



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

**FINANCIAL STATEMENTS
DECEMBER 31, 2015**

(WITH INDEPENDENT AUDITORS' REPORT THEREON)



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 the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Town of Riverhead Industrial Development Agency (the Agency), a component unit of the Town of Riverhead, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Agency as of December 31, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, on our consideration that the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliances and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Jones Little & Co., CPAs LLP

Port Jefferson Station, New York
March 7, 2016

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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, 2015. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights:

- The assets of Agency exceeded its liabilities at December 31, 2015 by \$169,237.
- The Agency's total assets increased by \$55,919 and the total liabilities decreased by \$33,498 for the year ended December 31, 2015.
- The Agency's 2015 operating revenues increased \$189,621 from the 2014 operating revenues.

Basic Financial Statements Ended December 31, 2015:

- 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 of the Agency as well as liabilities.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are located immediately following the financial statements.
- The statement of net position and the statement of revenues, expenses and changes in net position report information about the Agency as a whole and about its activities. These statements include all assets and liabilities 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 and liabilities, 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.

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Condensed Balance Sheets at December 31,

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total Current Assets	\$ 202,830	\$ 146,384	\$ 56,446	39%
Total Noncurrent Assets	573	1,100	(527)	-48%
Total Assets	\$ 203,403	\$ 147,484	\$ 55,919	38%
Total Current Liabilities	\$ 22,703	\$ 57,125	\$(34,422)	-60%
Total Noncurrent Liabilities	11,463	10,539	924	9%
Total Liabilities	34,166	67,664	(33,498)	-50%
Total Net Assets	169,237	79,820	89,417	112%
Total Liabilities and Net Assets	\$ 203,403	\$ 147,484	\$ 55,919	38%

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

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total Operating Revenues	\$ 294,898	\$ 105,277	\$189,621	180%
Total Operating Expenses	205,514	218,734	(13,220)	-6%
Operating income (loss)	89,384	(113,457)	202,841	n/m
Total Non-Operating Revenue	33	144	(111)	-77%
Change in Net Position	\$ 89,417	\$ (113,313)	\$202,730	n/m

n/m - not meaningful (percentage change calculation)

Analysis of Financial Position and Results of Operations:

The Agency operations during 2015 resulted in \$267,475 in revenues being generated by fees associated with completed projects. The Agency operations also include revenues of \$27,423 related to Empire Zone Fees, project refinance fees, compliance fees and other items. The Agency continues its approach to economic development by attracting new businesses and helping existing businesses expand.

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Budgetary Analysis:

This section will discuss the significant budget to actual variances in 2015.

The charges for services line in the 2015 budget was established at \$146,336. During 2015, additional unanticipated projects were cultivated and closed as well as projects that did not close in 2014 were closed in 2015. This resulted in an approximate \$121,000 revenue overage.

Professional fees are approximately \$8,000 higher than budget in 2015 as a result of the increase in project closings.

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

Economic Condition and Outlook

The Agency has analyzed the year ended December 31, 2015 financial statements, which resulted in an increase in net position thereby providing a stable outlook for the Agency.

COMPLETED PROJECTS

Browning Hotel Properties Phase II

In February of 2015, the Agency received a request for financial assistance to execute Phase II of the Browning Hotel Properties, LLC project.

The first phase of the project involved the construction of approximately 62,589 feet of building for use as a 110 room Hilton Garden Inn on approximately 7.16 acres. This phase was authorized in 2007 which proceedings specifically determined that the construction and operation of the Hotel facilities constituted a facility which is likely to attract a significant number of visitors from outside the economic development region (as established by Section 230 of the Economic Development Law) in which the project is located. The project is a tourist destination project as defined in the General Municipal Law, and whereas, such Agency proceedings and determination were limited to Phase I, being the construction of the Hilton Garden Inn Hotel and anticipated a separate application and review of Phase II for an additional Hotel Facility at the project site.

The application for financial assistance from Browning Hotel Properties, LLC, Browning Realty Management, LLC, and Browning Riverhead Hotel Management Corp. (collectively the Applicant), with respect to the construction of a Marriott Residence Inn of 114,090 square feet located on 2.52 acres of the existing 7.16 acre site at County Route 58, Riverhead, New York was for provision of 140 suites with 7,500 square feet of meeting space, and incidental expenses in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$26,849,775.

A public hearing pursuant to Section 859-a of the General Municipal Law was held by the Agency on March 30, 2015 with respect to the application for financial assistance and the Project and the proposed financial assistance requested by the Applicant with respect to the Project. It

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was determined that the Agency would provide the Applicant with the following financial assistance with respect to the Project: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes on the assessed valuation of project as determined by the difference between the total assessment for 2015-2016 and the total assessment for the year of exemption, and (iii) the provision of an exemption from Mortgage Recording Taxes.

The Agency closed on the project in October 2015. Construction of the foundation commenced in December 2015.

Wolf Properties Associates, LP/Long Beard Brewing Co.

The Agency received an application for financial assistance from Wolf Properties Associates, LP, Long Beard Brewing Co. and Long Beard Brewing Co., LLC, companies qualified to do business in the State of New York (the Applicant), with respect to the acquisition of parcel and reuse/renovation including extensive exterior and interior renovation including roofing, exterior waterproofing, handicapped access and toilet facilities, windows, HVAC, electric, plumbing and utility upgrades, cameras and site work, and equipping for reuse of an existing vacant 13,000 square foot historic firehouse in an area of urban blight located at 24 East Second Street, Riverhead, New York for use as 4,000 square foot brewery manufacturing and tourist destination facility with offices and not more than one third retail space at a total estimated cost of \$986,000 (the Project).

A public hearing pursuant to Section 859-a of the General Municipal Law was held by the Agency on August 3, 2015 with respect to the application for financial assistance for the Project.

The Project closed in August and renovations commenced immediately. Renovations were not complete in 2015.

20 West Main

In February 2015, the Agency received an application for financial assistance from 20 West Main, LLC, a limited liability company qualified to do business in the State of New York (the Applicant), with respect to the acquisition of parcel and renovation, reuse and equipping of existing 5,589 square foot three-story building, located within a designated urban renewal area at 20 West Main Street, Riverhead, New York for use as office/professional space with not more than one third retail space at an estimated cost of \$950,800 (the Project).

A public hearing pursuant to Section 859-a of the General Municipal Law was held by the Agency on May 4, 2015, and adjourned to May 12, 2015, with respect to the application for financial assistance for the Project.

In June 2015, it was determined that the Agency would provide Applicant with the following financial assistance with respect to the Project: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes by granting a real property tax abatement equal to the

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assessed value of the improvements, subject to completion of the improvements, for a period of ten years, effective for the 2016/2017 tax billing year. Payment In Lieu of Taxes (PILOT) shall be calculated and paid on the land assessment and the improvement assessment or such greater amount as set forth. Abatement of the improvement assessment shall be granted upon completion of the first floor improvements, and completion and leasing of each of the second and third floor improvements with at least one tenant per floor, one-third each by December 2, 2015, or anniversary thereof, and (iii) the provision of an abatement of the Mortgage Recording Tax not to exceed \$950,800.

By September 2015, the Project incurred cost overruns noting that additional work was required to complete the Project as presented to the Agency at a total cost of \$1,475,500 being an increase of \$524,700.20 West Main, LLC requested an increase to the project costs and sales tax exemption. A public hearing was not required by General Municipal Law section 859-a since the increased project cost would not result in an increase of the financial assistance approved by the Agency of more than one hundred thousand dollars. The Agency issued an amended New York State Sales Tax ST-60 authorizing a sales tax exemption not to exceed \$47,049 and Real Property 412-a stating the project cost of \$1,475,500.

The project closed in July. Renovations were not complete in 2015.

Peconic Management Group, LLC Phase II

In March of 2015, the Agency received an application for financial assistance from Peconic Management Group LLC, a limited liability company qualified to do business in the State of New York (the Peconic), with respect to the construction, furnishing and equipping of Buildings B and C as part of Phase II expansion of its medical complex located at 715 Roanoke Avenue, Riverhead, New York for use as a women's health center, a sleep center and physical therapy facility at an estimated new total project cost of \$3,109,140 (the Project) which is an increase over the original total project of \$1,500,000.

The first phase of the Project involved the construction of a 5,700 square foot medical facility on a .75 acre parcel located at Roanoke Avenue, Riverhead, New York for provision of medical offices with a Comprehensive Regional Bariatric Center and Outpatient Pulmonary Rehabilitation Center. The parcel covered by the real property tax exemption was merged, the lots comprising Building A which was the subject of resolution dated August 1, 2011 and Buildings B and C which are now part of the overall project.

A public hearing pursuant to Section 859-a of the General Municipal Law was held by the Agency on May 4, 2015, and adjourned to May 12, 2015, with respect to the application for financial assistance for the Project.

The Agency provided Peconic and the Related Parties with the following financial assistance with respect to the Project: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes by granting a partial abatement of real property taxes attributable to any

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increase in assessed value of Building C comprising the Project over the present assessed value of such real property (\$224,000) for a period of four years, and (iii) the provision of an exemption from Mortgage Recording Taxes.

The project closed in June. Construction on building C had not commenced in 2015.

Riveredge, LLC

The provision of financial assistance granted by resolution dated March 3, 2014 was amended to increase the total project cost to \$6,440,975. This action also authorized an increase of sales tax exemption to a total of \$262,706.

The Agency approved financial assistance to Riveredge, LLC to construct a 123,946 square foot facility at 962 Burman Boulevard, Calverton, New York to be leased to Riverhead Building Supply Corp. as a warehouse and millwork manufacturing facility of doors, windows and custom millwork products and distribution center to support an existing millwork distribution facility at an estimated total cost of \$5,056,219 (the Project) and while the Project is unchanged as to purpose and function, Riveredge, LLC communicated to the Agency that the cost of the project exceeded the original estimate for a total project cost of \$6,440,975.

A public hearing pursuant to Section 859-a of the General Municipal Law was held by the Agency on June 1, 2015 with respect to the authorization of increase to total project cost from \$5,056,219 to \$6,440,975 and the increase was authorized.

Construction of the project completed in 2015.

Cav 896, LLC

The Agency received an application for financial assistance from CAV 896, LLC, as property owner, and COLLABORATIVE REALTY, LLC, as tenant entity for ProHEALTH, each being a limited liability company qualified to do business in the State of New York (CAV 896), with respect to the continued operation of the renovated one-story building on a 1.9 acre parcel located at 896 Old Country Road, Riverhead, New York for the provision of radiation oncology and other medical services at an aggregate cost, including costs associated with the financing thereof, estimated to be \$7,500,000 (the Project). This approval of financial assistance will not result in any additional financial assistance to that previously approved for the Project and Facility and therefor was not appropriate to hold an additional public hearing pursuant to General Municipal Law section 859-a. The Agency found that the public purpose of the prior approval of Theriac Enterprises of Riverhead was being performed at the Facility by CAV 896 and that it was appropriate to grant a new approval to CAV 896 under the same terms and conditions as previously granted to Theriac Enterprises of Riverhead, LLC (21st Century Oncology). The use of the property shall be for medical offices only and no retail use within the meaning of General Municipal Law section 854 shall be permitted. Cav 896 shall complete the reuse of the existing structure as a medical office building including the construction of the necessary sewer connection as required by the Suffolk County Department of Health.

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November 2, 2015 the Agency granted CAV 896 and the Related Parties with the following financial assistance with respect to the Project: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes by granting a partial abatement of real property taxes attributable to any increase in assessed value of the real property comprising the Project over the value established as of taxable status day March 1, 2013 of such real property (\$226,300) for a period of five years provided that if any portion of the facility is operated for a use which would not be eligible for IDA benefits under New York Law, the real property tax abatement shall be reduced, and the PILOT increased based on the pro-rata floor area of the non-permitted use for the tax year of such use, and that no lease shall be entered into by the facility owner for a non-medical use without the prior application and approval of the Agency upon the form of standard application of the Agency, and (iii) the provision of an exemption from Mortgage Recording Taxes.

Contingent upon the closing as set forth in the approval resolution for CAV 896, LLC of even date herewith, the Ground Lease and Lease between the Agency and Theriac Enterprises of Riverhead, LLC dated June 19, 2013 were terminated within the meaning set forth in the Ground Lease and Lease, subject to such continuing obligations of Theriac Enterprises of Riverhead, LLC.

The project closed in November 2016.

Woolworth Revitalization, LLC

The Agency and Woolworth Revitalization LLC entered into the Ground Lease, Lease and PILOT Agreement on February 15, 2013, and the Agency approved an increase in the total project cost from \$5,700,000 to \$7,200,000. The overall project cost increase was a result of hard costs exceeding budget projections in areas such as higher than expected utility installation and expenses, unanticipated demolition and asbestos abatement measures, the requirement of a substantial new drainage system, additional masonry work and various tenant improvement work. Additionally, soft costs such as legal, architectural and administrative expenses exceeded budget projections due to the fact that the project required extensive involvement and coordination with several government entities. The Agency authorized exemption on mortgage recording made in the principal sum of \$6,000,000, and affirmed in all respects the financial assistance set forth in the resolution adopted by the Agency on February 4, 2013.

Construction completed in 2015 with the exception of the build out of finishes for a couple store fronts that had not yet been tenanted.

CLOSED PROCEEDINGS/WITHDRAWN PROJECTS

Skydive Realty, LLC

An application was made by Skydive Realty, LLC for financial assistance to the Agency regarding property located at 400 David Court, Calverton New York for a project known as Indoor Skydiving New York Inc. (the Project). The Agency approved financial assistance for the Project to build an indoor skydiving instruction and training facility. The property owner of 400

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David Court, Calverton, NY sold the property and terminated the proposed development. The Agency rescinded Resolution #14-14 of approval and closed the Agency proceedings in this matter.

REFINANCES/BOND MODIFICATIONS

Peconic Bay Medical Center (formerly Central Suffolk Hospital)

In February 2015, the Agency approved a reissuance and bond modification for Peconic Bay Medical Center (formerly Central Suffolk Hospital) which did not alter the principal amounts or maturities. The Agency had previously caused to be issued tax exempt bonds for the benefit of Central Suffolk Hospital, now Peconic Bay Medical Center (the Hospital), the Hospital denominated as Series 2006A, 2006B, 2006C and 2007D. These transaction monies were borrowed for Hospital purposes from First Albany Capital secured by a mortgage on Hospital property and a guarantee by credit facility provided by HSBC Bank USA pursuant to individual irrevocable direct pay letters of credit for each of the above mentioned bond series.

At the request of the Hospital the Agency held proceedings May 14, 2012, to permit the substitution of an Alternate Credit Facility for each of the above mentioned bonds by Manufacturers and Traders Trust Company and Agency execution of the Mortgage Modification Agreement, Environmental Guaranty, Security and Indemnification Agreement, Amended and Restated Pledge and Security Agreement and Assignment and ancillary documents.

The Hospital by letter dated January 30, 2015, requested the Agency to hold proceedings to permit the direct purchase of the above mentioned bond series by Manufacturers and Traders Trust Company, the aforementioned Alternate Credit Facility.

The Agency determined that the 2012 substitution of the Alternate Credit Facility did not constitute a new financing such as would require the payment by the Hospital of the full Agency fee and authorized the modification.

Thirty West Main, LLC

The Agency authorized exemption on new mortgages of Thirty West Main, LLC totaling \$1,500,000 and affirmed in all respects the financial assistance set forth in the resolutions adopted by the Agency January 6, 2014 and December 1, 2014.

RETIRED PROJECTS

There were no bond retirements during this period. One project graduated from the IDA program in 2015 and fully return to the tax rolls – RGR, Associates/East End Veterinary Emergency Center.

PENDING APPLICATIONS

J Kings Realty/City Cider House, LLC

In March of 2015, the Agency received an application for financial assistance from J Kings Realty (owner) & City Cider House, LLC dba Riverhead City Cider (facility user), each company qualified to do business in the State of New York (the Applicant), with respect to the

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construction and equipping of a cider manufacturing, bottling and tourism facility initially estimated to occupy 38,000 sf of total 108,178 sf of building located at 2711 Sound Avenue, Calverton, New York, with anticipated expansion (the Facility). The Facility will include renovation of existing space and equipping of space to provide for a cider manufacturing plant, cider center, regional tourism center, and regional bottling facility including expenses in connection therewith, at an aggregate cost, including costs associated with the financing thereof, estimated to be \$5,990,000 (the Project).

The financial assistance that the Agency is contemplating providing to the Applicant with respect to the Project is (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, (ii) a partial abatement of real property taxes, and (iii) exemption from mortgage recording tax. The financial assistance described in (i), (ii) and (iii) above would be consistent with the uniform tax-exemption policy adopted by the Agency pursuant to Subdivision 4 of Section 874 of the General Municipal Law. The Agency may determine to provide less financial assistance than permitted by such policy.

A public hearing was held in April of 2015, but no further action was taken. The Project remains on hold due to pending litigation.

Atlantis Holding Co, LLC Phase III

In November of 2015, the Agency received an application for financial assistance from Atlantis Holding Company LLC, a limited liability company qualified to do business in the State of New York with an office at 431 East Main Street, Riverhead, New York (Atlantis) and J. Petrocelli Development Associates, a company qualified to do business in the State of New York with an office at 100 Comac Street, Ronkonkoma, NY (Petrocelli) (jointly known as the Applicant), with respect to the rehabilitation and reuse of the Preston House, an existing vacant 2,600 square foot dilapidated structure located at 428 East Main Street within the Riverhead Urban Renewal Area, EMSURA, to permit the construction of a restaurant and five-story boutique hotel as Phase III of the previously approved Atlantis Holding Company LLC Aquarium Project at a cost of \$9,000,000 and the refinancing of the \$15,250,000 debt on the existing Aquarium Facility, as most recently approved by Agency, located on the 6.8 acre parcel located at 431 East Main Street through the provision of financial assistance by the Agency of an exemption from mortgage recording tax on debt of \$23,250,000, sales tax on the rehabilitation and construction of restaurant, five-story boutique hotel and improvements to the Aquarium Facility and an exemption from real property taxes on the restaurant and five-story boutique hotel and extension of the real property tax exemption of the Aquarium facility (the Project).

The public hearing was scheduled for January 2016.

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

In August of 2014, the Agency received a request for financial assistance from PECONIC UNITED METHODIST HOUSING DEVELOPMENT FUND COMPANY, INC. a New York not-for-profit company and JOHN WESLEY VILLAGE LP (JOHN WESLEY) with respect to the renovation of an existing 115 unit senior housing rental facility located at Middle Road,

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Riverhead, New York (the Applicant). The renovation shall include kitchen and bathroom replacement, wireless/central station call need assistance system, handicapped site access improvements, sidewalk upgrade work and safety and health improvements at an estimated cost of \$3,698,649 (the Project). The facility will be purchased by John Wesley Village LP at a total project cost of \$24,378,235. John Wesley LP would be a for profit entity.

A public hearing was held in September 2015 and financial assistance was approved. It was determined that the Agency would provide JOHN WESLEY with the following financial assistance with respect to the Project: (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes as set forth in Schedule A of the agreement, and (iii) the provision of an exemption from Mortgage Recording Taxes. The financial assistance authorized would not be effective until closing. The approval was contingent upon JOHN WESLEY obtaining financing for the project through the New York State Housing Finance Agency into the approximate amount of \$12,000,000, with the exact amount to be determined by bond authority underwriters, and the issuance of low-income tax credits in the approximate amount of \$9,000,000 with the actual amount to be determined by New York State Homes and Community Renewal Agency, reflecting investor participation which funding will be evidenced by a Federal Housing Administration (FHA) insured mortgage placed upon the facility.

During 2015, the Applicant restructured the financing and intended on resubmitting an amended application. The Applicant was waiting on approval of a HUD application before moving forward. The Applicant did not receive notice in 2015.

Peconic Crossing, LLC

In October of 2014, the Agency received a request for financial assistance from Peconic Crossing, LLC, as property owner, and Conifer Realty, LLC, as operating entity, in conjunction with Community Development Corporation of Long Island, Inc. all qualified to do business in the State of New York (collectively referred to herein as Peconic Crossing), with respect to the acquisition of parcel, demolition of existing structure, and construction of a 70,000 +/- square foot building located within a designated urban renewal area at 11 West Main Street, Riverhead, New York for use as 48 units of workforce rental housing with downstairs interior parking garage and vehicle access across adjacent parcel to Peconic Avenue for project known as Peconic Crossing at an aggregate cost, including costs associated with the financing thereof, estimated to be \$16,710,091 (the Project). The project is requesting that the Agency contemplate financial assistance such as (i) the provision of an exemption from Sales and Compensating Use Taxes on certain property, including tangible personal property, and (ii) a partial abatement of real property taxes, and (iii) the provision of an exemption from Mortgage Recording Taxes. The financial assistance described in (i), (ii) and (iii), above, would be consistent with the uniform tax-exemption policy adopted by the Agency pursuant to Subdivision 4 of Section 874 of the General Municipal Law.

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A public hearing was held in December 2014 and held open due to amendments made to the Project since the submission of the application. A new public hearing will be posted and published in 2016 upon receipt of the amended application.

No activity took place on this Project in 2015. It is still undergoing site plan review within the Town of Riverhead.

MARKETING

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

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

GENERAL BUSINESS ASSISTANCE

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

In addition, the current Director has the experience and knowledge to handle inquiries for assistance programs offered outside those of the Agency; providing a one stop service for businesses. These resources include low cost financing options, State and Federal incentive programs, grants, business planning, employment and housing assistance. The Agency's staff assists businesses through the government and financial maze and helps interested parties find suitable sites and provides contact information to resources. The Director currently sits on the Board of the Riverhead Chamber of Commerce forging cooperative relationships locally and hosting coordinated seminars.

The Agency continues to host its annual East End Employment Expo. The Agency Executive Director also sits on the CTEA (Career & Technical Education Act 2009) Local Advisory

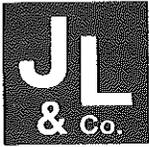
RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(UNAUDITED)

Council for Suffolk County Community College to assist with the grant planning process toward workforce development efforts.

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

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

Riverhead Industrial Development Agency
200 Howell Avenue
Riverhead, NY 11901



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS

Current Assets

Cash	\$ 178,192
Prepaid expenses	15,388
Accounts receivable	4,250
Due from Other Governments (note 4)	<u>5,000</u>

Total Current Assets 202,830

Noncurrent Assets

Fixed assets	9,067
Less: accumulated depreciation	<u>(8,494)</u>

Total Noncurrent Assets 573

Total Assets \$ 203,403

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable and accrued expenses	<u>\$ 22,703</u>
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Total Current Liabilities 22,703

Noncurrent Liabilities

Compensated absences	<u>11,463</u>
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Total Noncurrent Liabilities 11,463

Total Liabilities 34,166

NET POSITION

Net Position

Unrestricted	<u>169,237</u>
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Total Net Position 169,237

Total Liabilities and Net Position \$ 203,403

See Notes to Financial Statements.



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Operating Revenues

Charges for services	\$ 267,475
Other revenue	22,423
Other Governments (note 4)	<u>5,000</u>

Total Operating Revenues 294,898

Operating Expenses

Compensated absence expense	924
Depreciation	527
Dues and subscriptions	1,260
Employee benefits	19,971
Insurance	1,329
Legal Notices	486
Office	1,882
Payroll	113,788
Payroll taxes	8,926
Professional fees	34,030
Rent	18,750
Seminars and conferences	375
Telephone	1,942
Travel	<u>1,324</u>

Total Operating Expenses 205,514

Net Operating Loss 89,384

Non-Operating Revenue

Interest income	<u>33</u>
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Total Non-Operating Revenue 33

Change in Net Position 89,417

Net Position - Beginning of Year 79,820

Net Position - End of Year \$ 169,237

See Notes to Financial Statements.



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Flows from Operating Activities:	
Cash received from charges for services	\$ 267,475
Cash payments for contractual expenses	(85,368)
Cash payments for payroll and payroll taxes	<u>(122,714)</u>
Net cash provided by operating activities	<u>59,393</u>
Cash Flows from Investing Activities:	
Interest income	<u>33</u>
Net cash provided by investing activities	<u>33</u>
Net increase in cash	59,426
Cash - beginning of year	<u>118,766</u>
Cash - end of year	<u><u>\$ 178,192</u></u>
Reconciliation of Net Operating Income to	
Net cash provided by operating activities:	
Net operating income	\$ 89,384
Adjustments to reconcile net operating income to net	
cash provided by operating activities:	
Depreciation	527
Changes in assets and liabilities:	
Accounts receivable	375
Prepaid expenses	2,605
PILOT's payable	(33,000)
Accounts payable and accrued expenses	(1,422)
Compensated absences	<u>924</u>
Net cash provided by operating activities	<u><u>\$ 59,393</u></u>

See Notes to Financial Statements.



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTE TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 primarily 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 includes financial accountability and oversight responsibility.

Related Entity

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

Concentration of Credit Risk

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

Estimates

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



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTE TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The cost of maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized and depreciated. Depreciation expense for the year ended December 31, 2015 was \$527.

PILOT's Payable

Payments in lieu of taxes (PILOT's) were received by the Agency and are remitted to the appropriate taxing jurisdictions.

Basis of Accounting

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

Income Taxes

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

Compensated Absences

Full-time employees are granted vacation, personal leave, and sick leave in varying amounts. This benefit is vested when earned and vacation days and sick time can be carried from year to year as long as it does not exceed certain limits. Benefits are accrued as they are earned. Compensated absences at December 31, 2015 amount to \$11,463.

NOTE 3. EMPLOYEE BENEFIT PLAN

The Agency participates in the New York State (NYS) and Local Employees' Retirement System. As set forth in the New York State Retirement and Social Security Law, the NYS Comptroller serves as sole trustee and administrative head of the system. The NYS Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the system and for the custody and control of its funds.



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
NOTE TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. DUE FROM OTHER GOVERNMENTS

Town of Riverhead

The Agency entered into an agreement in 2012 to provide administrative services for the Town of Riverhead for the Suffolk County / Town of Riverhead Empire Zone Program (the Agreement). Agency will provide compliance filing and monitoring of the Empire Zone Programs for the Town of Riverhead. The Agreement provides that the Agency receive \$5,000 annually ending in the year 2020. Due from other Governments from the Town of Riverhead at December 31, 2015 of \$5,000 is related to this Agreement.

NOTE 5. COMMITMENTS

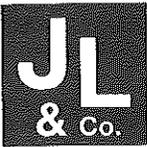
Lease

The Agency entered into a lease agreement for office space in September 2013 to commence October 1, 2013 and to end on September 30, 2017. Annual rent under the agreement is as follows:

<u>Year ending</u>	<u>Annual Rent</u>
2016	\$ 19,350
2017	14,850

NOTE 6. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements the Agency evaluated subsequent events after the statement of position date of December 31, 2015 through March 7, 2016, which was the date the financial statements were available to be issued. No subsequent events were identified.



RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)

	Budgeted Amounts	Actual	Variance with Final Budget Favorable (Unfavorable)
Operating Revenues			
Charges for services	\$ 146,336	\$ 267,475	\$ 121,139
Other revenue (appropriated fund balance)	166,905	27,423	(139,482)
Total Operating Revenues	<u>313,241</u>	<u>294,898</u>	<u>(18,343)</u>
Operating Expenses			
Advertising expenses	2,450	-	2,450
Compensated absence expense	2,500	924	1,576
Depreciation	715	527	188
Dues and subscriptions	1,659	1,260	399
Employee benefits	19,542	19,971	(429)
Insurance	1,363	1,329	34
Legal Notices	700	486	214
Office	4,330	1,882	2,448
Payroll	113,133	113,788	(655)
Payroll taxes	9,633	8,926	707
Professional fees	42,040	34,030	8,010
Rent	18,750	18,750	-
Seminars and conferences	1,000	375	625
Telephone	1,920	1,942	(22)
Travel	2,500	1,324	1,176
Total Operating Expenses	<u>222,235</u>	<u>205,514</u>	<u>16,721</u>
Non-Operating Revenue			
Interest Income	75	33	(42)
Total Non-Operating Revenue	<u>75</u>	<u>33</u>	<u>(42)</u>
Revenues over Expenditures	<u>\$ 91,081</u>	<u>\$ 89,417</u>	<u>\$ (1,664)</u>

See Independent Auditors' Report.



Jones, Little & Co.
CERTIFIED PUBLIC ACCOUNTANTS, 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***

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, 2015, 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 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones Little & Co. CPAs LLP

Port Jefferson Station, New York

March 7, 2016



**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
SUMMARY SCHEDULE OF PRIOR FINDINGS
DECEMBER 31, 2015**

PRIOR FINDINGS:

Significant Deficiencies

None.

Other Findings

The Agency did not complete its filing with New York State Authorities Budget Office timely for the December 31, 2014 annual report. While, such filings are in the process of being promptly completed, the filings are past the deadline. We have noted that prior filings by the Agency have been performed timely and while the situations that created the delay in the current period appear to be isolated and reasonable, the Agency should avoid this situation in the future.

December 31, 2015 Update

The December 31, 2014 annual report was filed in April 2015. The situation was not noted regarding the December 31, 2015 filing.



**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
CORRECTIVE ACTION PLAN
DECEMBER 31, 2015**

CURRENT FINDINGS:

Significant Deficiencies

None.

Other Findings

The Agency has responsibility for monitoring numerous projects as well as new projects and promoting the missions of the Agency. Information annually is required by the project to be certified and sent to the Agency regarding specific criterion, the Agency reviews that information for compliance. Also, the Agency makes best efforts to physically monitor existing projects to the extent resources are available. Consideration should be given to formalizing the results of that monitoring and reporting to the board, so that cyclically all projects will be physically monitored and presented to the board.



**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
CORRECTIVE ACTION PLAN
DECEMBER 31, 2015**

Management Response

Although the Agency monitors projects throughout the year and annually through an annual compliance report submitted by each company, the Agency began the process of formalizing an adopted written policy documenting this action. A policy will be memorialized by resolution in 2016.