

TOWN OF RIVERHEAD
FINANCIAL STATEMENTS

December 31, 2015

**TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
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INTRODUCTORY SECTION

TOWN OF RIVERHEAD

PRINCIPAL OFFICIALS

December 31, 2015

ELECTED OFFICIALS

Sean M. Walter
John Dunleavy
James Wooten
Jodi Giglio
Timothy Hubbard

Supervisor
Councilman
Councilman
Councilwoman
Councilman

Laverne Tennenberg
Paul Leszczynski
Mason E. Haas
George Woodson
Laurie Zaneski
Diane M. Wilhelm
Allen M. Smith
Lori M. Hulse

Chairwoman, Board of Assessors
Board of Assessors
Board of Assessors
Highway Superintendent
Receiver of Taxes
Town Clerk
Town Justice
Town Justice

DEPARTMENT HEADS

Robert Kozakiewicz
William Rothaar
Jefferson Murphree
Chris Kempner
Ken Testa
Chief David Hegermiller
Ray Coyne
Judy Doll
Michael Reichel
Mark Conklin

Town Attorney
Accounting Department
Building/Planning Department
Community Development
Engineering Department
Police Department
Recreation Department
Senior Services
Sewer District
Water Department

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York (the "Town"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Riverhead Industrial Development Agency and the Riverhead IDA Economic Job Development Corporation, which represents 100% of the assets, net position, and revenues of the aggregate discretely presented component units. These financial statements were audited by another auditor whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for these discretely presented component units, is based solely on the reports of the other auditor.

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. The financial statements of the discretely presented component units, the Town of Riverhead Industrial Development Agency and the Riverhead IDA Economic Job Development Corporation, were audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of 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 auditors' 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 Town'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 Town'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 opinions.

PERSONAL SERVICE. TRUSTED ADVICE.

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

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Opinions

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of December 31, 2015, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1H and 3E to the basic financial statements, the Town adopted new accounting guidance, Governmental Accounting Standard Board Statements ("GASB") No. 68 *Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment to GASB 68*. Accordingly, the unrestricted net position as of January 1, 2015 has been restated. Our opinions are not modified with respect to this matter.

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 required supplementary information other than the management's discussion and analysis 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 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Riverhead, New York's basic financial statements. The introductory section and combining nonmajor governmental funds financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of another auditor, the combining nonmajor governmental funds financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2016, on our consideration of the Town of Riverhead, New York'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 compliance and the results of that testing, and not to provide an opinion on the 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's, New York internal control over financial reporting and compliance.

Albert, Vijayar, Zuh & Company P.C.

Hauppauge, New York
October 5, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

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TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

As management of the Town of Riverhead (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2015. Please read it in conjunction with the Town's financial statements.

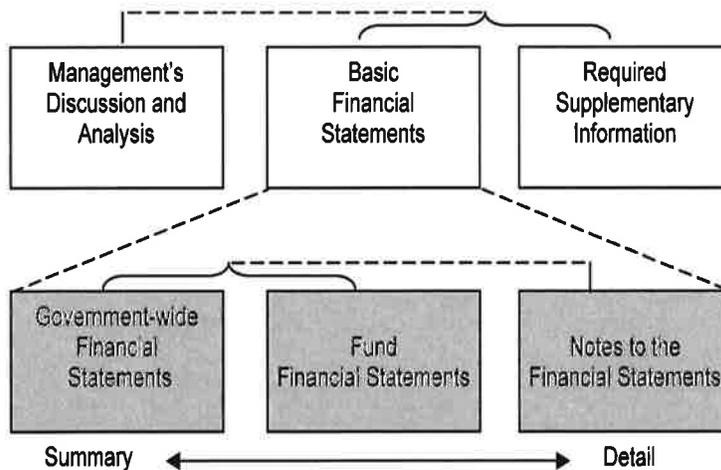
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the primary government exceed its liabilities and deferred inflows of resources at the close of 2015 by \$143,678,174 (net position). The net position of governmental activities was \$85,321,873 and the net position of business-type activities was \$58,356,301.
- The primary government's total net position increased by \$7,313,675 or 5.4%. The governmental net position decreased by \$1,163,431 and the business-type net position increased by \$8,477,106.
- As of the close of 2015, the primary government's governmental funds reported combined ending fund balances of \$20,150,038, a decrease of \$3,422,292 in comparison with the prior year. Of this amount, \$1,264,395 is not in spendable form or is required to remain intact. The remaining \$18,885,643 or approximately 93.7% of total fund balances is in spendable form with various levels of spending constraint: restricted, assigned, or unassigned making them available for spending at the Town's discretion.
- At the end of 2015, the primary government's total fund balance for the General Fund was \$2,225,194, a decrease of \$489,098 or 18.0% from the prior year. The aggregate assigned and unassigned fund balance for the General Fund was \$1,058,037, or 2.4% of total General Fund expenditures and other uses.
- The primary government's total bonded debt outstanding (inclusive of general obligation bonds and bond anticipation notes, exclusive of premiums), was \$97,409,956, a decrease of \$5,290,043 or 5.2%. The Town's governmental funds decreased by \$8,524,587 and the Town's business-type funds increased by \$3,234,544.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**COMPONENTS OF
 THE ANNUAL FINANCIAL REPORT**



TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The intent of the government-wide financial statements is to give the reader a long-term view of the Town's financial condition.

The Statement of Net Position presents financial information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. This combines and consolidates the Town's current financial resources with capital assets and long-term obligations. The purpose of this statement is to give the reader an understanding of the Town's total net worth. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's buildings, roads, drainage systems and other assets to assess the overall health of the Town.

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the Town's activities is being supported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Town's fund financial statements.

The Town's government-wide financial statements includes both the governmental and business-type activities of the Town itself (known as the primary government) and of its legally separate nonmajor component units for which the Town is financially accountable. Financial information for these component units are reported separately (discretely presented nonmajor) from the financial information presented for the primary government. Each of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The business-type activities of the Town include sewer and water services.

Governmental Activities

The Town's basic services are reported here, including: general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation and home and community services. Property taxes, sales taxes, mortgage taxes, franchise fees, fines, and state, local and federal grants finance these activities. The Town also charges fees to customers to help it cover the cost of certain services it provides.

Component Units

Discretely presented component units are legally separate organizations, that are not an operating department of the Town, for which the Town is either financially accountable, or the nature and significance of their relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. These entities are reported in a separate column in the government-wide statements. The Town includes the Riverhead Industrial Development Agency and the Riverhead IDA Economic Job Development Corporation in its report as nonmajor discretely presented component units.

The Town also includes one blended component unit, the Town of Riverhead Community Development Agency that is, in substance, a part of the Town's operations.

Information on separately issued financial statements is shown in Note 1.A to the financial statements.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Town, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

The Town's activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Town's near term financial decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains fourteen (14) governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the five (5) major funds. The General Fund, Highway Fund, Debt Service Fund, Capital Projects Fund and Community Preservation Fund are reported as major funds. Data from the nine (9) other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the "Other Supplementary Information" section in this report.

The Town adopts an annual appropriated budget for its General Fund, Highway Fund, Debt Service Fund and Community Preservation Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with their adopted budgets. Budgetary comparison schedules for these major funds that have legally adopted budgets can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis."

The governmental funds financial statements can be found in the "Basic Financial Statements."

Proprietary Funds

The Town maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Sewer and Water District Funds. Internal Service funds are used to accumulate and allocate costs internally among the Town's various functions. The Town uses its Internal Service Funds to account for general liability risk management and workers' compensation programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements, but are included in a single column in the proprietary funds statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer District and Water District Funds since both are considered to be major funds of the Town. The proprietary funds financial statements can be found in the "Basic Financial Statements" section of this report.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statement can be found in the "Basic Financial Statements" section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements this report contains supplementary information immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$143,678,174 at the close of the most recent year. Our analysis below focuses on the net position and changes in net position of the Town's governmental and business-type activities.

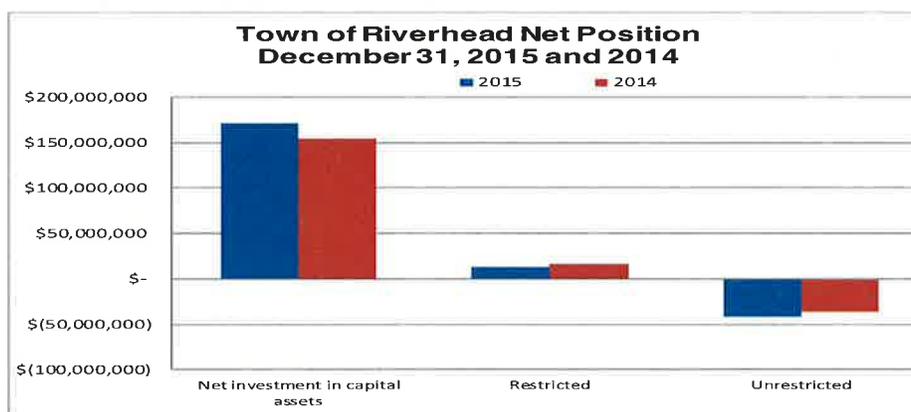
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 35,179,741	\$ 42,468,878	\$ 7,387,930	\$ 7,618,496	\$ 42,567,671	\$ 50,087,374
Capital assets	200,604,775	201,722,127	74,529,662	65,195,978	275,134,437	266,918,105
Total assets	235,784,516	244,191,005	81,917,592	72,814,474	317,702,108	317,005,479
Deferred Outflows of Resources	4,351,416	-0-	418,024	-0-	4,769,440	-0-
Liabilities						
Current liabilities	14,333,232	15,022,489	10,402,883	8,576,514	24,736,115	23,599,003
Non-current liabilities	132,114,257	131,993,134	12,778,687	13,254,150	144,892,944	145,247,284
Total liabilities	146,447,489	147,015,623	23,181,570	21,830,664	169,629,059	168,846,287
Deferred Inflows of Resources	8,366,570	11,385,817	797,745	1,104,322	9,164,315	12,490,139
Net Position						
Net investment in capital assets	114,622,463	106,838,198	57,332,110	48,509,759	171,954,573	155,347,957
Restricted	13,024,283	15,371,571	759,320	1,135,082	13,783,603	16,506,653
Unrestricted	(42,324,873)	(36,420,204)	264,871	234,647	(42,060,002)	(36,185,557)
Total net position	\$ 85,321,873	\$ 85,789,565	\$ 58,356,301	\$ 49,879,488	\$ 143,678,174	\$ 135,669,053

By far the largest portion of the Town's net position (\$171,954,573) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The deficit in unrestricted net position does not necessarily indicate fiscal stress. The deficit balance of unrestricted net position arose primarily due to long-term liabilities, which include compensated absences, claims and judgments, landfill closure and postclosure care costs, the proportionate share of the net pension liability, and postemployment benefits healthcare costs (OPEB) that will be funded through future budgetary appropriations when they become payable in future periods.



The total net position of the Town as of December 31, 2015 was \$143,678,174, an increase of \$7,313,675 from the prior year. Of this amount \$171,954,573 was the net investment in capital assets, while \$13,783,603 was restricted by statute or other specific purpose leaving a \$42,060,002 unrestricted deficit.

Continued recognition of the Town's OPEB costs will result in decreases in net position in future years. The unfunded liability for postemployment benefits healthcare costs increased in 2015 by \$7,039,076 bringing the unfunded liability at year-end to \$45,191,922. Additional information on OPEB can be found in Note 3.F to the financial statements.

Changes in Net Position
Governmental Activities and Business-type Activities - Primary Government
For the years ended December 31,

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 4,329,738	\$ 4,682,546	\$ 8,456,842	\$ 7,717,180	\$ 12,786,580	\$ 12,399,726
Operating grants and contributions	942,830	1,411,118		27,126	942,830	1,438,244
Capital grants and contributions	791,884	1,135,833	8,596,331	2,230,759	9,388,215	3,366,592
	<u>6,064,452</u>	<u>7,229,497</u>	<u>17,053,173</u>	<u>9,975,065</u>	<u>23,117,625</u>	<u>17,204,562</u>
General revenues:						
Real property taxes	45,265,212	44,480,212	1,641,100	1,716,400	46,906,312	46,196,612
Real property tax items	348,777	464,527	305,883	354,181	654,660	818,708
Non-property tax items - sales tax	1,357,555	1,178,655	146,688	146,688	1,504,243	1,325,343
Community preservation fund 2% tax	3,495,472	3,450,432			3,495,472	3,450,432
Mortgage tax	1,103,089	938,716			1,103,089	938,716
Franchise tax	860,502	849,369			860,502	849,369
Investment earnings - unrestricted	377,515	563,092	2,100	3,006	379,615	566,098
Other compensation for loss		9,045				9,045
State aid	107,028	107,028			107,028	107,028
Gain on sale of capital assets	462,393		2,222		464,615	-0-
Other	12,231	70,809	639,893	630,966	652,124	701,775
	<u>53,389,774</u>	<u>52,111,885</u>	<u>2,737,886</u>	<u>2,851,241</u>	<u>56,127,660</u>	<u>54,963,126</u>
Total revenues	<u>59,454,226</u>	<u>59,341,382</u>	<u>19,791,059</u>	<u>12,826,306</u>	<u>79,245,285</u>	<u>72,167,688</u>
Expenses						
General government support	12,718,789	14,147,605			12,718,789	14,147,605
Public safety	27,789,182	27,566,981			27,789,182	27,566,981
Health	1,054,113	927,287			1,054,113	927,287
Transportation	7,762,878	8,061,238			7,762,878	8,061,238
Economic assistance and opportunity	1,752,954	2,198,410			1,752,954	2,198,410
Culture and recreation	2,845,578	3,011,977			2,845,578	3,011,977
Home and community services	4,531,514	5,260,048	10,066,989	10,429,070	14,598,503	15,689,118
Interest on debt	3,409,613	3,744,891			3,409,613	3,744,891
	<u>61,864,621</u>	<u>64,918,437</u>	<u>10,066,989</u>	<u>10,429,070</u>	<u>71,931,610</u>	<u>75,347,507</u>
Total expenses	<u>61,864,621</u>	<u>64,918,437</u>	<u>10,066,989</u>	<u>10,429,070</u>	<u>71,931,610</u>	<u>75,347,507</u>
Change in net position before transfers	(2,410,395)	(5,577,055)	9,724,070	2,397,236	7,313,675	(3,179,819)
Transfers	1,246,964	1,197,900	(1,246,964)	(1,197,900)	-0-	-0-
Change in net position	<u>(1,163,431)</u>	<u>(4,379,155)</u>	<u>8,477,106</u>	<u>1,199,336</u>	<u>7,313,675</u>	<u>(3,179,819)</u>
Net position - beginning	85,789,565	90,168,720	49,879,488	48,680,152	135,669,053	138,848,872
Cumulative effect of change in accounting principle*	695,739	-0-	(293)	-0-	695,446	-0-
Net position - beginning, as restated	<u>86,485,304</u>	<u>90,168,720</u>	<u>49,879,195</u>	<u>48,680,152</u>	<u>136,364,499</u>	<u>138,848,872</u>
Net position - ending	<u>\$ 85,321,873</u>	<u>\$ 85,789,565</u>	<u>\$ 58,356,301</u>	<u>\$ 49,879,488</u>	<u>\$ 143,678,174</u>	<u>\$ 135,669,053</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

* The Town's financial statements presented herein are for the year ended December 31, 2015 and the cumulative effect of applying GASB Statement No. 68, "Accounting and Reporting for Pensions" and GASB Statement No. 71, "Pension Transition Guidance for Contributions Made Subsequent to the Measurement Date" is shown as an adjustment to the beginning net position of fiscal year 2015. Accordingly, the condensed financial information presented above also reflects this cumulative effect of the accounting change to beginning net position of fiscal year 2015. The condensed financial information for the year ended December 31, 2014 was not restated as the information was not available.

The change in net position from all combined activities was an increase of \$7,313,675. The governmental activities decreased by \$1,163,431 and the business-type increased by \$8,477,106.

Key elements of the changes in governmental activities were:

- Charges for services decreased by \$352,808 compared to the prior year due to the reduction in activity in the insurance fund which was offset by an increase in park and recreation fees in the amount of \$156,000 due to the Town receiving fees from the Stoneleigh Woods Development in the current year.
- Operating grants and contributions decreased by \$468,288 from the prior year, primarily due to a decrease in the amount of revenues recognized in the current year for the emergency disaster assistance grant to reimburse the Town for costs related to Hurricane Sandy damage in the amount of \$282,880 for transportation related activities as well as a reduction in the amount recognized for the brownsfield opportunity grant in the amount of \$207,784.
- Capital grants and contributions decreased by \$343,949. Capital grants and contributions fluctuate due to the timing of certain project expenses and the related reimbursements. Notable decreases in revenues were a result of a completion of capital projects in the prior year or a reduction in the activity for the particular grant in the current year. The current year decrease was primarily a result closing the following projects: Home Improvement Program (\$160,300), Nadel Park (\$50,000) and a reduction in the CHIPS program (\$50,000).
- General revenues increased by \$1,277,889 from the prior year, primarily due to an increase in real property taxes and the gain recognized from the sale of capital assets, in the amounts of \$785,000 and \$462,393, respectively.
- Overall, governmental expenses decreased by \$3,053,816 compared to prior year. This is primarily a result of the reduction in retirement costs in the amount of \$1,984,420 due a decrease in contribution rates, Town retirement incentives and the effect of implementing GASB No. 68 and No. 71. In addition, there were less expenses relating to debt service interest payments (\$335,278), costs related to the Brownsfield grant (\$195,000), Home Improvement Program expenses (\$132,300) professional services related to studies at EPCAL (\$168,000), and planning department salaries (\$149,400). These decreases were offset by an increase in public safety expenses related to salaries and related benefits in the amount of \$341,000.

Key elements of the changes in business-type activities were:

- Developer fees in the Water District Fund increased by \$595,479 in the current year.
- Water sales increased by \$395,419 compared to the prior year.
- Sewer rents increased by \$234,010 in the current year.
- Capital grant revenue increased by \$5,748,087 due to recognition of a New York State Department of Environmental Conservation grant to assist in the funding for the sewer treatment upgrade project.
- There was an overall reduction of operating costs in the Water Fund, primarily due to reduced administration and employee benefits costs.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

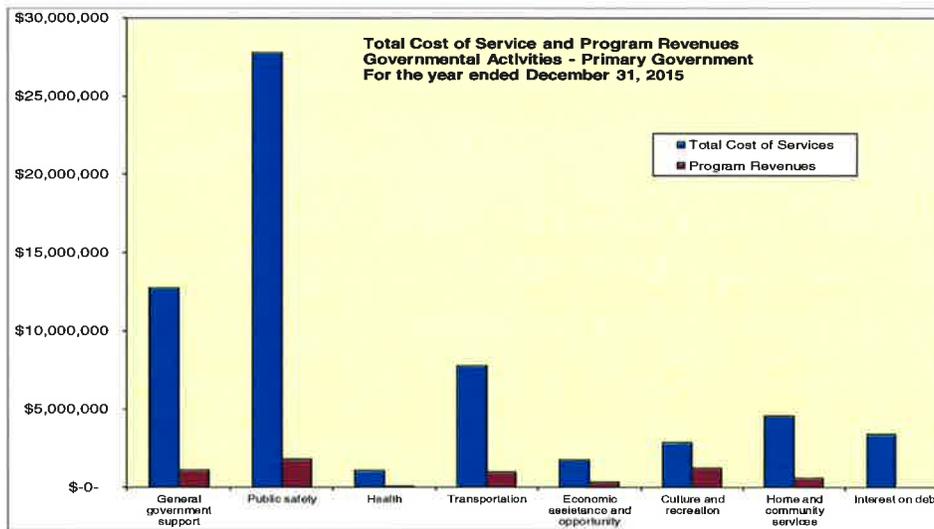
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following chart illustrates the total expenses by program for the Town's governmental activities.

Governmental Activities

Total Cost of Services, Program Revenues and Net Cost of Services
Governmental Activities - Primary Government
For the years ended December 31,

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2015	2014	2015	2014	2015	2014
General government support	\$ 12,718,789	\$ 14,147,605	\$ 1,119,843	\$ 1,506,685	\$ (11,598,946)	\$ (12,640,920)
Public safety	27,789,182	27,566,981	1,824,998	1,937,608	(25,964,184)	(25,629,373)
Health	1,054,113	927,287	46,912	38,618	(1,007,201)	(888,669)
Transportation	7,762,878	8,061,238	940,632	1,155,830	(6,822,246)	(6,905,408)
Economic assistance and opportunity	1,752,954	2,198,410	346,982	608,560	(1,405,972)	(1,589,850)
Culture and recreation	2,845,578	3,011,977	1,202,405	1,209,648	(1,643,173)	(1,802,329)
Home and community services	4,531,514	5,260,048	582,680	772,548	(3,948,834)	(4,487,500)
Interest on debt	3,409,613	3,744,891			(3,409,613)	(3,744,891)
	<u>\$ 61,864,621</u>	<u>\$ 64,918,437</u>	<u>\$ 6,064,452</u>	<u>\$ 7,229,497</u>	<u>\$ (55,800,169)</u>	<u>\$ (57,688,940)</u>



The cost of the governmental activities this year was \$61,864,621. The cost of these services after being partially subsidized by program revenues of \$6,064,452 was \$55,800,169.

Business-type Activities

The following chart illustrates the total net cost of services for the Town's business-type activities.

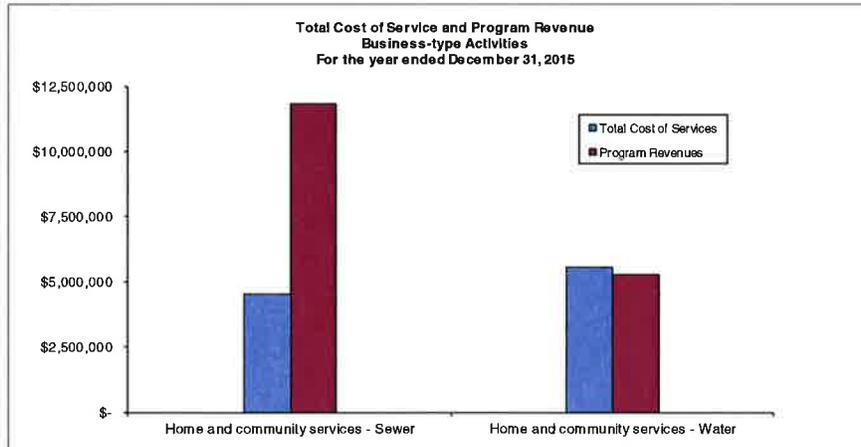
Total Cost of Services, Program Revenues and Net (Cost) Revenue of Services
Business-type Activities - Primary Government
For the years ended December 31,

	2015	2014	2015	2014	2015	2014
	Total Cost of Services		Program Revenue		Net (Cost) Revenue of Services	
Home and community services - Sewer	\$ 4,528,467	\$ 4,568,176	\$ 11,799,150	\$ 5,648,946	\$ 7,270,683	\$ 1,080,770
Home and community services - Water	5,538,522	5,860,894	5,254,023	4,326,119	(284,499)	(1,534,775)
	<u>\$ 10,066,989</u>	<u>\$ 10,429,070</u>	<u>\$ 17,053,173</u>	<u>\$ 9,975,065</u>	<u>\$ 6,986,184</u>	<u>\$ (454,005)</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

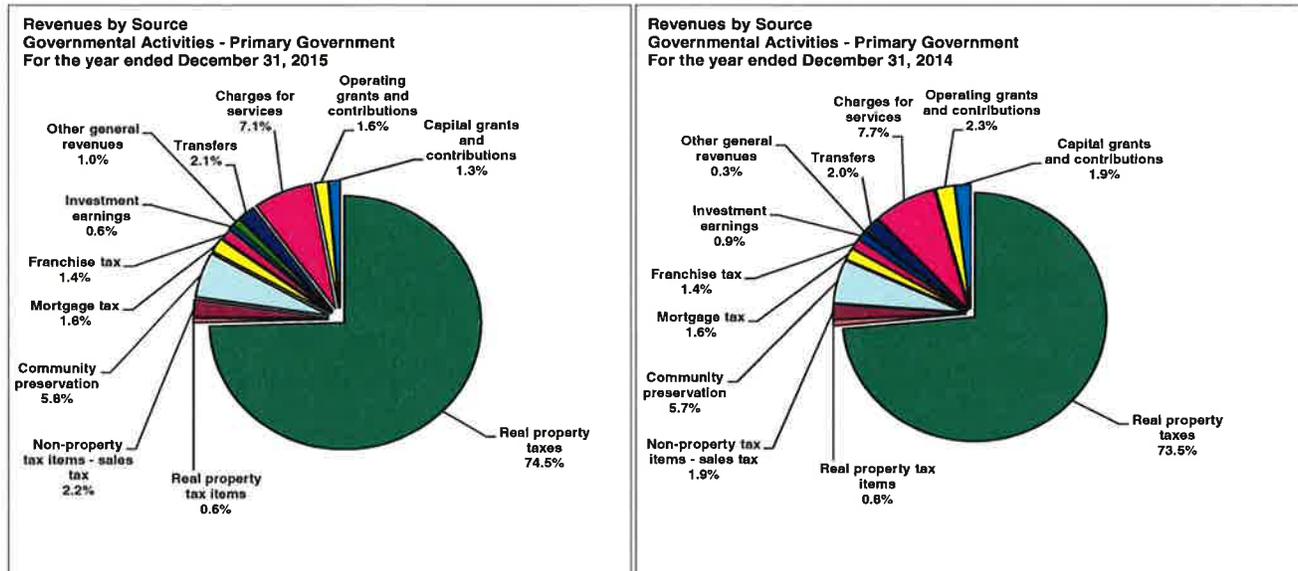
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-type Activities (continued)



The cost of the water business-type activity this year was \$5,538,522. The cost of this service after being partially subsidized by program revenues of \$5,254,023 was \$284,499. The cost of the sewer business-type activity was \$4,528,467, which was funded with program revenues of \$11,799,150. Program revenues include a capital grant in the amount of \$7,633,812, which was utilized to finance capital projects for the sewer upgrade in 2015.

The following graphs and chart illustrate the revenues by source for the Town's governmental activities.



Revenue by Source - Governmental Activities - Primary Government
For the years ended December 31,

	2015	2014
Real property taxes	\$ 45,265,212	\$ 44,480,212
Real property tax items	348,777	464,527
Non-property tax items - sales tax	1,357,555	1,178,655
Community preservation fund 2% tax	3,495,472	3,450,432
Mortgage tax	1,103,089	938,716
Franchise tax	860,502	849,369
Investment earnings - unrestricted	377,515	563,092
Other general revenues	581,652	186,882
Transfers	1,246,964	1,197,900
Charges for services	4,329,738	4,682,546
Operating grants and contributions	942,830	1,411,118
Capital grants and contributions	791,884	1,135,833
	<u>\$ 60,701,190</u>	<u>\$ 60,539,282</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, spendable fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

There are no restrictions that are expected to have a significant effect on the availability of fund resources for future use.

At December 31, 2015, the Town's governmental funds reported total ending fund balances of \$20,150,038, a decrease of \$3,422,292 or 14.5% in comparison with the prior year. The category breakdown is as follows:

- **Nonspendable fund balance** - \$1,264,395 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$13,024,283 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$5,471,450 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$389,910 (residual net resources) is the total fund balance in the General Fund of \$466,928 and the negative unassigned deficit in the Capital Projects Fund in the amount of \$77,018, in excess of nonspendable, restricted and assigned fund balance.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$2,225,194, decreasing \$489,098, or 18.0%, from the prior year. Of this amount, \$1,167,157 is not in spendable form (prepaid items and inventory). The remaining \$1,058,037 of the fund balance is in spendable form as follows: \$591,109 has been assigned for other miscellaneous designations, and the remaining \$466,928 represents spendable, unassigned fund balance.

The fund balance of the Town's General Fund decreased by \$489,098. The major components of the fund balance decrease were as follows:

- Prior year encumbrances were carried forward in the amount of \$287,893 and fund balance was appropriated during 2015 in the amount of \$85,230.
- Overall revenues did not meet budgeted expectations by \$1,904,560, primarily due to lower than expected collections of rental property in the amount of \$750,000, unrealized revenues from insurance recoveries in the amount of \$249,525, unrealized mortgage tax collections and a water protection grant in the amounts of \$181,400 and \$613,400, respectively. In addition, interfund revenues related to fuel in the amount of \$486,300 were eliminated. Other financing sources related to the sale of real property had unrealized earnings in the amount of \$275,000.
- Actual revenues decreased by \$105,057 compared to the prior year, primarily due to the increase in real property taxes assessed (\$862,715), sales tax collected (\$178,900), which was offset by the decrease in state/local and federal aid recognized in the current year (\$565,383), less interest earnings (\$176,922) and gifts and donations (\$127,421). Other financing sources increased by \$900,369 due to the proceeds from the sale of a building (\$500,000) and an increase in transfers in (\$400,369).

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

- Overall expenditures were under budget by \$1,865,806, a result of lower than expected costs for fuel contractual expenditures due to the elimination of fuel costs (\$486,300), lower premiums paid to the general liability fund (\$483,300) related to the Town's general government support expenditures, higher salary costs for the police department than originally expected (\$273,600), unrealized home and community services expenditures that were budgeted for (\$153,843), and lower than anticipated employee benefit costs (\$305,152), primarily related to workers' compensation costs.
- Actual expenditures decreased by \$1,780,797 compared to the prior year, primarily a result of a \$832,075 reduction in insurance reserve payments and a \$715,664 reduction in the retirement costs.

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$2,798,284, decreasing \$274,624, or 8.9%, from the prior year. Of this amount, \$79,007 is not in spendable form (prepaid items). The remaining \$2,719,277 of the fund balance is assigned for general highway purposes.

The major components of the fund balance decrease of \$274,624 were as follows:

- During the year, \$570,000 of fund balance was appropriated for additional expenditures as well as the prior year encumbrances carried forward in the amount of \$446,324.
- Overall actual revenues were lower than prior year by \$278,441, which is primarily a result of a minimal decrease in real property taxes as well as less revenues recognized for the reimbursement of expenditures related to Hurricane Sandy.
- Transportation expenditures for the purchase and repair of equipment as well as various road improvement costs were lower than budgeted expectations by \$361,645. Employee benefit costs were lower than budgeted expectations by \$250,745.
- Overall actual expenditures increased by \$588,175 compared to prior year due to additional purchases of equipment and repair work as well as a reduction of employee benefit costs.

Capital Projects Fund

The fund balance decreased in the Capital Projects Fund by \$145,620 from the prior year as a result of timing differences between project expenditures and the recognition of corresponding financing. At the end of the current year, the Capital Projects Fund had a total fund balance deficit of \$77,018.

Community Preservation Fund

At the end of the current year, the Community Preservation Fund had a total fund balance of \$12,890,178, decreasing by \$2,159,717 from the prior year. This fund balance is restricted for Community Preservation purposes.

The major components of the fund balance decrease of \$2,159,717 were as follows:

- There was an originally planned decrease of \$2,906,600 resulting from the appropriation of fund balance for the 2015 budget.
- Total land transfer tax revenues exceeded the budget by \$745,472 and actual revenues were in line with the prior year.
- Overall actual expenditures and operating transfers out were consistent with the prior year and budgeted expectations.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Nonmajor Governmental Funds

The net change in fund balances was a decrease of \$353,233 over the nine nonmajor funds, the most notable changes are as follows:

- The Community Development Fund had a decrease of \$682,775 in fund balance due to an appropriation of prior years' fund balance in the amount of \$700,000.
- The Ambulance Fund had an increase in fund balance of \$172,643, primarily a result of a less vehicles purchased in the current year compared to prior year (\$291,820) which was offset by increases in contractual costs for the Riverhead Ambulance Company (\$87,600) and maintenance costs (\$30,145).
- The Special Trust Fund had an increase of \$133,511 in fund balance, a result of the increase in park and recreation fees in the amount of \$156,000.

Proprietary Funds

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position (deficit) of the Sewer and Water proprietary funds at the end of the year amounted to \$1,233,879 and (\$969,008), respectively. The total net position change was an increase of \$8,477,106; an increase of \$7,312,481 in the Sewer District Funds and an increase of \$1,164,625 in the Water District Funds:

- In the Sewer Fund, sewer rents and charges increased by \$234,010 and \$155,040, respectively. The total non-operating revenues increased by \$5,730,745, primarily a result of the fund recognizing additional amounts related to the New York State Department of Conservation grant and local aid in the amount of \$5,748,087 to continue to fund the costs of the sewer treatment upgrade project. Operating expenses and transfers out were consistent with prior year.
- In the Water Fund, water sales and developer fees increased by \$395,419 and \$595,479, respectively, compared to the prior year. Water sales increases were primarily a result of an increase in consumption and developer fee increases were related to new projects that were started in 2015. There was an overall reduction of operating costs in the Water Fund, primarily due to reduced administration (\$288,974) and employee benefits costs (\$246,857), which were offset by the increase in depreciation expenses compared to prior year (\$237,487).

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there were budget amendments that increased estimated revenues and transfers by \$57,181 and budgeted appropriations by \$430,304, inclusive of transfers. Please see the "General Fund" section for more details on the comparison of final budgets to actual amounts. The following are the main components of the increase in appropriations:

- Estimated revenues increased by \$57,181 for Board and Secures (Chapter 54) of taxpayers properties and \$23,597 for Storm Water Pollution Prevention Plan fees for various properties throughout the Town.
- Prior year encumbrances in the amount of \$287,893 were included in the final budget and there was an appropriation of fund balance of \$85,230.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

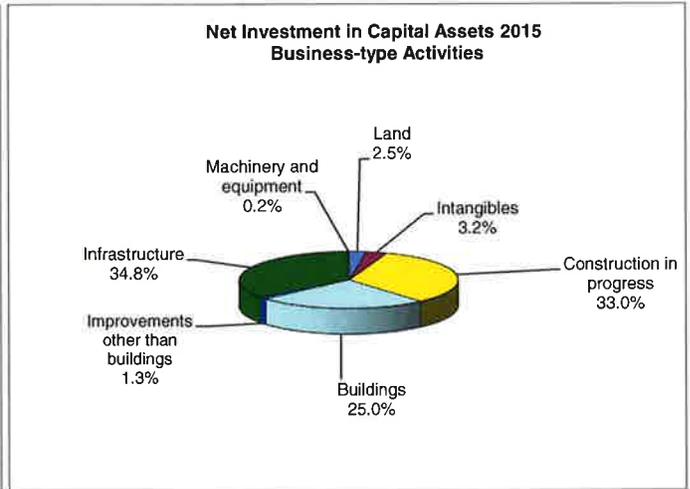
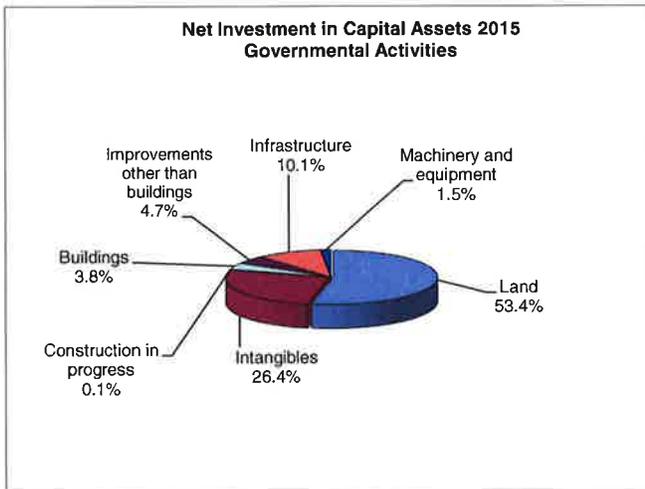
The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounts to \$275,134,437 (net of accumulated depreciation). This investment in capital assets includes land, non-depreciable intangible assets, equipment, improvements, infrastructure, depreciable intangible assets and construction in progress.

Major capital asset events during the current year included the following:

- The Sewer District Fund invested \$9,966,200 for a sewer treatment plant upgrade project
- Resurfacing of various Town roads for \$1,553,130

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 107,062,989	\$ 107,062,989	\$ 1,829,300	\$ 1,829,300	\$ 108,892,289	\$ 108,892,289
Intangible development rights and easements	52,966,917	52,966,917	2,378,757	2,378,757	55,345,674	55,345,674
Construction in progress	162,732	5,648,411	24,584,928	15,892,857	24,747,660	21,541,268
Buildings	7,695,344	7,969,332	18,660,636	19,333,482	26,355,980	27,302,814
Improvements other than buildings	9,504,465	10,261,158	967,130	1,102,303	10,471,595	11,363,461
Infrastructure	20,205,064	14,765,409	25,959,420	24,515,690	46,164,484	39,281,099
Machinery and equipment	2,995,673	3,028,266	131,891	109,856	3,127,564	3,138,122
Intangibles - software	11,591	19,645	17,600	33,733	29,191	53,378
Total capital assets	\$ 200,604,775	\$ 201,722,127	\$ 74,529,662	\$ 65,195,978	\$ 275,134,437	\$ 266,918,105



Additional information on the Town's capital assets is shown in Note 3.C to the financial statements.

Debt Administration

At the end of 2015 the Town had total bonded debt outstanding of \$92,804,999 and long-term bond anticipation notes outstanding of \$4,604,957. The entire debt is backed by the full faith and credit of the Town of Riverhead.

Outstanding Debt as of December 31,

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds*	\$ 83,677,332	\$ 92,201,919	\$ 9,127,667	\$ 10,498,080	\$ 92,804,999	\$ 102,699,999
Bond anticipation notes			4,604,957		4,604,957	-0-
Total	\$ 83,677,332	\$ 92,201,919	\$ 13,732,624	\$ 10,498,080	\$ 97,409,956	\$ 102,699,999

*This does not include the bond premium as presented in the Statement of Net Position.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration (continued)

As of September 2016, the Town had an "Aa3" rating from Moody's Investors Service.

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average full valuation. The debt limit excludes water debt and sewer debt of the business-type activities. The current debt limitation for the Town is \$370,130,973 which is significantly in excess of the Town's outstanding general obligation debt. The percentage of debt limit exhausted as of December 31, 2015 was 23.88%.

In November 1998, the voters of the Town approved the implementation of a real estate transfer tax in the amount of 2% against the proceeds of the sale of real property in excess of \$150,000 for developed property and in excess of \$75,000 for undeveloped property. The tax is to be collected on every transaction through the year 2030. These funds are dedicated by the Town Board to pay the debt service generated by the acquisition of open space and purchase of farmland development rights.

Additional information on the Town's indebtedness is shown in Note 3.D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Next year's budget will increase by \$1,424,300 (1.82%) with increases in spending for the General Fund of \$396,700, Water District of \$386,900, Sewer Districts of \$821,400, and decreases in the Debt Service Fund of \$137,600 and the CDA Fund of \$291,000. Several other funds had minor increases or decreases.

Assessed values increased in 2016 by \$5,692,595 over 2015 or .68%.

The Town-wide tax rate increased by \$4.20 per \$1,000 of assessed value.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The Town did exceed the 2% cap, inclusive of allowable exclusions, in 2016.

The Town will be closely monitoring the current economic conditions and making adjustments as necessary.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances. If you have any questions about this report or need any additional information, contact the Financial Administrator at 1295 Pulaski Street, Riverhead, New York 11901 or by telephone 631-727-3200.

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BASIC FINANCIAL STATEMENTS

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TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government			Nonmajor Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,246,990	\$ 4,800,321	\$ 19,047,311	\$ 178,442
Cash - restricted	15,145,965		15,145,965	
Accounts receivable	631,879	51,119	682,998	4,250
Billings receivable		1,121,488	1,121,488	
Due from other governments	2,200,015	2,957,099	5,157,114	5,000
Internal balances	1,690,497	(1,690,497)	-0-	
Prepays	1,166,888	97,645	1,264,533	15,388
Inventory of materials and supplies	97,507	50,755	148,262	
Total current assets	<u>35,179,741</u>	<u>7,387,930</u>	<u>42,567,671</u>	<u>203,080</u>
Non-current assets:				
Non-depreciable capital assets	160,192,638	28,792,985	188,985,623	
Capital assets, net of accumulated depreciation	40,412,137	45,736,677	86,148,814	573
Total non-current assets	<u>200,604,775</u>	<u>74,529,662</u>	<u>275,134,437</u>	<u>573</u>
Total assets	<u>235,784,516</u>	<u>81,917,592</u>	<u>317,702,108</u>	<u>203,653</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	4,351,416	418,024	4,769,440	
Total deferred outflows of resources	<u>4,351,416</u>	<u>418,024</u>	<u>4,769,440</u>	<u>-0-</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,749,469	3,370,032	6,119,501	22,703
Retainage payable		912,380	912,380	
Accrued interest payable	367,689	39,251	406,940	
Due to other governments	20,052		20,052	
Unearned revenue	191,318	31,328	222,646	
Other liabilities		43,166	43,166	
Non-current liabilities due within one year:				
Bond anticipation notes payable		4,604,957	4,604,957	
General obligation bonds payable	9,035,720	1,318,563	10,354,283	
Compensated absences payable	879,875	83,206	963,081	11,463
Claims and judgments payable	1,058,359		1,058,359	
Estimated liability for landfill closure and postclosure care costs	30,750		30,750	
Total current liabilities	<u>14,333,232</u>	<u>10,402,883</u>	<u>24,736,115</u>	<u>34,166</u>
Non-current liabilities due in more than one year:				
General obligation bonds payable	76,946,592	7,809,104	84,755,696	
Compensated absences payable	9,233,632	867,720	10,101,352	
Claims and judgments payable	1,149,972		1,149,972	
Estimated liability for landfill closure and postclosure care costs	993,983		993,983	
Net pension liability - proportionate share	2,435,364	264,655	2,700,019	
Postemployment benefits healthcare costs	41,354,714	3,837,208	45,191,922	
Total non-current liabilities	<u>132,114,257</u>	<u>12,778,687</u>	<u>144,892,944</u>	<u>-0-</u>
Total liabilities	<u>146,447,489</u>	<u>23,181,570</u>	<u>169,629,059</u>	<u>34,166</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	8,366,570	797,745	9,164,315	
Total deferred inflows of resources	<u>8,366,570</u>	<u>797,745</u>	<u>9,164,315</u>	<u>-0-</u>
NET POSITION				
Net investment in capital assets	114,622,463	57,332,110	171,954,573	
Restricted for:				
Debt service fund		103,959	103,959	
Community preservation fund	12,890,178		12,890,178	
Home and community services	134,105	655,361	789,466	
Unrestricted	<u>(42,324,873)</u>	<u>264,871</u>	<u>(42,060,002)</u>	<u>169,487</u>
Total net position	<u>\$ 85,321,873</u>	<u>\$ 58,356,301</u>	<u>\$ 143,678,174</u>	<u>\$ 169,487</u>

See notes to financial statements.

TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year ended December 31, 2015

Function/ Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government support	\$ 12,718,789	\$ 1,078,978	\$ 40,865	
Public safety	27,789,182	1,597,449	227,549	
Health	1,054,113	46,912		
Transportation	7,762,878	132,788	49,107	\$ 758,737
Economic assistance and opportunity	1,752,954	40,953	293,127	12,902
Culture and recreation	2,845,578	1,125,767	70,577	6,061
Home and community services	4,531,514	306,891	261,605	14,184
Interest on debt	3,409,613			
Total governmental activities	61,864,621	4,329,738	942,830	791,884
Business-type Activities:				
Home and community services - Sewer	4,528,467	4,111,150		7,688,000
Home and community services - Water	5,538,522	4,345,692		908,331
Total business-type activities	10,066,989	8,456,842		8,596,331
Total primary government	\$ 71,931,610	\$ 12,786,580	\$ 942,830	\$ 9,388,215
NONMAJOR COMPONENT UNITS:				
Economic assistance and opportunity	\$ 205,514	\$ 272,725		
Total nonmajor component units	\$ 205,514	\$ 272,725		

General revenues:

- Real property taxes
- Real property tax items
- Non-property tax items - sales tax
- Community preservation fund 2% tax
- Mortgage tax
- Franchise tax
- Investment earnings - unrestricted
- State aid
- Gain on sale of capital assets
- Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as reported

Cummulative effect of change in accounting principle

Net assets - beginning, as restated

Net position - ending

Net (Expense) Revenue and Changes In Net Position
Primary Government

Governmental Activities	Business-type Activities	Total	Nonmajor Component Units
\$ (11,598,946)		\$ (11,598,946)	
(25,964,184)		(25,964,184)	
(1,007,201)		(1,007,201)	
(6,822,246)		(6,822,246)	
(1,405,972)		(1,405,972)	
(1,643,173)		(1,643,173)	
(3,948,834)		(3,948,834)	
(3,409,613)		(3,409,613)	
<u>(55,800,169)</u>		<u>(55,800,169)</u>	
	\$ 7,270,683	7,270,683	
	(284,499)	(284,499)	
	<u>6,986,184</u>	<u>6,986,184</u>	
<u>\$ (55,800,169)</u>	<u>\$ 6,986,184</u>	<u>\$ (48,813,985)</u>	
			\$ 67,211
			<u>\$ 67,211</u>
\$ 45,265,212	\$ 1,641,100	\$ 46,906,312	
348,777	305,863	654,660	
1,357,555	146,688	1,504,243	
3,495,472		3,495,472	
1,103,089		1,103,089	
860,502		860,502	
377,515	2,100	379,615	\$ 33
107,028		107,028	
462,393	2,222	464,615	
12,231	639,893	652,124	22,423
1,246,964	(1,246,964)	-0-	
<u>54,636,738</u>	<u>1,490,922</u>	<u>56,127,660</u>	<u>22,456</u>
(1,163,431)	8,477,106	7,313,675	89,667
85,789,565	49,879,488	135,669,053	79,820
695,739	(293)	695,446	
<u>86,485,304</u>	<u>49,879,195</u>	<u>136,364,499</u>	<u>79,820</u>
<u>\$ 85,321,873</u>	<u>\$ 58,356,301</u>	<u>\$ 143,678,174</u>	<u>\$ 169,487</u>

**TOWN OF RIVERHEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015**

	MAJOR FUNDS			
	General	Highway	Debt Service	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 4,281,732	\$ 4,403,801		
Cash - restricted				\$ 1,058,176
Accounts receivable	582,097	4,800		12,849
Due from other funds	2,777,758			
Due from other governments	1,599,754	2,061		69,634
Prepays	1,069,650	79,007		
Inventory	97,507			
Total assets	\$ 10,408,498	\$ 4,489,669	\$ -0-	\$ 1,140,659
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,944,702	\$ 449,996		\$ 111,305
Due to other funds				1,100,260
Due to other governments	19,722			330
Unearned revenue	107,676			5,782
Total liabilities	2,072,100	449,996	\$ -0-	1,217,677
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	6,111,204	1,241,389		
Total deferred inflows of resources	6,111,204	1,241,389	-0-	-0-
FUND BALANCES (DEFICITS)				
Nonspendable	1,167,157	79,007		
Restricted				
Assigned	591,109	2,719,277		
Unassigned	466,928			(77,018)
Total fund balances (deficits)	2,225,194	2,798,284	-0-	(77,018)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 10,408,498	\$ 4,489,669	\$ -0-	\$ 1,140,659

Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 2,053,762	\$ 10,739,295
\$ 12,882,935	1,404,854	15,145,965
	32,133	631,879
	790,497	3,568,255
207,243	55,935	1,934,627
	18,231	1,166,888
		97,507
<u>\$ 12,890,178</u>	<u>\$ 4,355,412</u>	<u>\$ 33,284,416</u>
	\$ 172,677	\$ 2,678,680
	777,498	1,877,758
		20,052
	77,860	191,318
<u>\$ -0-</u>	<u>1,028,035</u>	<u>4,767,808</u>
	1,013,977	8,366,570
<u>-0-</u>	<u>1,013,977</u>	<u>8,366,570</u>
	18,231	1,264,395
12,890,178	134,105	13,024,283
	2,161,064	5,471,450
		389,910
<u>12,890,178</u>	<u>2,313,400</u>	<u>20,150,038</u>
<u>\$ 12,890,178</u>	<u>\$ 4,355,412</u>	<u>\$ 33,284,416</u>

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TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2015

Total fund balances - governmental funds \$ 20,150,038

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets - non-depreciable	\$ 160,192,638	
Capital assets - depreciable	168,592,018	
Accumulated depreciation	<u>(128,179,881)</u>	
		200,604,775

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in the governmental activities in the government-wide Statement of Net Position (net of amount allocated to long-term liabilities).

3,436,906

Deferred outflows of resources are included in the Statement of Net Position.

4,351,416

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position:

General obligation bonds payable, inclusive of premium	(85,982,312)	
Compensated absences payable	(10,113,507)	
Claims and judgments payable	(2,208,331)	
Estimated liability for landfill closure and postclosure care costs	(1,024,733)	
Net pension liability - proportionate share	(2,435,364)	
Postemployment benefits healthcare costs	<u>(41,354,714)</u>	
		(143,118,961)

Amounts due from other governments, applicable to the Town's governmental activities, not due and receivable in the current period accordingly are not reported in the funds. However, these assets are included in the Statement of Net Position.

265,388

Interest payable applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position.

(367,689)

Net position of governmental activities **\$ 85,321,873**

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2015

	MAJOR FUNDS			
	General	Highway	Debt Service	Capital Projects
REVENUES				
Real property taxes	\$ 32,696,116	\$ 6,986,000		
Real property tax items	348,777			
Non-property tax items	2,218,057			
Departmental income	2,539,651			
Intergovernmental charges	101,888			
Use of money and property	167,237	6,482		
Licenses and permits	89,002	30,900		
Fines and forfeitures	498,811			
Sale of property and compensation for loss	15,371	13,216		
Miscellaneous local sources	184,890			107,862
Interfund revenues	1,025,626	3,120		
State and local aid	1,617,794	40,782		423,483
Federal aid	142,151			34,511
Total revenues	<u>41,645,371</u>	<u>7,080,500</u>	<u>\$ -0-</u>	<u>565,856</u>
EXPENDITURES				
Current:				
General government support	8,637,774	53,615		
Public safety	16,155,535			
Health	8,814			
Transportation	374,162	4,993,127		
Economic assistance and opportunity	883,511			
Culture and recreation	1,393,848			
Home and community services	1,159,276			
Employee benefits	11,142,348	1,311,455		
Capital Outlay				640,145
Debt Service:				
Principal			8,524,587	
Interest			3,454,112	
Total expenditures	<u>39,755,268</u>	<u>6,358,197</u>	<u>11,978,699</u>	<u>640,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,890,103</u>	<u>722,303</u>	<u>(11,978,699)</u>	<u>(74,289)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital asset	500,000			
Transfers in	2,244,995	14,304	11,978,699	128,280
Transfers out	(5,124,196)	(1,011,231)		(199,611)
Total other financing sources (uses)	<u>(2,379,201)</u>	<u>(996,927)</u>	<u>11,978,699</u>	<u>(71,331)</u>
Net change in fund balance	(489,098)	(274,624)		(145,620)
Fund balances at beginning of year	2,714,292	3,072,908	-0-	68,602
Fund balances at end of year	<u>\$ 2,225,194</u>	<u>\$ 2,798,284</u>	<u>\$ -0-</u>	<u>\$ (77,018)</u>

Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 5,583,096	\$ 45,265,212
		348,777
\$ 3,495,472		5,713,529
	381,273	2,920,924
		101,888
27,430	62,996	264,145
		119,902
		498,811
		28,587
	7,413	300,165
	328,381	1,028,746
	137,796	2,410,440
		314,458
<u>3,522,902</u>	<u>6,500,955</u>	<u>59,315,584</u>
	454,518	9,145,907
		16,155,535
	1,009,471	1,018,285
	996,160	6,363,449
	149,342	1,032,853
	58,161	1,452,009
2,100	2,878,588	4,039,964
	204,191	12,657,994
		640,145
		8,524,587
		3,454,112
<u>2,100</u>	<u>5,750,431</u>	<u>64,484,840</u>
<u>3,520,802</u>	<u>750,524</u>	<u>(5,169,256)</u>
		500,000
	25,356	14,391,634
(5,680,519)	(1,129,113)	(13,144,670)
<u>(5,680,519)</u>	<u>(1,103,757)</u>	<u>1,746,964</u>
(2,159,717)	(353,233)	(3,422,292)
15,049,895	2,666,633	23,572,330
<u>\$ 12,890,178</u>	<u>\$ 2,313,400</u>	<u>\$ 20,150,038</u>

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TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
Year ended December 31, 2015

Net change in fund balances - total governmental funds **\$ (3,422,292)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation expense and the loss on disposition exceeds capital outlay in the current period is:

Capital outlay	\$ 2,453,697	
Depreciation expense	(3,507,318)	
Loss on disposition	(63,731)	
	(1,117,352)	(1,117,352)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		84,511
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net gain of the of the internal service funds is reported with governmental activities.

Claims and judgments payable	619,261	
Other change in net position	(884,739)	
	(265,478)	(265,478)

The issuance of long-term debt and increases in obligations provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Repayment of debt principal	8,524,587	
Compensated absences	(318,110)	
Estimated liability for landfill closure and postclosure care costs	130,000	
Net pension - liability proportionate share	1,220,313	
Postemployment benefits healthcare costs	(6,373,392)	
	3,183,398	3,183,398

Premiums on bond issuances are recognized in the governmental funds statements when issued and capitalized and amortized in the Statement of Activities.		329,283
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Bond interest is recorded as an expenditure on the fund statements when it is paid, and on the Statement of Activities when it is accrued.		44,499
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Change in net position of governmental activities		\$ (1,163,431)
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TOWN OF RIVERHEAD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,849,452	\$ 1,950,869	\$ 4,800,321	\$ 3,407,695
Cash - restricted				100,000
Accounts receivable	6,000	45,119	51,119	
Billings receivables, net of allowance of \$20,213 in Sewer	52,199	1,069,289	1,121,488	
Due from other governments	2,956,048	1,051	2,957,099	
Prepays	44,283	53,362	97,645	
Inventory		50,755	50,755	
Total current assets	<u>5,907,982</u>	<u>3,170,445</u>	<u>9,078,427</u>	<u>3,507,695</u>
Non-current assets:				
Capital assets:				
Land	890,273	939,027	1,829,300	
Intangibles - non-depreciable easements		2,378,757	2,378,757	
Construction work in progress	22,006,280	2,578,648	24,584,928	
Buildings	25,868,825	11,016,872	36,885,697	
Improvements other than buildings	2,042,525	134,711	2,177,236	
Machinery and equipment	1,034,146	7,350,560	8,384,706	
Infrastructure	21,123,705	47,428,592	68,552,297	
Intangibles - depreciable		88,000	88,000	
Less accumulated depreciation/amortization	(35,083,015)	(35,268,244)	(70,351,259)	
Total non-current assets	<u>37,882,739</u>	<u>36,646,923</u>	<u>74,529,662</u>	<u>-0-</u>
Total assets	<u>43,790,721</u>	<u>39,817,368</u>	<u>83,608,089</u>	<u>3,507,695</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	168,183	249,841	418,024	
Total deferred outflows of resources	<u>168,183</u>	<u>249,841</u>	<u>418,024</u>	<u>-0-</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,831,339	538,693	3,370,032	70,789
Retainage payable	894,060	18,320	912,380	
Accrued interest payable	12,497	26,754	39,251	
Due to other funds	1,190,497	500,000	1,690,497	
Unearned revenue		31,328	31,328	
Customers deposits payable		43,166	43,166	
Non-current liabilities due within one year:				
Bond anticipation notes payable	4,604,957		4,604,957	
General obligation bonds payable	430,735	887,828	1,318,563	
Claims and judgments payable				1,058,359
Compensated absences payable	29,795	53,411	83,206	
Total current liabilities	<u>9,993,880</u>	<u>2,099,500</u>	<u>12,093,380</u>	<u>1,129,148</u>
Non-current liabilities due in more than one year:				
General obligation bonds payable	2,112,922	5,696,182	7,809,104	
Claims and judgments payable				1,149,972
Compensated absences payable	310,719	557,001	867,720	
Net pension liability - proportionate share	127,323	137,332	264,655	
Postemployment benefits healthcare costs	1,761,663	2,075,545	3,837,208	
Total non-current liabilities	<u>4,312,627</u>	<u>8,466,060</u>	<u>12,778,687</u>	<u>1,149,972</u>
Total liabilities	<u>14,306,507</u>	<u>10,565,560</u>	<u>24,872,067</u>	<u>2,279,120</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	580,685	217,060	797,745	
Total deferred inflows of resources	<u>580,685</u>	<u>217,060</u>	<u>797,745</u>	<u>-0-</u>
NET POSITION				
Net investment in capital assets	27,419,786	29,912,324	57,332,110	
Restricted for debt service		103,959	103,959	
Restricted for other purposes	418,047	237,314	655,361	
Unrestricted	1,233,879	(969,008)	264,871	1,228,575
Total net position	<u>\$ 29,071,712</u>	<u>\$ 29,284,589</u>	<u>\$ 58,356,301</u>	<u>\$ 1,228,575</u>

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
OPERATING REVENUES				
Charges for sales and services:				
Water sales		\$ 4,261,100	\$ 4,261,100	
Sewer rents	\$ 2,749,139		2,749,139	
Sewer charges	1,359,958		1,359,958	
Departmental income		7,945	7,945	
Water service charges		64,080	64,080	
Insurance recoveries				\$ 300,000
Other revenues	2,053		2,053	878
Total operating revenues	<u>4,111,150</u>	<u>4,333,125</u>	<u>8,444,275</u>	<u>300,878</u>
OPERATING EXPENSES				
Cost of sales and services:				
Administration	1,205,661	1,220,785	2,426,446	
Claims and judgments				569,299
Sewerage treatment disposal	1,771,718		1,771,718	
Source of supply, power and pump		1,648,595	1,648,595	
Depreciation/amortization	650,860	1,449,260	2,100,120	
Employee benefits	830,336	970,355	1,800,691	
Total operating expenses	<u>4,458,575</u>	<u>5,288,995</u>	<u>9,747,570</u>	<u>569,299</u>
Operating loss	<u>(347,425)</u>	<u>(955,870)</u>	<u>(1,303,295)</u>	<u>(268,421)</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment earnings - unrestricted	1,351	749	2,100	2,943
Interest expense	(69,892)	(249,527)	(319,419)	
Insurance recoveries		12,567	12,567	
Tower rentals and miscellaneous		639,893	639,893	
Developers' fees	54,188	907,723	961,911	
Gain on sale of property	2,222		2,222	
Real property taxes	437,200	1,203,900	1,641,100	
Real property tax items	305,883		305,883	
Non-property tax distribution by county	146,688		146,688	
State and local aid	7,633,812	608	7,634,420	
Total non-operating revenue	<u>8,511,452</u>	<u>2,515,913</u>	<u>11,027,365</u>	<u>2,943</u>
Income (loss) before transfers	8,164,027	1,560,043	9,724,070	(265,478)
Transfers out	(851,546)	(395,418)	(1,246,964)	
Change in net position	<u>7,312,481</u>	<u>1,164,625</u>	<u>8,477,106</u>	<u>(265,478)</u>
Total net position - beginning, as reported	21,782,664	28,096,824	49,879,488	1,494,053
Cummulative effect of change in accounting principle	(23,433)	23,140	(293)	-0-
Total net position - beginning, as restated	<u>21,759,231</u>	<u>28,119,964</u>	<u>49,879,195</u>	<u>1,494,053</u>
Total net position - ending	<u>\$ 29,071,712</u>	<u>\$ 29,284,589</u>	<u>\$ 58,356,301</u>	<u>\$ 1,228,575</u>

**TOWN OF RIVERHEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
December 31, 2015**

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 4,116,433	\$ 4,210,673	\$ 8,327,106	
Cash payments for contractual expenses	(1,677,663)	(1,613,901)	(3,291,564)	\$ (1,230,447)
Cash payments to employees for salaries and employee benefits	(1,752,180)	(2,037,704)	(3,789,884)	112,676
Other revenues	2,053	7,945	9,998	300,878
Net cash provided (used) by operating activities	<u>688,643</u>	<u>567,013</u>	<u>1,255,656</u>	<u>(816,893)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Real property taxes and tax items	522,275	1,047,325	1,569,600	
Non-property tax distribution by county	146,688		146,688	
Tower rentals and miscellaneous		652,460	652,460	
Operating grants		20,570	20,570	
Transfers to/from other funds	338,951	(1,679,720)	(1,340,769)	
Net cash provided by noncapital and related financing activities	<u>1,007,914</u>	<u>40,635</u>	<u>1,048,549</u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bond anticipation notes payable	4,604,957		4,604,957	
Capital grants	6,716,290		6,716,290	
Principal paid on capital debt	(419,293)	(951,120)	(1,370,413)	
Interest paid on capital debt	(71,474)	(252,688)	(324,162)	
Capital contributions by developers	54,188	907,723	961,911	
Payments to contractors	(12,988,761)	(1,221,389)	(14,210,150)	
Proceeds from the sale of assets	2,222		2,222	
Net cash used by capital and related financing activities	<u>(2,101,871)</u>	<u>(1,517,474)</u>	<u>(3,619,345)</u>	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	1,351	749	2,100	2,943
Net cash provided by investing activities	<u>1,351</u>	<u>749</u>	<u>2,100</u>	<u>2,943</u>
Net decrease in cash and cash equivalents	(403,963)	(909,077)	(1,313,040)	(813,950)
Cash and cash equivalents at January 1, 2015 *	3,253,415	2,859,946	6,113,361	4,321,645
Cash and cash equivalents at December 31, 2015 *	<u>\$ 2,849,452</u>	<u>\$ 1,950,869</u>	<u>\$ 4,800,321</u>	<u>\$ 3,507,695</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (347,425)	\$ (955,870)	\$ (1,303,295)	\$ (268,421)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	650,860	1,449,260	2,100,120	
(Increase) decrease in accounts receivable	(6,000)	(39,015)	(45,015)	
(Increase) decrease in billings receivable	13,336	(75,492)	(62,156)	
(Increase) decrease in inventory		(4,200)	(4,200)	
(Increase) decrease in prepaid expense	4,677	15,585	20,262	
(Increase) decrease in deferred outflows related to pension	(21,304)	(43,002)	(64,306)	
Increase (decrease) in compensated absences	36,315	(131,346)	(95,031)	
Increase (decrease) in the net pension liability - proportionate share	(42,989)	(46,367)	(89,356)	
Increase (decrease) in postemployment healthcare benefits	307,118	358,566	665,684	
Increase (decrease) in customer deposits		(8,385)	(8,385)	
Increase (decrease) in accounts payable/accrued liabilities	94,055	47,279	141,334	70,789
Increase (decrease) in claims and judgments				(619,261)
Total adjustments	<u>1,036,068</u>	<u>1,522,883</u>	<u>2,558,951</u>	<u>(548,472)</u>
Net cash provided (used) by operating activities	<u>\$ 688,643</u>	<u>\$ 567,013</u>	<u>\$ 1,255,656</u>	<u>\$ (816,893)</u>

*This includes \$100,000 for the Internal Service Fund's restricted cash

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Sewer Fund's payments to contractors in the amount of \$12,988,761 is reported net of the change in accounts payable and retainage payable totaling \$2,679,295.

The Water Fund's payments to contractors in the amount of \$1,221,389 is reported net of the change in accounts payable and retainage payable totaling \$97,051 and the cost of a capital asset that was transferred from another fund in the amount of \$26,198.

TOWN OF RIVERHEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
December 31, 2015

		Agency Fund
ASSETS		
Cash	\$	8,962,737
Total assets	\$	8,962,737
LIABILITIES		
Due to school districts	\$	7,334,111
Other agency liabilities		1,628,626
Total liabilities	\$	8,962,737

TOWN OF RIVERHEAD
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December 31, 2015

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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Riverhead, New York (the "Town"), which was established in 1792, is governed by Town Law, other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor who is elected for a term of two years and four council members who are elected for terms of four years. The Town Board appoints the Town Attorney whose term is fixed by Town Law. The Town Clerk and Receiver of Taxes are elected and serve for four years terms. The Town provides a full range of municipal services, including public safety, transportation, home and community services, public works and road maintenance, recreation and parks, and general and administrative services.

The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals.

The most significant of the Town's accounting policies are described below.

A. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, which is the Town; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Town of Riverhead reporting entity is based on several criteria; including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a summary of certain entities considered in determining the Town's reporting entity.

Blended Component Unit – though legally a separate entity, this component unit is, in substance, part of the Town's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from this unit is combined with that of the primary government. The Town's only blended component unit is the Town of Riverhead Community Development Agency.

The Town of Riverhead Community Development Agency was created by Chapter 480 of the Laws of 1982, a special act of the New York State Legislature. The Community Development Agency (CDA) is an independent governmental agency and instrumentality of the State of New York and is a corporate governmental agency constituting a public benefit corporation of the State of New York. The CDA can enter into contracts, sue and be sued, and acquire and own real and personal property, each on its own behalf and in its own name. The CDA can incur debt and issue bonds and notes in its own name and, unless the Town of Riverhead elects to guarantee principal of and interest on, or only the interest on, indebtedness issued by the CDA, all indebtedness of the CDA is a liability only of the CDA and not of the Town of Riverhead.

The inclusion of the CDA as a blended component unit of the Town of Riverhead is required because the members of the CDA governing body are the same as the members of the Town Board of the Town of Riverhead and management of the primary government has operational responsibility for the component unit. When acting as a member of the CDA, however, a member has a fiduciary responsibility to the Community Development Agency and not to the Town of Riverhead.

The activities of the CDA are reported in the General Fund (administrative costs) and the Special Grant and Community Development Funds, which are reported as special revenue governmental funds in the nonmajor governmental funds financial statements. In addition, any major capital projects for the CDA are reported in the Capital Projects Fund.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Town generated financial statements of the Town of Riverhead Community Development Agency can be obtained by contacting:

Town of Riverhead Community Development Agency
200 Howell Avenue
Riverhead, NY 11901

Discretely Presented Component Units – are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town. They are financially accountable to the primary government, or have a relationship such that exclusion would cause the Town's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government.

The following entities are discretely presented component units of the Town of Riverhead:

- a) The Riverhead Industrial Development Agency (RIDA) is a public benefit corporation created by the New York State Legislature Article 18-A of the General Municipal law under Section 925-p. The RIDA's mission is to attract new businesses to the Town and to help existing Riverhead businesses expand their operations and remain in the Town. Its members shall be appointed by the governing body of the Town of Riverhead. The governing body of the Town of Riverhead appoints the RIDA's Board of Directors which results in interdependency with the Town. However the RIDA's Board of Directors has complete responsibility for approval and adoption of policies of the RIDA and accountability for fiscal matters. Accordingly, the RIDA has been determined to be a discretely presented component unit of the Town of Riverhead.
- b) The Riverhead IDA Economic Job Development Corporation (LDC) was created as a New York State not-for-profit public benefit corporation. The LDC was established on February 3, 2011 pursuant to Sections 402 and 1411 of the not-for-profit corporation law as defined in section 102(a) (5). The LDC is a government instrumental tax-exempt corporation that was created to sustain and promote industry and commerce in the Town of Riverhead, improve economic opportunities for businesses and residents, maintain and create jobs, improve the quality of life, and promote a healthier community, complementing the objective of the RIDA. The governing body of the Town of Riverhead appoints the LDC's Board of Directors which results in interdependency with the Town. However the LDC's Board of Directors has complete responsibility for approval and adoption of policies and accountability for fiscal matters. Accordingly, the LDC has been determined to be a discretely presented component unit of the Town of Riverhead.

Both of the Town of Riverhead's discretely presented component units are considered nonmajor.

Complete financial statements of the individually discretely presented component units can be obtained from their respective administrative offices:

Riverhead Industrial Development Agency
200 Howell Avenue
Riverhead, NY 11901

Riverhead IDA Economic Development Corporation
200 Howell Avenue
Riverhead, NY 11901

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town as a whole and its nonmajor discretely presented component units with separate columns for the primary governmental activities and business-type activities. For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function, and 3) interest earned on grants or capital projects that is required to be used to support a particular program or project. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses to specific functions in the Statement of Activities.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing and delivering services and/or goods in connection with the proprietary fund's principal ongoing operations. Operating expenses include the cost of personnel (salaries and benefits), materials and supplies, direct costs, equipment and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues (such as interest earnings) and expenses (such as interest expense).

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Certain funds of the Town are utilized to account for resources derived from and/or expenditures applicable to an area less than the entire town. The focus of the governmental funds financial statements is on the major funds. Accordingly, the Town maintains the following fund types:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Governmental funds are further classified as major and nonmajor funds.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The Town reports the following major governmental funds:

General Fund – is the principal operating fund of the Town. This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for financial resources that are being accumulated for principal and interest in future years. The fund balance of the Debt Service Fund, if any, is restricted to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed by proprietary funds. This includes financial resources to be used for the acquisition, construction, renovation, expansion and major improvement of various Town facilities, thoroughfares, arterial streets and drainage improvements, improvements and construction of parks and recreational facilities and acquisition of land and other large nonrecurring projects, other than those financed by proprietary funds. It is also used to account for some grants received from Federal, State and/or County sources.

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditure for specified purposes other than debt service or capital projects. Major Special Revenue Funds include the following:

Highway Fund – is used to account for revenues and expenditures for highway purposes. This includes all operations relating to the repair and maintenance of Town roads.

Community Preservation Fund – is used to account for financial resources for land acquisition and preservation of open space. The voters of the Town approved the implementation of a real estate transfer tax in the amount of 2% against the proceeds of the sale of real property in excess of \$150,000 for developed property and in excess of \$75,000 for undeveloped property. The tax is to be collected on every transaction through the year 2030. The proceeds of this tax are required to be set aside and used to pay the cost of the acquisition of real property, or development rights in farmland for the preservation of open space in the Town.

Additionally, the Town reports the following nonmajor Special Revenue governmental funds:

Special Grant Fund – is used to account for the Federal Grant Program administered by the Federal Department of Housing and Urban Development. The Town of Riverhead is a member of the Suffolk County Consortium. It is also used to account for various New York State Grant Programs dealing with community development.

Special Trust Fund – includes funds collected as impact fees from newly approved residential subdivisions and condominiums.

Business Improvement District (BID) – includes all operations relating to promotion of the downtown business community.

East Creek Docking Facility Fund – includes all operations relating to the Town operated docking facility at East Creek, Jamesport.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Street Lighting District Fund – includes operations relating to the repair and maintenance of both traffic and street lights located within the boundaries of the Town.

Ambulance District Fund – includes all operations of a volunteer ambulance within the Town excluding the Wading River Fire District.

Refuse and Garbage District Fund – includes all operations of the closed Town Landfill and includes contracted residential garbage pickup. Commercial carters are contracted with the Town to provide residential collection of solid waste and are responsible for the ultimate disposal of this solid waste. Only residential properties contribute to the operations of the district via real property taxes on a benefit derived basis.

Public Parking District Fund – includes all operations relating to the public parking fields located only in the downtown business district.

Community Development Fund – is used to account for the operations of the CDA property located at the Calverton Enterprise Park.

Proprietary Funds – are used to account for ongoing activities which are similar to those often found in the private sector. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows, liabilities (whether current or non-current) and deferred inflows are included on Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position.

The Town reports the following major proprietary funds:

The Sewer District Fund, which is comprised of:

Riverhead Sewer District Fund – includes all operations relating to public sanitary sewers within the hamlet of Riverhead. This fund also includes its own capital projects and a denitrification reserve fund. This district does not encompass the entire Town. This district contracts with the County of Suffolk to provide services to the County Center Complex located in the Town of Riverhead.

Calverton Sewer District Fund – includes all operations relating to public sanitary sewers within the hamlet of Calverton. This fund also includes its own capital projects.

Riverhead Scavenger Waste District Fund – includes all the operations relating to scavenger or septic system waste from properties outside the two sewer districts. This fund also includes its own capital projects.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The Water District Fund:

The Water District Fund – includes operations relating to potable water within the Town. This district does not encompass the entire Town. This fund also includes its own capital projects.

Additionally, the Town reports the following fund type:

Internal Service Funds – are used to account for special activities or services provided by one department to other departments on a cost-reimbursement basis.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the Town's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity (general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, etc.).

The Internal Service Fund is comprised of the following funds:

Self-Insurance Fund – Workers' Compensation – is a fund that the Town uses as a self-insurance program covering workers' compensation costs for all employees and this fund is used to report this activity. For 2015, workers' compensation has a Self-Insured Retention (SIR) of \$400,000 for all personnel.

Self-Insurance Fund – Risk Retention Fund – is used to account for the Town's self-insurance program for general liability claims. Liability had a \$150,000 SIR with a limit of \$10,000,000.

For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are Internal Service Fund charges and charges between the Town's Sewer or Water Enterprise Funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Fiduciary Funds – are used to account for assets held by the Town in a trustee or custodial capacity.

The Town's fiduciary fund (Agency Fund) is presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The Town has presented the following fiduciary fund:

Agency Fund – is used to account for money received and held in the capacity of trustee, custodian or agent.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to what is being measured whereas the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within sixty (60) days of the end of the current period. However, certain revenues may be considered available if received within one year after the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure and postclosure care costs, proportionate share of the net pension liabilities, pollution remediation obligations and other postemployment benefits are recorded when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt is reported as other financing sources.

Revenues susceptible to accrual are sales tax, mortgage tax, franchise fee taxes, state and federal aid, intergovernmental revenue and operating transfers. All other governmental fund revenues are recognized when received. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements are met. Expenditures for prepaids are recognized when incurred.

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/
FUND BALANCE**

1. CASH AND CASH EQUIVALENTS

Cash consists of funds deposited in demand accounts, both interest bearing and non-interest bearing, time deposit accounts and petty cash. For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity when purchased of three months or less to be cash equivalents.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/
FUND BALANCE** (continued)

1. CASH AND CASH EQUIVALENTS (continued)

State statutes govern the Town's investment policy. Town monies must be deposited in FDIC insured commercial banks or trust companies located within the state. The Town Supervisor is authorized to use demand accounts, special time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, and obligations of New York State or its localities. All demand deposits and special time deposit accounts are carried at cost. The Town has no investments at December 31, 2015.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of New York State or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. Collateral is required for all demand deposits at 102 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies; obligations of the state and its municipalities, and school districts.

The Town's deposits were fully insured or collateralized as required by the state statutes at December 31, 2015.

2. RESTRICTED ASSETS

Certain assets of the Capital Projects Fund, Community Preservation Fund, Special Grant Fund, Community Development Fund, and Internal Service Fund are classified as restricted assets because their use is restricted by law and/or contractual agreement.

3. RECEIVABLES, PAYABLES AND TRANSFERS

Receivables relating to governmental activities primarily include amounts due from federal, state, and other local governments; individuals and entities for services provided by the Town, as well as amounts due related to various grant and franchise agreements. Receivables relating to business-type activities consist of amounts due from other governments and from residents and other entities for services rendered. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred and are recorded net of an allowance.

Interfund transactions, exclusive of interfund services provided and used, have been eliminated from the government-wide financial statements. In the funds statements, interfund transactions include:

A. Interfund Revenues

Interfund revenues and interfund services provided and used in the General Fund represent amounts charged for services or facilities provided by the General Fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure in that fund. Transfers to the insurance reserve are classified as insurance expense in the operating funds and charges for sales and services in the Internal Service Fund.

B. Transfers

Transfers represent payments to the Debt Service Fund from the other funds for their appropriate share of the debt service and indirect expense allocations between the enterprise funds and the General Fund. Other transactions between funds include residual equity transfers to close out completed capital projects as well as transfers to fund certain capital projects.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/
FUND BALANCE** (continued)

4. DUE FROM/TO OTHER FUNDS

During the course of operations the government has activity between funds for various purposes. Balances of interfund amounts receivable or payable have been recorded in the fund financial statements to the extent that certain transactions between funds had not been paid or received as of the year-end. Certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

5. INVENTORY AND PREPAID ITEMS

Inventory in the General Fund and the proprietary funds is valued at cost. Inventory in these funds is accounted for under the purchase method, utilizing the first-in, first-out method (FIFO).

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements.

In governmental funds, amounts reported as inventories and prepaid items are equally offset by nonspendable fund balance amounts, indicating that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets purchased or acquired with an original cost of \$5,000 or more and a five year useful life are reported at historical cost or estimated historical cost. Infrastructure assets capitalized with an original cost of \$5,000 or more are reported at historical cost. Contributed assets are valued at their fair market value on the date donated. Other costs incurred for repairs and maintenance are expensed as incurred. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant or equipment.

Intangible assets lack a physical substance, are nonfinancial in nature, and have an estimated useful life extending beyond a single reporting period. The Town does not capitalize internally generated capital assets produced by Town labor. The Town will capitalize all other intangible assets exceeding \$50,000 and having a useful life of more than three years. Intangibles with indefinite useful lives may be capitalized (if it exceeds the threshold) and not amortized. The term depreciation, as used in these footnotes, includes amortization of intangible assets.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Improvements	10-50 years
Infrastructure	10-50 years
Intangibles	5-10 years

Infrastructure assets, consisting of certain improvements other than buildings including, Sewer and Water District Fund improvements, are capitalized along with other capital assets.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/
FUND BALANCE** (continued)

6. CAPITAL ASSETS (continued)

In the fund financial statements capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition. No depreciation has been recorded on governmental capital assets in the fund financial statements, nor has interest on governmental capital assets and construction in progress been capitalized.

7. UNEARNED REVENUE

Unearned revenue, reported as liabilities in the fund and government-wide financial statements, are those which asset recognition criteria have been met, but which revenue recognition criteria have not been met for exchange type transactions. Such amounts include unearned income related to future periods.

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town has reported deferred outflows of resources of \$4,769,440, of which \$4,351,416 relates to governmental activities and \$418,024 relates to business-type activities, for pension related activities in the government-wide and proprietary fund's Statement of Net Position. The pension plan deferred outflow represents the effect of the net change in the Town's proportion of the collective net pension liability and the difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. This amount also includes the Town's contributions to the pension system subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows from real property taxes levied in the current year to finance the subsequent year's budget that will be recognized as revenues in the period that the amounts become available. Total amounts reported as deferred inflows on the Town's fund and government-wide financial statements, which relate to 2016 real property taxes, were \$9,164,315, of which \$8,366,570 relates to governmental activities and \$797,745 relates to business-type activities.

9. LONG-TERM OBLIGATIONS

In the government-wide financial statements and in the proprietary fund types of the fund financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences, claim and judgments, liability for landfill closure and postclosure care costs, the proportionate share of the net pension liabilities, pollution remediation, and postemployment benefits healthcare costs are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Significant bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Debt issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period, in the fund servicing the debt. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/
FUND BALANCE** (continued)

10. NET POSITION AND FUND BALANCE CLASSIFICATIONS

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. In the government-wide financial statements and proprietary fund financial statements, net position is reported in three categories:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Accounts payable related to capital projects are considered capital related debt and are used in the calculation of net investment in capital assets.
- 2) Restricted - Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned. Not all of the Town's funds will necessarily have all of the components of fund balance available to that fund.

- 1) Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (i.e. prepaid items or inventories), or (b) will not convert to cash within the current period (i.e. long term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- 2) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Town's highest decision making authority is the Town Board, who by adoption of a Town ordinance prior to year end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the Town Board removes or changes the specified use by taking the same type of action imposing the commitment.
- 4) Assigned fund balance reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Board and the Financial Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- 5) Unassigned fund balance reflects the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/
FUND BALANCE** (continued)

11. NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

When outlays for a particular purpose can be funded from both restricted and unrestricted resources it is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

When both restricted and unrestricted fund balance resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources – committed, assigned and unassigned – in order as needed.

12. FUND BALANCE POLICY

The Town has, by resolution, adopted a fund balance policy that states the Town will make all reasonable efforts to maintain a total unrestricted (the total of committed, assigned, and unassigned) fund balance in its General Fund, including reserves, of no less than 15% of its total operating budget. If an emergency or a need were to occur that necessitated the appropriation of funds that would result in reducing the General Fund's fund balance below 15% of operating expenditures, a resolution of the Town Board, by simple majority, would be necessary to approve such appropriation. Unrestricted fund balance below the minimum cannot be replaced, unless during the succeeding year expenditures are less than amounts budgeted and/or non-tax revenues are higher than projected. The Town was not in compliance with this policy as of December 31, 2015.

E. REVENUES AND EXPENDITURES

1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

Real property taxes are levied annually no later than December 15th and are recognized as revenue January 1st of the year for which they were levied. The Town has its own Assessor's Office whose responsibilities are independent and distinct from those of the Receiver of Taxes. The Town assessment rolls are used for the levy of property taxes by the Town and the school districts, as well as by the County of Suffolk, New York (the "County") and by special districts based upon a single tax bill.

The Town of Riverhead Receiver of Taxes ("Receiver") collects all real property taxes for the Town, Suffolk County, Town Special Districts, and school districts located within the Town of Riverhead as a single bill. Taxes are collected by the Town during the period December 1st to May 31st. The first half is due on January 10th and the second half is due on May 31st, the Suffolk County Tax Act guarantees that the Town, Special Districts and school districts will receive the full amount of their levies at the end of the collection period. After May 31st, the County of Suffolk assumes enforcement responsibility for all uncollected taxes. If the Town fails to collect the Town's portion of the tax warrant, that shortfall is remitted by the County to the Town in August.

2. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their dependents. For Town management and Town elected officials eligibility requirements for coverage in retirement are five consecutive years of service with the Town for all individuals hired or elected prior to November 4, 2009; for Civil Service Employee Association members, this date is October 7, 2008, and 10 consecutive years of service with the Town for all individuals hired or elected thereafter, and the employee must either (1) be in service to the Town on the last date immediately prior to retirement in the New York State and Local Employees' Retirement System (NYSERS); or (2) have been in service to the Town as his/her last public sector employer, and have continuously self-paid his/her health insurance premiums to, and remained enrolled in, the Town's health insurance plan between the last date of service with the Town and the date of vesting and also be eligible for the receipt of benefits from the NYSERS.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

2. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Substantially all full-time police employees of the Town become eligible for these benefits if they reach normal retirement age while working for the Town.

Healthcare benefits are currently provided by the New York State Health Insurance Program NYSHIP (Empire Plan) whose premiums are community rated.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The Town's union contracts and ordinances require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Town has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss.

The liability for these other postemployment benefits payable is recorded as long-term debt in the government-wide and the proprietary fund financial statements.

3. COMPENSATED ABSENCES

The liability for vested or accumulated vacation, sick and personal leave (compensated absences) is recorded as current and non-current obligations in the government-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends. Compensated absences liabilities and expenses are reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

The amount that is expected to be liquidated with expendable available financial resources is reported as a liability in the funds statement in the respective fund that will pay it.

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purpose, is employed in the governmental funds. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. Appropriations for all governmental funds except the Capital Projects Fund lapse at year-end. However, encumbrances reserved against fund balance are re-appropriated in the ensuing year.

G. USE OF ESTIMATES

The preparation of general purpose financial statements, in conformity with accounting principles generally accepted in the United State of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRONOUNCEMENTS

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable for the year ended December 31, 2015, including GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment to GASB 68*. The implementation of these Statements requires the Town to report as a liability its portion of the collective net pension liabilities in the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The implementation of the Statements also requires the Town to report a deferred outflow of resources for the effect of the net change in the Town's proportion of the collective net pension liabilities and difference during the measurement period between the Town's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also, included as a deferred outflow of resources, is the Town's contribution to the pension system subsequent to the measurement date. See Notes 3.E and 5 for the financial statement impact of implementation of the Statements.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date of the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The Town follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- 1) The Town Charter establishes the fiscal year as the twelve-month period beginning January 1st.
- 2) On or before September 20th, each department, officer or district submits to the Financial Administrator, a detailed estimate of the budget for the amount of revenue to be received and expenditures to be made for the ensuing year.
- 3) On or before September 30th, the Budget Officer, who is the Town Supervisor, files with the Town Clerk a tentative budget for the ensuing year. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- 4) On or before October 5th, the Town Board reviews the tentative budget and files with the Town Clerk, a preliminary budget.
- 5) The Town Board conducts public hearings on the preliminary budget and on or before November 20th the Town Board meets to adopt the budget known as the "annual budget."
- 6) Formal budget integration is employed during the year as a management control device for the General Fund and certain Special Revenue Funds. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures. The Town Board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval via resolution except for transfers of \$2,500 or less which can be done by the Finance Administrator. Appropriations for all governmental funds except the Capital Projects Fund lapse at year end.
- 7) Budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual expenditures exceed budgeted amounts, budgetary appropriations transfers are made. The Capital Projects, Special Grants and Community Development Funds do not have annually adopted budgets, but are budgeted on a project or grant basis.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

8) Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Town did not exceed the 2% property tax cap for 2015.

B. FUND EQUITY

1. FUND BALANCE

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of nonspendable fund balances, as well as the purposes for restricted, and assigned fund balance. The unassigned fund balance is also presented.

	General Fund	Highway Fund	Capital Projects Funds	Community Preservation Fund	Other Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	\$ 97,507					\$ 97,507
Prepaid items	1,069,650	\$ 79,007			\$ 18,231	1,166,888
Total Nonspendable	<u>1,167,157</u>	<u>79,007</u>			<u>18,231</u>	<u>1,264,395</u>
Restricted for:						
Community preservation - 2% tax				\$ 12,890,178		12,890,178
Purchases on order and/or contractual obligations					33,450	33,450
Grantors and donors restrictions					100,655	100,655
Total Restricted				<u>12,890,178</u>	<u>134,105</u>	<u>13,024,283</u>
Assigned to:						
Subsequent year's budget					460,500	460,500
Insurance reserve					16,956	16,956
Purchases on order and/or contractual obligations					452	452
Miscellaneous designations	591,109					591,109
Special revenue funds		2,719,277			1,683,156	4,402,433
Total Assigned	<u>591,109</u>	<u>2,719,277</u>			<u>2,161,064</u>	<u>5,471,450</u>
Unassigned, reported in						
General Fund	466,928					466,928
Capital Projects			\$ (77,018)			(77,018)
Total Unassigned	<u>466,928</u>		<u>(77,018)</u>			<u>389,910</u>
Total Fund Balances	<u>\$ 2,225,194</u>	<u>\$ 2,798,284</u>	<u>\$ (77,018)</u>	<u>\$ 12,890,178</u>	<u>\$ 2,313,400</u>	<u>\$ 20,150,038</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY (continued)

2. DEFICIT FUND BALANCES

The Capital Projects Fund had a fund deficit of \$77,018 at December 31, 2015. The deficit in this funds is expected to be eliminated in 2016 by authorized transfers from the General Fund.

The Recreation Program Fund, the Police Athletic League Fund and the Recreation Youth Committee Fund, which are included in the General Fund for reporting purposes, had fund deficits of \$124,776, \$329, and \$267, respectively at December 31, 2015. The deficits in these funds are expected to be eliminated in 2016 by reducing the expenditures and increasing the program revenues.

The Workers' Compensation Fund, which is reported as an Internal Service Fund, had a fund deficit of \$250,892 at December 31, 2015. The deficit in this fund is expected to be eliminated by increasing the premiums charged to the operating funds in future years.

3. FUND BALANCE RESERVES AND DESIGNATIONS

Miscellaneous Designations

The majority of the \$591,109 in miscellaneous designations in the General Fund consists of the following: \$343,243 is designated for the building operations of the Stotzky Park child care building, \$131,869 is designated for the Town Board special programs, \$29,918 is designated for the Economic Development Zone and \$48,057 is designated for the Senior Day Care Center.

Debt Service

The debt service reserve in the Water District Fund is the amount that is being held specifically for debt service payments.

3. DETAILED NOTES ON ALL FUNDS

A. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party. The Town had no investments as of December 31, 2015.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

At December 31, 2015 the Town's cash book balance was \$43,149,838. This amount is inclusive of Fiduciary fund deposits of \$8,962,737, restricted cash of \$15,145,965 but exclusive of petty cash of \$6,175 and the nonmajor discretely presented component units cash of \$178,442. The available bank balance was \$51,900,265. Of the available bank balance, \$1,292,721 was covered by Federal deposit insurance, and \$50,607,544 was covered by collateral held by the Town's agents, third-party financial institutions, in the Town's name.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND CASH EQUIVALENTS (continued)

Credit Risk – State law limits investments to those authorized by State statutes.

Interest-Rate Risk – Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid a potential loss.

Concentration of Credit Risk – Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of December 31, 2015, the Town of Riverhead did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

In the government-wide financial statements any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances.”

At December 31, 2015, individual fund interfund receivable and payable balances represent either loans, services provided, or reimbursements which are expected to be paid currently. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. These balances, representing various short-term loans for operating purposes, are stated as follows:

	Receivable	Payable
Governmental Funds:		
Major Funds:		
General Fund	\$ 2,777,758	
Capital Projects Fund		\$ 1,100,260
Nonmajor Funds:		
Other Governmental Funds	790,497	777,498
Total Governmental Funds	3,568,255	1,877,758
Proprietary Funds:		
Sewer District Funds		1,190,497
Water District Funds		500,000
Total Proprietary Funds	-0-	1,690,497
Total	\$ 3,568,255	\$ 3,568,255

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

For year ended December 31, 2015, individual fund interfund transfers balances for governmental and proprietary funds representing legally authorized transfers, were as follows:

	Transfer In	Transfer Out
Governmental Funds:		
Major Funds:		
General Fund	\$ 2,244,995	\$ 5,124,196
Highway Fund	14,304	1,011,231
Debt Service Fund	11,978,699	
Capital Projects Fund	128,280	199,611
Community Preservation Fund		5,680,519
Nonmajor Funds:		
Other Governmental Funds	25,356	1,129,113
Total Governmental Funds	14,391,634	13,144,670
Proprietary Funds:		
Sewer District Funds		851,546
Water District Funds		395,418
Total Proprietary Funds	-0-	1,246,964
	\$ 14,391,634	\$ 14,391,634

C. CAPITAL ASSETS

Capital assets activity for the governmental activities for the year ended December 31, 2015 is as follows:

	Balance 1/1/2015	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2015
<u>Governmental Activities:</u>				
Capital assets not being depreciated/amortized				
Land and landfills	\$ 107,062,989			\$ 107,062,989
Intangibles - development rights/easements	52,966,917			52,966,917
Construction work in progress	5,648,411	\$ 496,064	\$ 5,981,743	162,732
Total capital assets not being depreciated	165,678,317	496,064	5,981,743	160,192,638
Depreciable/amortizable capital assets				
Buildings	12,717,338			12,717,338
Improvements	17,883,447	279,268		18,162,715
Infrastructure	108,458,981	6,838,801		115,297,782
Machinery and equipment	21,886,844	766,876	375,629	22,278,091
Intangibles - software	136,092			136,092
Total depreciable capital assets	161,082,702	7,884,945	375,629	168,592,018
Less accumulated depreciation/amortization				
Buildings	4,748,006	273,988		5,021,994
Improvements	7,622,289	1,035,961		8,658,250
Infrastructure	93,693,572	1,399,146		95,092,718
Machinery and equipment	18,858,578	790,169	366,329	19,282,418
Intangibles - software	116,447	8,054		124,501
Total accumulated depreciation	\$ 125,038,892	\$ 3,507,318	\$ 366,329	\$ 128,179,881
Total net depreciable capital assets				40,412,137
Total net capital assets				\$ 200,604,775

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

Capital assets activity for the business-type activities for the year ended December 31, 2015 is as follows:

	Balance 1/1/2015	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2015
<u>Business-type Activities:</u>				
Capital assets not being depreciated/amortized				
Land	\$ 1,829,300			\$ 1,829,300
Intangibles - development rights/easements	2,378,757			2,378,757
Construction work in progress	15,892,857	\$ 11,370,854	\$ 2,678,783	24,584,928
Total capital assets not being depreciated	<u>20,100,914</u>	<u>11,370,854</u>	<u>2,678,783</u>	<u>28,792,985</u>
Depreciable/amortizable capital assets				
Buildings	36,885,697			36,885,697
Improvements	2,177,236			2,177,236
Machinery and equipment	8,295,559	62,949	(26,198)	8,384,706
Infrastructure	65,873,513	2,678,784		68,552,297
Intangibles - software	88,000			88,000
Total depreciable capital assets	<u>113,320,005</u>	<u>2,741,733</u>	<u>(26,198)</u>	<u>116,087,936</u>
Less accumulated depreciation/amortization				
Buildings	17,552,215	672,846		18,225,061
Improvements	1,074,933	135,173		1,210,106
Infrastructure	41,357,823	1,235,054		42,592,877
Machinery and equipment	8,185,703	40,914	(26,198)	8,252,815
Intangibles - software	54,267	16,133		70,400
Total accumulated depreciation	<u>\$ 68,224,941</u>	<u>\$ 2,100,120</u>	<u>\$ (26,198)</u>	<u>\$ 70,351,259</u>
Total net depreciable capital assets				<u>45,736,677</u>
Total net capital assets				<u>\$ 74,529,662</u>

Depreciation was charged to the functions and programs as follows:

Governmental Activities:	
General government support	\$ 622,381
Public safety	191,158
Health	66,700
Transportation	1,456,762
Economic assistance and opportunity	273,241
Culture and recreation	775,865
Home and community services	121,211
Total depreciation expense - governmental activities	<u>\$ 3,507,318</u>
Business-type Activities:	
Home and community services - Sewer	\$ 650,860
Home and community services - Water	1,449,260
Total depreciation expense - business-type activities	<u>\$ 2,100,120</u>

The Town of Riverhead evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2015, the Town has not recorded any such impairment losses.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS

Long-term Debt

Bond Anticipation Notes (BANs) - Bond anticipation notes (BANs) are generally used as a temporary means of financing capital expenditures. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. BANs issued for assessable improvement projects, as found in the Water and/or Sewer Districts, may be renewed for periods equivalent to maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. Liabilities for BANs are generally accounted for in the Capital Projects Fund and proprietary funds. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes or by the stipulated annual reductions of principal.

The Town had \$12,693,750 of available financing through the New York State Environmental Facilities Corporation bond anticipation notes to fund a sewer treatment plant upgrade project. Interest on this available financing ranged from 0%-.34%. During 2015, the Town borrowed from this available financing in the amount of \$4,604,957. This amount was repaid subsequent to year end and accordingly, the outstanding amount of bond anticipation notes payable was reported as long-term debt due within one year as of December 31, 2015. The Town has additional borrowings of \$8,443,862 in 2016. This amount was converted to long-term bonds through the New York State Environmental Facilities Corporation in September 2016 (see Note 7).

General Obligation Bonds - General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Town. General obligation bonds require the Town to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The Town is in compliance with this requirement.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Town to rebate excess arbitrage earnings from bond proceeds to the federal government. There were no excess arbitrage earnings for the year ended December 31, 2015.

The long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 0.785% to 5.000% and have maturity dates from 2016 through 2031.

The activity related to the general obligations bonds for year ended December 31, 2015 is as follows:

	Balance 1/1/2015	Issued	Redeemed	Balance 12/31/2015
Governmental Activities:				
General Fund	\$ 34,542,722		\$ 3,796,376	\$ 30,746,346
Highway Fund	5,792,700		818,967	4,973,733
Community Preservation Fund	50,021,620		3,718,325	46,303,295
Nonmajor Funds	1,844,877		190,919	1,653,958
Total governmental activities	<u>92,201,919</u>		<u>8,524,587</u>	<u>83,677,332</u>
Business-type Activities:				
Sewer Districts Funds	2,962,950		419,293	2,543,657
Water Districts Funds	7,535,130		951,120	6,584,010
Total business-type activities	<u>10,498,080</u>		<u>1,370,413</u>	<u>9,127,667</u>
Total general obligation bonds	<u>\$ 102,699,999</u>	<u>\$ -0-</u>	<u>\$ 9,895,000</u>	<u>\$ 92,804,999</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

General Obligation Bonds (continued)

At December 31, 2015, bonds payable consisted of the following individual issues:

Governmental activities:

Issue	Purpose	Average Rate	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-2004A	Refunding Bond	1.500%-3.500%	\$ 5,000	June 15, 2016
General Obligation Serial Bonds-2004B	Refunding Bond	2.500%-5.000%	212,500	January 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	6,602,500	August 1, 2022
General Obligation Serial Bonds-2006	Public Improvement	3.750%-4.000%	16,600,000	December 1, 2027
General Obligation Serial Bonds-2008	Public Improvement	3.250%-4.000%	25,125,000	December 2, 2030
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	490,600	May 15, 2020
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	13,465,000	November 15, 2027
General Obligation Serial Bonds-2012	Refunding Bond	2.000%-5.000%	21,176,732	June 1, 2022
			<u>\$ 83,677,332</u>	

Business-type activities:

Issue	Purpose	Average Rate	Amount	Final Maturity
General Obligation Serial Bonds-2004A	Refunding Bond	1.500%-3.500%	\$ 5,000	January 15, 2016
General Obligation Serial Bonds-2004B	Refunding Bond	2.500%-5.000%	307,500	June 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	47,500	August 1, 2022
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	1,214,400	May 15, 2020
General Obligation Serial Bonds-2011A	Refunding Bond	1.014%-3.301%	765,000	February 15, 2018
General Obligation Serial Bonds-2011C	Refunding Bond	0.785%-4.665%	980,000	October 15, 2031
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	4,635,000	November 15, 2031
General Obligation Serial Bonds-2012	Refunding Bond	2.000%-5.000%	1,173,267	June 1, 2022
			<u>\$ 9,127,667</u>	
Total general obligation bonds			<u>\$ 92,804,999</u>	

Future principal and interest payments for bonds payable related to governmental activities are as follows

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2016	\$ 8,706,437	\$ 3,134,824	\$ 11,841,261
2017	8,198,895	2,820,362	11,019,257
2018	8,423,225	2,514,292	10,937,517
2019	8,441,677	2,187,362	10,629,039
2020	8,488,323	1,849,878	10,338,201
2021-2025	28,318,775	5,205,275	33,524,050
2026-2030	13,100,000	1,276,000	14,376,000
Totals	<u>\$ 83,677,332</u>	<u>\$ 18,987,993</u>	<u>\$ 102,665,325</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

General Obligation Bonds (continued)

Future principal and interest payments for bonds payable related to business-type activities are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2016	\$ 1,318,563	\$ 276,828	\$ 1,595,391
2017	1,006,105	241,782	1,247,887
2018	1,011,773	212,832	1,224,605
2019	753,324	183,905	937,229
2020	756,677	156,219	912,896
2021-2025	2,021,225	546,531	2,567,756
2026-2030	1,895,000	262,635	2,157,635
2031	365,000	12,766	377,766
Totals	9,127,667	1,893,498	11,021,165
Total general obligation bonds	\$ 92,804,999	\$ 20,881,491	\$ 113,686,490

Bonds Authorized and Unissued

At December 31, 2015 the Town had \$43,464,000 in general obligation bonds, which were authorized but unissued.

As of December 31, 2015 the total long-term outstanding general obligation bonds of the Town aggregated to \$92,804,999. Of this amount, \$83,677,334 was subject to the constitutional debt limit and represented approximately 23.88% of its statutory debt limit.

Changes in Long-term Debt

Long-term liability activities for the year ended December 31, 2015 are as follows:

	Balance, as restated 1/1/2015	Increases	Reductions	Balance 12/31/2015	Non-current liabilities due within one year	Non-current liabilities
Governmental activities:						
General obligation bonds	\$ 92,201,919		\$ 8,524,587	\$ 83,677,332	\$ 8,706,437	\$ 74,970,895
Plus deferred amounts:						
Premiums on issuance	2,634,263		329,283	2,304,980	329,283	1,975,697
Total bonds payable	94,836,182		8,853,870	85,982,312	9,035,720	76,946,592
Compensated absences	9,795,397	\$ 3,180,731	2,862,621	10,113,507	879,875	9,233,632
Claims and judgments	2,827,592	1,151,417	1,770,678	2,208,331	1,058,359	1,149,972
Estimated liability for landfill closure and postclosure care costs	1,154,733		130,000	1,024,733	30,750	993,983
Net pension liabilities - proportionate share	3,417,545	4,500,480	5,482,661	2,435,364		2,435,364
Postemployment benefits healthcare costs	34,981,322	7,815,194	1,441,802	41,354,714		41,354,714
	<u>\$ 147,012,771</u>	<u>\$ 16,647,822</u>	<u>\$ 20,541,632</u>	<u>\$ 143,118,961</u>	<u>\$ 11,004,704</u>	<u>\$ 132,114,257</u>
Business-type activities:						
Bond anticipation notes	\$ -0-	\$ 4,604,957		\$ 4,604,957	\$ 4,604,957	\$ -0-
General obligation bonds	10,498,080		\$ 1,370,413	9,127,667	1,318,563	7,809,104
Compensated absences	1,045,957	377,588	472,619	950,926	83,206	867,720
Net pension liabilities - proportionate share	354,011	382,269	471,625	264,655		264,655
Postemployment benefits healthcare costs	3,171,524	799,051	133,367	3,837,208		3,837,208
	<u>\$ 15,069,572</u>	<u>\$ 6,163,865</u>	<u>\$ 2,448,024</u>	<u>\$ 18,785,413</u>	<u>\$ 6,006,726</u>	<u>\$ 12,778,687</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Changes in Long-term Debt (continued)

Other long-term liabilities for compensated absences, the Town's proportionate share of the net pension liabilities, postemployment benefits healthcare costs and the estimated liability for landfill closure and postclosure costs are to be paid by the fund that gave rise to the liability. Claims and judgments are being paid from the risk retention reserve which is funded by the operating account based on historical experience.

Conduit Debt Obligations

From time to time the Riverhead Industrial Development Agency (RIDA) and the Riverhead IDA Economic Job Development Corporation (LDC) have issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities to improve economic opportunities for businesses and residents deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Town, the RIDA, the LDC, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2015 the RIDA had ten (10) industrial revenue bonds outstanding and the LDC had two (2) industrial revenue bonds outstanding with aggregate principal amounts payable of \$60,051,926 and \$20,835,000, respectively.

E. RETIREMENT SYSTEM

Plan Description

The Town of Riverhead participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") which are collectively referred to as New York State and Local Retirement Systems (the "Systems"). These are cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town of Riverhead also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit, there is no minimum service requirement. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 and Tier 2, is 55 and 62, respectively.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit calculation: Generally the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 members is age 63 for ERS members and 62 for PFRS members.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

Tier 6 (continued)

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4 and 5 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: 1) all pensioners who have attained age 62 and have been retired for five years; 2) all pensioners who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

Contributions

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership; and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute 3% of their salary for the entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Contributions (continued)

The required contributions, for the primary government, for the current year and two preceding years were:

Annual Required Contribution - ERS

	Annual Required Contribution	Credits & Miscellaneous Adjustments	Prepayment Discount	Total Payment
2015	\$ 2,487,222	\$ (94,315)	\$ (21,534)	\$ 2,371,373
2014	2,838,317	35,769	(25,863)	2,848,223
2013	2,906,492	69,273	(26,156)	2,949,609

Annual Required Contribution - PFRS

	Annual Required Contribution	Credits & Miscellaneous Adjustments	Prepayment Discount	Total Payment
2015	\$ 2,744,164	\$ (168,799)	\$ (23,176)	\$ 2,552,189
2014	3,185,369	(51,260)	(28,305)	3,105,804
2013	3,292,598	(41,370)	(29,631)	3,221,597

The actual contributions were equal to 100% of the actuarially required amounts. The credits and miscellaneous adjustments represent modifications made by the Systems to the prior year's contributions due to differences between estimated and actual salaries for the plan year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At December 31, 2015, the Town reported a liability of \$2,700,019 for its proportionate share of the net pension liability for the Systems. The net pension liability was measured as of March 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town and the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

Below is the proportionate share of the net pension liability of the Systems and the related employer allocation percentage as of March 31, 2015 (measurement date).

	Net Pension Liability	Allocation of the System's Total Net Pension Liability
ERS	\$ 1,785,122 *	0.0528417%
PFRS	914,897	0.3323762%

*The Town's portion of the net pension liability for ERS in the amount of \$1,785,122 is reported in the governmental activities and business-type activities in the amount of \$1,520,467 and \$264,655, respectively. The Town's net portion of the net pension liability for PFRS was reported in the governmental activities.

There was no significant change in the Town's proportion from March 31, 2014 to March 31, 2015.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions
(continued)

For the year ended December 31, 2015, the Town recognized pension expense of \$3,805,980, of which \$3,548,802 was related to governmental activities and \$257,178 was for business-type activities. At December 31, 2015 deferred outflows of resources related to the pension were reported from the following sources:

	Deferred Outflows of Resources		
	Governmental Activities		Business-Type Activities
	ERS	PFRS	ERS
Differences between expected and actual experience	\$ 48,672	\$ 110,331	\$ 8,472
Net difference between projected and actual earnings on pension plan investments	264,086	307,161	45,967
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	139,548	81,879	70,652
Town's contribution subsequent to the measurement date	1,485,597	1,914,142	292,933
Total Deferred Outflow - Pension	\$ 1,937,903	\$ 2,413,513	\$ 418,024

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities		Business-Type Activities
	ERS	PFRS	ERS
	Plan year ending March 31, 2016	\$ 113,077	\$ 115,232
2017	113,077	115,232	31,273
2018	113,077	115,232	31,273
2019	113,077	115,232	31,273
2020	-0-	38,442	-0-
	\$ 452,308	\$ 460,928	\$ 125,092

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS	PFRS
Measurement date	March 31, 2015	March 31, 2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Interest rate	7.5%	7.5%
Salary increases	4.9%	6.0%
Decrement tables	April 1, 2005 - March 31, 2010	April 1, 2005 - March 31, 2010
	System's Experience	System's Experience
Inflation rate	2.7%	2.7%

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Actuarial Assumptions (continued)

Annuitant mortality rates are based on the April 1, 2005 - March 31, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Private equity	10.0%	11.00%
Real estate	8.0%	8.25%
Absolute return strategies	3.0%	6.75%
Opportunistic portfolio	3.0%	8.60%
Real assets	3.0%	8.65%
Bonds and mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for the System. 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. Based upon the 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability (asset) for:			
Governmental Activities:			
ERS	\$ 10,134,573	\$ 1,520,467	\$ (5,751,974)
PFRS	12,181,376	914,897	(8,527,092)
Business-Type Activities:			
ERS	1,764,035	264,655	(1,001,195)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the respective valuation date of April 1, 2014 were as follows (in thousands):

	(Dollars in Thousands)	
	ERS	PFRS
Valuation date	April 1, 2014	April 1, 2014
Employers' total pension liability	\$ 164,591,504	\$ 28,474,417
Plan fiduciary net position	(161,213,259)	(28,199,157)
Employers' net pension liability	\$ 3,378,245	\$ 275,260
Ratio of plan fiduciary net position to the Employers' total pension liability	97.95%	99.03%

Detailed information about the pension plan's fiduciary net position is available in the System's separately issued financial statements.

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

Plan Description

For Civil Service Employees Association ("CSEA") employees, the Town, as a single-employer defined benefit plan will pay 75% of the full premium costs for the medical benefits for employees hired on or after October 1, 2008, with less than 10 years of service and 100% for employees with over 10 years of service; currently provided by the New York State Health Insurance Program (NYSHIP) (Empire Plan) or HIP Prime HMO. CSEA employees hired prior to October 7, 2008 need 5 years of service to receive 100% employer paid benefits. All employees must attain the age of 55. For all other employees the Town provides 100% of these costs. For Police Benevolent Association ("PBA") employees hired on or after July 1, 2012, the Town will pay 100% of the full premium costs for the medical benefits with 25 years of service. PBA employees hired prior to July 1, 2012 need 20 years of service to receive 100% employer paid benefits. There is no age requirement for PBA employees.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Active employees of the Town have either the Empire Plan (Core Plus Enhancements) or HIP Prime HMO but retirees only have the option of NYSHIP. The Empire Plan has separate pre-Medicare and Medicare rates. Since the plans are community rated, the retiree claim costs are based on the actual rates without adjustment for age.

Benefits are provided as explained in the section entitled "Postemployment Benefits Healthcare Costs" located in the "Summary of Significant Accounting Policies." The retiree and his/her spouse are also eligible for Medicare Part B reimbursement. Beginning in 2015, Medicare Part B reimbursement is determined based on yearly income (2013 income used for the 2015 determination) with the minimum reimbursement being \$1,259 and the maximum reimbursement being \$4,028.

Upon death of a retiree the Town ceases to pay the full healthcare costs for the un-remarried survivor after three months. The survivor may, however, elect to continue coverage in NYSHIP beyond the three months grace period but is required to pay the full healthcare costs. Such survivors continue to receive the Medicare reimbursement, if eligible. These contracts may be renegotiated at various times in the future.

The Town, as administrator of the plan, does not issue a separate report.

The January 1, 2014 valuation is based on the number of participants on the census data as of January 1, 2015, as follows. For active members it is assumed that 65% will have covered spouses at retirement. There have been no significant changes in the number or the type of coverage since that date.

	Primary Government	Governmental Activities	Business-Type Activities
Active employees	302	271	31
Retired employees and spouses	150	136	14
Surviving spouses of deceased retirees	14	13	1
Total	466	420	46

Funding Policy

The Town currently pays for postemployment health care benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2015, the Town's annual other postemployment benefits cost (expenses) of \$8,614,245 is not equal to the Annual Required Contribution (ARC), which is \$9,025,224. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled \$1,575,169 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$7,039,076 for the year ended December 31, 2015. The Town's nonmajor discretely presented component units do not have a policy to pay for postemployment benefits.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Benefit Obligations and Normal Cost

	Primary Government	Governmental Activities	Business-Type Activities
Actuarial Accrued Liability (AAL)			
Active employees	\$ 33,074,158	\$ 30,323,549	\$ 2,750,609
Retired employees	61,102,156	54,882,379	6,219,777
Total Actuarial Accrued Liability (AAL)	94,176,314	85,205,928	8,970,386
Actuarial value of plan assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 94,176,314	\$ 85,205,928	\$ 8,970,386
Funded ratio	0%	0%	0%
Annual covered payroll	\$ 27,660,321	\$ 25,294,551	\$ 2,365,770
UAAL as a percentage of covered payroll	340.5%	336.9%	379.2%

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the Town, projected for December 31, 2015, based on the January 1, 2014 valuation amounted to \$94,176,314.

The following table shows the components of the Town's other postemployment benefits liability:

Level Percentage of Payroll Amortization

Calculation of ARC under the Projected Unit Credit Cost Method

	Primary Government	Governmental Activities	Business-Type Activities
Normal cost	\$ 4,116,127	\$ 3,746,838	\$ 369,289
Amortization of unfunded actuarial liability (UAAL) over 30 years	4,597,606	4,162,427	435,179
Interest	311,491	282,745	28,746
Annual required contribution (ARC)	9,025,224	8,192,010	833,214
Interest on net OPEB obligation	1,526,113	1,399,252	126,861
Adjustment to ARC	(1,937,092)	(1,776,068)	(161,024)
Annual OPEB Cost	8,614,245	7,815,194	799,051
Less: Contribution for year ended December 31, 2015	1,575,169	1,441,802	133,367
Increase in other postemployment benefits liability	7,039,076	6,373,392	665,684
Other postemployment benefits liability at December 31, 2014	38,152,846	34,981,322	3,171,524
Other postemployment benefits liability at December 31, 2015	\$ 45,191,922	\$ 41,354,714	\$ 3,837,208
Percentage of annual OPEB cost contributed	18.3%	18.4%	16.7%

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Funded Status and Funding Progress

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current year and the preceding two years is were:

		Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2015	\$	8,614,245	\$ 1,575,169	18.3%	\$ 45,191,922
2014		8,215,202	1,434,981	17.5%	38,152,846
2013		7,977,225	1,153,920	14.5%	31,372,625

The primary government's funded status of the plan as of January 1, 2014 is as follows:

		Actuarial Accrued Liability - (AAL) Projected Unit Credit Cost Method	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Actuarial Valuation Date	Actuarial Value of Assets (a)	(b)	(b - a)	(a/b)	(c)	((b - a) / c)
1/1/2015	\$ -0-	\$ 94,176,314	\$ 94,176,314	0%	\$ 27,660,321	340.5%

The required scheduling of funding progress can be found immediately following the notes, in required supplementary information, and presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term liability in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the liabilities were computed using the projected unit credit method and level percentage of payroll amortization method on a closed basis. The actuarial assumptions utilized a 4.0% interest rate, a 4.0% discount rate, a 2.5% payroll growth rate. The valuation assumes an 8.5% health care trend rate for the year ended and reduced decrements to a rate of 5.9% after eight years. The remaining amortization period at December 31, 2015 was twenty-two years.

A copy of the Town of Riverhead's Retiree Medical Program, January 1, 2014 Valuation is available by contacting the Town of Riverhead, Office of the Financial Administrator, 1295 Pulaski Street, Riverhead, New York 11901.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

F. COMPENSATED ABSENCES

Town employees are granted vacation, personal leave and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, personal leave and sick leave at various rates subject to certain maximum limitations.

Vested vacation, personal leave and sick leave accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Vested vacation, personal leave and sick leave accumulated by business type employees have been recorded in proprietary funds as a liability and expense. Payment of vacation, personal leave, and sick leave recorded as non-current liabilities are dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for payments of vacations, personal leave and sick leave when such payments become due. As of December 31, 2015 the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was \$10,113,507 and \$950,926, respectively, for an aggregate total of \$11,064,433.

4. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

In common with other municipalities, the Town receives numerous notices of claims. The Town carries liability coverage as follows:

Liability

From 1987 until September 22, 1993, the Town of Riverhead was a self-insurer against personal injury liability. On September 22, 1993, the Town of Riverhead obtained catastrophic loss coverage for comprehensive general liability, automobile liability, public official's errors and omissions and employee benefits liability. This catastrophic loss coverage has a self-insured retention of \$250,000 per occurrence. Claims paid under these coverage's are subject to a maximum of \$10,000,000 per occurrence for general liability and automobile liability. Coverage for public officials is \$10,000,000 per policy year. Terrorism is excluded from liability coverage as well as any loss involving fungal pathogens and mold.

Property

The Town is self-insured for property on the first \$50,000 per loss and \$69,000,000 (based on the most recent value of the Town's various properties) per occurrence with no annual aggregate. Terrorism is excluded from property coverage. The Town has flood and earthquake coverage of \$1,000,000 per occurrence and annual aggregate. The Town also has boiler and machinery coverage with a \$1,000 deductible and coverage with a \$50,000,000 limit.

Miscellaneous

The Town has ancillary insurance policies for the East Creek Marina, Calverton Airport, Recreation Accidents and Crime and Fidelity. The East Creek Marina policy has a \$2,500 deductible with coverage up to \$2,000,000 per occurrence and \$2,000,000 annual aggregate. The Calverton Airport policy has a \$1,000 deductible with coverage up to \$5,000,000 per occurrence. The Recreation Accident policy has a \$250 deductible with coverage of \$250,000 maximum with \$10,000 accidental death benefit. The Crime and Fidelity policy has the following deductibles and limits: \$2,500 deductible for Inside the Premises – Theft of Money and Securities and Outside the Premises with a limit of \$250,000; and \$5,000 deductible for Employee Theft and Faithful Performance with a \$500,000 limit.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

Workers' Compensation/Unemployment Benefits

The Town is self-insured for workers' compensation insurance. Estimated benefits to be paid are appropriated in the various operating funds of the Town. The Town has provided an umbrella-type policy protecting against a catastrophic loss in the workers' compensation self-insurance protection program with \$400,000 retention per occurrence. This policy provides \$400,000 of coverage in excess the Town's retention amount. The Town also secures a second excess workers' compensation layer that provides statutory limits in excess of a self-insured retention of \$1,250,000. The Town is also self-insured for unemployment benefits paid.

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years.

Self-Insurance Fund

The Town uses a Self-Insurance Fund to account for its potential liability. As of December 31, 2015, the Self-Insurance Fund had assets of \$3,507,695 and liabilities of \$2,279,120. Included in this amount is \$912,946 for general liability claims and \$1,295,385 for worker's compensation claims. This amount includes litigation but not administration expenses.

The Town estimates its workers' compensation and general liability reserves by consulting with legal counsel, contracted third party administrators and assessing past experience with similar claims. Although the dollar amounts of the claims on file against the Town materially exceed the reserves recorded; the ultimate outcome of the claims cannot be presently determined. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

The Town does have the ability to bond any tort claims which may be resolved against the Town and which are not covered by the catastrophic loss coverage.

The schedule below presents the changes in claim reserves for general liability and workers' compensation.

	General Liability		Workers' Compensation	
	2015	2014	2015	2014
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 1,644,883	\$ 1,849,380	\$ 1,182,709	\$ 1,539,559
Insured claims and claim adjustment Expenditures:				
Provision for the insured events of the current year and increases in provision for insured events of prior years	152,630	91,019	998,787	728,116
Total incurred claims and claim adjustment expenditures	1,797,513	1,940,399	2,181,496	2,267,675
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	884,567	295,516	886,111	1,084,966
Total unpaid claims and claim adjustment expenditures at the end of the year	\$ 912,946	\$ 1,644,883	\$ 1,295,385	\$ 1,182,709

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION

The Town is subject to a number of lawsuits in the ordinary conduct of its municipal affairs. Except as noted below, the Town Attorney is of the opinion that adverse decisions in those suits, either individually or in the aggregate, will not have a material adverse effect on the financial condition of the Town.

Kar-McVeigh, LLC v. Zoning Board of Appeals of Town of Riverhead: The plaintiff initiated a Supreme Court proceeding against the Town Board and the Zoning Board of Appeals seeking approval of the expansion of the restaurant-catering use on a particular property. The proceeding seeks an unspecified amount in damages. Since damages are typically unavailable in this type of proceeding, it is not anticipated that any damages will be awarded to the petitioner. The Court denied the Town's motion to dismiss the proceeding and the Town has filed a notice of appeal from the denial. The Court granted motion by the plaintiff for default judgment but denied any monetary judgment. The Town and the plaintiff have each filed a notice of appeal from this second decision. The plaintiff's motion to dismiss the second appeal was denied without prejudice. The appeals from each decision were perfected and decided on March 20, 2012. The Appellate Division determined that the court below correctly denied the motion to dismiss made by the Town but found that the court below acted improperly by granting the default judgment. Denial of plaintiff's appeal seeking monetary damages was affirmed. The Town has served an answer and appeared for oral argument regarding pending motions. By decision dated April 2, 2013 the court annulled the underlying determination by the Zoning Board of Appeals, ordered that the matter be remitted for further proceedings before the Zoning Board of Appeals and denied the motions of the parties for other relief as premature.

Town of Riverhead v. Sophie Wilson: The Town commenced an eminent domain proceeding to acquire property to re-route Pulaski Street. An advance payment of \$615,000 was paid to the property owner based upon the appraisal acquired by the Town. The heirs of Sophie Wilson have filed a claim contesting the Town's valuation and seek damages of \$3,125,000. The case is pending in the Supreme Court, Suffolk County and the parties await exchange of appraisals.

In addition to the litigation noted above, two recent claims filed with the Office of the Town Clerk require mention:

- 1) On June 1, 2015, Ksenia DeCarle filed a Notice of Claim in connection with a motorcycle accident that occurred on March 16, 2015 and resulted in the death of her husband, David DeCarle. The Deceased was operating a 2012 Kawasaki motorcycle eastbound on Reeves Avenue, Riverhead on that date and apparently lost control of the motorcycle. As there were no witnesses to the accident, it is suspected that he may have struck a pothole at the time. As there was no prior written notice, any recovery is remote and the matter will be vigorously defended.
- 2) The second claim was filed on September 18, 2015 by Patricia Koch. Ms. Koch sustained injuries on June 18, 2015. Ms. Koch was stopped at the railroad crossing facing northbound on Mill Road, Riverhead when her car was struck by a second operator travelling northbound. Any liability appears to be solely due to the negligence of the second operator. There is no evidence of recent repairs or other road work on Mill Road by the Town of Riverhead or any other acts by the Town that would have contributed to this accident and accordingly, the Town will vigorously defend this claim.

As of December 31, 2015 the Town recorded no liability in these matters in excess of the SIR amounts disclosed in Note A.

The Town is currently defending several personnel related litigation matters. However the current status of these matters does not appear to have a material effect on the financial statements.

The attorneys representing the Town do not wish to express any opinion on the probable outcome of the above matters nor estimate possible settlement or ultimate liability costs.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal Laws and Regulations require the Town to place a final cover on its Youngs Avenue Landfill Site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill site stopped receiving waste on December 31, 1996. The Town reports a portion of these closure and postclosure care costs as a liability in each period based on landfill capacity used as of each balance sheet date. As the liability is based on 100% capacity there are no estimated costs for closure and postclosure remaining to be recognized. Postclosure care costs and monitoring activities for the site are estimated to be approximately \$30,750 during 2016 and range between approximately \$31,000 to \$54,000 for the remaining twenty-four years, with an inflation factor built in.

Accordingly as of December 31, 2015, the Town has recorded an estimated liability of \$1,024,733, in the government-wide financial statements, which represents the provision to be made in future budgets for unfunded postclosure care costs and monitoring activities. Actual costs for postclosure monitoring and maintenance are recorded in the General Fund and may be higher or lower due to inflation, changes in technology, or changes in regulations or conditions on the ground.

D. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress and other capital commitments for business-type activities capital projects are \$6,595,524, of which \$6,160,850 applies to Sewer Fund and \$434,674 applies to the Water District Fund. As of December 31, 2015 there are no outstanding capital commitments related to governmental activities.

E. GRANTS

The Town has received grants in excess of one million dollars, which are subject to audit by agencies of the State and Federal Governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State Government. Based on past experience, the Town administration believes disallowances, if any, will be immaterial.

5. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended December 31, 2015, the Town implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB 68*. The implementation of Statement No. 68 and No. 71 resulted in the retroactive reporting of a liability and deferred outflow of resources related to the Town's participation in the Systems. As a result, the Town's January 1, 2015 governmental activities net position was increased by \$695,739 from \$85,789,565 to \$86,485,304. Business-type activities net position was decreased by \$293 from \$49,879,488 to \$49,879,195.

	Governmental Activities	Business- Type Activities
Net position beginning of year, as reported	\$ 85,789,565	\$ 49,879,488
GASB Statements No. 68 and 71 implementation		
Beginning System liability - Employees' Retirement System	(3,417,545)	(354,011)
Beginning deferred outflow of resources for contributions subsequent to the measurement date		
Employees' Retirement System	4,113,284	353,718
Net position beginning of year, as restated	\$ 86,485,304	\$ 49,879,195

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

6. 2% TRANSFER TAX

In November 1998, the voters of the Town of Riverhead approved a referendum for a 2% transfer tax which became effective on April 1, 1999. The transfer tax expiration date has been extended by local law until December 31, 2030. The transfer tax receipts are recorded in the Community Preservation Fund and are primarily used for purchase and/or preservation of open space, including agricultural land, park improvements and acquisition of land development rights.

7. SUBSEQUENT EVENTS

In September 2016, the New York State Environmental Facilities Corporation issued general obligation bonds in the Town's name in the amount of \$12,788,359. This amount includes the refinanced balance of the outstanding bond anticipation notes in the amount of \$8,443,862 and additional financing in amount of \$4,344,497 for the sewer treatment plant upgrade project and bond issuance costs. The general obligation bonds will mature August 1, 2036 and bear interest at rates ranging from .61% to 3.07%.

8. NEW PRONOUNCEMENTS

Statement No. 72 "*Fair Value Measurement and Application*" includes requirements that will enhance the comparability of financial statements among governments by requiring the measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68*" the objective is to clarify the existing guidance as well as establishes new requirements for pensions not covered by Statement No. 67 and No. 68. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," the objective of which is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

Statement No. 77, "*Tax Abatement Disclosures*," the objective of which is to improve financial reporting by providing the users of financial statements with information about the nature and magnitude of tax abatements, and helping the users understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations, as well as the impact on the government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*," amends the scope and applicability of Statement No. 68. This Statement establishes accounting and financial reporting standards for defined benefit pensions provided to employees of a state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that meets certain criteria of Statement No. 68 and that (a) is not a state or local governmental pension plan, (b) is used to provided defined benefit pensions both to employees of state/local governmental employers as well as to employees of non-state/local governmental employers and (c) has no predominant state or local governmental employer, either individually or collectively with other state or local governmental employers that provide pensions through the pension plan. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

8. NEW PRONOUNCEMENTS (continued)

Statement No. 80, "*Blending Requirements for Certain Component Units – an Amendment of Statement No.14*," the objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

Statement No. 82, "*Pension Issues – an Amendment of Statements No. 67, 68, and 73*," the objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of the Statement are effective for reporting beginning after June 15, 2016, except for the requirements for selection of assumptions in a certain circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

The Town is currently evaluating the impact of the above pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Schedules of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Major Governmental Funds, Schedule of Funding Progress – Postemployment
Benefits Healthcare Costs, Schedule of Proportionate Share of the Net
Pension Liability and Schedule of Pension Contributions

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations can be made. The Capital Projects and Special Grant Funds are budgeted on a project or grant basis.

The Town adopts the budget and establishes legal level of control of the budget at the object level expenditures. The object level identifies expenditures by the article purchased or service obtained to carry out a function.

TOWN OF RIVERHEAD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 32,695,300	\$ 32,727,444	\$ 32,696,116	\$ (31,328)
Real property tax items	335,600	335,600	348,777	13,177
Non-property tax items	2,157,500	2,157,500	2,218,057	60,557
Departmental income	2,506,950	2,535,280	2,539,651	4,371
Intergovernmental charges	50,000	50,000	101,888	51,888
Use of money and property	915,000	915,000	167,237	(747,763)
Licenses and permits	76,400	76,400	89,002	12,602
Fines and forfeitures	510,000	511,000	498,811	(12,189)
Sale of property and compensation for loss	260,500	260,500	15,371	(245,129)
Miscellaneous local sources	117,000	117,970	184,890	66,920
Interfund revenues	1,590,100	1,590,100	1,025,626	(564,474)
State and local aid	2,272,400	2,267,137	1,617,794	(649,343)
Federal aid	6,000	6,000	142,151	136,151
Total revenues	<u>43,492,750</u>	<u>43,549,931</u>	<u>41,645,371</u>	<u>(1,904,560)</u>
EXPENDITURES				
Current:				
General government support	9,532,550	9,680,551	8,637,774	1,042,777
Public safety	16,029,850	16,454,215	16,155,535	298,680
Health	9,000	9,000	8,814	186
Transportation	347,400	375,100	374,162	938
Economic assistance and opportunity	900,800	883,980	883,511	469
Culture and recreation	1,445,550	1,457,609	1,393,848	63,761
Home and community services	1,236,900	1,313,119	1,159,276	153,843
Employee benefits	11,772,000	11,447,500	11,142,348	305,152
Total expenditures	<u>41,274,050</u>	<u>41,621,074</u>	<u>39,755,268</u>	<u>1,865,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,218,700</u>	<u>1,928,857</u>	<u>1,890,103</u>	<u>(38,754)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital asset	775,000	775,000	500,000	(275,000)
Transfers in	2,047,300	2,047,300	2,244,995	197,695
Transfers out	(5,041,000)	(5,124,280)	(5,124,196)	84
Total other financing sources (uses)	<u>(2,218,700)</u>	<u>(2,301,980)</u>	<u>(2,379,201)</u>	<u>(77,221)</u>
Net change in fund balances	<u>\$ -0-</u>	<u>\$ (373,123)</u>	<u>(489,098)</u>	<u>\$ (115,975)</u>
Fund balances at beginning of year			<u>2,714,292</u>	
Fund balances at end of year			<u>\$ 2,225,194</u>	

TOWN OF RIVERHEAD
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 6,986,000	\$ 6,986,000	\$ 6,986,000	\$ -0-
Use of money and property	7,000	7,000	6,482	(518)
Licenses and permits	20,000	20,000	30,900	10,900
Sale of property and compensation for loss	1,500	10,823	13,216	2,393
Intertund revenues	12,000	12,000	3,120	(8,880)
State and local aid			40,782	40,782
Total revenues	<u>7,026,500</u>	<u>7,035,823</u>	<u>7,080,500</u>	<u>44,677</u>
EXPENDITURES				
Current:				
General government support	131,200	131,200	53,615	77,585
Transportation	4,321,800	5,354,772	4,993,127	361,645
Employee benefits	1,562,200	1,562,200	1,311,455	250,745
Total expenditures	<u>6,015,200</u>	<u>7,048,172</u>	<u>6,358,197</u>	<u>689,975</u>
Excess (deficiency) of revenues over (under) expenditures				
	<u>1,011,300</u>	<u>(12,349)</u>	<u>722,303</u>	<u>734,652</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-0-	7,325	14,304	6,979
Transfers out	(1,011,300)	(1,011,300)	(1,011,231)	69
Total other financing sources (uses)	<u>(1,011,300)</u>	<u>(1,003,975)</u>	<u>(996,927)</u>	<u>7,048</u>
Net change in fund balances	<u>\$ -0-</u>	<u>\$ (1,016,324)</u>	<u>(274,624)</u>	<u>\$ 741,700</u>
Fund balances at beginning of year			<u>3,072,908</u>	
Fund balances at end of year			<u>\$ 2,798,284</u>	

TOWN OF RIVERHEAD
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
Debt service:				
Principal	\$ 8,524,600	\$ 8,524,600	\$ 8,524,587	\$ 13
Interest	3,454,500	3,454,500	3,454,112	388
Total expenditures	<u>11,979,100</u>	<u>11,979,100</u>	<u>11,978,699</u>	<u>401</u>
Excess (deficiency) of revenues over expenditures	<u>(11,979,100)</u>	<u>(11,979,100)</u>	<u>(11,978,699)</u>	<u>401</u>
OTHER FINANCING SOURCES				
Transfers in	11,979,100	11,979,100	11,978,699	(401)
Total other financing sources	<u>11,979,100</u>	<u>11,979,100</u>	<u>11,978,699</u>	<u>(401)</u>
Net change in fund balances	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
Fund balances at beginning of year			-0-	
Fund balances at end of year			<u>\$ -0-</u>	

TOWN OF RIVERHEAD
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Non-property tax items	\$ 2,750,000	\$ 2,750,000	\$ 3,495,472	\$ 745,472
Use of money and property	30,000	30,000	27,430	(2,570)
Total revenues	<u>2,780,000</u>	<u>2,780,000</u>	<u>3,522,902</u>	<u>742,902</u>
EXPENDITURES				
Current:				
General government support	6,000	6,000	2,100	3,900
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>2,100</u>	<u>3,900</u>
Excess of revenues over expenditures	<u>2,774,000</u>	<u>2,774,000</u>	<u>3,520,802</u>	<u>746,802</u>
OTHER FINANCING USES				
Transfers out	(5,680,600)	(5,680,600)	(5,680,519)	81
Total other financing uses	<u>(5,680,600)</u>	<u>(5,680,600)</u>	<u>(5,680,519)</u>	<u>81</u>
Net change in fund balances	<u>\$ (2,906,600)</u>	<u>\$ (2,906,600)</u>	(2,159,717)	<u>\$ 746,883</u>
Fund balances at beginning of year			15,049,895	
Fund balances at end of year			<u>\$ 12,890,178</u>	

TOWN OF RIVERHEAD
TOWN OF RIVERHEAD RETIREE MEDICAL PROGRAM
POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS
SCHEDULE OF FUNDING PROGRESS
December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability - (AAL) Projected Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2015	\$ -0-	94,176,314	\$ 94,176,314 *	0%	\$ 27,660,321	340.5%
1/1/2014	-0-	87,971,048	87,971,048	0%	27,601,923	318.7%
1/1/2013	-0-	85,451,765	85,451,765 *	0%	27,420,035	311.6%
1/1/2012	-0-	79,462,081	79,462,081	0%	27,121,569	293.0%
1/1/2011	-0-	75,633,000	75,633,000 *	0%	26,875,823	281.4%
1/1/2010	-0-	70,608,000	70,608,000	0%	25,320,003	278.9%
1/1/2009	-0-	59,521,000	59,521,000 *	0%	25,263,938	235.6%
1/1/2008	-0-	55,374,800	55,374,800	0%	22,667,312	244.3%

*Roll-forward

TOWN OF RIVERHEAD
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2015

	<u>2015</u>	<u>2014</u>
NYSERS		
Town's proportion of the collective net pension liability	0.0528417%	0.0528417%
Town's proportionate share of the net collective pension liability	\$ 1,785,122	\$ 2,387,842
Town's covered-employee payroll	\$ 10,580,835	\$ 10,349,831
Town's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	16.87%	23.07%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	97.90%	97.20%
NYSPPRS		
	<u>2015</u>	<u>2014</u>
Town's proportion of the collective net pension liability	0.3323762%	0.3323762%
Town's proportionate share of the net collective pension liability	\$ 914,897	\$ 1,383,714
Town's covered-employee payroll	\$ 14,754,122	\$ 14,774,563
Town's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	6.20%	9.37%
Plan fiduciary net position as a percentage of the total pension liability coming from plan.	99.00%	98.50%

TOWN OF RIVERHEAD
SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2015

	NYSERS									
	Years Ended December 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 2,490,586	\$ 2,873,570	\$ 2,819,882	\$ 2,374,793	\$ 2,058,981	\$ 1,450,880	\$ 983,322	\$ 1,072,629	\$ 1,143,912	\$ 937,764
Contributions in relation to the contractually required contribution	\$ 2,490,586	\$ 2,873,570	\$ 2,819,882	\$ 2,374,793	\$ 2,058,981	\$ 1,450,880	\$ 983,322	\$ 1,072,629	\$ 1,143,912	\$ 937,764
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 9,169,296	\$ 10,491,647	\$ 15,819,725	\$ 10,250,363	\$ 10,138,595	\$ 10,677,572	\$ 15,445,447	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	27.16%	27.39%	17.83%	23.17%	20.31%	13.59%	6.37%	N/A	N/A	N/A
NYSPPRS										
	For the Years Ended December 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 2,690,618	\$ 3,134,827	\$ 3,127,827	\$ 2,759,912	\$ 2,372,503	\$ 1,863,463	\$ 1,459,218	\$ 1,434,273	\$ 1,574,341	\$ 1,148,463
Contributions in relation to the contractually required contribution	\$ 2,690,618	\$ 3,134,827	\$ 3,127,827	\$ 2,759,912	\$ 2,372,503	\$ 1,863,463	\$ 1,459,218	\$ 1,434,273	\$ 1,574,341	\$ 1,148,463
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 13,759,485	\$ 14,562,669	\$ 14,655,538	\$ 14,341,183	\$ 13,830,927	\$ 13,663,927	\$ 10,434,141	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	19.55%	21.53%	21.34%	19.24%	17.15%	13.64%	13.99%	N/A	N/A	N/A
N/A	Covered-employee payroll for years ended December 2006 and 2007 was not available.									

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet Nonmajor Governmental Funds and
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances Nonmajor Governmental Funds

TOWN OF RIVERHEAD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2015

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
ASSETS				
Cash and cash equivalents		\$ 164,854	\$ 26,735	\$ 124,246
Cash - restricted	\$ 150,226			
Accounts receivable	23,665			4,000
Due from other funds				
Due from other governments	43,962		11,856	
Prepays				1,539
Total assets	<u>\$ 217,853</u>	<u>\$ 164,854</u>	<u>\$ 38,591</u>	<u>\$ 129,785</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 53,308		\$ 10,949	\$ 4,105
Due to other funds	7,498			
Unearned revenue	22,942			16,745
Total liabilities	<u>83,748</u>	<u>\$ -0-</u>	<u>10,949</u>	<u>20,850</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes			20,017	
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>20,017</u>	<u>-0-</u>
FUND BALANCES				
Nonspendable				1,539
Restricted	134,105			
Assigned		164,854	7,625	107,396
Total fund balances	<u>134,105</u>	<u>164,854</u>	<u>7,625</u>	<u>108,935</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 217,853</u>	<u>\$ 164,854</u>	<u>\$ 38,591</u>	<u>\$ 129,785</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 310,104	\$ 546,989	\$ 797,260	\$ 83,574		\$ 2,053,762
		1,817		\$ 1,254,628	1,404,854
	790,497	117		2,651	32,133
7,284		6,408	3,000		790,497
\$ 317,388	\$ 1,337,486	\$ 805,602	\$ 86,574	\$ 1,257,279	\$ 4,355,412
\$ 73,819	\$ 13,860	\$ 5,474	\$ 6,385	\$ 4,777	\$ 172,677
		70,000		700,000	777,498
			7,324	30,849	77,860
73,819	13,860	75,474	13,709	735,626	1,028,035
210,099	248,967	505,708	29,186		1,013,977
210,099	248,967	505,708	29,186	-0-	1,013,977
7,284		6,408	3,000		18,231
26,186	1,074,659	218,012	40,679	521,653	134,105
33,470	1,074,659	224,420	43,679	521,653	2,161,064
\$ 317,388	\$ 1,337,486	\$ 805,602	\$ 86,574	\$ 1,257,279	\$ 4,355,412

TOWN OF RIVERHEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended December 31, 2015

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
REVENUES				
Real property taxes			\$ 111,100	
Departmental income		\$ 165,000		\$ 216,273
Use of money and property	\$ 978	11	22	116
Miscellaneous local sources				
State and local aid	105,356			6,061
Federal aid	137,796			
Total revenues	<u>244,130</u>	<u>165,011</u>	<u>111,122</u>	<u>222,450</u>
EXPENDITURES				
Current:				
General governmental support			5,470	76,131
Health				
Transportation				
Economic assistance and opportunity			114,249	
Culture and recreation				58,161
Home and community services	212,247			
Employee benefits				19,583
Total expenditures	<u>212,247</u>	<u>-0-</u>	<u>119,719</u>	<u>153,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,883</u>	<u>165,011</u>	<u>(8,597)</u>	<u>68,575</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in		13,500	11,856	
Operating transfers out	(138,080)	(45,000)		(137,125)
Total other financing sources (uses)	<u>(138,080)</u>	<u>(31,500)</u>	<u>11,856</u>	<u>(137,125)</u>
Net change in fund balance	(106,197)	133,511	3,259	(68,550)
Fund balances (deficits) at beginning of year	240,302	31,343	4,366	177,485
Fund balances at end of year	<u>\$ 134,105</u>	<u>\$ 164,854</u>	<u>\$ 7,625</u>	<u>\$ 108,935</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 1,064,800	\$ 1,380,900	\$ 2,864,396	\$ 161,900		\$ 5,583,096
518	2,077	1,336	622	\$ 57,316	381,273
806		7,413	1,758	214,019	62,996
		381			7,413
					328,381
					137,796
<u>1,066,124</u>	<u>1,382,977</u>	<u>2,873,526</u>	<u>164,280</u>	<u>271,335</u>	<u>6,500,955</u>
149,776	155,593	49,882	12,668	4,998	454,518
720,227	1,009,471		61,914	214,019	1,009,471
				35,093	996,160
		2,666,341			149,342
112,262		72,346			58,161
<u>982,265</u>	<u>1,165,064</u>	<u>2,788,569</u>	<u>74,582</u>	<u>254,110</u>	<u>2,878,588</u>
					204,191
<u>83,859</u>	<u>217,913</u>	<u>84,957</u>	<u>89,698</u>	<u>17,225</u>	<u>5,750,431</u>
					25,356
<u>(12,283)</u>	<u>(45,270)</u>	<u>(8,585)</u>	<u>(42,770)</u>	<u>(700,000)</u>	<u>(1,129,113)</u>
<u>(12,283)</u>	<u>(45,270)</u>	<u>(8,585)</u>	<u>(42,770)</u>	<u>(700,000)</u>	<u>(1,103,757)</u>
71,576	172,643	76,372	46,928	(682,775)	(353,233)
<u>(38,106)</u>	<u>902,016</u>	<u>148,048</u>	<u>(3,249)</u>	<u>1,204,428</u>	<u>2,666,633</u>
<u>\$ 33,470</u>	<u>\$ 1,074,659</u>	<u>\$ 224,420</u>	<u>\$ 43,679</u>	<u>\$ 521,653</u>	<u>\$ 2,313,400</u>