



**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

DECEMBER 31, 2018

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
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**DECEMBER 31, 2018**

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## 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 Agency), a component unit of the Town of Riverhead, New York, as of and for the year ended December 31, 2018, 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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 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 Agency as of December 31, 2018, and the changes in financial position and cash flows 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 required supplementary information other than management's discussion and analysis 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2019, 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 an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*Jones, Little & Co, CPAs, LLP*

Port Jefferson Station, New York  
March 7, 2019

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**  
(Unaudited)

This discussion and analysis of the Riverhead Industrial Development Agency (the Agency) financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2018. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**Financial Highlights:**

- The assets and deferred outflows of the Agency exceeded its liabilities and deferred inflows at December 31, 2018 by \$234,407.
- The Agency's total assets and deferred outflows increased by \$50,373 and total liabilities and deferred inflows increased by \$29,765 for the year ended December 31, 2018, primarily due to the changes in net position.
- The Agency's 2018 income from operations was \$20,523 as compared to a loss from operations of \$59,816 for the year ended December 31, 2017.

**Basic Financial Statements Ended December 31, 2018:**

- The financial statements presented herein include all of the activities of the Agency.
- The financial statements present the financial picture of the Agency, which is an enterprise type fund and, accordingly, reflects business-type activities. These statements include all assets and deferred outflows of the Agency as well as liabilities and deferred inflows.
- 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 Agency as a whole and about its activities. These statements include all assets, deferred outflows, liabilities and deferred inflows of the Agency 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 Agency's net position and changes in net position. The net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, which is one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net position are an indicator of whether its financial health is improving or deteriorating.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
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(Unaudited)

**Condensed Statement of Net Position at December 31,**

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total Current Assets	\$ 297,442	\$ 258,055	\$ 39,387	15%
Total Noncurrent Assets	1,541	1,681	(140)	-8%
Total Assets	298,983	259,736	39,247	15%
Deferred Outflows of Resources	50,384	39,258	11,126	28%
Total Assets and Deferred Outflows of Resources	<u>\$ 349,367</u>	<u>\$ 298,994</u>	<u>\$ 50,373</u>	<u>17%</u>
Total Current Liabilities	\$ 26,501	\$ 23,497	\$ 3,004	13%
Total Noncurrent Liabilities	36,848	51,090	(14,242)	-28%
Total Liabilities	63,349	74,587	(11,238)	-15%
Total Deferred Inflows of Resources	51,611	10,608	41,003	387%
Total Net Position	234,407	213,799	20,608	10%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 349,367</u>	<u>\$ 298,994</u>	<u>\$ 50,373</u>	<u>17%</u>

**Condensed Statement of Financial Position for the  
Year Ended December 31,**

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total Operating Revenues	\$ 264,572	\$ 176,908	\$ 87,664	50%
Total Operating Expenses	244,049	236,724	7,325	3%
Income (loss) from operations	20,523	(59,816)	80,339	n/m
Total Non-Operating Revenue	85	70	15	21%
Change in Net Position	<u>\$ 20,608</u>	<u>\$ (59,746)</u>	<u>\$ 80,354</u>	<u>n/m</u>

n/m - not meaningful (percentage change calculation)

**Analysis of Financial Position and Results of Operations:**

The Agency operations during 2018 resulted in \$239,907 in revenues being generated by fees associated with completed projects. The Agency operations also include revenues of \$24,665 related to Empire Zone Fees, project refinance fees, compliance fees and other items. The Agency continues its approach to economic development by attracting new businesses and helping existing businesses expand.

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**Budgetary Analysis:**

This section will discuss the significant budget to actual variances in 2018.

The charges for services line in the 2018 budget was established at \$212,622. During 2018, project closings exceeded the estimated budget.

Professional fees are approximately \$16,000 lower than budget in 2018 as a result of costs below expectations.

Employee Benefits are approximately \$9,500 higher than budget based on information received by New York State and Local Employees' Retirement System.

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

**Economic Condition and Outlook:**

The Agency has analyzed the year ended December 31, 2018 financial statements, which had an increase in net position, as a result of the increase in the revenue, and a decrease in expenditures. Overall, there remains a stable outlook for the Agency.

**COMPLETED PROJECTS**

The following is a summary of the Riverhead Industrial Development Agency's (Agency) projects which closed during the 2018 calendar year.

**Calverton Addiction and Treatment Center, aka Peconic Care**

The Agency received an application for financial assistance from Calverton Addiction and Treatment, LLC and EBDK at Calverton, LLC, both qualified to do business in the State of New York, as User of the Project with respect to the demolition of an existing 2,000 square foot building, along with construction, furnishing and equipping and associated site improvements of approximately 134,000 square feet of research and treatment facility consisting of six buildings on an approximate 39.736 acre parcel located in Calverton, New York for use as rehabilitation, treatment, dining, recreational, housekeeping and other services to be provided to its residents in conjunction with scientific research, inquiry, and education regarding opioid, alcohol and other forms of addiction. The applicant projects an estimated total project cost of \$59,062,000. A public hearing was held in 2017. Financial assistance was authorized in March of 2018 and closed in August 2018.

**ADPC Raynor, LLC/Twin Fork Beer Co.**

The Agency received an application for financial assistance from ADPC Raynor, LLC, a limited liability company qualified to do business in the State of New York, as Owner of the Project, and Twin Fork Beer Co. Inc., a corporation qualified to do business in the State of New York, as User of the Project with respect to the construction of an approximately 11,480 square foot manufacturing building on a 2.1 acre vacant lot in Riverhead and associated site improvements for use as a craft brewing and storage and distribution facility, and associated tasting room. The site improvements and construction of the facility is estimated at a total project cost of \$1,492,196. A Public Hearing was held in April 2018. Financial Assistance was approved in May. The project closed in August 2018.

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**Peconic United Methodist Housing Development Fund Co (John Wesley Village LP)**

The Agency received an application for financial assistance from John Wesley Village LP, a New York limited partnership with respect to the acquisition and renovation of an existing 115-unit senior subsidized housing rental facility located at Middle Road, Riverhead, New York. The renovations proposed are anticipated to cost approximately \$1,900,000. The facility will be purchased and renovated by John Wesley Village LP at a total project cost of \$12,804,393. All Housing and Urban Development Agency contracts will be maintained and there will be no change in tenant eligibility or selection. A Public Hearing was held November 2017 and authorization of financial assistance was provided in December 2017. The project closed in March 2018.

**CLOSED PROCEEDING/WITHDRAWN PROJECT**

The following projects were either rescinded or the Agency took action to close proceedings during the 2018 calendar year.

**John Wesley Village III**

The Agency received an application for financial assistance with respect to the acquisition of interest and renovation and improvement of a 92 unit one story affordable apartment complex at an estimated cost of \$1,416,457 for renovations and improvements. The acquisition of interest together with improvements at a total project cost of \$11,694,457. This was a project that had received Agency assistance and was requesting an extension of the PILOT agreement as well as refinancing. A resolution denying the provision of financial assistance was authorized in March 2018.

**REFINANCES/BOND MODIFICATIONS**

During 2018, the following projects were refinanced or had bond modifications.

- Lenape Associates, L.P. bond redemption and refinanced in the amount of \$4,377,000.
- 20 West Main, LLC refinanced with permanent financing in the amount of \$1.3 million.
- Peconic Management Group III refinanced in the amount of \$1.8 million.

**RETIRED PROJECTS**

The following project redeemed a bond for the original amount of \$8,400,000 and the deed was transferred back to John Wesley Village III, LP

**PENDING APPLICATIONS**

**Island International Exterior Fabricators, LLC**

The Agency received an application for financial assistance from Island International Exterior Fabricators LLC, a limited liability company qualified to do business in the State of New York with respect to the retention and expansion of an existing manufacturing facility located in several buildings on three tax map parcels at the Enterprise Park at Calverton.

The Facility began service as a single building leased from the Town of Riverhead Community Development Agency in early 2000. Riverhead IDA Bond issue Series 2001 \$3,500,000 as authorized by the New York Statewide Bond Reserve, provided the financing for the acquisition of 27 acres, the repurpose of an existing aircraft manufacturing facility and renovations sufficient for use as a building wall system manufacturing facility. These Bonds Series 2001 were refinanced in 2006 and Agency Bonds Series 2006 were additionally issued in the amount of \$1,500,000, to permit additional improvements to the manufacturing facilities. In 2013 the acquisition and construction of additional manufacturing facilities were authorized by the Agency at 400 Burman Boulevard comprising a manufacturing facility for the

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production of steel studs and related steel components from raw steel coils. Thereafter in March of 2018 upon notice to the Agency additional manufacturing space of 68,816 square feet was leased at 393/347 Burman Boulevard. Three parcels comprise the Project Retention Facility which is which have a full market assessed value of \$12,693,389. The project includes the expansion of the 400 Burman Boulevard site through construction with an approximate 25,000 square foot addition and Phase II of the project includes the expansion of the Cal 81 site through construction of a 60,000 square foot addition or comparable additional space at a building located within EPCAL. The total Phase I project cost is \$3,942,209 of which \$1,242,209 was the cost to retrofit and equip the leased facility at Building 347 and the new construction costs of \$2,700,000 at 400 Burman Boulevard. The assessed market value of Project Facilities retained and new construction Phase I totals \$16,635,598. A Public Hearing was held in December 2018. Consideration for assistance is anticipated in early 2019.

**Atlantis Marine World Phase I & II aka Long Island Aquarium & Exhibition Center**

The Agency received an application for financial assistance from Atlantis Holding Company, LLC, Co-Applicant, and Atlantis Marine World, LLC, Co-Applicant, on behalf of themselves and HP East End Riverhead, LLC, seeking relief in the form of provision of an exemption from Sales and Compensating Use Taxes and no new additional benefits on certain property, including tangible personal property, with respect to improvements, rehabilitation, and purchase of certain necessary equipment, at the Long Island Aquarium and Exhibition Center operated by Atlantis Marine World, LLC and Hyatt Place East End operated by HP East End Riverhead, LLC of all located at 431 East Main Street, Riverhead, New York. A presentation was made to the board in December 2018. A Public Hearing and consideration for assistance is anticipated for January 2019.

**THE AGENCY MARKETING**

The Agency works closely with local economic development organizations, such as the Town of Riverhead Community Development Agency, the Riverhead Chamber of Commerce, Suffolk County Economic Development and Empire State Development agencies 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 and general business assistance. This year the Agency was instrumental in securing the Federal Opportunity Zone designation and creating marketing material, as well as collaboratively hosting an informational program with Suffolk County municipalities. The Agency also works closely with regional and national economic development organizations such as, the Stony Brook Small Business Development Center, municipal economic development departments on Long Island, LIBDC (Long Island Business Development Council) and the Long Island Association (LIA). The Agency 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 resources for leads and networking. The Agency participated in the first New York State Economic Development Council (NYSEDC) manufacturing consortium on Long Island. The goal of this event was to leverage the membership and relationships of the NYSEDC to bring manufacturers from across Long Island together and introduce them to the various resources that exist through NYSTAR. These resources include the Manufacturing Extension Partnership (MEP), the Centers for Advanced Technology (CATS), the Centers of Excellence (COEs), among others. The Agency meets regularly with the Suffolk County IDA's to corroborate on improving regulatory compliance as well as cooperative marketing ideas.

Efforts are ongoing with in-house marketing using electronic media, such as the Agency website and social networks, editorials submitted to economic development periodicals, such as NY Real Estate Journal. A tutorial presentation video of the Agency was also produced and is viewable on the Agency webpage and

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Town's website. Press coverage and articles in local media outlets are also forms of inexpensive marketing. Cold calls, editorials, and general public relations are all part of the grassroots approach to the Agency's marketing efforts. The Agency meetings are also now viewed on a local TV channel, live streamed and available on video.

**GENERAL BUSINESS ASSISTANCE**

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.

In addition, the current Executive 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 Agency staff assists businesses through the government and financial maze and helps interested parties find suitable sites and provides contact information to resources. The Director works with the local Chambers of Commerce forging cooperative relationships locally and hosting coordinated seminars.

The Agency Executive Director participates on the CTEA (Career & Technical Education Act 2009) Local Advisory Council for Suffolk County Community College to assist with the grant planning process toward workforce development efforts. The Agency continues to host its annual East End Employment Expo providing necessary human resource and public relations opportunities.

The Agency 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 35 businesses. The Agency receives an annual fee for the administration of the zone.

This financial report is designed to provide a general overview of the Agency'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, 2018**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:**

ASSETS

Current Assets	
Cash	\$ 271,639
Prepaid expenses and other assets	18,803
Accounts receivable	2,000
Due from Other Governments	5,000
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Total Current Assets	297,442
Noncurrent Assets	
Fixed assets	9,067
Less: accumulated depreciation	(8,926)
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Net fixed assets	141
Other assets (non-current)	1,400
	<hr/>
Total Other Assets	1,541
	<hr/>
TOTAL ASSETS	298,983

DEFERRED OUTFLOWS OF RESOURCES

Pension related - NYS Employee Retirement System	50,384
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TOTAL DEFERRED OUTFLOWS OF RESOURCES	50,384
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<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 349,367</b>
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**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

LIABILITIES

Current Liabilities	
Accounts payable and accrued expenses	\$ 26,501
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Total Current Liabilities	26,501
Noncurrent Liabilities	
Compensated absences	21,744
Net pension liability - NYS Employee Retirement System	15,104
	<hr/>
Total Noncurrent Liabilities	36,848
	<hr/>
TOTAL LIABILITIES	63,349

DEFERRED INFLOWS OF RESOURCES

Pension related - NYS Employee Retirement System	51,611
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TOTAL DEFERRED INFLOWS OF RESOURCES	51,611
	<hr/>

NET POSITION

Unrestricted	234,407
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TOTAL NET POSITION	234,407
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<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 349,367</b>
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See Notes to Financial Statements.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Operating Revenues</b>	
Charges for services	\$ 239,907
Other revenue	19,665
Other Governments	<u>5,000</u>
Total Operating Revenues	<u>264,572</u>
<b>Operating Expenses</b>	
Advertising expense	800
Compensated absence expense	4,959
Depreciation	140
Dues and subscriptions	1,320
Employee benefits - NYS Employee Retirement System	28,069
Insurance	1,273
Legal Notices	299
Office	4,229
Payroll	129,878
Payroll taxes	9,944
Professional fees	47,680
Rent	9,672
Seminars and conferences	1,120
Telephone	1,682
Travel	<u>2,984</u>
Total Operating Expenses	<u>244,049</u>
Income from Operations	<u>20,523</u>
<b>Non-Operating Revenue</b>	
Interest income	<u>85</u>
Total Non-Operating Revenue	<u>85</u>
<b>Change in Net Position</b>	20,608
Net Position - Beginning of Year	<u>213,799</u>
Net Position - End of Year	<u><u>\$ 234,407</u></u>

See notes to Financial Statements.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2018

<b>Cash Flows from Operating Activities:</b>	
Cash received from charges for services	\$ 239,907
Cash payments for contractual expenses	(65,486)
Cash payments for payroll and payroll taxes	<u>(139,822)</u>
Net cash provided by operating activities	<u>34,599</u>
<b>Cash Flows from Non Capital Financing Activities:</b>	
Cash received from payments in lieu of taxes	1,545,230
Cash paid for payments in lieu of taxes	<u>(1,545,230)</u>
Net cash provided by non capital financing activities	<u>-</u>
<b>Cash Flows from Investing Activities:</b>	
Interest income	<u>85</u>
Net cash provided by investing activities	<u>85</u>
Net increase in cash	34,684
Cash - beginning of year	<u>236,955</u>
<b>Cash - end of year</b>	<u><u>\$ 271,639</u></u>
Reconciliation of Net Operating Income to	
Net cash provided by operating activities:	
Net operating income	\$ 20,523
Adjustments to reconcile net operating income to net	
cash used in operating activities:	
Depreciation	140
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Prepaid expenses and other assets	(4,453)
Accounts receivable	(250)
Accounts payable and accrued expenses	3,004
Compensated absences	<u>4,960</u>
Subtotal	<u>23,924</u>
Pension related - NYS Employee Retirement System:	
Deferred Outflows of Resources	(11,126)
Pension related - NYS Employee Retirement System	(19,202)
Deferred Inflows of Resources	<u>41,003</u>
Subtotal Pension related - NYS Employee Retirement System	<u>10,675</u>
Net cash provided by operating activities	<u><u>\$ 34,599</u></u>

See notes to Financial Statements.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1: ORGANIZATION**

**Primary Government**

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

The Agency 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 include financial accountability and oversight responsibility.

**Related Entity**

The Riverhead IDA Economic Job Development Corporation (the Corporation) is considered a related entity of the Agency and a component unit of the Town of Riverhead. The Corporation was incorporated on February 3, 2011 and is a non-profit organization and shares a common Board of Directors with the Agency. The Corporation in furtherance of its mission pursuant to NYS Not for Profit Corporation Law Section 201(14) may authorize distributions to the Agency.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash**

Cash is composed of available cash balances maintained in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation (FDIC). The Agency 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. Additions and betterments are capitalized, whereas costs of maintenance and repairs are charged to expenses as incurred. Depreciation expense for the year ended December 31, 2018 was \$140.

**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. Non-operating revenues consist of investment earning.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Advertising**

The Agency follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended December 31, 2018 was \$800.

**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 Agency 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**

The full-time employee is 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. Compensated absences at December 31, 2018 amount to \$21,744.

**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, 2018 as follows:

- Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*”.
- Statement No. 82, “*Pension Issues - an Amendment of Statements No. 67, 68 and 73*”. This Statement was required to be implemented over a couple of years.
- Statement No. 85, “*Omnibus 2017*”.
- Statement No. 86, “*Certain Debt Extinguishment Issues*”.

The implementation above statements had no impact on the Agency's financial statement.

**NOTE 3: 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, 2018 there were no PILOT payments received and not yet remitted to the local municipalities.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4: EMPLOYEE BENEFIT PLAN**

**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 NYSERS 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.

The Agency is required to contribute at an actuarially determined rate. During the year ended December 31, 2018 the Agency paid \$17,394 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/Inflows of Resources Related to Pensions**

At December 31, 2018 the Agency reported a liability of \$15,104 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2018 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.

	<b><u>2018</u></b>
System's actuarial valuation date	April 1, 2017
Net pension liability	\$ 15,104
Agency's portion of the System's total net pension liability	0.0004680%

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4: EMPLOYEE BENEFIT PLAN (continued)**

There was no significant change in the Agency's proportion for March 31, 2018.

For the year ended December 31, 2018 the Agency recognized a pension expense of \$28,069 in the statement of revenues, expenses and changes in net position. At December 31, 2018, the Agency's reported deferred outflows/inflows of resources related to the pension from the following sources:

	<u><b>2018</b></u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 5,387
Net difference between projected and actual earnings on pension plan investments	21,937
Change of Assumptions	10,015
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	-
Contributions made subsequent to the measurement date	<u>13,045</u>
 Total Deferred Outflows of Resources - pension amounts	 <u>\$ 50,384</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 4,452
Net difference between projected and actual earnings	43,302
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	<u>3,857</u>
 Total Deferred Inflows of Resources - pension amounts	 <u>\$ 51,611</u>

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, 2019.

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

Years ending December 31, 2019	\$ 1,703
2020	1,270
2021	(11,857)
2022	<u>(5,387)</u>
	 <u>\$ (14,271)</u>

**The System's Actuarial Assumptions**

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

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4: EMPLOYEE BENEFIT PLAN (continued)**

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

	<u>Measurement Date</u>
	<u>March 31, 2018</u>
Actuarial valuation date	April 1, 2017
Investment rate of return, net	7.00%
Inflation	2.50%
Salary increases	3.80%
Cost of living adjustments	1.30%
Decrement tables	April 1, 2010 - March 2015 System's Experience

Annuitant mortality rates for the April 1, 2017 actuarial valuation is 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.

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. Consideration 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 as of March 31, 2018 are summarized below:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term expected real rate of return</u>
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Alternatives:		
Private equity	10.00%	7.75%
Real estate	10.00%	5.80%
Absolute return strategies	2.00%	4.00%
Opportunistic portfolio	3.00%	5.89%
Real assets	3.00%	5.54%
Bonds & Mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-Indexed Bonds	4.00%	1.50%
	<u>100.00%</u>	

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4: EMPLOYEE BENEFIT PLAN (continued)**

**Discount Rate**

The discount rate used to calculate the total pension liability as of March 31, 2018 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.

**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, 2018 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% Decrease	Current Assumption	1% Increase
	6%	7%	8%
Agency's proportionate share of the collective net pension liability/(asset) for the Plan year ended:			
March 31, 2018	\$ 114,280	\$ 15,104	\$ (68,795)

**Pension Plan Fiduciary Net Position**

The components of the System's net pension liability of the employers as of the measurement date of March 31, 2018 is as follows:

Employers' total pension liability	\$ (183,400,590,000)
Plan net position	180,173,145,000
Employers' net pension liability	\$ (3,227,445,000)
Ratio of Plan's net position to the Employers' total pension liability	98.24%

**NOTE 5: DUE FROM OTHER GOVERNMENTS**

**Town of Riverhead**

The Agency entered into an agreement in 2012 to provide administrative services for the Town of Riverhead for the Suffolk County / Town of Riverhead Empire Zone Program (the Agreement). The Agency will provide compliance filing and monitoring of the Empire Zone Programs for the Town of Riverhead. The Agreement provides that the Agency receive \$5,000 annually ending in the year 2020. Due from other Governments from the Town of Riverhead at December 31, 2018 of \$5,000 is related to this Agreement.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6: COMMITMENTS**

The Agency entered into a lease agreement for office space in 2017 that commenced on September 1, 2017 to August 31, 2022. The lessor is a partner of a property with a PILOT agreement with the Agency at a different location. The Agency has determined that the lease agreement for the office space is based on fair value. Rent expense, excluding gas, water and electric, under the provisions of the lease agreement for the term are as follows:

2019	\$8,736
2020	\$8,996
2021	\$9,272
2022	\$6,304

**NOTE 7: SUBSEQUENT EVENTS**

In connection with the preparation of the financial statements the Agency evaluated subsequent events after the statement of position date of December 31, 2018 through March 7, 2019, which was the date the financial statements were available to be issued. No subsequent events were identified.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DECEMBER 31, 2018**  
(Unaudited)

	<u><b>2018</b></u>	<u><b>March 31,</b></u> <u><b>2017</b></u>	<u><b>2016</b></u>
Agency's proportion of the net pension liability	0.0004680%	0.0004727%	0.0004857%
Agency's proportionate share of the net collective pension liability	\$ 28,069	\$ 34,306	\$ 77,954
Agency's covered-employee payroll	\$ 111,727	\$ 109,919	\$ 104,498
Agency's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	25.12%	31.21%	74.60%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	98.24%	94.70%	97.90%

See Independent Auditors' Report.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**DECEMBER 31, 2018**  
(unaudited)

	<u><b>December 31, 2018</b></u>	<u><b>December 31, 2017</b></u>	<u><b>December 31, 2016</b></u>
Contractually required contribution	\$ 17,394	\$ 17,222	\$ 16,372
Contributions in relation to the contractually required contribution	17,394	\$ 17,222	16,372
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Agency's covered employee payroll	\$ 111,727	\$ 109,919	\$ 104,498
Contributions as a percentage of covered employee payroll	15.57%	15.67%	15.67%

See Independent Auditors' Report.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(UNAUDITED)**

	<b>Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Operating Revenues</b>			
Charges for services	\$ 212,622	\$ 239,907	\$ 27,285
Other revenue	15,350	24,665	9,315
Other revenue (appropriated fund balance)	23,959	-	(23,959)
<b>Total Operating Revenues</b>	<b>251,931</b>	<b>264,572</b>	<b>12,641</b>
<b>Operating Expenses</b>			
Advertising expenses	3,000	800	2,200
Compensated absence expense	2,176	4,959	(2,783)
Depreciation	527	140	387
Dues and subscriptions	1,495	1,320	175
Employee benefits - NYS Employee Retirement System	18,535	28,069	(9,534)
Insurance	1,264	1,273	(9)
Legal Notices	400	299	101
Office	2,630	4,229	(1,599)
Payroll	130,076	129,878	198
Payroll taxes	10,140	9,944	196
Professional fees	64,120	47,680	16,440
Rent	10,884	9,672	1,212
Seminars and conferences	2,000	1,120	880
Telephone	2,184	1,682	502
Travel	2,600	2,984	(384)
<b>Total Operating Expenses</b>	<b>252,031</b>	<b>244,049</b>	<b>7,982</b>
<b>Non-Operating Revenue</b>			
Interest Income	100	85	(15)
<b>Total Non-Operating Revenue</b>	<b>100</b>	<b>85</b>	<b>(15)</b>
<b>Net Operating Income</b>	<b>\$ -</b>	<b>\$ 20,608</b>	<b>\$ 20,608</b>

See Independent Auditors' Report.



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**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 Agency), a component unit of the Town of Riverhead, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon date March 7, 2019.

**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 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 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 an 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.

*Jones, Little + Co, CPAs, LLP*

Port Jefferson Station, New York  
March 7, 2019