

**TOWN OF RIVERHEAD
FINANCIAL STATEMENTS**

December 31, 2016

**TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
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FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
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INTRODUCTORY SECTION

TOWN OF RIVERHEAD
PRINCIPAL OFFICIALS
December 31, 2016

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
Drew Dillingham
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, 2016, 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/deferred outflow of resources, net position, and revenues of the aggregate discretely presented component units. These financial statements were audited by another auditor whose reports 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. 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.

BEYOND THE NUMBERS...

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

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NEW YORK, NY 10167
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INDEPENDENT MEMBER OF BKR INTERNATIONAL

Auditors' Responsibility (continued)

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

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the 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 opinions 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 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 other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 November 27, 2017, 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, Virginia, Zerk & Long P.C.

Hauppauge, New York
November 27, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

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TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2016

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, 2016. Please read it in conjunction with the Town's financial statements.

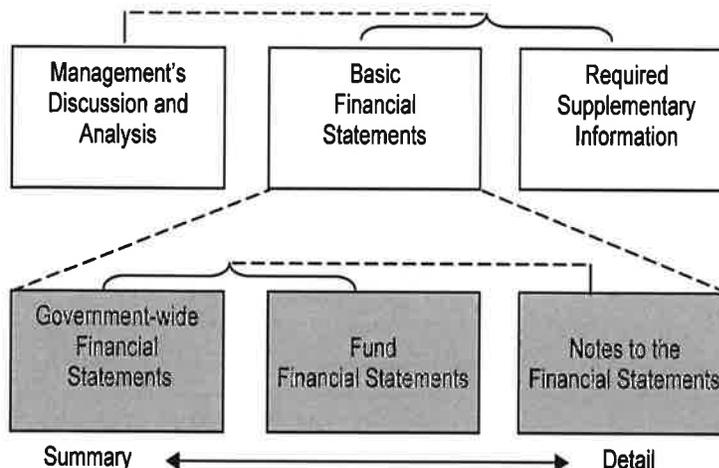
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the primary government exceed its liabilities and deferred inflows of resources at the close of 2016 by \$141,707,346 (net position). The net position of governmental activities was \$82,409,821 and the net position of business-type activities was \$59,297,525.
- The primary government's total net position decreased by \$1,970,828 or 1.37%. The governmental net position decreased by \$2,912,052 and the business-type net position increased by \$941,224.
- As of the close of 2016, the primary government's governmental funds reported combined ending fund balances of \$18,388,577, a decrease of \$1,761,461 in comparison with the prior year. Of this amount, \$1,373,649 is not in spendable form or is required to remain intact. The remaining \$17,014,928 or approximately 92.5% 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 2016, the primary government's total fund balance for the General Fund was \$2,434,275, an increase of \$209,081 or 9.4% from the prior year. The aggregate restricted, assigned and unassigned fund balance for the General Fund was \$1,187,282, or 2.6% of total General Fund expenditures and other financing uses.
- The primary government's total bonded debt outstanding (inclusive of general obligation bonds and bond anticipation notes, exclusive of premiums), was \$95,568,358, a decrease of \$1,841,598 or 1.9%. The Town's governmental funds decreased by \$8,706,437 and the Town's business-type funds increased by \$6,864,839.

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, 2016

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, 2016

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 and workers' compensation risk management 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, 2016

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 and accompanying notes, this report also presents required supplementary information concerning the Town's budget to actual comparisons for the major governmental funds, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

The combining nonmajor governmental funds financial statements are presented immediately following the required supplementary information.

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 \$141,707,346 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.

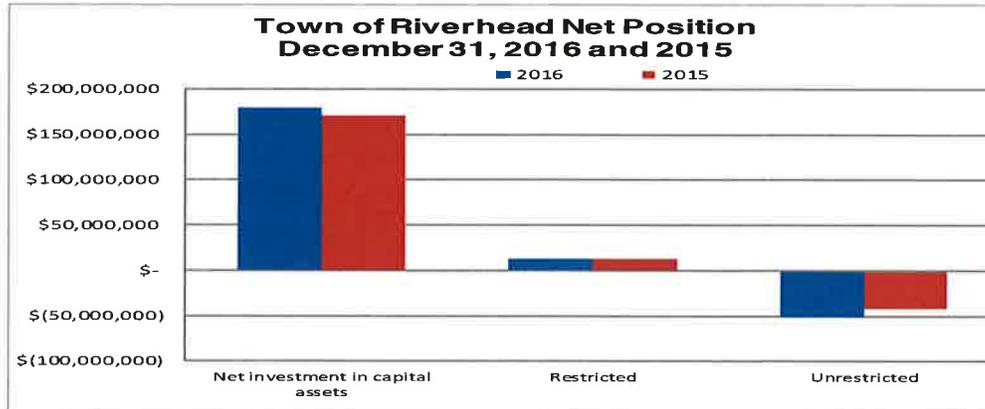
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 30,836,370	\$ 35,179,741	\$ 10,364,522	\$ 7,387,930	\$ 41,200,892	\$ 42,567,671
Capital assets	199,454,518	200,604,775	78,258,723	74,529,662	277,713,241	275,134,437
Total assets	<u>230,290,888</u>	<u>235,784,516</u>	<u>88,623,245</u>	<u>81,917,592</u>	<u>318,914,133</u>	<u>317,702,108</u>
Deferred Outflows of Resources	<u>19,628,926</u>	<u>4,351,416</u>	<u>1,443,849</u>	<u>418,024</u>	<u>21,072,775</u>	<u>4,769,440</u>
Liabilities						
Current liabilities	13,471,859	14,333,232	4,359,946	10,402,883	17,831,805	24,736,115
Non-current liabilities	145,821,799	132,114,257	25,701,849	12,778,687	171,523,648	144,892,944
Total liabilities	<u>159,293,658</u>	<u>146,447,489</u>	<u>30,061,795</u>	<u>23,181,570</u>	<u>189,355,453</u>	<u>169,629,059</u>
Deferred Inflows of Resources	<u>8,216,335</u>	<u>8,366,570</u>	<u>707,774</u>	<u>797,745</u>	<u>8,924,109</u>	<u>9,164,315</u>
Net Position						
Net investment in capital assets	122,504,101	114,622,463	56,884,744	57,332,110	179,388,845	171,954,573
Restricted	11,610,841	13,024,283	1,420,969	759,320	13,031,810	13,783,603
Unrestricted	(51,705,121)	(42,324,873)	991,812	264,871	(50,713,309)	(42,060,002)
Total net position	<u>\$ 82,409,821</u>	<u>\$ 85,321,873</u>	<u>\$ 59,297,525</u>	<u>\$ 58,356,301</u>	<u>\$ 141,707,346</u>	<u>\$ 143,678,174</u>

By far the largest portion of the Town's net position (\$179,388,845) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles and infrastructure) less any outstanding debt or other borrowings used to acquire those assets. 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, 2016

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, 2016 was \$141,707,346, a decrease of \$1,970,828 from the prior year. Of this amount \$179,388,845 was the net investment in capital assets, while \$13,031,810 was restricted by statute or other specific purpose leaving a \$50,713,309 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 2016 by \$7,845,046 bringing the unfunded liability at year end to \$53,036,968. Additional information on OPEB can be found in Note 3.G 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	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 4,175,790	\$ 4,329,738	\$ 9,089,718	\$ 8,456,842	\$ 13,265,508	\$ 12,786,580
Operating grants and contributions	836,611	942,830			836,611	942,830
Capital grants and contributions	719,086	791,884	1,586,220	8,596,331	2,305,306	9,388,215
	<u>5,731,487</u>	<u>6,064,452</u>	<u>10,675,938</u>	<u>17,053,173</u>	<u>16,407,425</u>	<u>23,117,625</u>
General revenues:						
Real property taxes	47,357,795	45,265,212	1,674,700	1,641,100	49,032,495	46,906,312
Real property tax items	375,575	348,777	454,272	305,883	829,847	654,660
Non-property tax items - sales tax	1,536,455	1,357,555	146,688	146,688	1,683,143	1,504,243
Community preservation fund 2% tax	3,430,450	3,495,472			3,430,450	3,495,472
Mortgage tax	1,136,382	1,103,089			1,136,382	1,103,089
Franchise tax	888,258	860,502			888,258	860,502
Investment earnings - unrestricted	389,206	377,515	1,943	2,100	391,149	379,615
State aid	107,028	107,028			107,028	107,028
Gain on sale of capital assets	129,355	462,393		2,222	129,355	464,615
Other	89,708	12,231	566,113	639,893	655,821	652,124
	<u>55,440,212</u>	<u>53,389,774</u>	<u>2,843,716</u>	<u>2,737,886</u>	<u>58,283,928</u>	<u>56,127,660</u>
Total revenues	<u>61,171,699</u>	<u>59,454,226</u>	<u>13,519,654</u>	<u>19,791,059</u>	<u>74,691,353</u>	<u>79,245,285</u>
Expenses						
General government support	14,524,350	12,718,789			14,524,350	12,718,789
Public safety	28,956,046	27,789,182			28,956,046	27,789,182
Health	1,158,024	1,054,113			1,158,024	1,054,113
Transportation	7,503,150	7,762,878			7,503,150	7,762,878
Economic assistance and opportunity	1,805,463	1,752,954			1,805,463	1,752,954
Culture and recreation	2,993,126	2,845,578			2,993,126	2,845,578
Home and community services	5,372,189	4,531,514	11,251,830	10,066,989	16,624,019	14,598,503
Interest on debt	3,098,003	3,409,613			3,098,003	3,409,613
	<u>65,410,351</u>	<u>61,864,621</u>	<u>11,251,830</u>	<u>10,066,989</u>	<u>76,662,181</u>	<u>71,931,610</u>
Total expenses	<u>65,410,351</u>	<u>61,864,621</u>	<u>11,251,830</u>	<u>10,066,989</u>	<u>76,662,181</u>	<u>71,931,610</u>
Change in net position before transfers	(4,238,652)	(2,410,395)	2,267,824	9,724,070	(1,970,828)	7,313,675
Transfers	1,326,600	1,246,964	(1,326,600)	(1,246,964)	-0-	-0-
Change in net position	<u>(2,912,052)</u>	<u>(1,163,431)</u>	<u>941,224</u>	<u>8,477,106</u>	<u>(1,970,828)</u>	<u>7,313,675</u>
Net position - beginning	85,321,873	85,789,565	58,356,301	49,879,488	143,678,174	135,669,053
Cumulative effect of change in accounting principle*		695,739		(293)		695,446
Net position - beginning, as restated	<u>85,321,873</u>	<u>86,485,304</u>	<u>58,356,301</u>	<u>49,879,195</u>	<u>143,678,174</u>	<u>136,364,499</u>
Net position - ending	<u>\$ 82,409,821</u>	<u>\$ 85,321,873</u>	<u>\$ 59,297,525</u>	<u>\$ 58,356,301</u>	<u>\$ 141,707,346</u>	<u>\$ 143,678,174</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

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 change in net position from all combined activities was a decrease of \$1,970,828. The governmental activities decreased by \$2,912,052 and the business-type increased by \$941,224.

Key elements of the changes in governmental activities were:

- Charges for services decreased by \$153,948 compared to the prior year due to less general government support revenues (\$93,106) related to insurance recoveries as well as an overall decrease in culture and recreation revenues (\$82,689), specifically related to park and recreation fees received from the Stoneleigh Woods Development in the prior year, which was offset by an increase in docking and storage revenues from the East Creek Marina.
- Operating and capital grants and contributions decreased from the prior year by \$106,219 and \$72,798, respectively. Grants and contributions fluctuate due to the timing of certain projects /operating expenses and the related reimbursements. Notable decreases of revenues were a result of a reduction of grant revenues related to the completion and closedown of the Downtown Riverhead project and the Calverton Park Rail Spur in 2015 (\$105,356 and \$214,020, respectively), a reduction in the Community Development Block Grant reimbursements (\$67,428), as well as a decrease in developer fees recognized in the current year (\$107,000). In the current year, the Town received a one time donation from PSEG (\$100,000) for the purchase of equipment to assist with media costs and recognized revenue from a Brownsfield grant (\$114,945) of which costs were incurred in 2016. The Town also had an increase of revenues recognized in the current year for the emergency disaster assistance grant to reimburse the Town for capital projects costs incurred in 2016 related to Hurricane Sandy.
- General revenues increased by \$2,050,438 from the prior year, primarily due to an increase in real property tax and sales tax collected, in the amounts of \$2,092,583 and \$178,900, respectively, which was offset by a lower gain on sale of capital assets recognized in the current year in the amount of \$333,038.
- Overall, governmental expenses increased by \$3,545,730 compared to prior year. This is primarily a result of the overall increase in the pension expense (\$2,600,310) when comparing the retirement systems' year ending March 31, 2016 to 2015, an increase in the estimate for landfill closure and postclosure care costs (\$1,033,568) due to higher leachate costs, greater postemployment healthcare costs (\$676,242) based on actuarial valuations, the settlement of an outstanding litigation case of \$700,000 and additional depreciation expense (\$100,000), which was offset by a reduction in the compensated absences expense (\$824,532), debt service interest payments (\$311,610) and a decrease in the highway department's contractual costs (\$379,378).

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

- Water sales increased by \$528,386 compared to the prior year.
- Capital grant revenue decreased by \$7,010,111 primarily due to a reduction in the amount of a New York State Department of Environmental Conservation grant recognized in the current year to assist in the funding for the sewer treatment upgrade project.
- There was an overall increase of expenses in the Water and Sewer Funds of \$1,184,841, primarily to an increase in employee benefits costs.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2016

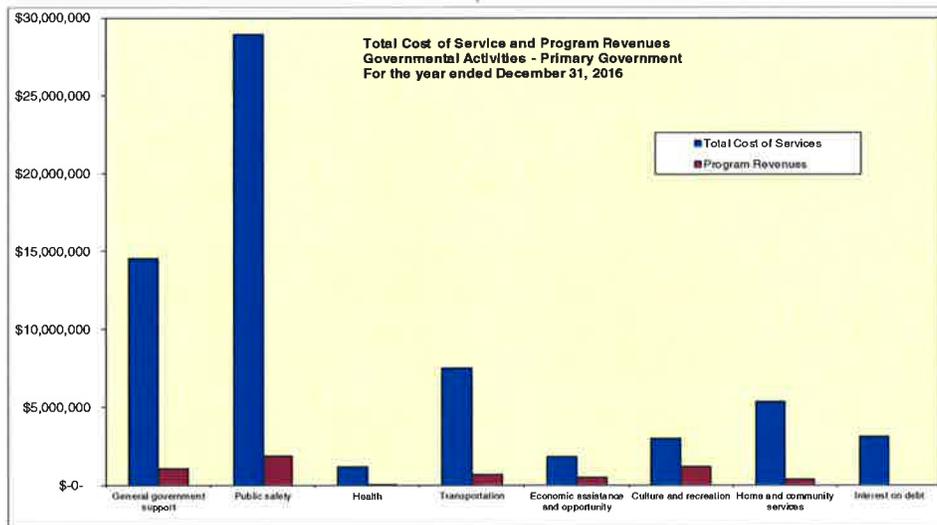
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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	
	2016	2015	2016	2015	2016	2015
General government support	\$ 14,524,350	\$ 12,718,789	\$ 1,085,872	\$ 1,119,843	\$ (13,438,478)	\$ (11,598,946)
Public safety	28,956,046	27,789,182	1,912,027	1,824,998	(27,044,019)	(25,964,184)
Health	1,158,024	1,054,113	43,884	46,912	(1,114,140)	(1,007,201)
Transportation	7,503,150	7,762,878	682,335	940,632	(6,820,815)	(6,822,246)
Economic assistance and opportunity	1,805,463	1,752,954	468,170	346,982	(1,337,293)	(1,405,972)
Culture and recreation	2,993,126	2,845,578	1,186,728	1,202,405	(1,806,398)	(1,643,173)
Home and community services	5,372,189	4,531,514	352,471	582,680	(5,019,718)	(3,948,834)
Interest on debt	3,098,003	3,409,613			(3,098,003)	(3,409,613)
	<u>\$ 65,410,351</u>	<u>\$ 61,864,621</u>	<u>\$ 5,731,487</u>	<u>\$ 6,064,452</u>	<u>\$ (59,678,864)</u>	<u>\$ (55,800,169)</u>



The cost of the governmental activities this year was \$65,410,351. The cost of these services after being partially subsidized by program revenues of \$5,731,487 was \$59,678,864.

Business-type Activities

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

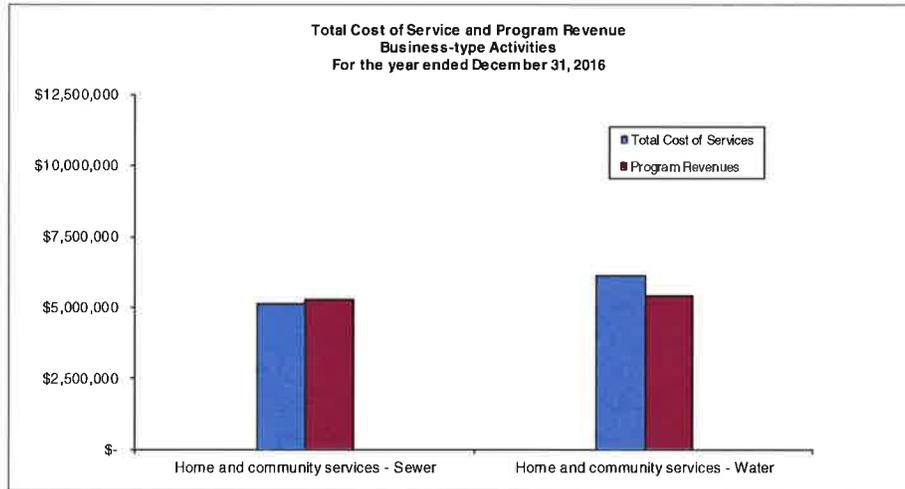
**Total Cost of Services, Program Revenues and Net (Cost) Revenue of Services
 Business-type Activities - Primary Government
 For the years ended December 31,**

	2016	2015	2016	2015	2016	2015
	Total Cost of Services		Program Revenue		Net (Cost) Revenue of Services	
Home and community services - Sewer	\$ 5,128,966	\$ 4,528,467	\$ 5,262,880	\$ 11,799,150	\$ 133,914	\$ 7,270,683
Home and community services - Water	6,122,864	5,538,522	5,413,058	5,254,023	(709,806)	(284,499)
	<u>\$ 11,251,830</u>	<u>\$ 10,066,989</u>	<u>\$ 10,675,938</u>	<u>\$ 17,053,173</u>	<u>\$ (575,892)</u>	<u>\$ 6,986,184</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2016

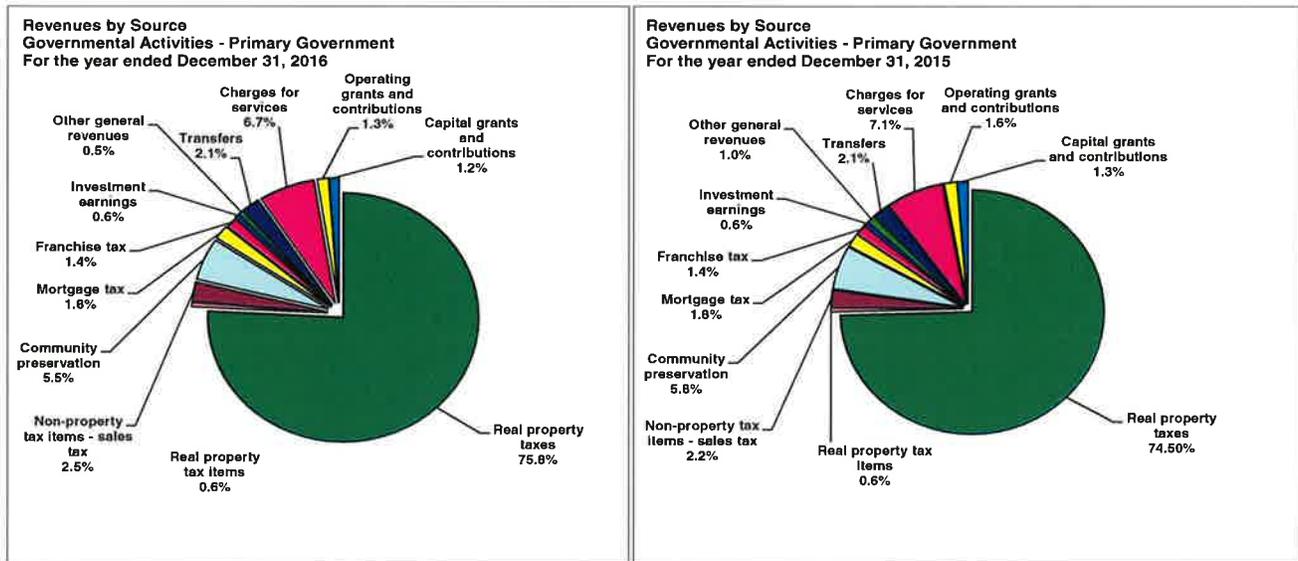
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-type Activities (continued)



The cost of the water business-type activity this year was \$6,122,864. The cost of this service after being partially subsidized by program revenues of \$5,413,058 was \$709,806. The cost of the sewer business-type activity was \$5,128,966, which was funded with program revenues of \$5,262,880. Program revenues include a capital grant in the amount of \$577,261, which was utilized to finance capital projects for the sewer upgrade in 2016.

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,

	2016	2015
Real property taxes	\$ 47,357,795	\$ 45,265,212
Real property tax items	375,575	348,777
Non-property tax items - sales tax	1,536,455	1,357,555
Community preservation fund 2% tax	3,430,450	3,495,472
Mortgage tax	1,136,382	1,103,089
Franchise tax	888,258	860,502
Investment earnings - unrestricted	389,206	377,515
Other general revenues	326,091	581,652
Transfers	1,326,600	1,246,964
Charges for services	4,175,790	4,329,738
Operating grants and contributions	836,611	942,830
Capital grants and contributions	719,086	791,884
	<u>\$ 62,498,299</u>	<u>\$ 60,701,190</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

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, 2016, the Town's governmental funds reported total ending fund balances of \$18,388,577, a decrease of \$1,761,461 or 8.74% in comparison with the prior year. The category breakdown is as follows:

- **Nonspendable fund balance** - \$1,373,649 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$11,610,841 (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** - \$5,795,202 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund deficit** - (\$391,115) (residual net resources) is the total fund balance in the General Fund of \$448,743 in excess of nonspendable, restricted and assigned fund balance and the negative unassigned deficits in the Special Trust and Business Improvement District Funds in the amount of \$813,185 and \$26,673, respectively.

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 \$2,434,275, increasing \$209,081, or 9.4%, from the prior year. Of this amount, \$1,246,993 is not in spendable form (prepaid items and inventory). The remaining \$1,187,282 of the fund balance is in spendable form as follows: \$100,000 has been restricted for future capital outlays, \$638,539 has been assigned for other miscellaneous designations and purchase orders, and the remaining \$548,743 represents spendable, unassigned fund balance.

The major components of the fund balance increase were as follows:

- During the year \$74,488 of fund balance was appropriated for additional expenditures.
- Overall revenues did not meet budgeted expectations by \$1,041,511, primarily due to lower than expected collections of rental property in the amount of \$750,000, interfund revenues related to fuel and garage services in the amount of \$645,340 being eliminated, which was offset by unanticipated revenues from third parties for reimbursement of public safety and media costs of \$236,476 as well as federal grants earned exceeding budgeted expectations by \$148,759. Other financing sources related to the sale of real property had unrealized earnings in the amount of \$154,554.
- Actual revenues increased by \$2,500,469 compared to the prior year, primarily due to the increase in real property taxes assessed (\$1,894,484), sales tax and franchise fees collected (\$206,656), and state/local aid recognized in the current year (\$176,416), as well as higher revenues recognized for reimbursements of public safety and media costs (\$124,729). Other financing sources decreased by \$822,603 due to the decrease in proceeds from the sale of a Town capital assets (\$345,446) and a decrease in transfers in (\$477,157).

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

- Overall expenditures were under budget by \$1,255,632, a result of lower than expected costs for fuel contractual expenditures due to the elimination of fuel and garage costs (\$645,340), lower home and community expenditures related to the landfill and waste disposal and containment costs (\$150,949) and an overall reduction of general government support expenditures.
- Actual expenditures increased by \$989,136 compared to the prior year, primarily a result of an increase in employee benefit costs related to medical premiums (\$395,004), a higher premium paid to the workers' compensation fund (\$372,686), an increase in public safety payroll costs (\$159,517) and economic assistance and opportunity professional services costs (\$138,269), which was offset by a decrease of home and community payroll and waste disposal and containment costs (\$113,652).

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$3,344,969, increasing \$546,685, or 19.54%, from the prior year. Of this amount, \$79,093 is not in spendable form (prepaid items). The remaining \$3,265,876 of the fund balance is assigned for general highway purposes.

The major components of the fund balance increase of \$546,685 were as follows:

- During the year \$75,000 of fund balance was appropriated for additional expenditures.
- Actual revenues exceeded budgeted expectations by \$68,348 due to unanticipated revenues for insurance recovery to cover the costs of a damaged piece of equipment as well as state aid reimbursements of expenditures related to Hurricane Sandy.
- Overall actual revenues were higher than prior year by \$52,848, which is primarily a result of a minimal increase in real property taxes and insurance recoveries, which were offset by less revenues recognized for the reimbursement of expenditures related to Hurricane Sandy.
- Transportation expenditures for fuel costs, purchases and repair of equipment as well as various road improvement costs and snow removal costs were lower than budgeted expectations by \$502,023.
- Overall actual expenditures decreased by \$713,326 compared to prior year due to a decrease in transportation expenses (\$1,053,570), a result of less purchases of equipment and repair work, fuel costs and snow removal costs. This was offset by higher employee benefit costs (\$305,378) primarily due to an increase in the premium paid to the workers' compensation fund (\$372,686). Other financing uses decreased by \$69,439 due to a reduction in the amount of debt service payments transferred out.

Capital Projects Fund

The fund balance increased in the Capital Projects Fund by \$929,868 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 of \$852,850.

Community Preservation Fund

At the end of the current year, the Community Preservation Fund had a total fund balance of \$10,729,603, decreasing by \$2,160,575 from the prior year. This fund balance is restricted for Community Preservation purposes.

The major components of the fund balance decrease of \$2,160,575 were as follows:

- There was an originally planned decrease of \$2,396,100 resulting from the appropriation of fund balance for the 2016 budget.
- Total land transfer tax revenues exceeded the budget by \$230,450 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, 2016

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Nonmajor Governmental Funds

The net change in fund balances was a decrease of \$1,286,520 over the nine nonmajor funds, the most notable changes are as follows:

- The Street Lighting District had an increase in fund balance of \$227,057 due to an increase in real property taxes assessed (\$124,400) and an overall reduction in expenditures (\$31,427).
- The Community Development Fund had a decrease of \$400,641 in fund balance due to use of the appropriation of prior years' fund balance in the amount of \$400,000.
- The Ambulance Fund had a decrease in fund balance of \$106,482, primarily a result of a purchase of an ambulance (\$202,759) and increases in contractual costs for the Riverhead Ambulance Company (\$101,846), which was offset by an increase in the real property taxes assessed (\$28,300).
- The Special Trust Fund had a decrease of \$978,039 in fund balance, a result of the decrease in park and recreation fees in the amount of \$165,000 and an increase in the amount transferred out to fund related capital projects.

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 \$1,688,850 and (\$697,038), respectively. The total net position change was an increase of \$941,224; an increase of \$273,124 in the Sewer District Funds and an increase of \$668,100 in the Water District Funds:

- In the Sewer Funds, total non-operating revenues decreased by \$6,495,100, primarily a result of the funds recognizing less revenues related to the New York State Department of Conservation grant and local aid in the amount of \$7,056,551 to fund the costs of the sewer treatment upgrade project, which were offset by higher developer fees and payments in lieu of taxes in the amounts of \$409,268 and \$148,389, respectively. Operating expenses related to sewerage treatment disposal and employee benefit expenses increased by \$181,470 and \$252,792, respectively. Non-operating expenses increased by \$136,924, primarily related to an increase in bond issuance costs and debt service interest payments. There were minimal increases in the operating revenues and transfers out compared to the prior year.
- In the Water Funds, operating revenues related to water sales increased by \$528,386 compared to the prior year, a result of an increase in consumption. Overall operating costs increased related to administration, costs for supplying water, and employee benefits in the amounts of \$173,592, \$179,716 and \$241,102, respectively. Non-operating revenues decreased by \$421,385 as there were more developer fees in the prior year related to new projects that were started in 2015.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there were budget amendments that increased estimated revenues and transfers by \$274,736 and budgeted appropriations by \$349,224, 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 \$24,944 for Board and Secures (Chapter 54) of taxpayers properties, \$21,863 for Storm Water Pollution Prevention Plan fees for various properties throughout the Town, \$3,000 for NYS reimbursement for court interpreter fees, \$42,900 for interfund revenues, \$162,645 a DEC grant and other grant funding and \$19,385 for transfers in from other funds.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

- Original budgeted appropriations increased by \$148,847 for economic development contractual costs, \$42,900 for police salaries, \$21,863 for contractual engineering costs, \$18,183 for police equipment, \$15,000 for refuse and garbage contractual expenditures.
- There was an appropriation of fund balance of \$74,488 for transfers out the capital projects fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

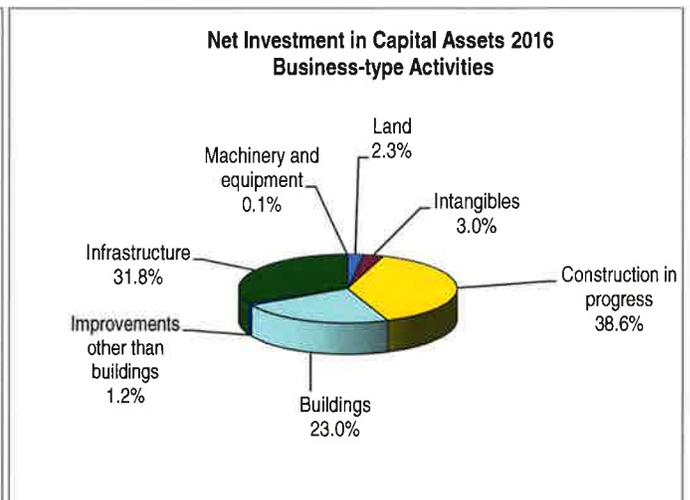
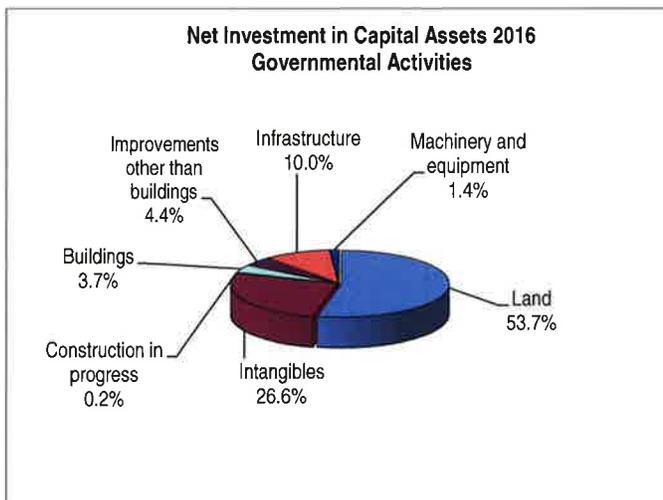
The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to \$277,713,241 (net of accumulated depreciation). This investment in capital assets includes land, non-depreciable intangible assets, equipment, improvements, infrastructure, depreciable intangible assets and construction in progress.

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

- The Sewer District Fund invested \$5,048,000 for a sewer treatment plant upgrade project
- The Water District Fund invested \$517,000 for various projects
- Resurfacing of various Town roads for \$1,275,800
- Various equipment purchases for governmental activities for \$939,924

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 107,028,389	\$ 107,062,989	\$ 1,829,300	\$ 1,829,300	\$ 108,857,689	\$ 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	410,725	162,732	30,197,235	24,584,928	30,607,960	24,747,660
Buildings	7,421,356	7,695,344	17,987,795	18,660,636	25,409,151	26,355,980
Improvements other than buildings	8,717,865	9,504,465	901,703	967,130	9,619,568	10,471,595
Infrastructure	20,034,261	20,205,064	24,861,389	25,959,420	44,895,650	46,164,484
Machinery and equipment	2,820,513	2,995,673	102,544	131,891	2,923,057	3,127,564
Intangibles - software	54,492	11,591		17,600	54,492	29,191
Total capital assets	\$ 199,454,518	\$ 200,604,775	\$ 78,258,723	\$ 74,529,662	\$ 277,713,241	\$ 275,134,437



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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

At the end of 2016, the Town had total bonded debt outstanding of \$95,568,358. 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds*	\$ 74,970,895	\$ 83,677,332	\$ 20,597,463	\$ 9,127,667	\$ 95,568,358	\$ 92,804,999
Bond anticipation notes				4,604,957		4,604,957
Total	<u>\$ 74,970,895</u>	<u>\$ 83,677,332</u>	<u>\$ 20,597,463</u>	<u>\$ 13,732,624</u>	<u>\$ 95,568,358</u>	<u>\$ 97,409,956</u>

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

As of September 2017, 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 Town's outstanding general obligation debt is significantly less than its current debt limit of \$381,395,918. The percentage of debt limit exhausted as of December 31, 2016 was 21.70%.

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.E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Next year's budget will increase by \$1,910,750 (2.40%) with increases in spending for the General Fund of \$964,100, Water District of \$440,000, Sewer Districts of \$989,600, and a decrease in the CDA Fund of \$400,000. Several other funds had minor increases or decreases.

Assessed values increased in 2017 by \$5,692,595 over 2016 or .68%.

The Town-wide tax rate increased by \$4.19 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 2017.

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, 2016

	Primary Government		Total	Nonmajor Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,389,654	\$ 6,502,432	\$ 20,892,086	\$ 290,539
Cash - restricted	11,667,411		11,667,411	
Cash with fiscal agent		1,123,487	1,123,487	
Accounts receivable	603,692	96,591	700,283	2,440
Billings receivable		1,271,163	1,271,163	
Due from other governments	2,801,964	1,226,289	4,028,253	5,000
Prepays	1,277,330	104,211	1,381,541	15,833
Inventory of materials and supplies	96,319	40,349	136,668	
Total current assets	<u>30,836,370</u>	<u>10,364,522</u>	<u>41,200,892</u>	<u>313,812</u>
Non-current assets:				
Non-depreciable capital assets	160,406,031	34,405,292	194,811,323	
Capital assets, net of accumulated depreciation	39,048,487	43,853,431	82,901,918	421
Total non-current assets	<u>199,454,518</u>	<u>78,258,723</u>	<u>277,713,241</u>	<u>421</u>
Total assets	<u>230,290,888</u>	<u>88,623,245</u>	<u>318,914,133</u>	<u>314,233</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	19,628,926	1,443,849	21,072,775	83,800
Total deferred outflows of resources	<u>19,628,926</u>	<u>1,443,849</u>	<u>21,072,775</u>	<u>83,800</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,461,299	1,404,746	3,866,045	21,143
Retainage payable		1,066,942	1,066,942	
Accrued interest payable	330,867	73,346	404,213	
Due to other governments	20,052		20,052	
Unearned revenue	192,210	93,168	285,378	
Other liabilities		31,830	31,830	
Non-current liabilities due within one year:				
General obligation bonds payable	8,528,178	1,606,105	10,134,283	
Compensated absences payable	882,891	83,809	966,700	
Claims and judgments payable	1,003,112		1,003,112	
Estimated liability for landfill closure and postclosure care costs	53,250		53,250	
Total current liabilities	<u>13,471,859</u>	<u>4,359,946</u>	<u>17,831,805</u>	<u>21,143</u>
Non-current liabilities due in more than one year:				
General obligation bonds payable	68,418,414	18,991,358	87,409,772	
Compensated absences payable	8,724,194	828,147	9,552,341	13,639
Claims and judgments payable	1,655,544		1,655,544	
Estimated liability for landfill closure and postclosure care costs	1,835,051		1,835,051	
Net pension liability - proportionate share	16,784,248	1,249,724	18,033,972	77,954
Postemployment benefits healthcare costs	48,404,348	4,632,620	53,036,968	
Total non-current liabilities	<u>145,821,799</u>	<u>25,701,849</u>	<u>171,523,648</u>	<u>91,593</u>
Total liabilities	<u>159,293,658</u>	<u>30,061,795</u>	<u>189,355,453</u>	<u>112,736</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	5,830,171	558,614	6,388,785	
Pensions	2,386,164	149,160	2,535,324	11,502
Total deferred inflows of resources	<u>8,216,335</u>	<u>707,774</u>	<u>8,924,109</u>	<u>11,502</u>
NET POSITION				
Net investment in capital assets	122,504,101	56,884,744	179,388,845	
Restricted for:				
Debt service fund	685,764	91,147	776,911	
Community preservation fund	10,729,603		10,729,603	
Home and community services	95,474	1,329,822	1,425,296	
Grantor and donor restriction - equipment	100,000		100,000	
Unrestricted	(51,705,121)	991,812	(50,713,309)	273,795
Total net position	<u>\$ 82,409,821</u>	<u>\$ 59,297,525</u>	<u>\$ 141,707,346</u>	<u>\$ 273,795</u>

TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Function/ Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government support	\$ 14,524,350	\$ 985,872		\$ 100,000
Public safety	28,956,046	1,600,770	\$ 311,257	
Health	1,158,024	43,884		
Transportation	7,503,150	181,022	25,877	475,436
Economic assistance and opportunity	1,805,463	39,060	429,110	
Culture and recreation	2,993,126	1,043,078		143,650
Home and community services	5,372,189	282,104	70,367	
Interest on debt	3,098,003			
Total governmental activities	65,410,351	4,175,790	836,611	719,086
Business-type Activities:				
Home and community services - Sewer	5,128,966	4,225,546		1,037,334
Home and community services - Water	6,122,864	4,864,172		548,886
Total business-type activities	11,251,830	9,089,718	-0-	1,586,220
Total primary government	\$ 76,662,181	\$ 13,265,508	\$ 836,611	\$ 2,305,306
NONMAJOR COMPONENT UNITS:				
Economic assistance and opportunity	\$ 230,316	\$ 319,385		
Total nonmajor component units	\$ 230,316	\$ 319,385		

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

Cummulative effect of change in accounting principle

Net position - beginning, as restated

Net position - ending

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Nonmajor Component Units</u>
\$ (13,438,478)		\$ (13,438,478)	
(27,044,019)		(27,044,019)	
(1,114,140)		(1,114,140)	
(6,820,815)		(6,820,815)	
(1,337,293)		(1,337,293)	
(1,806,398)		(1,806,398)	
(5,019,718)		(5,019,718)	
(3,098,003)		(3,098,003)	
<u>(59,678,864)</u>		<u>(59,678,864)</u>	
	\$ 133,914	133,914	
	(709,806)	(709,806)	
	<u>(575,892)</u>	<u>(575,892)</u>	
\$ (59,678,864)	\$ (575,892)	\$ (60,254,756)	
			\$ 89,069
			\$ 89,069
\$ 47,357,795	\$ 1,674,700	\$ 49,032,495	
375,575	454,272	829,847	
1,536,455	146,688	1,683,143	
3,430,450		3,430,450	
1,136,382		1,136,382	
888,258		888,258	
389,206	1,943	391,149	\$ 69
107,028		107,028	
129,355		129,355	
89,708	566,113	655,821	8,489
1,326,600	(1,326,600)	-0-	
<u>56,766,812</u>	<u>1,517,116</u>	<u>58,283,928</u>	<u>8,558</u>
(2,912,052)	941,224	(1,970,828)	97,627
85,321,873	58,356,301	143,678,174	169,487
-0-	-0-	-0-	6,681
<u>85,321,873</u>	<u>58,356,301</u>	<u>143,678,174</u>	<u>176,168</u>
<u>\$ 82,409,821</u>	<u>\$ 59,297,525</u>	<u>\$ 141,707,346</u>	<u>\$ 273,795</u>

**TOWN OF RIVERHEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

MAJOR FUNDS

	General	Highway	Debt Service	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 4,942,034	\$ 3,350,255		
Cash - restricted				\$ 962,115
Accounts receivable	553,555			9,970
Due from other funds	1,032,689	961,290		848,997
Due from other governments	1,854,821			228,571
Prepays	1,150,674	79,093		
Inventory	96,319			
Total assets	<u>\$ 9,630,092</u>	<u>\$ 4,390,638</u>	<u>\$ -0-</u>	<u>\$ 2,049,653</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,868,396	\$ 206,490		\$ 115,531
Due to other funds	879,150			1,075,160
Due to other governments	19,722			330
Unearned revenue	113,632			5,782
Total liabilities	<u>2,880,900</u>	<u>206,490</u>	<u>\$ -0-</u>	<u>1,196,803</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	4,314,917	839,179		
Total deferred inflows of resources	<u>4,314,917</u>	<u>839,179</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES				
Nonspendable	1,246,993	79,093		
Restricted	100,000			685,764
Assigned	638,539	3,265,876		167,086
Unassigned	448,743			
Total fund balances	<u>2,434,275</u>	<u>3,344,969</u>	<u>-0-</u>	<u>852,850</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,630,092</u>	<u>\$ 4,390,638</u>	<u>\$ -0-</u>	<u>\$ 2,049,653</u>

Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
\$ 10,365,357	\$ 2,393,447	\$ 10,685,736
	239,939	11,567,411
	40,167	603,692
364,246	30,146	2,873,122
	41,732	2,489,370
	47,563	1,277,330
		96,319
<u>\$ 10,729,603</u>	<u>\$ 2,792,994</u>	<u>\$ 29,592,980</u>
	\$ 98,431	\$ 2,288,848
	918,812	2,873,122
		20,052
	72,796	192,210
<u>\$ -0-</u>	<u>1,090,039</u>	<u>5,374,232</u>
	676,075	5,830,171
<u>-0-</u>	<u>676,075</u>	<u>5,830,171</u>
	47,563	1,373,649
10,729,603	95,474	11,610,841
	1,723,701	5,795,202
	(839,858)	(391,115)
<u>10,729,603</u>	<u>1,026,880</u>	<u>18,388,577</u>
<u>\$ 10,729,603</u>	<u>\$ 2,792,994</u>	<u>\$ 29,592,980</u>

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TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2016

Total fund balances - governmental funds		\$ 18,388,577
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	\$ 160,406,031	
Capital assets - depreciable	170,462,210	
Accumulated depreciation	<u>(131,413,723)</u>	199,454,518
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).		
		3,631,467
Deferred outflows of resources are included in the Statement of Net Position.		
		19,628,926
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	(76,946,592)	
Compensated absences payable	(9,607,085)	
Claims and judgments payable	(2,658,656)	
Estimated liability for landfill closure and postclosure care costs	(1,888,301)	
Net pension liability - proportionate share	(16,784,248)	
Postemployment benefits healthcare costs	<u>(48,404,348)</u>	(156,289,230)
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.		
		312,594
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.		
		(330,867)
Deferred inflows of resources related to the pension plan is included in the Statement of Net Position.		
		<u>(2,386,164)</u>
Net position of governmental activities		<u><u>\$ 82,409,821</u></u>

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

MAJOR FUNDS

	General	Highway	Debt Service	Capital Projects
REVENUES				
Real property taxes	\$ 34,591,990	\$ 7,026,500		
Real property tax items	374,798	777		
Non-property tax items	2,424,713			
Departmental income	2,512,633			
Intergovernmental charges	111,562			
Use of money and property	177,542	8,255		
Licenses and permits	86,698	25,400		
Fines and forfeitures	496,518			
Sale of property and compensation for loss	49,075	44,136		
Miscellaneous local sources	326,098	3,546		
Interfund revenues	1,027,060	1,835		
State and local aid	1,794,211	22,899		\$ 475,436
Federal aid	172,942			143,650
Total revenues	<u>44,145,840</u>	<u>7,133,348</u>	<u>\$ -0-</u>	<u>619,086</u>
EXPENDITURES				
Current:				
General government support	8,711,828	88,481		
Public safety	16,315,052			
Health	8,813			
Transportation	395,519	3,939,557		
Economic assistance and opportunity	1,021,780			
Culture and recreation	1,383,478			
Home and community services	1,045,624			
Employee benefits	11,862,310	1,616,833		
Capital Outlay				725,502
Debt Service:				
Principal			8,706,437	
Interest			3,134,825	
Total expenditures	<u>40,744,404</u>	<u>5,644,871</u>	<u>11,841,262</u>	<u>725,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,401,436</u>	<u>1,488,477</u>	<u>(11,841,262)</u>	<u>(106,416)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital asset	154,554			
Transfers in	1,767,838		11,841,262	1,054,485
Transfers out	(5,114,747)	(941,792)		(18,201)
Total other financing sources (uses)	<u>(3,192,355)</u>	<u>(941,792)</u>	<u>11,841,262</u>	<u>1,036,284</u>
Net change in fund balance	209,081	546,685	-0-	929,868
Fund balances (deficit) at beginning of year	2,225,194	2,798,284	-0-	(77,018)
Fund balances at end of year	<u>\$ 2,434,275</u>	<u>\$ 3,344,969</u>	<u>\$ -0-</u>	<u>\$ 852,850</u>

Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 5,739,305	\$ 47,357,795
\$ 3,430,450		375,575
	254,365	5,855,163
25,953	69,109	2,766,998
	600	111,562
		280,859
		112,698
		496,518
		93,211
	7,478	337,122
		1,028,895
	1,295	2,293,841
	70,367	386,959
<u>3,456,403</u>	<u>6,142,519</u>	<u>61,497,196</u>
	488,031	9,288,340
		16,315,052
	1,308,477	1,317,290
	822,501	5,157,577
	158,736	1,180,516
	60,574	1,444,052
2,100	2,720,025	3,767,749
	223,328	13,702,471
		725,502
		8,706,437
		3,134,825
<u>2,100</u>	<u>5,781,672</u>	<u>64,739,811</u>
<u>3,454,303</u>	<u>360,847</u>	<u>(3,242,615)</u>
		154,554
5,213	1,954	14,670,752
(5,620,091)	(1,649,321)	(13,344,152)
<u>(5,614,878)</u>	<u>(1,647,367)</u>	<u>1,481,154</u>
(2,160,575)	(1,286,520)	(1,761,461)
<u>12,890,178</u>	<u>2,313,400</u>	<u>20,150,038</u>
<u>\$ 10,729,603</u>	<u>\$ 1,026,880</u>	<u>\$ 18,388,577</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, 2016

Net change in fund balances - total governmental funds \$ (1,761,461)

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	\$ 2,487,443	
Depreciation expense	(3,603,100)	
Loss on disposition	<u>(34,600)</u>	
		(1,150,257)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 47,206

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	(450,325)	
Other change in net position	<u>194,561</u>	
		(255,764)

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	8,706,437	
Compensated absences	506,422	
Estimated liability for landfill closure and postclosure care costs	(863,568)	
Net pension - liability proportionate share	(1,457,538)	
Postemployment benefits healthcare costs	<u>(7,049,634)</u>	
		(157,881)

Premiums on bond issuances are recognized in the governmental funds statements when issued and capitalized and amortized in the Statement of Activities. 329,283

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. 36,822

Change in net position of governmental activities \$ (2,912,052)

TOWN OF RIVERHEAD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,327,038	\$ 2,175,394	\$ 6,502,432	\$ 3,703,918
Cash - restricted			-	100,000
Cash with fiscal agent	1,123,487		1,123,487	
Accounts receivable	85,352	11,239	96,591	
Billings receivables, net of allowance of \$29,643 in Sewer	46,711	1,224,452	1,271,163	
Due from other governments	1,226,289		1,226,289	
Prepays	41,862	62,349	104,211	
Inventory		40,349	40,349	
Total current assets	<u>6,850,739</u>	<u>3,513,783</u>	<u>10,364,522</u>	<u>3,803,918</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	27,248,699	2,948,536	30,197,235	
Buildings	25,868,825	11,016,872	36,885,697	
Improvements other than buildings	2,058,227	189,873	2,248,100	
Machinery and equipment	1,046,117	7,288,655	8,334,772	
Infrastructure	21,123,705	47,586,816	68,710,521	
Intangibles - depreciable		88,000	88,000	
Less accumulated depreciation/amortization	(35,732,918)	(36,680,741)	(72,413,659)	
Total non-current assets	<u>42,502,928</u>	<u>35,755,795</u>	<u>78,258,723</u>	<u>-0-</u>
Total assets	<u>49,353,667</u>	<u>39,269,578</u>	<u>88,623,245</u>	<u>3,803,918</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	664,278	779,571	1,443,849	
Total deferred outflows of resources	<u>664,278</u>	<u>779,571</u>	<u>1,443,849</u>	<u>-0-</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,070,937	333,809	1,404,746	172,451
Retainage payable	1,066,942		1,066,942	
Accrued interest payable	49,395	23,951	73,346	
Unearned revenue		93,168	93,168	
Customers deposits payable		31,830	31,830	
Non-current liabilities due within one year:				
General obligation bonds payable	1,028,489	577,616	1,606,105	
Claims and judgments payable				1,003,112
Compensated absences payable	31,329	52,480	83,809	
Total current liabilities	<u>3,247,092</u>	<u>1,112,854</u>	<u>4,359,946</u>	<u>1,175,563</u>
Non-current liabilities due in more than one year:				
General obligation bonds payable	13,872,792	5,118,566	18,991,358	
Claims and judgments payable				1,655,544
Compensated absences payable	309,574	518,573	828,147	
Net pension liability - proportionate share	601,792	647,932	1,249,724	
Postemployment benefits healthcare costs	2,158,217	2,474,403	4,632,620	
Total non-current liabilities	<u>16,942,375</u>	<u>8,759,474</u>	<u>25,701,849</u>	<u>1,655,544</u>
Total liabilities	<u>20,189,467</u>	<u>9,872,328</u>	<u>30,061,795</u>	<u>2,831,107</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	411,891	146,723	558,614	
Pensions	71,751	77,409	149,160	
Total deferred inflows of resources	<u>483,642</u>	<u>224,132</u>	<u>707,774</u>	<u>-0-</u>
NET POSITION				
Net investment in capital assets	26,857,382	30,027,362	56,884,744	
Restricted for debt service		91,147	91,147	
Restricted for other purposes	798,604	531,218	1,329,822	
Unrestricted	1,688,850	(697,038)	991,812	972,811
Total net position	<u>\$ 29,344,836</u>	<u>\$ 29,952,689</u>	<u>\$ 59,297,525</u>	<u>\$ 972,811</u>

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
OPERATING REVENUES				
Charges for sales and services:				
Water sales		\$ 4,789,486	\$ 4,789,486	
Sewer rents	\$ 2,840,687		2,840,687	
Sewer charges	1,384,859		1,384,859	
Water service charges		69,567	69,567	
Services to other departments - risk management			-0-	\$ 1,050,000
Other revenues		4,756	4,756	2,140
Total operating revenues	<u>4,225,546</u>	<u>4,863,809</u>	<u>9,089,355</u>	<u>1,052,140</u>
OPERATING EXPENSES				
Cost of sales and services:				
Administration	1,217,134	1,394,377	2,611,511	
Claims and judgments			-0-	1,310,625
Sewerage treatment disposal	1,953,188		1,953,188	
Source of supply, power and pump		1,828,311	1,828,311	
Depreciation/amortization	668,700	1,474,402	2,143,102	
Employee benefits	1,083,128	1,211,457	2,294,585	
Total operating expenses	<u>4,922,150</u>	<u>5,908,547</u>	<u>10,830,697</u>	<u>1,310,625</u>
Operating (loss)	<u>(696,604)</u>	<u>(1,044,738)</u>	<u>(1,741,342)</u>	<u>(258,485)</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment earnings - unrestricted	1,811	132	1,943	2,721
Interest expense	(111,207)	(214,317)	(325,524)	
Insurance recoveries		363	363	
Tower rentals and miscellaneous	39	566,074	566,113	
Developers' fees	460,073	546,551	1,006,624	
Bond issuance costs	(95,609)		(95,609)	
Real property taxes	446,100	1,228,600	1,674,700	
Real property tax items	454,272		454,272	
Non-property tax distribution by county	146,688		146,688	
State and local aid	577,261	2,335	579,596	
Total non-operating revenue	<u>1,879,428</u>	<u>2,129,738</u>	<u>4,009,166</u>	<u>2,721</u>
Income (loss) before transfers	1,182,824	1,085,000	2,267,824	(255,764)
Transfers out	(909,700)	(416,900)	(1,326,600)	
Change in net position	<u>273,124</u>	<u>668,100</u>	<u>941,224</u>	<u>(255,764)</u>
Total net position - beginning	29,071,712	29,284,589	58,356,301	1,228,575
Total net position - ending	<u>\$ 29,344,836</u>	<u>\$ 29,952,689</u>	<u>\$ 59,297,525</u>	<u>\$ 972,811</u>

TOWN OF RIVERHEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 4,151,682	\$ 4,737,770	\$ 8,889,452	
Cash received from interfund services provided - risk management			-	\$ 1,050,000
Cash payments for contractual expenses	(2,037,576)	(1,936,482)	(3,974,058)	
Cash payments to employees for salaries and employee benefits	(1,796,669)	(2,111,921)	(3,908,590)	(503,528)
Cash paid for internal services provided - risk management	(54,104)	(85,122)	(139,226)	(255,110)
Other revenues		4,756	4,756	2,140
Net cash provided by operating activities	<u>263,333</u>	<u>609,001</u>	<u>872,334</u>	<u>293,502</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Real property taxes and tax items	731,578	1,158,263	1,889,841	
Non-property tax distribution by county	146,994		146,994	
Tower rentals and miscellaneous	39	628,277	628,316	
Operating grants		3,386	3,386	
Transfers to/from other funds	<u>(2,100,197)</u>	<u>(916,900)</u>	<u>(3,017,097)</u>	
Net cash provided (used) by noncapital and related financing activities	<u>(1,221,586)</u>	<u>873,026</u>	<u>(348,560)</u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bond anticipation notes payable	8,443,862		8,443,862	
Payment of bond anticipation notes payable	(13,048,819)		(13,048,819)	
Proceeds from general obligation bond	11,664,872		11,664,872	
Capital grants	2,306,714		2,306,714	
Principal paid on capital debt	(430,735)	(887,828)	(1,318,563)	
Interest paid on capital debt	(74,309)	(217,120)	(291,429)	
Capital contributions by developers	460,073	546,551	1,006,624	
Bond issuance costs	(95,609)		(95,609)	
Payments to contractors	<u>(6,792,021)</u>	<u>(699,237)</u>	<u>(7,491,258)</u>	
Net cash provided (used) by capital and related financing activities	<u>2,434,028</u>	<u>(1,257,634)</u>	<u>1,176,394</u>	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	1,811	132	1,943	2,721
Net cash provided by investing activities	<u>1,811</u>	<u>132</u>	<u>1,943</u>	<u>2,721</u>
Net increase in cash and cash equivalents	1,477,586	224,525	1,702,111	296,223
Cash and cash equivalents at January 1, 2016 *	2,849,452	1,950,869	4,800,321	3,507,695
Cash and cash equivalents at December 31, 2016 *	<u>\$ 4,327,038</u>	<u>\$ 2,175,394</u>	<u>\$ 6,502,432</u>	<u>\$ 3,803,918</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating (loss)	\$ (696,604)	\$ (1,044,738)	\$ (1,741,342)	\$ (258,485)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	668,700	1,474,402	2,143,102	
(Increase) decrease in accounts receivable	(79,352)	33,880	(45,472)	
(Increase) decrease in billings receivable	5,488	(155,163)	(149,675)	
(Increase) decrease in inventory		10,406	10,406	
(Increase) decrease in prepaid expense	2,421	(8,987)	(6,566)	
(Increase) decrease in deferred outflows related to pension	(496,095)	(529,730)	(1,025,825)	
Increase (decrease) in compensated absences	389	(39,359)	(38,970)	
Increase (decrease) in the net pension liability - proportionate share	474,469	510,600	985,069	
Increase (decrease) in postemployment healthcare benefits	396,554	398,858	795,412	
Increase (decrease) in customer deposits		(11,336)	(11,336)	
Increase (decrease) in accounts payable/accrued liabilities	(84,388)	(107,241)	(191,629)	101,662
Increase (decrease) in retainage payable				
Increase (decrease) in deferred inflows related to pension	71,751	77,409	149,160	
Increase (decrease) in claims and judgments				450,325
Total adjustments	<u>959,937</u>	<u>1,653,739</u>	<u>2,613,676</u>	<u>551,987</u>
Net cash provided by operating activities	<u>\$ 263,333</u>	<u>\$ 609,001</u>	<u>\$ 872,334</u>	<u>\$ 293,502</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 \$6,792,021 is reported net of the change in accounts payable and retainage payable totaling \$1,503,131.

The Sewer Fund's proceeds from general obligation bond in the amount of \$11,664,872 is reported net of the cash held with fiscal agent totaling \$1,123,487.

The Water Fund's payments to contractors in the amount of \$699,237 is reported net of the change in accounts payable and retainage payable totaling \$115,693.

TOWN OF RIVERHEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
December 31, 2016

		Agency Fund
ASSETS		
Cash	\$	8,540,996
Accounts receivable		101,001
	Total assets	\$ 8,641,997
 LIABILITIES		
Due to school/fire/library districts	\$	6,714,044
Other agency liabilities		1,927,953
	Total liabilities	\$ 8,641,997

TOWN OF RIVERHEAD
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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

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

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
209 West Main Street
Riverhead, NY 11901

Riverhead IDA Economic Development Corporation
209 West Main Street
Riverhead, NY 11901

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

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.

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.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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.

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 2016, workers’ compensation has a Self-Insured Retention (SIR) of \$400,000 for all personnel.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Self-Insurance Fund – Risk Retention Fund – is used to account for the Town’s self-insurance program for general liability claims and other litigation. For 2016, general liability had a \$250,000 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.

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 maybe 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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).

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.

State statutes govern the Town's investment policy. The Town has a written policy stating that Town money must be deposited in FDIC insured commercial banks or trust companies. 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, obligations of New York State or its localities, and certificates of participation. All demand deposits and special time deposit accounts are carried at cost. The Town has no investments at December 31, 2016.

Collateral is required for all deposits in financial institutions at a minimum of 100% of all deposits not covered by federal deposit insurance. The Town's investment policy defines acceptable forms of collateral as 1) certain eligible securities, including but not limited to obligations of the United States and its agencies, obligations of New York State and its municipalities and school districts at 102% of the deposits, 2) certain irrevocable letters of credit issued in favor of the Town, and 3) certain eligible surety bonds issued. The Town may authorize the depository bank or trust company to "redeposit" the Town's funds through a deposit placement program that meets the requirements of State statutes.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, represent amounts charged for services or facilities provided by the General and Highway Funds. 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.

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 and other governments 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 acquisition 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 including but not limited to roads, curbs, sidewalks, drainage and water systems, and street lighting, are capitalized along with other capital assets.

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 \$21,072,775, of which \$19,628,926 relates to governmental activities and \$1,443,849 relates to business-type activities, for pension related activities in the government-wide and proprietary fund's Statement of Net Position.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

The pension plan deferred outflow represents the difference during the measurement period between expected and actual experience, change in assumptions, the net difference between projected and actual investment earnings on the pension plan assets and 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, balance sheet or 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 as a deferred inflow of resources on the Town's fund and government-wide financial statements. The amount of real property taxes collected during 2016 that relate to the 2017 tax levy were \$6,388,785, of which \$5,830,171 relates to governmental activities and \$558,614 relates to business-type activities. On the government-wide and proprietary fund statement of net position, the Town reports a deferred inflow of resources of \$2,535,324, of which \$2,386,164 relates to governmental activities and \$149,160 relates to business-type activities. This deferred inflow of resources relates to changes in proportion and differences between the contributions and proportionate share of the Town's net pension liability as well as differences between expected and actual experience.

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 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.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

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 (continued)

- 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.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 fund balance in its General Fund 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. Total 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. Although the Town increased General Fund fund balance by approximately \$209,000 it is still under the 15% of its total operating budget as of December 31, 2016.

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.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

2. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

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.

4. PENSION

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System, which are collectively referred to as New York State and Local Retirement Systems (the "Systems") have been determined on the same basis as they are reported by the Systems. For this purpose, the Systems recognize benefit payments when due and payable in accordance with the benefit terms and reports investments at fair value.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRONOUNCEMENTS (continued)

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, 2016, the Town adopted:

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 implementation of this Statement did not have any impact on the Town's financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68,*" clarifies the existing guidance as well as establishes new requirements for pensions not covered by GASB 67 and 68. The requirements of this Statement that clarify the existing guidance is effective for the current year. The requirements that address the accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions not within the scope of GASB Statement 68 will be effective for the year ended December 31, 2017. The current year implementation requirements of this Statement did not have any impact on the Town's financial statements.

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 implementation this Statement had no impact on the Town's financial statements.

Statement No. 77, "*Tax Abatement Disclosures*" provides the users of the Town's financial statements with information about the nature and magnitude of tax abatements, to help the users understand how tax abatements affect the Town's future ability to raise resources and meet its financial obligations, as well as the impact on the Town's financial position and economic condition. The implementation of this Statement resulted in the Town disclosing certain information related to tax abatement agreements that were entered into by other organizations that reduce the Town's tax revenues (See Note 3.I).

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 provide 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 implementation of this Statement had no impact on the Town's financial 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.

TOWN OF RIVERHEAD
NOTES TO 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.
- 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 exceed the 2% property tax cap for 2016.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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	\$ 96,319					\$ 96,319
Prepaid items	1,150,674	\$ 79,093			\$ 47,563	1,277,330
Total Nonspendable	<u>1,246,993</u>	<u>79,093</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>47,563</u>	<u>1,373,649</u>
Restricted for:						
Community preservation - 2% tax				10,729,603		10,729,603
Capital projects			685,764			685,764
Grantors and donors restrictions	100,000				95,474	195,474
Total Restricted	<u>100,000</u>	<u>-0-</u>	<u>685,764</u>	<u>10,729,603</u>	<u>95,474</u>	<u>11,610,841</u>
Assigned to:						
Subsequent year's budget					59,900	59,900
Insurance reserve					12,003	12,003
Recycling program					29,469	29,469
Capital projects			167,086			167,086
Purchases on order and/or contractual obligations	52,488				120,401	172,889
Miscellaneous designations	586,051					586,051
Special revenue funds		3,265,876			1,501,928	4,767,804
Total Assigned	<u>638,539</u>	<u>3,265,876</u>	<u>\$ 167,086</u>	<u>-0-</u>	<u>1,723,701</u>	<u>5,795,202</u>
Unassigned, reported in:						
General Fund	448,743					448,743
Capital Projects						-0-
Special Trust Fund					(813,185)	(813,185)
Business Improvement District					(26,673)	(26,673)
Total Unassigned	<u>448,743</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(839,858)</u>	<u>(391,115)</u>
Total Fund Balances	<u>\$ 2,434,275</u>	<u>\$ 3,344,969</u>	<u>\$ 852,850</u>	<u>\$ 10,729,603</u>	<u>\$ 1,026,880</u>	<u>\$ 18,388,577</u>

2. DEFICIT FUND BALANCES

The Recreation Program Fund, Police Athletic League Fund, Recreation Youth Committee Fund, and the Multi-Year Grant Fund, which are included in the General Fund for reporting purposes, had fund deficits of \$124,353, \$8,159, \$267, and \$28,902, respectively, at December 31, 2016. The deficits in these funds are expected to be eliminated in 2017 by reducing the expenditures and increasing the program revenues. The Special Trust Fund, which is a nonmajor governmental fund, had a fund deficit of \$813,185 at December 31, 2016. The deficit is expected to be eliminated through future impact fees from residential subdivisions and condominiums.

3. FUND BALANCE RESERVES AND DESIGNATIONS

Miscellaneous Designations

The majority of the \$586,051 in miscellaneous designations in the General Fund consists of the following: \$343,749 is designated for the building operations of the Stotzky Park child care building, \$132,065 is designated for the Town Board special programs, \$24,959 is designated for the Economic Development Zone, \$25,136 is designated for a Teen Center and \$48,129 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

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, 2016.

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 an irrevocable letter of credit held by the pledging financial institution, or
- 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, 2016, the Town's cash book balance was \$42,217,855. This amount is inclusive of Fiduciary fund deposits of \$8,540,996, cash held with fiscal agent of \$1,123,487, restricted cash of \$11,667,411 but exclusive of petty cash of \$6,125 and the nonmajor discretely presented component units cash of \$290,539. The available bank balance was \$45,194,907. Of the available bank balance, \$1,250,000 was covered by Federal deposit insurance and \$43,944,907 was covered by collateral held by the Town's agents, third-party financial institutions, in the Town's name. Cash held with fiscal agent is not required to be covered by collateral.

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, 2016, the Town of Riverhead did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

B. CASH WITH FISCAL AGENT

As of December 31, 2016, the Town's Sewer Fund has cash held with fiscal agent in the amount of \$1,123,487 for the proceeds of New York State Environmental Facilities Corporation general obligation bonds that were issued in the Town's name, however were not disbursed to the Town as of year end.

C. 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."

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

At December 31, 2016, 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:

	Due from other funds	Due to other funds
Governmental Funds:		
Major Funds:		
General Fund	\$ 1,032,689	\$ 879,150
Highway Fund	961,290	
Capital Projects Fund	848,997	1,075,160
Nonmajor Funds:		
Other Governmental Funds	30,146	918,812
Total	\$ 2,873,122	\$ 2,873,122

The individual fund interfund transfer balances for the governmental and proprietary funds primarily represent transfers for debt service payments, chargebacks for administrative services provided to the proprietary funds and transfers of funds to provide funding for capital projects. Interfund transfer activity for the year ended December 31, 2016 is as follows:

	Transfers out:							
	Major Funds			Nonmajor Funds		Proprietary Funds		
	General Fund	Highway Fund	Capital Projects Fund	Community Preservation Fund	Other Governmental Funds	Sewer District Funds	Water District Funds	
Transfers in:								
Governmental Funds:								
Major Funds:								
General Fund			\$ 11,034		\$ 430,204	\$ 909,700	\$ 416,900	\$ 1,767,838
Debt Service Fund	\$ 5,040,259	\$ 941,792		\$ 5,620,091	239,120			11,841,262
Capital Projects Fund	74,488				979,997			1,054,485
Community Preservation Fund			5,213					5,213
Nonmajor Funds:								
Other Governmental Funds			1,954					1,954
Total	\$ 5,114,747	\$ 941,792	\$ 18,201	\$ 5,620,091	\$ 1,649,321	\$ 909,700	\$ 416,900	\$ 14,670,752

D. CAPITAL ASSETS

Capital assets activity for the governmental activities for the year ended December 31, 2016 is as follows:

	Balance 1/1/2016	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2016
Governmental Activities:				
Capital assets not being depreciated/amortized:				
Land and landfills	\$ 107,062,989		\$ 34,600	\$ 107,028,389
Intangibles - development rights/easements	52,966,917			52,966,917
Construction work in progress	162,732	\$ 723,429	475,436	410,725
Total capital assets not being depreciated	160,192,638	723,429	510,036	160,406,031
Depreciable/amortizable capital assets:				
Buildings	12,717,338		16,860	12,700,478
Improvements	18,162,715	264,253		18,426,968
Infrastructure	115,297,782	1,335,972		116,633,754
Machinery and equipment	22,341,757	589,525	416,064	22,515,218
Intangibles - software	136,092	49,700		185,792
Total depreciable capital assets	168,655,684	2,239,450	432,924	170,462,210
Less accumulated depreciation/amortization:				
Buildings	5,021,994	273,988	16,860	5,279,122
Improvements	8,658,250	1,050,853		9,709,103
Infrastructure	95,092,718	1,506,775		96,599,493
Machinery and equipment	19,346,084	764,685	416,064	19,694,705
Intangibles - software	124,501	6,799		131,300
Total accumulated depreciation	\$ 128,243,547	\$ 3,603,100	\$ 432,924	\$ 131,413,723
Total net depreciable capital assets				39,048,487
Total net capital assets				\$ 199,454,518

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Capital assets activity for the business-type activities for the year ended December 31, 2016 is as follows:

	Balance 1/1/2016	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2016
Business-type Activities:				
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	24,584,928	\$ 5,759,509	\$ 147,202	30,197,235
Total capital assets not being depreciated	<u>28,792,985</u>	<u>5,759,509</u>	<u>147,202</u>	<u>34,405,292</u>
Depreciable/amortizable capital assets:				
Buildings	36,885,697			36,885,697
Improvements	2,177,236	70,864		2,248,100
Machinery and equipment	8,384,706	30,768	80,702	8,334,772
Infrastructure	68,552,297	158,224		68,710,521
Intangibles - software	88,000			88,000
Total depreciable capital assets	<u>116,087,936</u>	<u>259,856</u>	<u>80,702</u>	<u>116,267,090</u>
Less accumulated depreciation/amortization:				
Buildings	18,225,061	672,841		18,897,902
Improvements	1,210,106	136,291		1,346,397
Infrastructure	42,575,277	1,273,855		43,849,132
Machinery and equipment	8,252,815	60,115	80,702	8,232,228
Intangibles - software	88,000			88,000
Total accumulated depreciation	<u>\$ 70,351,259</u>	<u>\$ 2,143,102</u>	<u>\$ 80,702</u>	<u>\$ 72,413,659</u>
Total net depreciable capital assets				<u>43,853,431</u>
Total net capital assets				<u>\$ 78,258,723</u>

Depreciation was charged to the functions and programs as follows:

Governmental Activities:	
General government support	\$ 626,747
Public safety	181,028
Health	64,646
Transportation	1,554,747
Economic assistance and opportunity	273,056
Culture and recreation	780,954
Home and community services	121,922
Total depreciation expense - governmental activities	<u>\$ 3,603,100</u>
Business-type Activities:	
Home and community services - Sewer	\$ 668,700
Home and community services - Water	1,474,402
Total depreciation expense - business-type activities	<u>\$ 2,143,102</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, 2016, the Town has not recorded any such impairment losses.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. 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 available financing in the amount of \$12,693,750 through 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%. As of January 1, 2016, the Town had borrowed \$4,604,957 from this available financing which was repaid during 2016. The Town had additional borrowings of \$8,443,862 during 2016, which was converted to long-term bonds through the New York State Environmental Facilities Corporation in September 2016.

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, 2016.

The long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 0.608% to 5.000% and have maturity dates from 2017 through 2036.

The activity related to the general obligations bonds for year ended December 31, 2016 is as follows:

	Balance 1/1/2016	Issued	Redeemed	Balance 12/31/2016
Governmental Activities:				
General Fund	\$ 30,746,346		\$ 3,938,619	\$ 26,807,727
Highway Fund	4,973,733		778,385	4,195,348
Community Preservation Fund	46,303,295		3,799,820	42,503,475
Nonmajor Funds	1,653,958		189,613	1,464,345
Total governmental activities	83,677,332	\$ -0-	8,706,437	74,970,895
Business-type Activities:				
Sewer Districts Funds	2,543,657	12,788,359	430,735	14,901,281
Water Districts Funds	6,584,010		887,828	5,696,182
Total business-type activities	9,127,667	12,788,359	1,318,563	20,597,463
Total general obligation bonds	\$ 92,804,999	\$ 12,788,359	\$ 10,025,000	\$ 95,568,358

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

Long-term Debt (continued)

General Obligation Bonds (continued)

At December 31, 2016, bonds payable consisted of the following individual issues:

Governmental activities:

Issue	Purpose	Average Rate	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	\$ 5,612,000	August 1, 2022
General Obligation Serial Bonds-2006	Public Improvement	3.750%-4.000%	15,150,000	December 1, 2027
General Obligation Serial Bonds-2008	Public Improvement	3.250%-4.000%	23,550,000	December 2, 2030
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	386,300	May 15, 2020
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	12,390,000	November 15, 2027
General Obligation Serial Bonds-2012	Refunding Bond	2.000%-5.000%	17,882,595	June 1, 2022
			<u>74,970,895</u>	

Business-type activities:

Issue	Purpose	Average Rate	Amount	Final Maturity
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	38,000	August 1, 2022
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	963,700	May 15, 2020
General Obligation Serial Bonds-2011A	Refunding Bond	1.014%-3.301%	510,000	February 15, 2018
General Obligation Serial Bonds-2011C	Refunding Bond	0.785%-4.665%	925,000	October 15, 2031
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	4,360,000	November 15, 2031
General Obligation Serial Bonds-2012	Refunding Bond	2.000%-5.000%	1,012,403	June 1, 2022
General Obligation Serial Bonds-2016B	Public Improvement	0.608%-3.073%	12,788,360	August 1, 2036
			<u>20,597,463</u>	

Total general obligation bonds

\$ 95,568,358

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, 2017	\$ 8,198,895	\$ 2,820,362	\$ 11,019,257
2018	8,423,225	2,514,292	10,937,517
2019	8,441,679	2,187,362	10,629,041
2020	8,488,323	1,849,878	10,338,201
2021	8,198,787	1,528,825	9,727,612
2022-2026	24,219,988	4,189,450	28,409,438
2027-2031	8,999,998	763,000	9,762,998
Totals	<u>\$ 74,970,895</u>	<u>\$ 15,853,169</u>	<u>\$ 90,824,064</u>

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, 2017	\$ 1,606,105	\$ 361,728	\$ 1,967,833
2018	1,600,132	363,253	1,963,385
2019	1,348,323	330,741	1,679,064
2020	1,351,677	299,341	1,651,018
2021	1,106,214	274,275	1,380,489
2022-2026	4,950,012	1,110,187	6,060,199
2027-2031	5,135,000	646,775	5,781,775
2032-2036	3,500,000	185,012	3,685,012
Totals	<u>20,597,463</u>	<u>3,571,312</u>	<u>24,168,775</u>
Total general obligation bonds	<u>\$ 95,568,358</u>	<u>\$ 19,424,481</u>	<u>\$ 114,992,839</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

Bonds Authorized and Unissued

At December 31, 2016, the Town had \$25,644,000 in general obligation bonds, which were authorized but unissued.

As of December 31, 2016, the total long-term outstanding general obligation bonds of the Town aggregated to \$95,568,358. Of this amount, \$82,788,359 was subject to the constitutional debt limit and represented approximately 21.70% of its statutory debt limit.

Changes in Long-term Debt

Long-term liability activities for the year ended December 31, 2016 are as follows:

	Balance 1/1/2016	Increases	Reductions	Balance 12/31/2016	Non-current liabilities due within one year	Non-current liabilities
Governmental activities:						
General obligation bonds	\$ 83,677,332		\$ 8,706,437	\$ 74,970,895	\$ 8,198,895	\$ 66,772,000
Plus deferred amounts:						
Premiums on issuance	2,304,980		329,283	1,975,697	329,283	1,646,414
Total bonds payable	85,982,312		9,035,720	76,946,592	8,528,178	68,418,414
Compensated absences	10,113,507	\$ 2,810,782	3,317,204	9,607,085	882,891	8,724,194
Claims and judgments	2,208,331	1,433,253	982,928	2,658,656	1,003,112	1,655,544
Estimated liability for landfill closure and postclosure care costs	1,024,733	929,111	65,543	1,888,301	53,250	1,835,051
Net pension liabilities - proportionate share	2,435,364	18,881,868	4,532,984	16,784,248		16,784,248
Postemployment benefits healthcare costs	41,354,714	8,657,504	1,607,870	48,404,348		48,404,348
	<u>\$ 143,118,961</u>	<u>\$ 32,712,518</u>	<u>\$ 19,542,249</u>	<u>\$ 156,289,230</u>	<u>\$ 10,467,431</u>	<u>\$ 145,821,799</u>
Business-type activities:						
Bond anticipation notes	\$ 4,604,957	\$ 8,443,862	\$ 13,048,819	\$ -0-	\$ -0-	\$ -0-
General obligation bonds	9,127,667	12,788,359	1,318,563	20,597,463	1,606,105	18,991,358
Compensated absences	950,926	331,117	370,087	911,956	83,809	828,147
Net pension liabilities - proportionate share	264,655	1,375,647	390,578	1,249,724		1,249,724
Postemployment benefits healthcare costs	3,837,208	944,141	148,729	4,632,620		4,632,620
	<u>\$ 18,785,413</u>	<u>\$ 23,883,126</u>	<u>\$ 15,276,776</u>	<u>\$ 27,391,763</u>	<u>\$ 1,689,914</u>	<u>\$ 25,701,849</u>

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, 2016, 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 \$56,556,069 and \$20,555,000, respectively.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. 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") (the "Systems"). These are cost-sharing multiple-employer retirement systems. 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 statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). 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.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

Tiers 3, 4, and 5 (continued)

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.

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.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is general three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

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.

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
2016	\$ 2,162,527	\$ 5,093	\$ (18,254)	\$ 2,149,366
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
2016	\$ 2,976,740	\$ 1,049	\$ (25,078)	\$ 2,952,711
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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Contributions (continued)

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

At December 31, 2016, the Town reported a liability of \$18,033,972 for its proportionate share of the net pension liability for the Systems. The net pension liability was measured as of March 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2015. The Town's proportion of the net pension liability was based on a projection of the Town'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, 2016 (measurement date).

	Net Pension Liability	Allocation of the System's	Change in Allocation of the Systems' Total Net Pension Liability since Prior Measurement Date
ERS	\$ 8,281,359 *	0.0515963%	-0.0012454%
PFRS	9,752,613	0.3293926%	-0.0029836%

*The Town's portion of the net pension liability for ERS in the amount of \$8,281,359 is reported in the governmental activities and business-type activities in the amount of \$7,031,635 and \$1,249,724, 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, 2015 to March 31, 2016.

For the year ended December 31, 2016, the Town recognized pension expense of \$6,623,391, of which \$6,149,112 was related to governmental activities and \$474,279 was for business-type activities. At December 31, 2016, 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	\$ 35,533	\$ 87,472	\$ 6,315
Changes of assumptions	1,875,125	4,204,319	333,264
Net difference between projected and actual earnings on pension plan investments	4,171,552	5,465,551	741,405
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	165,543	65,503	94,635
Town's contribution subsequent to the measurement date	1,343,795	2,214,533	268,230
Total Deferred Outflow - Pension	<u>\$ 7,591,548</u>	<u>\$ 12,037,378</u>	<u>\$ 1,443,849</u>

At December 31, 2016, deferred outflows of resources related to the pension were reported from the following sources:

	Deferred Inflows of Resources		
	Governmental Activities		Business-Type Activities
	ERS	PFRS	ERS
Differences between expected and actual experience	\$ 833,483	\$ 1,474,478	\$ 148,134
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	25,708	52,495	1,026
Total Deferred Inflow - Pension	<u>\$ 859,191</u>	<u>\$ 1,526,973</u>	<u>\$ 149,160</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

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

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. 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 years ending March 31, 2017	\$ 1,374,889	\$ 1,959,126
2018	1,374,889	1,959,126	264,412
2019	1,374,889	1,959,126	264,412
2020	1,263,893	1,883,025	233,222
2021		535,469	
	\$ 5,388,560	\$ 8,295,872	\$ 1,026,458

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2015, 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, 2016	March 31, 2016
Actuarial valuation date	April 1, 2015	April 1, 2015
Interest rate	7.0%	7.0%
Salary increases	3.8%	4.5%
Decrement tables	April 1, 2010 - March 31, 2015	April 1, 2010 - March 31, 2015
Inflation rate	System's Experience 2.5%	System's Experience 2.5%

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 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, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Actuarial Assumptions (continued)

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 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%
Cash	0.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% 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.

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 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability (asset) for:			
Governmental Activities:			
ERS	\$ 15,855,827	\$ 7,031,635	\$ (424,429)
PFRS	21,783,487	9,752,613	(331,867)
Business-Type Activities:			
ERS	2,818,036	1,249,724	(75,433)

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

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, 2015 were as follows (in thousands):

	(Dollars in Thousands)	
	ERS	PFRS
Valuation date	April 1, 2015	April 1, 2015
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727
Plan fiduciary net position	(156,253,265)	(27,386,940)
Employers' net pension liability	\$ 16,050,279	\$ 2,960,787

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

G. 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.

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. The Medicare Part B reimbursement is determined based on yearly income (2014 income used for the 2016 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Plan Description (continued)

The January 1, 2016 valuation is based on the number of participants on the census data as of January 1, 2017, as follows. 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	288	258	30
Retired employees and spouses	163	151	12
Surviving spouses of deceased retirees	16	15	1
Total	467	424	43

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, 2016, the Town's annual other postemployment benefits cost (expenses) of \$9,601,645 is not equal to the Annual Required Contribution (ARC), which is \$10,176,528. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled \$1,756,599 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$7,845,046 for the year ended December 31, 2016. The Town's nonmajor discretely presented component units do not have a policy to pay for postemployment benefits.

Benefit Obligations and Normal Cost

	Primary Government	Governmental Activities	Business-Type Activities
Actuarial Accrued Liability (AAL)			
Active employees	\$ 63,514,291	\$ 56,668,673	\$ 6,845,618
Retired employees	40,649,087	37,616,849	3,032,238
Total Actuarial Accrued Liability (AAL)	104,163,378	94,285,522	9,877,856
Actuarial value of plan assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 104,163,378	\$ 94,285,522	\$ 9,877,856
Funded ratio	0%	0%	0%
Annual covered payroll	\$ 27,133,706	\$ 24,765,745	\$ 2,367,961
UAAL as a percentage of covered payroll	383.9%	380.7%	417.1%

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, 2016, based on the January 1, 2016 valuation amounted to \$104,163,378.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Benefit Obligations and Normal Cost (continued)

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	\$ 4,293,533	\$ 3,859,539	\$ 433,994
Amortization of unfunded actuarial liability (UAAL) over 30 years	5,491,590	4,970,820	520,770
Interest	391,405	353,214	38,191
Annual required contribution (ARC)	10,176,528	9,183,573	992,955
Interest on net OPEB obligation	1,807,677	1,654,190	153,487
Adjustment to ARC	(2,382,560)	(2,180,259)	(202,301)
Annual OPEB Cost	9,601,645	8,657,504	944,141
Less: Contribution for year ended December 31, 2016	1,756,599	1,607,870	148,729
Increase in other postemployment benefits liability	7,845,046	7,049,634	795,412
Other postemployment benefits liability at December 31, 2015	45,191,922	41,354,714	3,837,208
Other postemployment benefits liability at December 31, 2016	<u>\$ 53,036,968</u>	<u>\$ 48,404,348</u>	<u>\$ 4,632,620</u>
Percentage of annual OPEB cost contributed	18.3%	18.6%	15.8%

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
2016	\$ 9,601,645	\$ 1,756,599	18.3%	\$ 53,036,968
2015	8,614,245	1,575,169	18.3%	45,191,922
2014	8,215,202	1,434,981	17.5%	38,152,846

The primary government's funded status of the plan as of January 1, 2016 is as follows:

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)
1/1/2016	\$ -0-	\$ 104,163,378	\$ 104,163,378	0%	\$ 27,133,706	383.9%

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Funded Status and Funding Progress (continued)

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, 2016, 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 3.0% inflation rate, a 4.0% discount rate, a 2.5% payroll growth rate. The valuation assumes an 8.0% health care trend rate for the year ended and reduced decrements to a rate of 5.0% after seven years. The remaining amortization period at December 31, 2016 was twenty-two years.

A copy of the Town of Riverhead's Retiree Medical Program, January 1, 2016 Valuation is available by contacting the Town of Riverhead, Office of the Financial Administrator, 1295 Pulaski Street, Riverhead, New York 11901.

H. 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, 2016, the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was \$9,607,085 and \$911,956, respectively, for an aggregate total of \$10,519,041.

I. TAX ABATEMENT PROGRAM

The Town is subject to real estate tax abatements granted by the Suffolk County Industrial Development Agency and the Riverhead Industrial Development Agency, a discretely presented component unit of the Town. The purpose of the real estate tax abatements is to offer tax saving incentives to stimulate economic development and revitalization within the Town. This growth promotes job creation, additional economic activity for local businesses, Town beautification, rising property values, and a higher quality of life for all residents and businesses in the Town.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

I. TAX ABATEMENT PROGRAM (continued)

Riverhead Industrial Development Agency Tax Abatement Programs

Local businesses apply to the Riverhead Industrial Development Agency for financial assistance. The assistance generally includes exemptions from real property tax, mortgage recording tax, and sales and use tax and issuance of low interest revenue bonds (not an obligation of the Riverhead Industrial Development Agency or the Town). As part of the transaction, the Riverhead Industrial Development Agency takes title to the project's real property. In doing so, under the provisions of Article 18-A of General Municipal Law ("GML"), the Riverhead Industrial Development Agency is not required to pay real estate taxes or assessments on any of the property acquired by or under the jurisdiction, control or supervision of the Riverhead Industrial Development Agency's activities. A portion of the real estate tax exemption is usually recaptured in the form of payments in lieu of taxes, which are less significant than the real property taxes that are abated.

The Riverhead Industrial Development Agency has a Board adopted Uniform Tax Exemption Policy, which outlines how the local businesses' real estate taxes are reduced and how the amount of the real estate abatement is determined. During the term of the agreements, the local business must operate and maintain the property consistent with the terms of the agreement. If the local business does not comply, financial penalties may be imposed, such as the recapture of the benefits received, depending upon the severity of the noncompliance.

For the year ended December 31, 2016, the Town's property tax revenues were reduced by \$541,820 and payments in lieu of taxes, including recapture payments, were collected in the amount of \$305,455 under the agreements entered into by the Riverhead Industrial Development Agency. The amount of the abated taxes reported is based on the assessed value of property per the official assessment tax rolls and tax rates in effect on December 1, 2015, the tax lien date.

Suffolk County Industrial Development Agency Tax Abatement Programs

Similar to the Riverhead Industrial Development Agency, the Suffolk County Industrial Development Agency offers several abatement programs on certain qualified projects to promote, encourage, attract and develop job and recreational opportunities and economically-sound commerce and industry in Suffolk County. The Suffolk County Industrial Development Agency operates under the same provisions of GML and has adopted its own Uniform Tax Exempt Policy.

For the year ended December 31, 2016, there were no agreements entered into by the Suffolk County Industrial Development Agency that resulted in significant Town abated property tax revenues.

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 coverages 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

Property

The Town is self-insured for property on the first \$50,000 per loss and \$70,000,000 (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 \$2,500,000 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 \$5,000,000 per occurrence and \$5,000,000 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.

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, 2016, the Self-Insurance Fund had assets of \$3,803,918 and liabilities of \$2,831,107. Included in this amount is \$801,112 for general liability claims, \$1,157,544 for worker's compensation claims and \$750,000 for a litigation settlement. 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

Self-Insurance Fund (continued)

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

	General Liability		Workers' Compensation	
	2016	2015	2016	2015
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 912,946	\$ 1,644,883	\$ 1,295,385	\$ 1,182,709
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	178,362	152,630	554,891	998,787
Total incurred claims and claim adjustment expenditures	1,091,308	1,797,513	1,850,276	2,181,496
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	290,196	884,567	692,732	886,111
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 801,112</u>	<u>\$ 912,946</u>	<u>\$ 1,157,544</u>	<u>\$ 1,295,385</u>

In addition to the general liability and workers' compensation reserves, claims and judgments payable at December 31, 2016 includes an amount of \$750,000 for an other litigation matter that was settled in October 2017.

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.

In lieu of remitter, Kar-McVeigh, LLC has submitted applications to the Town of Riverhead to allow catering on a seasonal and limited basis under a tent, which applications have yet to be reviewed.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

Ksenia DeCarle, as Administratrix of the Estate of David Ian DeCarle, Deceased v. Town of Riverhead: The plaintiff initiated a Supreme Court action against the Town of Riverhead 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. The Town has made a motion for summary judgment, which was unopposed. In lieu of that motion being decided, the Plaintiff agreed to discontinue the action.

As of December 31, 2016, 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.

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 the 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 \$53,250 during 2017 and range between approximately \$53,000 to \$103,000 for the remaining twenty-four years, with an inflation factor built in.

Accordingly, as of December 31, 2016, the Town has recorded an estimated liability of \$1,888,301, 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 \$878,081, of which \$570,410 applies to Sewer Fund and \$307,671 applies to the Water District Fund. As of December 31, 2016, there are no outstanding capital commitments related to governmental activities.

E. GRANTS

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

5. 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.

6. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following Statements that may have an impact on the Town's financial reporting:

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 that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016. The remaining requirements were effective in the current year (see Note 1.H).

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. 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.

Statement No. 84, "*Fiduciary Activities*," the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018.

Statement No. 85, "*Omnibus 2017*," the objective of which is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement specifically addresses issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and OPEB). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

6. NEW PRONOUNCEMENTS (continued)

Statement No. 86, "*Certain Debt Extinguishment Issues*," the objective of which is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 87, "*Leases*," the objective of which is to improve accounting and financial reporting for leases by governments. This Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 34,590,600	\$ 34,615,544	\$ 34,591,990	\$ (23,554)
Real property tax items	345,400	345,400	374,798	29,398
Non-property tax items	2,336,400	2,336,400	2,424,713	88,313
Departmental income	2,575,000	2,599,862	2,512,633	(87,229)
Intergovernmental charges	50,000	50,000	111,562	61,562
Use of money and property	915,000	915,000	177,542	(737,458)
Licenses and permits	76,400	76,400	86,698	10,298
Fines and forfeitures	510,000	510,000	496,518	(13,482)
Sale of property and compensation for loss	60,500	60,500	49,075	(11,425)
Miscellaneous local sources	117,000	117,000	326,098	209,098
Interfund revenues	1,590,700	1,633,600	1,027,060	(606,540)
State and local aid	1,759,000	1,903,462	1,794,211	(109,251)
Federal aid	6,000	24,183	172,942	148,759
Total revenues	<u>44,932,000</u>	<u>45,187,351</u>	<u>44,145,840</u>	<u>(1,041,511)</u>
EXPENDITURES				
Current:				
General government support	9,596,950	9,601,370	8,711,828	889,542
Public safety	16,133,950	16,315,225	16,315,052	173
Health	9,000	9,000	8,813	187
Transportation	395,200	396,200	395,519	681
Economic assistance and opportunity	945,700	1,129,547	1,021,780	107,767
Culture and recreation	1,422,200	1,408,450	1,383,478	24,972
Home and community services	1,240,100	1,218,544	1,045,624	172,920
Employee benefits	11,987,200	11,921,700	11,862,310	59,390
Total expenditures	<u>41,730,300</u>	<u>42,000,036</u>	<u>40,744,404</u>	<u>1,255,632</u>
Excess of revenues over expenditures				
	<u>3,201,700</u>	<u>3,187,315</u>	<u>3,401,436</u>	<u>214,121</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-0-	-0-	154,554	154,554
Transfers in	1,838,600	1,857,985	1,767,838	(90,147)
Transfers out	(5,040,300)	(5,119,788)	(5,114,747)	5,041
Total other financing sources (uses)	<u>(3,201,700)</u>	<u>(3,261,803)</u>	<u>(3,192,355)</u>	<u>69,448</u>
Net change in fund balances				
	<u>\$ -0-</u>	<u>\$ (74,488)</u>	<u>209,081</u>	<u>\$ 283,569</u>
Fund balances at beginning of year				
			<u>2,225,194</u>	
Fund balances at end of year				
			<u>\$ 2,434,275</u>	

TOWN OF RIVERHEAD
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 7,026,500	\$ 7,026,500	\$ 7,026,500	\$ -0-
Real property tax items			777	777
Use of money and property	7,000	7,000	8,255	1,255
Licenses and permits	25,000	25,000	25,400	400
Sale of property and compensation for loss	1,500	1,500	44,136	42,636
Miscellaneous revenue			3,546	3,546
Interfund revenues	5,000	5,000	1,835	(3,165)
State and local aid			22,899	22,899
Total revenues	<u>7,065,000</u>	<u>7,065,000</u>	<u>7,133,348</u>	<u>68,348</u>
EXPENDITURES				
Current:				
General government support	132,300	132,320	88,481	43,839
Transportation	4,381,600	4,441,580	3,939,557	502,023
Employee benefits	1,609,300	1,624,300	1,616,833	7,467
Total expenditures	<u>6,123,200</u>	<u>6,198,200</u>	<u>5,644,871</u>	<u>553,329</u>
Excess of revenues over expenditures				
	<u>941,800</u>	<u>866,800</u>	<u>1,488,477</u>	<u>621,677</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(941,800)	(941,800)	(941,792)	8
Total other financing sources (uses)	<u>(941,800)</u>	<u>(941,800)</u>	<u>(941,792)</u>	<u>8</u>
Net change in fund balances				
	<u>\$ -0-</u>	<u>\$ (75,000)</u>	<u>546,685</u>	<u>\$ 621,685</u>
Fund balances at beginning of year				
			<u>2,798,284</u>	
Fund balances at end of year				
			<u>\$ 3,344,969</u>	

TOWN OF RIVERHEAD
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
Debt service:				
Principal	\$ 8,706,500	\$ 8,706,500	\$ 8,706,437	\$ 63
Interest	3,135,000	3,135,000	3,134,825	175
Total expenditures	<u>11,841,500</u>	<u>11,841,500</u>	<u>11,841,262</u>	<u>238</u>
OTHER FINANCING SOURCES				
Transfers in	11,841,500	11,841,500	11,841,262	(238)
Total other financing sources	<u>11,841,500</u>	<u>11,841,500</u>	<u>11,841,262</u>	<u>(238)</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Non-property tax items	\$ 3,200,000	\$ 3,200,000	\$ 3,430,450	\$ 230,450
Use of money and property	30,000	30,000	25,953	(4,047)
Total revenues	<u>3,230,000</u>	<u>3,230,000</u>	<u>3,456,403</u>	<u>226,403</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>3,224,000</u>	<u>3,224,000</u>	<u>3,454,303</u>	<u>230,303</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-0-	-0-	5,213	5,213
Transfers out	(5,620,100)	(5,620,100)	(5,620,091)	9
Total other financing sources (uses)	<u>(5,620,100)</u>	<u>(5,620,100)</u>	<u>(5,614,878)</u>	<u>5,222</u>
Net change in fund balances				
	<u>\$ (2,396,100)</u>	<u>\$ (2,396,100)</u>	<u>(2,160,575)</u>	<u>\$ 235,525</u>
Fund balances at beginning of year			12,890,178	
Fund balances at end of year			<u>\$ 10,729,603</u>	

TOWN OF RIVERHEAD
TOWN OF RIVERHEAD RETIREE MEDICAL PROGRAM
POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS
SCHEDULE OF FUNDING PROGRESS
December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
1/1/2016	\$ -0-	104,163,378	\$ 104,163,378	0%	\$ 27,133,706	383.9%
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

Changes in assumptions:

January 1, 2016 actuarial valuation:

- a) Mortality projection scale was updated to reflect the Societies of Actuaries RP-2014 mortality table with MP-2014 projection.
- b) Inflation rate of 3.00% per annum
- c) Healthcare cost trend rate was reset to 8.00%, grading down to .50% per annum to an ultimate rate of 5.00% at year 7

TOWN OF RIVERHEAD
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2016

	2016	2015	2014
NYSERS			
Town's proportion of the collective net pension liability	0.0515963%	0.0528417%	0.0528417%
Town's proportionate share of the net collective pension liability	\$ 8,281,359	\$ 1,785,122	\$ 2,387,842
Town's covered-employee payroll	\$ 12,798,470	\$ 13,227,701 *	\$ 13,457,406 *
Town's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	64.71%	13.50%	17.74%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	90.68%	97.90%	97.20%
NYSPPFRS			
Town's proportion of the collective net pension liability	0.3293926%	0.3323762%	0.3323762%
Town's proportionate share of the net collective pension liability	\$ 9,752,613	\$ 914,897	\$ 1,383,714
Town's covered-employee payroll	\$ 13,610,084	\$ 14,618,715 *	\$ 14,971,084 *
Town's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	71.66%	6.26%	9.24%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	90.24%	99.00%	98.50%

Notes:

Amounts presented above were determined as of the Systems' measurement date of March 31st.

* Information was revised to conform with current year presentation.

There were no significant changes in benefits for the years presented above.

Changes in assumptions were as follows:

- a) The interest (discount) rate was lowered from 7.5% to 7.0% in the actuarial valuation used in the Systems' March 31, 2016 financial statement.
- b) The inflation rate was lowered from 2.7% to 2.5% in the actuarial valuation used in the Systems' March 31, 2016 financial statement.
- c) The assumptions for salary increases was lowered from 4.9% to 3.8% for ERS and 6.0% to 4.5% for PFRS.

TOWN OF RIVERHEAD
SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2016

NYSERS										
Years Ended December 31,										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 2,204,868	\$ 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
Contributions in relation to the contractually required contribution	\$ 2,204,868	\$ 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
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Town's covered-employee payroll	\$ 15,472,582	\$ 11,907,098 *	\$ 13,667,903 *	\$ 13,387,242 *	\$ 13,360,979 *	\$ 13,982,775 *	\$ 13,637,037 *	\$ 14,065,204 *	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.25%	20.92%	21.02%	21.06%	17.77%	14.73%	10.64%	6.99%	N/A	N/A
NYSPPRS										
For the Years Ended December 31,										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 2,852,581	\$ 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
Contributions in relation to the contractually required contribution	\$ 2,852,581	\$ 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
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Town's covered-employee payroll	\$ 12,571,918	\$ 13,956,137 *	\$ 14,839,575 *	\$ 14,942,923 *	\$ 14,534,983 *	\$ 13,100,953 *	\$ 13,771,966 *	\$ 11,074,052 *	N/A	N/A
Contributions as a percentage of covered-employee payroll	22.69%	19.28%	21.12%	20.93%	18.99%	18.11%	13.53%	13.18%	N/A	N/A

N/A Covered- employee payroll for year ended December 2007 was not available.

* Information was revised to conform with current year presentation.

Notes:

The amounts presented for each year are determined as of the year ending December 31st and the contractually required contributions are based on the amounts invoiced by the New York State Local Retirement System.

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries Scale AA to Scale MP-2014.

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, 2016

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
ASSETS				
Cash and cash equivalents		\$ 35,812	\$ 14,223	\$ 61,931
Cash - restricted	\$ 93,121			
Accounts receivable	22,799			300
Due from other funds				27,365
Due from other governments	41,732			
Prepays			36,115	1,931
Total assets	<u>\$ 157,652</u>	<u>\$ 35,812</u>	<u>\$ 50,338</u>	<u>\$ 91,527</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,850			\$ 3,004
Due to other funds	42,450	\$ 848,997	\$ 27,365	
Unearned revenue	17,878			16,745
Total liabilities	<u>62,178</u>	<u>848,997</u>	<u>\$ 27,365</u>	<u>19,749</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes			13,531	
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>13,531</u>	<u>-0-</u>
FUND BALANCES				
Nonspendable			36,115	1,931
Restricted	95,474			
Assigned				69,847
Unassigned		(813,185)	(26,673)	
Total fund balances	<u>95,474</u>	<u>(813,185)</u>	<u>9,442</u>	<u>71,778</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 157,652</u>	<u>\$ 35,812</u>	<u>\$ 50,338</u>	<u>\$ 91,527</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 451,170	\$ 1,148,970	\$ 643,082	\$ 38,259	\$ 146,818	\$ 2,393,447
2,781		3,814		13,254	239,939
7,236		2,281			40,167
<u>\$ 461,187</u>	<u>\$ 1,148,970</u>	<u>\$ 649,177</u>	<u>\$ 38,259</u>	<u>\$ 160,072</u>	<u>\$ 2,792,994</u>
\$ 60,614	\$ 14,839	\$ 584	\$ 9,329	\$ 8,211	\$ 98,431
			7,324	30,849	918,812
<u>60,614</u>	<u>14,839</u>	<u>584</u>	<u>16,653</u>	<u>39,060</u>	<u>1,090,039</u>
140,046	165,954	337,089	19,455		676,075
<u>140,046</u>	<u>165,954</u>	<u>337,089</u>	<u>19,455</u>	<u>-0-</u>	<u>676,075</u>
7,236		2,281			47,563
253,291	968,177	309,223	2,151	121,012	95,474
					1,723,701
<u>260,527</u>	<u>968,177</u>	<u>311,504</u>	<u>2,151</u>	<u>121,012</u>	<u>(839,858)</u>
<u>\$ 461,187</u>	<u>\$ 1,148,970</u>	<u>\$ 649,177</u>	<u>\$ 38,259</u>	<u>\$ 160,072</u>	<u>\$ 2,792,994</u>

TOWN OF RIVERHEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
REVENUES				
Real property taxes			\$ 113,300	
Departmental income				\$ 254,140
Use of money and property	\$ 2,054	\$ 4	16	129
Licenses and permits				
Miscellaneous local sources				
State and local aid				
Federal aid	70,367			
Total revenues	<u>72,421</u>	<u>4</u>	<u>113,316</u>	<u>254,269</u>
EXPENDITURES				
Current:				
General governmental support			5,599	67,442
Health				
Transportation				
Economic assistance and opportunity			105,900	
Culture and recreation				60,574
Home and community services	80,848			
Employee benefits				28,785
Total expenditures	<u>80,848</u>	<u>-0-</u>	<u>111,499</u>	<u>156,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,427)</u>	<u>4</u>	<u>1,817</u>	<u>97,468</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in		1,954		
Operating transfers out	(30,204)	(979,997)		(134,625)
Total other financing sources (uses)	<u>(30,204)</u>	<u>(978,043)</u>	<u>-0-</u>	<u>(134,625)</u>
Net change in fund balance	(38,631)	(978,039)	1,817	(37,157)
Fund balances at beginning of year	134,105	164,854	7,625	108,935
Fund balances at end of year	<u>\$ 95,474</u>	<u>\$ (813,185)</u>	<u>\$ 9,442</u>	<u>\$ 71,778</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 1,189,200	\$ 1,409,200	\$ 2,862,405	\$ 165,200		\$ 5,739,305
965	2,109	1,614	225		254,365
		600	159	\$ 62,059	69,109
		7,478			600
		1,295			7,478
					1,295
					70,367
<u>1,190,165</u>	<u>1,411,309</u>	<u>2,873,392</u>	<u>165,584</u>	<u>62,059</u>	<u>6,142,519</u>
159,614	167,114	66,053	12,345	9,864	488,031
669,571	1,308,477		152,930		1,308,477
				52,836	822,501
		2,639,177			158,736
121,833		72,710			60,574
<u>951,018</u>	<u>1,475,591</u>	<u>2,777,940</u>	<u>165,275</u>	<u>62,700</u>	<u>2,720,025</u>
					223,328
239,147	(64,282)	95,452	309	(641)	5,781,672
					360,847
(12,090)	(42,200)	(8,368)	(41,837)	(400,000)	1,954
(12,090)	(42,200)	(8,368)	(41,837)	(400,000)	(1,649,321)
227,057	(106,482)	87,084	(41,528)	(400,641)	(1,286,520)
33,470	1,074,659	224,420	43,679	521,653	2,313,400
<u>\$ 260,527</u>	<u>\$ 968,177</u>	<u>\$ 311,504</u>	<u>\$ 2,151</u>	<u>\$ 121,012</u>	<u>\$ 1,026,880</u>