



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

FOR THE YEAR ENDED DECEMBER 31, 2021

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
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Jones, Little & Co., CPA's, LLP

Thomas Jones, CPA
Roy Little, CPA
Kathleen Galway, CPA
Lori LaPonte, CPA
www.jonesandlittle.com

INDEPENDENT AUDITORS' REPORT

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

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements 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, 2021, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. As discussed in the notes to the financial statements, based on the Agency's net position and the shortfall of budgeted expenditures over known revenues, substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in the notes. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

86 West Main Street, Suite 2
East Islip, NY 11730-2323
(631)277-8500 ~ Fax (631)277-8502

5225 Nesconset Highway, Suite 50
Port Jefferson Station, NY 11776-2060
(631)473-9500 ~ Fax (631)473-1259

186 W. Montauk Highway, Suite D3
Hampton Bays, NY 11946-2347
(631)728-4020 ~ Fax (631)728-4649

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, and the Budget Comparison Schedule, 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 limit 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 obtain during our audit of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022 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 solely 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

Hampton Bays, New York
March 28, 2022

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(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, 2021. 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, 2021, by \$106,090, primarily due to the change in the NYS Employee Retirement System pension liability.
- The Agency's total assets and deferred outflows increased by \$93,614 and total liabilities and deferred inflows increased by \$24,770 for the year ended December 31, 2021, primarily due to the changes in deferred inflows.
- The Agency's change in net position was \$68,844 for the year ended December 31, 2021, which was an increase of \$166,538 from the prior year. The net increase is due to an increase in revenue, a decrease in expenses, and proceeds received for the Coronavirus Aid, Relief and Economic Security Act Paycheck Protection Program (PPP) (discussed in the notes to the financial statements).

Basic Financial Statements Ended December 31, 2021:

- 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(Unaudited)

Condensed Statement of Net Position at December 31,

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total Current Assets	\$ 195,465	\$ 116,519	\$ 78,946	68%
Total Noncurrent Assets	1,733	1,900	(167)	-9%
Total Assets	<u>197,198</u>	<u>118,419</u>	<u>78,779</u>	<u>67%</u>
Deferred Outflows of Resources	<u>98,114</u>	<u>83,279</u>	<u>14,835</u>	<u>18%</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 295,312</u>	<u>\$ 201,698</u>	<u>\$ 93,614</u>	<u>46%</u>
Total Current Liabilities	\$ 50,070	\$ 24,801	\$ 25,269	102%
Total Noncurrent Liabilities	<u>21,095</u>	<u>134,954</u>	<u>(113,859)</u>	<u>-84%</u>
Total Liabilities	<u>71,165</u>	<u>159,755</u>	<u>(88,590)</u>	<u>-55%</u>
Total Deferred Inflows of Resources	<u>118,057</u>	<u>4,697</u>	<u>113,360</u>	<u>2413%</u>
Total Net Position	<u>106,090</u>	<u>37,246</u>	<u>68,844</u>	<u>185%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 295,312</u>	<u>\$ 201,698</u>	<u>\$ 93,614</u>	<u>46%</u>

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total Operating Revenues	\$ 259,130	\$ 138,573	\$ 120,557	87%
Total Operating Expenses	<u>215,459</u>	<u>237,287</u>	<u>(21,828)</u>	<u>-9%</u>
Income (loss) from operations	43,671	(98,714)	142,385	n/m
Total Non-Operating Revenue	<u>208</u>	<u>1,020</u>	<u>(812)</u>	<u>-80%</u>
Change in Net Position - Prior to Other Changes	<u>43,879</u>	<u>(97,694)</u>	<u>141,573</u>	<u>n/m</u>
Other Changes	<u>24,965</u>	<u>-</u>	<u>24,965</u>	<u>-</u>
Change in Net Position	<u>\$ 68,844</u>	<u>\$ (97,694)</u>	<u>\$ 166,538</u>	<u>-170%</u>

n/m - not meaningful (percentage change calculation)

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(Unaudited)

Analysis of Financial Position and Results of Operations:

The Agency's operations during 2021 resulted in \$228,647 in revenues being generated by fees associated with closing completed projects. The Agency's operations also include revenues of \$30,483 related to project refinancing, late fees and other items. The Agency continues its approach to economic development by attracting new businesses and helping existing businesses expand.

Budgetary Analysis:

This section will discuss the significant budget to actual variances in 2021.

The charges for services line in the 2021 budget totaled \$178,798. During 2021, project closings came in higher than the estimated budget.

The other revenue in the 2021 budget was established at \$1,250. During 2021, project refinance fees, compliance fees, assignment fees and other items were over budget.

NYS Employee Retirement System expense is under budget by approximately \$12,000 due to New York State decreasing its non-current pension liability.

Payroll expense is approximately \$1,800 under budget in 2021 as a result of a reduction in compensated absences.

Professional fees are approximately \$33,000 under budget in 2021 as a result of less legal work performed.

Travel costs are approximately \$4,500 under budget in 2021 as a result of Covid-19 travel restrictions.

Economic Condition and Outlook:

The Agency has analyzed the year ended December 31, 2021, financial statements, which has a net position increase of \$68,844, as a result of an increase in revenue, a decrease in expenditures, and other income from PPP loan forgiveness. The Agency's net position is \$106,090 as of December 31, 2021, as compared to \$37,246 as of December 31, 2020. In the prior year ended December 31, 2020, due to the Agency's net change in a negative net position, we had prepared a going concern evaluation. Upon review of the December 31, 2020, evaluation, we concluded that the Agency would continue as a going concern.

As of December 31, 2021, based on the Agency's net position of \$106,090, and a shortfall from budgeted expenditures over known revenues, the Agency has prepared a going concern evaluation. Included in this evaluation is consideration of two projects that, more likely than not, will close in 2022 for expected revenues of approximately \$120,000. The Agency is also in the process of finalizing a contract for services between the Agency and the Town of Riverhead for total estimated fees of \$50,000, for the year ended December 31, 2022. As a result, the Agency has concluded it will continue to operate as a going concern.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(Unaudited)

COMPLETED PROJECTS

The following is a summary of the Agency's projects closed or completed during the 2021 calendar year:

331 East Main Street, LLC

The Agency received an application for financial assistance from 331 East Main Street, LLC, a limited liability company, as Owner of the Project, and G2D Construction Corp. as Project builder, and G2D Properties Corp. as Facility Manager with respect to the elimination of two vacant buildings consisting of vacant retail space on the ground floor and three vacant residential apartments above located at 331 East Main Street, Riverhead with the construction, furnishing, and equipping of a building of approximately 37,385 square feet for the development of a 36 market-rate rental unit apartment community with amenities including approximately 838 square feet of ground floor commercial space and a parking garage at an estimated total project cost of \$13,143,850.

A public hearing was held in August 2020. The project was authorized in October and closed in 2021.

Atlantis Holding Company, LLC

The Agency received and authorized an application to extend a sales tax exemption agreement authorizing a tax exemption in the amount of \$299,478.

Island Water Park Corp

The Agency received an application for financial assistance from Island Water Park Corp. and Island Water Park Operations, LLC (collectively the Facility) for assistance in connection with the acquisition of an approximately 46 acre parcel of land, the construction of an approximately 75,000 square foot building thereon, and the acquisition and installation therein of certain equipment and personal property; of which the Facility is to be used as an indoor/outdoor extreme water sports park for a total capital investment of \$25,000,000. A public hearing was held on September 14, 2021, and November 8, 2021. The Agency authorized the provision of financial assistance on November 8, 2021.

The financial assistance approved for the Facility included: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property in an amount not to exceed a total value of eligible goods and services in the amount of \$15,000,000 which will provide a maximum sales tax exemption not to exceed \$1,293,750 and (ii) a partial abatement of real property taxes by granting a real property tax abatement equal to the assessed value of the improvements, subject to completion of the improvements, and (iii) the provision of an abatement of Mortgage Recording Taxes, on all except that tax attributable to the Metropolitan Region Mortgage Transportation Tax (currently .30%) of the following mortgages, with respect to conventional mortgages in the anticipated amount of \$15,000,000. A closing was held on December 31, 2021.

Lenape Associates/Drs Path Apartments

The Agency has received an application for financial assistance from Lenape Associates, LP, (the Applicant), with respect to a proposed improvements and renovations to the interior and exterior of the project, and make certain other improvements, at the existing residential subsidized rental housing facility. The complex currently consists of ten buildings with forty units of subsidized rentals in a garden apartment setting on approximately 20.6 acres. With the assistance of the Agency, the apartments will be kept

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(Unaudited)

affordable to 100% of the residents. Project cost is estimated to be \$165,000. A public hearing was held on December 6, 2021 and a resolution approving the financial assistance occurred on December 14, 2021. Financial assistance approved by the Agency included an extension of benefits provided under an Original PILOT Agreement for a period of two years from December 31, 2021 to December 31, 2023. A closing was held on December 31, 2021.

205 Osborne Avenue, LLC

The Agency received an application for financial assistance from 205 Osborn Ave, LLC, with respect to a proposed development located within a Railroad Avenue Urban Renewal Overlay District to demolish an existing approximately 13,000 square foot vacant building and construct an approximately 41,867 square foot building on approximately 0.48 acres of land. The facility will include a 37-unit apartment building comprised of highly amenitized, market-rate, rental units. The ground floor of the facility will include a Worksmart Coworking Space Project cost is estimated to be \$19,593,827. A public hearing was held in December 2021. Final authorization was not considered by year end.

CLOSED PROCEEDING/WITHDRAWN PROJECT

The Agency received a request by Peconic Bay Medical Center formerly Central Suffolk Hospital (the Issuer) to redeem their existing bonds. On November 8, 2021, the Agency authorized the redemption of the Issuer's \$12,000,000 Variable Rate Demand Civic Facility Revenue Bonds 2006 and the termination and discharge of all the Issuer's documents and agreements with respect to the facility and approved the execution of documents necessary for early termination of the transaction. This transaction did not close in 2021.

REFINANCES/BOND MODIFICATIONS

During 2021, the following projects were or will be refinanced or have bond modifications.

- Proceedings were held and authorized for John Wesley Village LP to refinance in the amount of \$12,000,000. The refinance did not take place in 2021.
- Proceedings were held to authorize a loan modification for Georgica Green to permit a loan amount from Suffolk County for Acquisition in the amount of \$500,000, a loan from Suffolk County for Infrastructure in the amount of \$2,500,000, a loan from Suffolk County for Suffolk County Sewer Subsidy in the amount of \$500,000 and an ESD RESTORE NY loan in the amount of \$250,000.

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.

The Agency also works closely with regional and national economic development organizations and municipal economic development departments on Long Island, such as the Long Island Business Development Council (LIBDC) 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.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(Unaudited)

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 coordinates regularly with the Suffolk County IDAs to corroborate on improving regulatory compliance as well as cooperative marketing ideas.

Efforts however continue to be disrupted as New York continued into a State of Emergency limiting operations through 2021. Due to the pandemic, which continued to hamper operations through the remainder of the year, normal marketing operations were refocused to small business assistance offered through the state and federal government through the use of electronic media and virtual formats. Agency meetings continued to be virtual as did as most conferences and seminars.

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. This year, the Agency continued to increase its active role in town planning and zoning to encourage business growth through increased coordinated efforts interdepartmentally. The Agency worked closely with the Town of Riverhead Community Development Agency in planning a Transit Oriented Development Overlay District (TOD) in addition to contributing financially to necessary studies. The cooperative effort ultimately resulted in the development of a Request for Proposals and the designation of a proposed developer for the TOD improvements.

The Agency's Executive Director participates on the Career & Technical Education Act 2009 (CTEA) Local Advisory Council for Suffolk County Community College to assist with the grant planning process toward workforce development efforts, participates on the Business Advisory Committee for the local municipality and has the experience and knowledge to handle inquiries for assistance programs offered outside those of the Agency, providing a one stop service for businesses.

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 9 businesses. The Agency receives an annual fee for the administration of the zone. The financial contract ended in 2020 and the businesses self-reported in 2021 ending the program administration.

In March of 2020, the World Health Organization declared a public health emergency of international concern and a pandemic. New York's State of Emergency continued in 2021. Actions taken around the world to help mitigate the spread of the coronavirus outbreak included restrictions on travel and business forcing closures. The coronavirus virus and the actions taken in New York State to mitigate the effects have had and are expected to continue to have an adverse effect on the economies, financial markets and development across the globe. The pandemic forced the Agency to shift resources to assist businesses with keeping up on the latest and interim guidance for businesses. The Agency acted as a resource for very fluid government regulations, as well as a resource to state and federal grants and assistance made available due to the State of Emergency. As a result, the Agency continued to experience a retraction of interest and anticipated investment. While it is unknown how long these conditions will continue and what the complete financial effect will be to the Agency, the Agency is expecting this matter to negatively impact its revenues.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(Unaudited)

This financial report is designed to provide a general overview of the Agency 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, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Current Assets	
Cash	\$ 168,733
Prepaid expenses and other assets	21,482
Due from other governments	500
Accounts receivable	4,750
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Total Current Assets	195,465
Noncurrent Assets	
Fixed assets	9,900
Less: accumulated depreciation	(9,567)
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Net fixed assets	333
Other assets (non-current)	1,400
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Total Other Assets	1,733
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TOTAL ASSETS	197,198

DEFERRED OUTFLOWS OF RESOURCES

Pension related - NYS Employee Retirement System	98,114
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TOTAL DEFERRED OUTFLOWS OF RESOURCES	98,114
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 295,312
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LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

LIABILITIES

Current Liabilities	
Accounts payable and accrued expenses	\$ 29,282
Due to other governments - PILOTs	20,788
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Total Current Liabilities	50,070
Noncurrent Liabilities	
Compensated absences	20,704
Net pension liability - NYS Employee Retirement System	391
	<hr/>
Total Noncurrent Liabilities	21,095
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TOTAL LIABILITIES	71,165
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DEFERRED INFLOWS OF RESOURCES

Pension related - NYS Employee Retirement System	118,057
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TOTAL DEFERRED INFLOWS OF RESOURCES	118,057
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NET POSITION

Unrestricted	106,090
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TOTAL NET POSITION	106,090
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 295,312
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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, 2021

Operating Revenues	
Charges for services	\$ 228,647
Other revenue	<u>30,483</u>
Total Operating Revenues	<u>259,130</u>
Operating Expenses	
Depreciation	167
Dues and subscriptions	1,000
Employee benefits - NYS Employee Retirement System	8,191
Insurance	1,461
Legal Notices	695
Office	2,867
Payroll	142,778
Payroll taxes	11,193
Professional fees	34,318
Rent	10,749
Seminars and conferences	90
Telephone	1,950
Travel	<u>-</u>
Total Operating Expenses	<u>215,459</u>
Income from Operations	<u>43,671</u>
Non-Operating Revenue	
Interest income	<u>208</u>
Total Non-Operating Revenue	<u>208</u>
Change in Net Position - Prior to Other Changes	<u>43,879</u>
Other Changes	
PPP loan forgiveness	<u>24,965</u>
Total Other Changes	<u>24,965</u>
Change in Net Position	68,844
Net Position - Beginning of Year	<u>37,246</u>
Net Position - End of Year	<u><u>\$ 106,090</u></u>

See notes to Financial Statements.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 228,647
Cash payments for contractual expenses	(31,665)
Cash payments for payroll and payroll taxes	<u>(153,971)</u>
Net cash provided by operating activities	<u>43,011</u>
Cash Flows from Non Capital Financing Activities:	
PPP loan forgiveness	24,965
Cash received from payments in lieu of taxes	1,923,537
Cash paid for payments in lieu of taxes	<u>(1,902,749)</u>
Net cash provided by non capital financing activities	<u>45,753</u>
Cash Flows from Investing Activities:	
Interest income	<u>208</u>
Net cash provided by investing activities	<u>208</u>
Net increase in cash	88,972
Cash - beginning of year	<u>79,761</u>
Cash - end of year	<u><u>\$ 168,733</u></u>
Reconciliation income from operations to	
Net cash provided by operating activities:	
Net income from operations	\$ 43,671
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	167
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Prepaid expenses and other assets	(4,824)
Due from other governments	4,500
Accounts receivable	10,350
Accounts payable and accrued expenses	4,481
Compensated absences	<u>(1,442)</u>
Subtotal	<u>56,903</u>
Pension related - NYS Employee Retirement System:	
Deferred Outflows of Resources	(14,835)
Pension related - NYS Employee Retirement System	(112,417)
Deferred Inflows of Resources	<u>113,360</u>
Subtotal Pension related - NYS Employee Retirement System	<u>(13,892)</u>
Net cash provided by operating activities	<u><u>\$ 43,011</u></u>

See notes to Financial Statements.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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. As of December 31, 2021, the Agency has a due from other governments from the Corporation of \$500, which was subsequently paid in January 2022.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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.

b. 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.

c. 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, 2021 was \$167.

d. 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- e. Advertising
The Agency follows the policy of charging the costs of advertising to expense as incurred. The Agency has no advertising expense for the year ended December 31, 2021.
- f. Basis of Accounting
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.
- g. 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.
- h. 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 if it does not exceed certain limits. Benefits are accrued as they are earned. Compensated absences at December 31, 2021 amount to \$20,704.
- i. Litigation
The Agency is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Agency.
- j. Accounting Pronouncements

Recent Accounting Pronouncements

The Agency has adopted the following Statement of Governmental Accounting Standards Board (GASB) that are applicable for the year ended December 31, 2021 as follows:

- Statement No. 83, “Certain Asset Retirement Obligations”
- Statement No. 84, “Fiduciary Activities”
- Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”
- Statement No. 90, “Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61”

The implementation of the above statements has no impact on the Agency’s financial statements.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued certain accounting standards updates as of December 31, 2021, that will become effective in subsequent periods. Management believes that none of the updates would have significantly affected the Agency’s financial accounting measures or disclosures had they been in effect during the fiscal year ended December 31, 2021 and does not believe that any of those pronouncements will have a significant impact on the Agency’s financial statements at the time that they become effective.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

As of December 31, 2021, the Agency had a due to other governments of \$20,788 representing three PILOT payments which were received as of December 31, 2021. PILOTs were remitted to the local taxing jurisdictions in January 2022.

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, 2021 the Agency paid \$22,855 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

As of December 31, 2021, the Agency reported a non-current liability of \$391 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2021 for the System.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4: EMPLOYEE BENEFIT PLAN (continued)

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.

System's actuarial valuation date	April 1, 2020
Net pension liability	\$ 391
Agency's portion of the System's total net pension liability	0.0003926%
Change in the allocation of the System's total net pension liability since the prior measurement date	(0.000334)

For the year ended December 31, 2021, the Agency recognized a pension expense of \$8,191 in the statement of revenues, expenses, and changes in net position.

As of December 31, 2021, the Agency's reported deferred outflows/inflows of resources related to the pension from the following sources:

Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 4,774
Change of Assumptions	71,879
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	4,320
Contributions made subsequent to the measurement date	<u>17,141</u>
Total Deferred Outflows of Resources - pension amounts	<u>\$ 98,114</u>
Deferred Inflows of Resources:	
Changes of Assumptions	\$ 1,356
Net difference between projected and actual earnings on pension plan investments	112,297
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	<u>4,404</u>
Total Deferred Inflows of Resources - pension amounts	<u>\$ 118,057</u>

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

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4: EMPLOYEE BENEFIT PLAN (continued)

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

Years ending December 31, 2022	\$	(7,030)
2023		(2,462)
2024		(5,931)
2025		(21,661)
	<u>\$</u>	(37,084)

The System's Actuarial Assumptions

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

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

	<u>Measurement Date</u>
	<u>March 31, 2021</u>
Actuarial valuation date	April 1, 2020
Inflation	2.70%
Salary increases	4.40%
Investment rate of return, net of inflation	5.70%
Cost-of-living adjustments	1.40%
Decrement tables	April 1, 2015 - March 2020
	System's Experience

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2019 used April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 are summarized below:

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4: EMPLOYEE BENEFIT PLAN (continued)

Asset Class	Target Allocations	Long-Term expected real rate of return
Domestic equity	32.00%	4.05%
International equity	15.00%	6.30%
<u>Alternatives:</u>		
Private equity	10.00%	6.75%
Real estate	9.00%	4.95%
Opportunistic/Absolute return strategies portfolio	3.00%	4.50%
Credit	4.00%	3.63%
Real assets	3.00%	5.95%
Fixed Income	23.00%	0.00%
Cash	1.00%	0.50%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of March 31, 2021 was 5.9%. 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 determined. Based upon these assumptions, the System's 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 5.9% as of March 31, 2021 as well as what the Agency's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (4.9%) or 1-percentage point higher (6.9%) than the current rate:

	1% Decrease	Current Assumption	1% Increase
	4.9%	5.9%	6.9%
Agency's proportionate share of the collective net pension liability/(asset) for the Plan year ended:			
March 31, 2021	\$ 108,506	\$ 391	\$ (99,317)

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, 2021 is as follows:

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4: EMPLOYEE BENEFIT PLAN (continued)

Measurement Date	<u>March 31, 2021</u>
	(Dollars in thousands)
Employers' total pension liability	\$ 220,680,157
Plan net position	<u>220,580,583</u>
Employers' net pension liability	<u>\$ 99,574</u>
Ratio of Plan's net position to the Employers' total pension liability	99.95%

NOTE 5: 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. Management has indicated that a new lease has not been negotiated as of the date of this report. Rent expense, excluding gas, water and electric, under the provisions of the lease agreement for the remaining term ending August 31, 2022 is \$6,304.

NOTE 6: COVID-19 ECONOMIC IMPACT

The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Agency is unsure if this matter will negatively impact its operation results. The extent of the impact of COVID-19 on the Agency's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, as well as the impact on the Agency's members. At this point, the extent to which COVID-19 may impact the financial condition of the Agency or results of operations is uncertain.

Paycheck Protection Program: On February 5, 2021, the Agency received loan proceeds of \$24,965 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). On June 11, 2021, the Agency's PPP loan was forgiven in full.

NOTE 7: SUBSEQUENT EVENTS

The Agency has analyzed the results for the year ended December 31, 2021 which has an ending net position of \$106,090. Management has prepared a going concern evaluation subsequent to year ended December 31, 2021. Management's evaluation includes information that the Agency is in discussions regarding two potential projects that may close by year ending December 31, 2022. The Agency is also in the process of finalizing a contract for services between the Agency and the Town of Riverhead for the year ended December 31, 2022. Management plans on expediting all applications currently in process and conservatively reducing expenses. Based upon a prudent budget for the year ending December 31, 2022, and a period of time thereafter, management believes the Agency will continue as a going concern.

Management has evaluated the impact of all subsequent events for the Agency as of March 28, 2022 the date the financial statements are available to be issued. Management has determined that there are no material subsequent events required for disclosure in or adjustments to the Agency's financial statements.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2021
(Unaudited)

March 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Agency's proportion of the net pension liability	0.0003926%	0.0004260%	0.0004371%	0.0004680%	0.0004727%	0.0004857%
Agency's proportionate share of the net collective pension liability	\$391	\$112,808	\$ 30,971	\$ 28,069	\$ 34,306	\$ 77,954
Agency's covered-employee payroll	\$128,018	\$124,573	\$ 119,107	\$ 111,727	\$ 109,919	\$ 104,498
Agency's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	0.31%	90.56%	26.00%	25.12%	31.21%	74.60%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	99.95%	86.39%	96.27%	98.24%	94.70%	97.90%

See Independent Auditors' Report.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF PENSION CONTRIBUTIONS
DECEMBER 31, 2021
(unaudited)

Years Ended December 31,	Contractually Required Contributions	Contributions Recognized by the Plan in Relation to the Contractually Required Contributions	Contribution Deficiency/ (Excess)	Agency's Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$22,855	\$22,855	-	\$128,018	17.85%
2020	19,768	19,768	-	124,573	15.87%
2019	18,542	18,542	-	119,107	15.57%
2018	17,394	17,394	-	111,727	15.57%
2017	17,222	17,222	-	109,919	15.67%
2016	16,372	16,372	-	104,498	15.67%

See Independent Auditors' Report.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)

	<u>Budgeted Amounts</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Operating Revenues			
Charges for services	\$ 178,798	\$ 228,647	\$ 49,849
Other revenue	1,250	30,483	29,233
Total Operating Revenues	<u>180,048</u>	<u>259,130</u>	<u>79,082</u>
Operating Expenses			
Depreciation	308	167	141
Dues and subscriptions	1,335	1,000	335
Employee benefits - NYS Employee Retirement System	20,540	8,191	12,349
Insurance	1,179	1,461	(282)
Legal Notices	300	695	(395)
Office	3,435	2,867	568
Payroll	144,606	142,778	1,828
Payroll taxes	10,957	11,193	(236)
Professional fees	67,200	34,318	32,882
Rent	11,672	10,749	923
Seminars and conferences	1,850	90	1,760
Telephone	1,932	1,950	(18)
Travel	4,500	-	4,500
Total Operating Expenses	<u>269,814</u>	<u>215,459</u>	<u>54,355</u>
Non-Operating Revenue			
Interest Income	100	208	108
Total Non-Operating Revenue	<u>100</u>	<u>208</u>	<u>108</u>
Net Operating (Loss) Income	<u>\$ (89,666)</u>	<u>\$ 43,879</u>	<u>\$ 133,545</u>

See Independent Auditors' Report.



Jones, Little & Co., CPA's, LLP

Thomas Jones, CPA
Roy Little, CPA
Kathleen Galway, CPA
Lori LaPonte, CPA
www.jonesandlittle.com

**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, 2021, 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 28, 2022.

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.

Report 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

Hampton Bays, New York
March 28, 2022