



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

FOR THE YEAR ENDED DECEMBER 31, 2023

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
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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 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, 2023, which comprise the statement of financial position as of December 31, 2023, and the related statements of revenues, expenses and changes in net position 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, 2023, 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.

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.

Emphasis of Matter

As discussed in Note 7 in the financial statements, the Agency is co-defendant in a pending lawsuit over the development of a parcel of land. Our opinion is not modified with respect to this matter.

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 25, 2024 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 25, 2024

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023
(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, 2023. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements. Management's Discussion and Analysis ("MD&A") is Required Supplementary Information specified in the Government Accounting Standards Board Statements No. 34.

Financial Highlights:

- The assets of the Agency exceeded its liabilities (including the net of deferred inflows and outflows of resources) as of December 31, 2023 by \$307,885. These funds are unrestricted and available to maintain the Agency's continuing obligations.
- The Agency's change in net position was a gain of \$233,970 for the year ended December 31, 2023, which was an increase of \$266,145 from the prior year. The net increase is due to an increase in revenue.

Overview of the Financial Statements

The Agency is a quasi-governmental entity established in 1980, as a 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 of Riverhead. The MD&A serves as an introduction to the basic financial statements and represents management's discussion and analysis of the Agency's financial condition and performance.

Basic Financial Statements Ended December 31, 2023:

- 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 on 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, 2023
(Unaudited)

Condensed Statement of Net Position at December 31,

	<u>2023</u>	<u>2022</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Total Current Assets	\$ 525,800	\$ 227,740	\$ 298,060	131%
Total Noncurrent Assets	<u>2,291</u>	<u>32,476</u>	<u>(30,185)</u>	<u>-93%</u>
Total Assets	<u>528,091</u>	<u>260,216</u>	<u>267,875</u>	<u>103%</u>
Deferred Outflows of Resources	<u>58,002</u>	<u>74,835</u>	<u>(16,833)</u>	<u>-22%</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 586,093</u>	<u>\$ 335,051</u>	<u>\$ 251,042</u>	<u>75%</u>
Total Current Liabilities	\$ 185,041	\$ 135,997	\$ 49,044	36%
Total Noncurrent Liabilities	<u>87,481</u>	<u>16,040</u>	<u>71,441</u>	<u>445%</u>
Total Liabilities	<u>272,522</u>	<u>152,037</u>	<u>120,485</u>	<u>79%</u>
Total Deferred Inflows of Resources	<u>5,686</u>	<u>109,099</u>	<u>(103,413)</u>	<u>-95%</u>
Total Net Position	<u>307,885</u>	<u>73,915</u>	<u>233,970</u>	<u>317%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 586,093</u>	<u>\$ 335,051</u>	<u>\$ 251,042</u>	<u>75%</u>

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

	<u>2023</u>	<u>2022</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Total Operating Revenues	\$ 506,218	\$ 179,555	\$ 326,663	182%
Total Operating Expenses	<u>272,690</u>	<u>211,910</u>	<u>60,780</u>	<u>29%</u>
Income (loss) from operations	233,528	(32,355)	265,883	822%
Total Non-Operating Revenue	<u>442</u>	<u>180</u>	<u>262</u>	<u>146%</u>
Change in Net Position	<u>\$ 233,970</u>	<u>\$ (32,175)</u>	<u>\$ 266,145</u>	<u>827%</u>

Analysis of Financial Position and Results of Operations:

The Agency's operations during 2023 resulted in total operating revenue of \$506,218. Included in the total operating revenue is \$370,343 generated by project closing and other services, and an authorized transfer of \$135,875 from the Riverhead IDA Economic Job Development Corporation which is considered a related entity of the Agency and a component of the Town of Riverhead (see Note 1 in the accompanying financial statements).

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023
(Unaudited)

Budgetary Analysis:

This section will discuss the significant budget to actual variances in 2023.

Operating revenues in the 2023 budget were established at \$171,601. Operating revenues came in higher than budgeted as a result of project closings, additional service fees, and a Board approved increase in fee rate.

NYS Employee Retirement System expense is over budget by approximately \$25,000 due to the change from 2022 when New York State booked the non-current pension as an asset, and then as a liability in 2023.

Business development expense is over budget by \$6,250 because the expense was not budgeted for. The expense relates to the Agency's participation in executing and completing a plan for the Town of Riverhead Community Development Agency (CDA).

Payroll costs of \$153,097 are under budget by \$9,197 due to a decrease in the compensated absence accrual.

Travel costs are \$6,350 under budget in 2023 as a result of no conference fees.

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

Reimbursement Expense Deposit

During the year ended December 31, 2023, the Agency received reimbursement of expenses pursuant to an agreement entered into as follows:

On September 21, 2022, the Agency entered into an agreement (Agreement) with the Town of Riverhead Community Development Agency (CDA) and Calverton Aviation & Technology, LLC (Company) who collectively applied to the Agency for assistance in a project (the Project). Pursuant to the Agreement, the Company reimbursed the Agency, the Agency's Counsel, any third-party consultants retained to assist in the due diligence process. Upon the delivery of this Agreement, the Company shall pay the Agency the amount of \$150,000, to pay the fees and expenses of the Agency, the Agency's Transaction Counsel and any third-party consultants hired or engaged by the Agency in connection with the application due diligence or analysis of the Project. As such, whenever the Agency incurs \$100,000 of fees and expenses, the Agency shall notify the Company who in return will pay to the Agency an additional \$100,000 and thereafter every time the Agency has incurred \$100,000 of fees and expenses until the closing of Phase I of the Project.

During 2023, the Company reimbursed the Agency \$450,000 for payments made by the Agency on behalf of the Agreement. Reimbursable payments made by the Agency totaled approximately \$405,000 which included \$278,000 in legal fees, \$71,000 in professional fees paid to the Agency for its services, \$53,000 in business valuations, and \$3,000 in other business expenses. The deposits in and the payments out went through a Reimbursement Expense Deposit liability account. As of December 31, 2023, there was a remaining balance of \$45,414.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023
(Unaudited)

In December 2023, the Agency invoiced the Company an additional \$100,000 for anticipated expenses relating to the Agreement. The \$100,000 is included on the Statement of Net Position as Reimbursement Receivable and as a liability in the Reimbursement Expense Deposit account which totaled \$145,414 as of December 31, 2023.

Economic Condition and Outlook:

The overall mission of the Agency is to promote, attract and encourage well planned economic sustainable growth in the Town of Riverhead. The Agency plans to continue and expand its assistance to the businesses located in the Town of Riverhead.

Management has analyzed the results of the Agency for the year ended December 31, 2023, which had a net position increase of \$223,970 as a result of the increased revenue. Based upon the 2023 positive net position, and after reviewing management's projections and expected closings and the Agency's prudent budget for the year ending December 31, 2024, and a period thereafter, there is a stable outlook for the Agency.

Pending Litigation

The Agency is a co-defendant in a lawsuit that is pending in connection with the purchase and development of a parcel of land located in the Town of Riverhead. The Agency's legal counsel is in the opinion that such litigation, individually or in aggregate, is not likely to have a material adverse effect on the financial condition of the Agency. The ultimate outcome of this litigation cannot presently be determined, accordingly adjustments, if any, that may result from the resolution of this matter have not been recognized in the accompanying financial statements.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**STATEMENT OF NET POSITION****DECEMBER 31, 2023****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES****ASSETS**

Current Assets

Cash	\$ 399,847
Prepaid expenses and other assets	23,153
Reimbursement receivable	100,000
Accounts receivable	2,800

Total Current Assets 525,800

Noncurrent Assets

Fixed assets	11,015
Less: accumulated depreciation	<u>(10,124)</u>

Net fixed assets 891

Other assets (non-current)	<u>1,400</u>
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Total Other Assets 2,291

TOTAL ASSETS 528,091

DEFERRED OUTFLOWS OF RESOURCES

Pension related - NYS Employee Retirement System	<u>58,002</u>
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TOTAL DEFERRED OUTFLOWS OF RESOURCES 58,002

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 586,093

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**LIABILITIES**

Current Liabilities

Accounts payable and accrued expenses	\$ 39,627
Reimbursement expense deposit	<u>145,414</u>

Total Current Liabilities 185,041

Noncurrent Liabilities

Compensated absences	5,718
Net pension liability - NYS Employee Retirement System	<u>81,763</u>

Total Noncurrent Liabilities 87,481

TOTAL LIABILITIES 272,522

DEFERRED INFLOWS OF RESOURCES

Pension related - NYS Employee Retirement System	<u>5,686</u>
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TOTAL DEFERRED INFLOWS OF RESOURCES 5,686

NET POSITION

Unrestricted	<u>307,885</u>
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TOTAL NET POSITION 307,885

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION** \$ 586,093

See notes to Financial Statements.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

Operating Revenues

Charges for services	\$ 370,343
Other revenue	<u>135,875</u>

Total Operating Revenues	<u>506,218</u>
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Operating Expenses

Depreciation	390
Dues and subscriptions	850
Employee benefits - NYS Employee Retirement System	47,014
Business development	6,250
Insurance	1,177
Legal notices	1,677
Office	2,421
Payroll	153,097
Payroll taxes	12,580
Professional fees	33,030
Rent	12,300
Telephone	<u>1,904</u>

Total Operating Expenses	<u>272,690</u>
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Income from Operations	<u>233,528</u>
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Non-Operating Revenue

Interest income	<u>442</u>
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Total Non-Operating Revenue	<u>442</u>
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Change in Net Position	233,970
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Net Position - Beginning of Year	<u>73,915</u>
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Net Position - End of Year	<u><u>\$ 307,885</u></u>
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See notes to Financial Statements.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities:

Cash received from charges for services	\$ 370,343
Cash payments for contractual expenses	(1,908)
Cash payments for payroll and payroll taxes	<u>(165,677)</u>
Net cash provided by operating activities	<u>202,758</u>

Cash Flows from Non Capital Financing Activities:

Cash received from payments in lieu of taxes	2,640,001
Cash paid for payments in lieu of taxes	<u>(2,641,116)</u>
Net cash (used in) non capital financing activities	<u>(1,115)</u>

Cash Flows from Investing Activities:

Interest income	<u>442</u>
Net cash provided by investing activities	<u>442</u>

Net increase in cash 202,085

Cash - Beginning of Year 197,762

Cash - End of Year \$ 399,847

Reconciliation income from operations to

Net cash provided by operating activities:

Net income from operations	\$ 233,528
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	390
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Prepaid expenses and other assets	825
Reimbursement receivable	(100,000)
Accounts receivable	3,200
Accounts payable and accrued expenses	5,485
Reimbursement expense deposit	145,414
Due to other governments - PILOTs	(101,855)
Compensated absences	<u>(10,322)</u>
Subtotal	<u>176,665</u>
Pension related - NYS Employee Retirement System:	
Net pension asset - NYS Employee Retirement System	30,910
Deferred Outflows of Resources	16,833
Net pension liability - NYS Employee Retirement System	81,763
Deferred Inflows of Resources	<u>(103,413)</u>
Subtotal Pension related - NYS Employee Retirement System	<u>26,093</u>
Net cash provided by operating activities	<u><u>\$ 202,758</u></u>

See notes to Financial Statements.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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, 2023 was \$390.

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 earnings.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2022.

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 as of December 31, 2023 amount to \$5,718.

i. Revenue Recognition

The Agency recognizes revenue in accordance with Financial Accounting Standards Board (FASB) ASC Topic 606, *Revenue from Contracts with Customers*.

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, 2023 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."

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued certain accounting standards updates as of December 31, 2023, 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, 2023 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, 2023

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 jurisdiction 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, 2023, all PILOT payments have been received and remitted to the local municipalities.

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 the sole trustee and administrative head of the System. The Comptroller shall adopt and may amend the 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, 2023 the Agency paid \$20,922 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.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4: EMPLOYEE BENEFIT PLAN *(continued)*

Pension Liabilities (Assets), Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of December 31, 2023, the Agency reported a non-current liability of \$81,763 for its proportionate share of the net pension liability (asset) of the System measured as of March 31, 2023.

The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation. The Agency's proportion of the net pension liability (asset) 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 (asset) of the System and its related employer allocation percentage.

	<u>2023</u>
System's actuarial valuation date	April 1, 2022
Net pension liability	\$ 81,763
Agency's portion of the System's total net pension asset	0.0003813%

For the year ended December 31, 2023, the Agency recognized a pension expense of \$47,014 in the statement of revenues, expenses, and changes in net position.

As of December 31, 2023, 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	\$ 8,708
Change of Assumptions	39,709
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	9,584
Contributions made subsequent to the measurement date	<u>15,692</u>

Total Deferred Outflows of Resources - pension amounts	<u><u>\$ 73,693</u></u>
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Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 2,296
Changes of Assumptions	439
Net difference between projected and actual earnings on pension plan investments	480
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	<u>2,471</u>

Total Deferred Inflows of Resources - pension amounts	<u><u>\$ 5,686</u></u>
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RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4: EMPLOYEE BENEFIT PLAN *(continued)*

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

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

Years ending December 31, 2024	\$	12,853
2025		(2,431)
2026		18,606
2027		23,287
		<hr/>
	\$	<u>52,315</u>

The System's Actuarial Assumptions

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

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

	<u>Measurement</u> <u>Date</u> <u>March 31, 2023</u>
Actuarial valuation date	April 1, 2022
Inflation	2.9%
Salary increases	4.4%
Investment rate of return, net of	5.9%
Cost-of-living adjustments	1.5%
Decrement tables	April 1, 2015 - April 1, 2020 System's Experience

Annuitant mortality rates are based on April 1, 2015 – April 1, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4: EMPLOYEE BENEFIT PLAN *(continued)*

The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocations	Long-Term expected real rate of return
Domestic equity	32.00%	4.30%
International equity	15.00%	6.85%
Private equity	10.00%	7.50%
Real estate	9.00%	4.60%
Opportunistic/Absolute return strategy	3.00%	5.38%
Credit	4.00%	5.43%
Real assets	3.00%	5.84%
Fixed Income	23.00%	1.50%
Cash	1.00%	0.00%
	100.00%	

The real rate of return is net of long-term inflation assumption of 2.50%

Discount Rate

The discount rate used to measure the total pension liability as of March 31, 2023 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 (asset).

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension liability (asset) calculated by the System using the discount rate of 5.9% as of March 31, 2023 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	1% Increase
	4.9%	Assumption 5.9%	6.9%
Agency's proportionate share of the collective net pension liability (asset) for the Plan year ended:			
March 31, 2023	\$ 197,585	\$ 81,763	\$ (15,021)

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4: EMPLOYEE BENEFIT PLAN *(continued)*

Pension Plan Fiduciary Net Position

The components of the System's net pension liability (asset) of the employers as of the measurement date of March 31, 2023 is as follows:

Measurement Date	<u>March 31, 2023</u>
	(Dollars in Thousands)
Employers' Total Pension Liability	\$ 232,627,259
Plan Net Position	<u>211,183,223</u>
Employers' Net Pension Liability (Asset)	<u>\$ 21,444,036</u>
Ratio of Plan's Net Position to the Employers' Total Pension Liability (Asset)	90.78%

NOTE 5: REIMBURSEMENT EXPENSE DEPOSIT

During the year ended December 31, 2023, the Agency received reimbursement of expenses pursuant to an agreement entered into as follows:

On September 21, 2022, the Agency entered into an agreement (Agreement) with the Town of Riverhead Community Development Agency (CDA) and Calverton Aviation & Technology, LLC (Company) who collectively applied to the Agency for assistance in a project (the Project). Pursuant to the Agreement, the Company reimbursed the Agency, the Agency's Counsel, any third-party consultants retained to assist in the due diligence process. Upon the delivery of this Agreement, the Company shall pay the Agency the amount of \$150,000, to pay the fees and expenses of the Agency, the Agency's Transaction Counsel and any third-party consultants hired or engaged by the Agency in connection with the application due diligence or analysis of the Project. As such, whenever the Agency incurs \$100,000 of fees and expenses, the Agency shall notify the Company who in return will pay to the Agency an additional \$100,000 and thereafter every time the Agency has incurred \$100,000 of fees and expenses until the closing of Phase I of the Project.

During 2023, the Company reimbursed the Agency \$450,000 for payments made by the Agency on behalf of the Agreement. Reimbursable payments made by the Agency totaled approximately \$405,000 which included \$278,000 in legal fees, \$71,000 in professional fees paid to the Agency for its services, \$53,000 in business valuations, and \$3,000 in other business expenses. The deposits in and the payments out went through a Reimbursement Expense Deposit liability account. As of December 31, 2023, there was a remaining balance of \$45,414.

In December 2023, the Agency invoiced the Company an additional \$100,000 for anticipated expenses relating to the Agreement. The \$100,000 is included on the Statement of Net Position as Reimbursement Receivable and as a liability in the Reimbursement Expense Deposit account which totaled \$145,414 as of December 31, 2023.

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6: RELATED ENTITY

During the year ended December 31, 2023, the Agency received \$135,875 from the LDC which is included in Other Revenue on the Statement of Revenue, Expenses and Changes in Net Position. The LDC authorized this distribution in furtherance of its mission pursuant to NYS Not for Profit Corporation Law Section 201 (14).

NOTE 7: COMMITMENTS AND CONTINGENCIES

Office Space

The Agency entered into a lease agreement for office space that commenced on September 1, 2017 and has been extended through August 31, 2027. 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 year ended December 31, 2023 was \$9,835 and future minimum payments for the remaining term ending August 31, 2027, are as follows:

Year Ended December 31, 2024	\$ 10,130
Year Ended December 31, 2025	\$ 10,434
Year Ended December 31, 2026	\$ 10,747
Eight Months Ended August 31, 2027	\$ 7,307

Pending Litigation

The Agency is a co-defendant in a lawsuit that is pending in connection with the purchase and development of a parcel of land located in the Town of Riverhead. The Agency's legal counsel is in the opinion that such litigation, individually or in aggregate, is not likely to have a material adverse effect on the financial condition of the Agency. The ultimate outcome of this litigation cannot presently be determined, accordingly adjustments, if any, that may result from the resolution of this matter have not been recognized in the accompanying financial statements.

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events for the Agency as of March 25, 2024, 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 (ASSET)
DECEMBER 31, 2023
(Unaudited)

	March 31,							
	<u>2023</u>	<u>2022</u>	<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 (asset)	0.0003813%	0.0003781%	0.0003926%	0.0004260%	0.0004371%	0.0004680%	0.0004727%	0.0004857%
Agency's proportionate share of the net collective pension liability (asset)	\$ 81,763	\$ (30,910)	\$ 391	\$ 112,808	\$ 30,971	\$ 28,069	\$ 34,306	\$ 77,954
Agency's covered-employee payroll	\$142,377	\$137,563	\$128,018	\$124,573	\$ 119,107	\$ 111,727	\$ 109,919	\$ 104,498
Agency's proportionate share of the net collective pension liability (asset) as a percentage of its covered-employee payroll	57.43%	-22.47%	0.31%	90.56%	26.00%	25.12%	31.21%	74.60%
Plan fiduciary net position as a percentage of the total pension liability (asset) coming from plan	90.78%	103.65%	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, 2023
(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
2023	\$20,921	\$20,921	-	\$142,377	14.69%
2022	17,619	17,619	-	137,563	12.81%
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, 2023
(UNAUDITED)

	Budgeted Amounts	Actual	Variance with Final Budget Favorable (Unfavorable)
Operating Revenues			
Charges for services	\$ 171,601	\$ 370,343	\$ 198,742
Other revenue	-	135,875	135,875
Total Operating Revenues	171,601	506,218	334,617
Operating Expenses			
Depreciation	167	390	(223)
Dues and subscriptions	1,000	850	150
Employee benefits - NYS Employee Retirement System	21,662	47,014	(25,352)
Business development	-	6,250	(6,250)
Insurance	1,258	1,177	81
Legal notices	875	1,677	(802)
Office	3,888	2,421	1,467
Payroll	162,294	153,097	9,197
Payroll taxes	14,552	12,580	1,972
Professional fees	29,065	33,030	(3,965)
Rent	12,232	12,300	(68)
Telephone	2,532	1,904	628
Travel	6,350	-	6,350
Total Operating Expenses	255,875	272,690	(16,815)
Non-Operating Revenue			
Interest Income	250	442	192
Total Non-Operating Revenue	250	442	192
Net Operating (Loss) Income	\$ (84,024)	\$ 233,970	\$ 317,994

See Independent Auditors' Report.



**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, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 25, 2024.

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.

A handwritten signature in cursive script that reads "Jones, Little & Co, CPAs, LLP".

Hampton Bays, New York
March 25, 2024