447</u>
Operating Expenses	
Business development	441
Compensated absence expense	2,284
Depreciation	716
Dues and subscriptions	1,444
Employee benefits	20,553
Insurance	1,142
Legal Notices	901
Office	3,328
Payroll	101,585
Payroll taxes	8,578
Professional fees	35,303
Rent	13,050
Seminars and conferences	275
Telephone	1,569
Travel	<u>551</u>
Total Operating Expenses	<u>191,720</u>
Net Operating Income	<u>163,727</u>
Non-Operating Revenue	
Interest income	<u>104</u>
Total Non-Operating Revenue	<u>104</u>
Change in Net Position	163,831
Net Position - Beginning of Year	<u>29,302</u>
Net Position - End of Year	<u><u>\$ 193,133</u></u>

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Statement of Cash Flows

For the Year Ended December 31, 2013

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 237,954
Cash payments for contractual expenses	66,638
Cash payments for payroll and payroll taxes	<u>(107,863)</u>
Net cash provided by operating activities	<u>196,729</u>
Cash Flows from Investing Activities:	
Interest income	<u>104</u>
Net cash provided by investing activities	<u>104</u>
Net increase in cash	196,833
Cash - beginning of year	<u>64,128</u>
Cash - end of year	<u><u>\$ 260,961</u></u>
Reconciliation of Net Operating Income to	
Net cash provided by operating activities:	
Net operating income	\$ 163,727
Adjustments to reconcile net operating income to net	
cash provided by operating activities:	
Depreciation	716
Changes in assets and liabilities:	
Accounts receivable	294
Payroll taxes payable	2,300
PILOT's payable	51,099
Accounts payable and accrued expenses	(23,691)
Compensated absences	<u>2,284</u>
Net cash provided by operating activities	<u><u>\$ 196,729</u></u>

See accompanying notes.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Notes to the Financial Statements

December 31, 2013

Note 1. Organization

Primary Government

The Riverhead Industrial Development Agency (the RIDA) is a public benefit corporation of the State of New York established pursuant to the New York State General Municipal Law. It is a quasi-governmental, tax exempt agency whose purpose is to promote, develop, encourage and assist in the acquiring, developing and equipping of various business facilities, thereby advancing the job opportunities, general prosperity, and economic welfare of the people of the town.

The RIDA acts primarily as a conduit for Industrial Revenue Bonds, which is used to finance business location or expansion projects. The RIDA can also provide projects with tax benefits (property, sales, and mortgage recording tax) that are not available to most development projects.

The RIDA is a component unit of the Town of Riverhead, New York, based on the criteria set forth in Governmental Accounting Standards Board Statements. Such criteria includes financial accountability and oversight responsibility.

Related Entity

The Riverhead IDA Economic Job Development Corporation (the LDC) is considered a related entity of the RIDA and a component unit of the Town of Riverhead. The LDC was incorporated on February 3, 2011 and is a non-profit organization and shares a common Board of Directors with the RIDA.

Note 2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of less than three months.

Concentration of Credit Risk

The RIDA maintains accounts at financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). The RIDA may have amounts in excess of FDIC which are fully collateralized by third party agreements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation is removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized and depreciated. Depreciation expense for the year ended December 31, 2013 was \$716.

continued

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Notes to the Financial Statements

December 31, 2013

Note 2. Summary of Significant Accounting Policies (continued)

PILOT's Payable

Payments in lieu of taxes (PILOT's) were received by the RIDA and are remitted to the appropriate taxing jurisdictions. As of December 31, 2013 the RIDA had \$51,099 in PILOT's payable.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Income Taxes

The RIDA is exempt from federal and state income taxes and therefore has made no provision for federal or state income taxes in the accompanying financial statements.

Compensated Absences

Full-time employees are granted vacation, personal leave, and sick leave in varying amounts. This benefit is vested when earned and vacation days and sick time can be carried from year to year as long as it does not exceed certain limits. Benefits are accrued as they are earned and are reflected in the financial statements. Compensated absences at December 31, 2013 amounted to \$6,550.

Note 3. Employee Benefit Plan

The RIDA participates in the New York State (NYS) and Local Employees' Retirement System. As set forth in the New York State Retirement and Social Security Law, the NYS Comptroller serves as sole trustee and administrative head of the system. The NYS 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 its funds.

Note 4. Related Entity

During the year ended December 31, 2013, the RIDA received \$97,104 distribution from the LDC which is included in Other Revenue. The LDC authorized this distribution in furtherance of its mission pursuant to NYS Not for Profit Corporation Law Section 201(14).

Note 5. Commitments

Empire Zone

On January 11, 2012, the RIDA entered into an agreement to provide administrative services for the Town of Riverhead for the Suffolk County / Town of Riverhead Empire Zone Program (the Agreement). RIDA will provide compliance filing and monitoring of the Empire Zone Programs for the Town of Riverhead. The RIDA received an initial fee of \$44,000 for this service and will receive \$5,000 annually ending in the year 2020.

continued

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Notes to the Financial Statements

December 31, 2013

Note 5. Commitments (continued)

Lease

The RIDA entered into a lease agreement for office space in September 2013 to commence October 1, 2013 and to end on September 30, 2017. The agreement provides for no rent for the period October 1, 2013 to December 31, 2013. Annual rent under the agreement is as follows:

<u>Year ending</u>	<u>Annual Rent</u>
2014	\$16,800
2015	18,750
2016	19,350
2017	14,850

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Budgetary Comparison Schedule

For the Year Ended December 31, 2013

(Unaudited)

	Budgeted Amounts	Actual	Variance with Final Budget Favorable (Unfavorable)
Operating Revenues			
Charges for services	\$ 136,000	237,954	101,954
Other revenue (appropriated fund balance)	130,218	117,493	(12,725)
Total Operating Revenues	266,218	355,447	89,229
Operating Expenses			
Business development	1,000	441	559
Compensated absence expense	2,000	2,284	(284)
Depreciation	-	716	(716)
Dues and subscriptions	1,500	1,444	56
Employee Benefits	17,170	20,553	(3,383)
Insurance	1,325	1,142	183
Legal notices	200	901	(701)
Office	3,330	3,328	2
Payroll	93,920	101,585	(7,665)
Payroll Taxes	8,005	8,578	(573)
Professional fees	54,500	35,303	19,197
Rent	14,000	13,050	950
Seminars and conferences	1,000	275	725
Telephone	2,000	1,569	431
Travel	1,600	551	1,049
Total Operating Expenses	201,550	191,720	9,830
Non-Operating Revenue			
Interest Income	-	104	104
Total Non-Operating Revenue	-	104	104
Revenues over Expenditures	\$ 64,668	163,831	99,163

See independent auditors' report.

ALBANESE SINI & REEVES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

348 MAIN STREET
EAST SETAUKET, NY 11733
TEL. (631) 751-5225 • FAX (631) 751-5371
SINIREEVESCPA.COM

STEVEN W. ALBANESE, CPA
JOHN R. SINI, CPA
MICHAEL R. REEVES, CPA
LORI J. LAPONTE, CPA

JEANNINE M. FELICIANO, CPA
SUSAN S. MANFREDO, CPA
TAMMY J. WELLMAN, CPA
RITA A. JOHNSON
KATE L. HURNEY

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Town of Riverhead Industrial Development Agency (the RIDA), a component unit of the Town of Riverhead, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the RIDA's basic financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the RIDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RIDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the RIDA'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 RIDA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RIDA'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 RIDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the RIDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albanese Sini & Reeves LLP

East Setauket, New York
March 24, 2014

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Summary Schedule of Prior Findings

December 31, 2013

PRIOR FINDINGS:

Significant Deficiencies

None.

Other Findings

Segregation of Duties

Due to the size of the Riverhead Industrial Development Agency (the RIDA) it is not practical to provide segregation of duties in the cash receipts, cash disbursements, and accounting functions. The RIDA has utilized current governance (Board Members) to provide checks and balance against these duties. Consideration to further having items such as bank statements, etc., be copied and sent to the Board Members also from the financial institutions will strengthen this control.

December 31, 2013 Update

Recommendation implemented – finding not repeated.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Finding

December 31, 2013

CURRENT FINDINGS:

Significant Deficiencies

None.

Other Findings

An important part of the Riverhead Industrial Development Agency's (the RIDA) mission is to continue to monitor projects that have existing RIDA benefits. The RIDA performs detail project monitoring updates on the existing projects throughout the year. Due to the size of the RIDA staff it is not practical to expand that detail monitoring and provide independent surprise sight exams and or verify reporting with independent information. As the RIDA expands its projects, consideration to devoting manpower to such activities should be considered.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Corrective Action Plan

December 31, 2013

The Riverhead Industrial Development Agency will provide its Corrective Action Plan for the year ended December 31, 2013 as part of a separate report.