

December 4, 2019

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead (Town), for the year ended December 31, 2018. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and government auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated March 22, 2019.

### Significant Audit Findings

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in notes to the financial statements. As described in Note 2 to the financial statements, "Changes in Accounting Principles", the Town has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of December 31, 2018. No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management believes that their estimates are reasonable in relation to the financial statements taken as a whole.

The most sensitive estimate(s) affecting the financial statements was (were):

- Useful Life of Capital Assets - Management's estimate of the useful life of capital assets is based on the historical asset life information for Town capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated.
- Compensated Absences Liability - Management's estimate of the liability for compensated absences is based on historical information regarding employees who have separated from the Town and their terminal payout amounts, in order to determine the probability and amount of future payouts to employees for vested accumulated sick, vacation and/or leave terminal payouts.

## Town of Riverhead

For the Year Ended December 31, 2018

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- Actuarial Assumptions and Methods Underlying Pension and OPEB Liabilities - Management's acceptance of various actuarial assumptions and methods underlying the calculation of the Town's OPEB and LOSAP liabilities is based on the actuarial valuation prepared by the Town's actuary.
- Actuarial Assumptions and Methods Underlying Pension Reporting - Management's acceptance of various actuarial assumptions and methods underlying the calculation of the Town's pension reporting is based on the actuarial valuations prepared by the actuary for the ERS.
- Claims and Judgments Payable - Management's estimate of its liability is based on consultation with legal counsel and on an evaluation of its past experience with similar claims.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

In our judgment, none of the adjustments correcting misstatements that we proposed, all of which were recorded by the District, were material, either individually or in the aggregate to each opinion unit's financial statements taken as a whole.

We assisted the Town with non-attest services necessary for the preparation of the financial statements notes and certain supplementary information.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2019.

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For the Year Ended December 31, 2018

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### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, which accompanied the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on statistical information, which accompanied the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

### Restriction on Use

This information is intended solely for the use of the Supervisor, Town Board, and management of the Town of Riverhead and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Cullen & Danowski, LLP*  
Cullen & Danowski, LLP

**TOWN OF RIVERHEAD**  
**AUC-260 Adjusting Journal Entries**  
**12/31/2018**

Account	Description	Debit	Credit
<b>AJE 001</b>			
Capital fund - To reclassify recording of FEMA reimbursement from a reduction of the expense to federal sources revenue - Pw 493 Project 40122			
H01-5000-1-1625-410-000-40122	OP. OF PLANT/B&G - R&M - DREDGING	102,722.35	0.00
H01-4100-4960-000-44034-5	FED AID, EMERGENCY DISASTER ASSIST	0.00	102,722.35
<b>Total</b>		<b>102,722.35</b>	<b>102,722.35</b>
<b>AJE 002</b>			
Water Fund -- To adjust restricted net assets for repair and maintenance reserve per review of AUD and trial balance			
EW2-3020-924-000-00000	RESTRICTED NET ASSETS	0.00	952,142.00
EW2-3000-924-000-00000	NET ASSETS/NET ASSETS - UNRESTRICTED	952,142.00	0.00
<b>Total</b>		<b>952,142.00</b>	<b>952,142.00</b>
<b>AJE 003</b>			
To accrue additional payables per search of unrecorded liabilities in Public Parking Fund			
ST1-2000-600-000-00000	ACCOUNTS PAYABLE/	0.00	587.91
ST1-5000-1-1950-481-000-00000	TAXES & ASSESS. ON MUNI. PROPERTY/TAXES ON TOWN PROPERTY	587.91	0.00
<b>Total</b>		<b>587.91</b>	<b>587.91</b>
<b>AJE 004</b>			
To adjust accrued interest on EFC Bond for subsidy credit and water bond accrued interest for Series A			
ES1-2010-651-000-00000	ACCRUED LIABILITIES/INTEREST PAYABLE	48,245.18	0.00
ES1-5150-9-9710-700-000-00000	SERIAL BONDS/BOND PMT - INTEREST EXPENSE	0.00	48,245.18
EW1-5150-9-9710-700-000-00000	SERIAL BONDS/BOND PMT - INTEREST EXPENSE	24,900.00	0.00
EW1-2080-629-000-00000	BOND INTEREST	0.00	24,900.00
<b>Total</b>		<b>73,145.18</b>	<b>73,145.18</b>
<b>AJE 005</b>			
To correct overstatement of accounts payable and record encumbrance in the Street Lighting Fund at 12/31/18. CD LLP identified and Town proposed entry.			
SL1-2000-600-000-00000	ACCOUNTS PAYABLE/	33,655.60	0.00
SL1-5030-5-5182-411-000-00000	STREET LIGHTING/STREET -R&M - STREET LIGHTING	0.00	33,655.60
SL1-3305-915-000-00000	ASSIGNED UNAPPROPRIATED FUND BALANCE	33,655.60	0.00
SL1-3305-915-100-00000	ASSIGNED UNAPPROPRIATED - ENCUMBRANCES	0.00	33,655.60
<b>Total</b>		<b>67,311.20</b>	<b>67,311.20</b>
<b>AJE 006</b>			
General fund - To establish non-spendable balance at 12/31/18			
A01-3010-806-001-00000	NONSPENDABLE/NONSPENDABLE-INVENTORY	0.00	70,923.44
A01-3010-806-000-00000	PREPAIDS/NONSPENDABLE FUND BALANCE	70,923.44	0.00
<b>Total</b>		<b>70,923.44</b>	<b>70,923.44</b>
<b>AJE 007</b>			
To adjust A/P based on our review of subsequent disbursements.			
Z14-5040-6-6980-436-000-00000	OTHER ECON. DEVELOP.ECO DEV - PROF SVCS - CONSULTANTS	8,250.00	0.00
Z14-5040-6-6980-436-210-00000	OTHER ECON. DEVELOP.ECO DEV - PROF SVCS - OTHER	28,294.46	0.00
Z14-2000-600-000-00000	ACCOUNTS PAYABLE/	0.00	36,544.46
<b>Total</b>		<b>36,544.46</b>	<b>36,544.46</b>
<b>AJE 008</b>			
Water fund - To adjust net investment in capital assets per review of activity.			
EW1-3000-920-000-00000	NET OF RELATED DEBT/NETS ASSETS - INVESTED IN CAP ASTS, NET	0.00	10,100.00
EW1-3000-924-000-00000	NET ASSETS/NET ASSETS - UNRESTRICTED	10,100.00	0.00
<b>Total</b>		<b>10,100.00</b>	<b>10,100.00</b>
<b>AJE 009</b>			
General Fund - To adjust opening fund equity			
A01-3310-917-000-00000	FUND BALANCE/UNASSIGNED FUND BALANCE	283.00	0.00
A01-4070-2770-561-00000-J	MISC REVENUES	0.00	283.00
<b>Total</b>		<b>283.00</b>	<b>283.00</b>
<b>AJE 010</b>			
Sewer Fund - To reclass Debt Principal to Miscellaneous Revenue			
ES1-5140-9-9710-600-000-00000	BOND PMT - DEBT PRINCIPAL	267.00	0.00
ES5-5140-9-9710-600-000-00000	SERIAL BONDS/BOND PMT - DEBT PRINCIPAL	95.00	0.00
ES1-4070-2770-561-00000-J	UNCLASSIFIED (SPECIFY)/MISC REVENUES	0.00	362.00
<b>Total</b>		<b>362.00</b>	<b>362.00</b>