

**TOWN OF RIVERHEAD PECONIC BAY  
COMMUNITY PRESERVATION FUND  
(*A Special Revenue Fund of  
The Town of Riverhead, New York*)**

Financial Statements and  
Supplementary Information with  
Independent Auditor's Reports

For the Year Ended December 31, 2019

**TOWN OF RIVERHEAD PECONIC BAY  
COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Riverhead, New York)*  
December 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Supervisor and Town Board  
Town of Riverhead  
Riverhead, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Town of Riverhead Peconic Bay Community Preservation Fund, as of the year ended December 31, 2019, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 entity'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 entity'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 Town of Riverhead Peconic Bay Community Preservation Fund as of December 31, 2019, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Community Preservation Fund and do not purport to, and do not, present fairly the financial position of the Town of Riverhead as of December 31, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Town of Riverhead Peconic Bay Community Preservation Fund. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of real estate purchases and schedule of related outstanding debt have not been subjected to the auditing procedures applied in the audit of the Town of Riverhead Peconic Bay Community Preservation Fund's basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the Town of Riverhead Peconic Bay Community Preservation Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Riverhead Peconic Bay Community Preservation Fund's 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 Town of Riverhead Peconic Bay Community Preservation Fund's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

November 30, 2020

**TOWN OF RIVERHEAD PECONIC BAY**  
**COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Riverhead, New York)*  
BALANCE SHEET  
December 31, 2019

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**ASSETS**

Cash and	
cash equivalents, restricted	\$ 7,207,032
Due from other governments	<u>265,187</u>
 <b>Total Assets</b>	 <u><u>\$ 7,472,219</u></u>

**FUND BALANCE**

Restricted for:	
Community Preservation	<u><u>\$ 7,472,219</u></u>

**TOWN OF RIVERHEAD PECONIC BAY  
COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Riverhead, New York)*  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 For the Year Ended December 31, 2019

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**REVENUES**

Other non-property tax items	\$ 3,431,456
Interest income	109,299
	<hr/> <u>3,540,755</u>

**EXPENDITURES**

Professional fees	2,100
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**OTHER FINANCING USES**

Operating transfers out	<hr/> <u>5,127,735</u>
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Total Expenditures and Other Financing Uses	<hr/> <u>5,129,835</u>
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Net Change in Fund Balance	(1,589,080)
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<b>Fund Balance, Beginning of Year</b>	<hr/> <u>9,061,299</u>
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<b>Fund Balance, End of Year</b>	<hr/> <u>\$ 7,472,219</u>
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**TOWN OF RIVERHEAD PECONIC BAY  
COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Riverhead, New York)*  
NOTES TO FINANCIAL STATEMENTS

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## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Riverhead Peconic Bay Community Preservation Fund (Community Preservation Fund) was created by Section 64-e of New York State Town Law during 1999. The Community Preservation Fund is a special revenue fund of the Town of Riverhead, New York (Town) and is governed by the Town Board. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Community Preservation Fund are as follows:

### **A. Organization and Background**

The Community Preservation Fund is supported by revenues from a 2% real estate transfer tax imposed by the Town pursuant to Article 31-D of New York State Tax Law. The authority to levy and collect the tax expires on December 31, 2050. This revenue is used to purchase farmland, open space, and other real property for the purpose of land preservation, to provide a management and stewardship program for such purchases, and to implement water quality improvement projects. Since inception, the Community Preservation Fund has received revenues, and has made related purchases of land, of approximately \$77 million, and has protected over 2,280 acres of land throughout the Town. The Town has become a leader in land preservation with the assistance of some matching funds from Suffolk County, New York State, and the federal government. An additional \$30 million was made available under a state low-interest, short-term loan program, further enhancing the Town's ability to purchase land in an ever-increasing competitive real estate market. The Town has also authorized bonds to advance its purchasing ability, which is expected to be paid with future revenues of the Community Preservation Fund through the year 2030. The Community Preservation Fund program advances the Town's goals in farmland and open space preservation, protection of historical sites, and establishment of parks and recreation areas and for water quality improvement projects.

### **B. Basis of Presentation**

These financial statements only report the operations and related transactions of the Community Preservation Fund; whereby the audited financial statements of the Town of Riverhead include all Town funds. Additionally, the audited financial statements of the Town of Riverhead would include all non-current assets and non-current liabilities for all Town funds.

### **C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. These financial statements are accounted for using a current financial resources focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be reasonably determined, and "available" means the related cash resources are collectible within the current period or within the first 60 days of the following year.

**TOWN OF RIVERHEAD PECONIC BAY  
COMMUNITY PRESERVATION FUND**  
**(A Special Revenue Fund of the Town of Riverhead, New York)**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the fund. Proceeds of general long-term debt are reported as other financing sources.

**D. Cash and Cash Equivalents, Restricted**

Cash and cash equivalents consist of funds deposited in demand accounts and time deposit accounts

**E. Fund Balance**

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows; however, the Town only utilizes restricted:

*Nonspendable* - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

*Restricted* - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

*Assigned* - Amounts that are constrained only by the government's intent to be used for a specified purpose, but are not restricted or committed in any manner.

*Unassigned* - In a special revenue fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

The fund balance of the Community Preservation Fund is restricted.

**F. Real Estate Transfer Tax**

During November 1998, the residents of the Town approved a 2% real estate transfer tax to fund the operations of the Community Preservation Fund. The transfer tax became effective April 1, 1999. Transfer tax receipts are used for the purchase and/or preservation of agricultural land, open space, parks, or historic preservation sites. In 2016, the residents of the Town approved an extension of the transfer tax through December 31, 2050, and the allowance of up to 20% of the annual fund to be used for water quality improvement projects. The tax applies to sales of unimproved real property in excess of \$75,000 and sales of improved real property in excess of \$150,000. Conveyance of real property for open space, parks, or historic preservation purposes is exempt from this tax, as well as first time homebuyers who meet specific criteria.

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**TOWN OF RIVERHEAD PECONIC BAY  
COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Riverhead, New York)*  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**G. Estimates**

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

**H. Subsequent Events**

The Community Preservation Fund has evaluated subsequent events for potential recognition or disclosure through November 30, 2020, the date the financial statements were available to be issued.

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The Town's investment practices are governed by state statutes and Town policy. Community Preservation Fund monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Town may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Town's name.

At December 31, 2019, all deposits were covered by FDIC insurance or fully collateralized by securities pledged on the Town's behalf.

**3. DUE FROM OTHER GOVERNMENTS**

At December 31, 2019, the Community Preservation Fund was due \$265,187 from Suffolk County, related to unremitted real estate transfer taxes. The balance was subsequently collected.

**TOWN OF RIVERHEAD PECONIC BAY  
COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Riverhead, New York)*  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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#### **4. INTERFUND TRANSACTIONS**

Interfund activities at December 31, 2019, are as follows:

	<b>Interfund</b>	
	<b>Transfers In</b>	<b>Transfers Out</b>
Community Preservation Fund	\$	\$ 5,127,735
Debt Service Fund - Town of Riverhead	<u>5,127,735</u>	<u></u>
 Total	 <u>\$ 5,127,735</u>	 <u>\$ 5,127,735</u>

The Community Preservation Fund typically transfers to the Town of Riverhead's debt service fund for related bond principal and interest payments.

#### **5. CONTINGENCIES**

The Community Preservation Fund financial information to be included in the Town's December 31, 2019 audited financial statements may be different from these financial statements due to timing.

#### **6. INDEBTEDNESS**

As noted in Note 1 A, the Community Preservation Fund may borrow money in order to acquire land and other interests in real property. See the supplementary information accompanying these financial statements which summarize the amounts outstanding as of December 31, 2019, and the future debt service requirements on these borrowings.

#### **7. RISKS AND UNCERTAINTIES**

##### **A. Town Audit**

As of November 30, 2020, the Town's December 31, 2019, audited financial statements have not been issued. The Town's management believes that any adjustment to the Town's financial statements will not have a material effect, if any, on the Community Preservation Fund's account balances as of December 31, 2019, and for the year then ended.

##### **B. Environmental Risks**

The Community Preservation Fund is subject to federal, state, and local regulations relating to the disposal of certain hazardous materials. At November 30, 2020, management is not aware of any potential hazardous materials or risks related to properties owned.

**TOWN OF RIVERHEAD PECONIC BAY  
COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Riverhead, New York)*  
**SCHEDULE OF REAL ESTATE PURCHASES**  
For the Year Ended December 31, 2019

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	Beginning Balance January 1, 2019	Acquisitions & Related Costs	Ending Balance December 31, 2019
Real Estate Purchases	<u>\$ 76,908,250</u>	<u>\$ -</u>	<u>\$ 76,908,250</u>

**TOWN OF RIVERHEAD PECONIC BAY  
COMMUNITY PRESERVATION FUND**  
**(A Special Revenue Fund of the Town of Riverhead, New York)**  
**SCHEDULE OF RELATED OUTSTANDING DEBT**  
December 31, 2019

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Description	Date Issued	Interest Range Rate	Matures	Outstanding at December 31, 2019
Refunding bonds	2008	3.00% - 5.00%	5/15/20	\$ 25,200
Refunding bonds	2012	2.00% - 5.00%	6/1/22	3,813,894
Refunding bonds	2018	4.00% - 5.00%	8/1/30	<u>24,334,731</u>
				<u><u>\$ 28,173,825</u></u>

The following is a summary of debt service requirements:

For the year ending December 31,	Principal	Interest	Total
2020	\$ 3,725,481	\$ 1,272,091	\$ 4,997,572
2021	3,588,728	1,099,503	4,688,231
2022	3,643,545	933,233	4,576,778
2023	2,408,095	788,674	3,196,769
2024	2,517,388	668,269	3,185,657
2025-2030	<u>12,290,588</u>	<u>1,618,212</u>	<u>13,908,800</u>
	<u><u>\$ 28,173,825</u></u>	<u><u>\$ 6,379,982</u></u>	<u><u>\$ 34,553,807</u></u>

**INDEPENDENT AUDITOR'S 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***

The Honorable Supervisor and Town Board  
Town of Riverhead  
Riverhead, New York

We have audited, 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, the financial statements of the Town of Riverhead Peconic Bay Community Preservation Fund (Community Preservation Fund), as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated November 30, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Community Preservation Fund's internal control over financial reporting (internal controls) 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 Community Preservation Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Preservation Fund'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 Community Preservation Fund'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cullen & Danowski, LLP*

November 30, 2020

