

TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(WITH INDEPENDENT AUDITORS' REPORT)

For the Year Ended December 31, 2021

**TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 ("Town"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying 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, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Riverhead Industrial Development Agency or the Riverhead IDA Economic Job Development Corporation, which represent 100% and 100%, respectively, of the assets and revenues of the aggregate discretely presented component units as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by another auditor, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Riverhead Industrial Development Agency and the Riverhead IDA Economic Job Development Corporation are based solely on the reports of the other auditor.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and the other auditor 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 to 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 and individual fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of the Town'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Hauppauge, New York
September 30, 2022

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REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

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TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

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, 2021. Please read it in conjunction with the Town's financial statements.

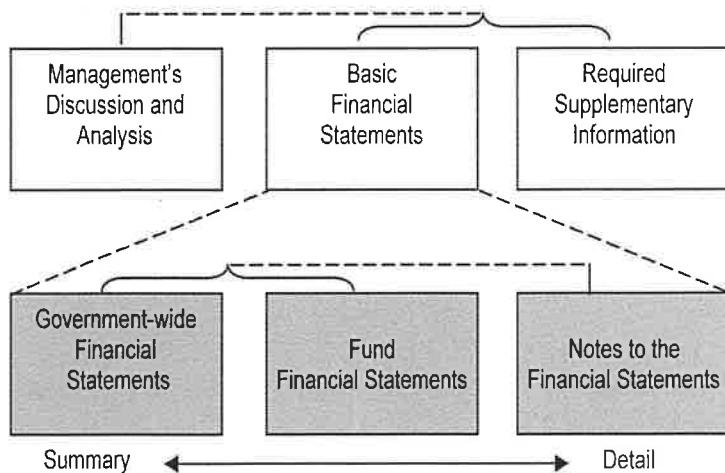
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the primary government exceed its liabilities and deferred inflows of resources at the close of 2021 by \$97,127,319 (net position). The net position of governmental activities was \$33,988,196 and the net position of business-type activities was \$63,139,123.
- The primary government's total net position increased by \$8,912,152 or 10.10%. The governmental net position increased by \$8,594,937 and the business-type net position increased by \$317,215.
- As of the close of 2021, the primary government's governmental funds reported combined ending fund balances of \$28,706,548 an increase of \$3,900,160 in comparison with the prior year. Of this amount, \$1,629,755 is not in spendable form or is required to remain intact. The remaining \$27,076,793 or approximately 94.32% 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 2021, the primary government's total fund balance for the General Fund was \$14,699,724, an increase of \$5,794,124 or 65.06% from the prior year. The aggregate assigned and unassigned fund balance for the General Fund was \$13,157,756, or 26.53% 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 \$61,000,000, an increase of \$2,920,000 or 5.03%. The Town's governmental activities bonded debt outstanding decreased by \$2,196,006 and the Town's business-type funds bonded debt outstanding increased by \$5,116,006.

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, 2021

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 governmental funds 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 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, 2021

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 the General Fund, Highway Fund, and Community Preservation Fund can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis". A budgetary comparison schedule for the Debt Service Fund can be found in the section labeled "Other Supplementary Information."

The governmental funds financial statements can be found in the "Basic Financial Statements" section of this report.

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.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Proprietary Funds (continued)

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.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government and as the resources are not available to support the Town's programs, these funds are not reflected in the government-wide financial statements. The Town has one fiduciary fund, a custodial fund, which primarily accounts for real property taxes billed and collected on behalf of other local municipalities, and bail collected and held on behalf of bailees.

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 budget to actual comparison for the Debt Service Fund, as well as 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 \$97,127,319 at the close of the most recent year. The following analysis focuses on the net position and changes in net position of the Town's governmental and business-type activities.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

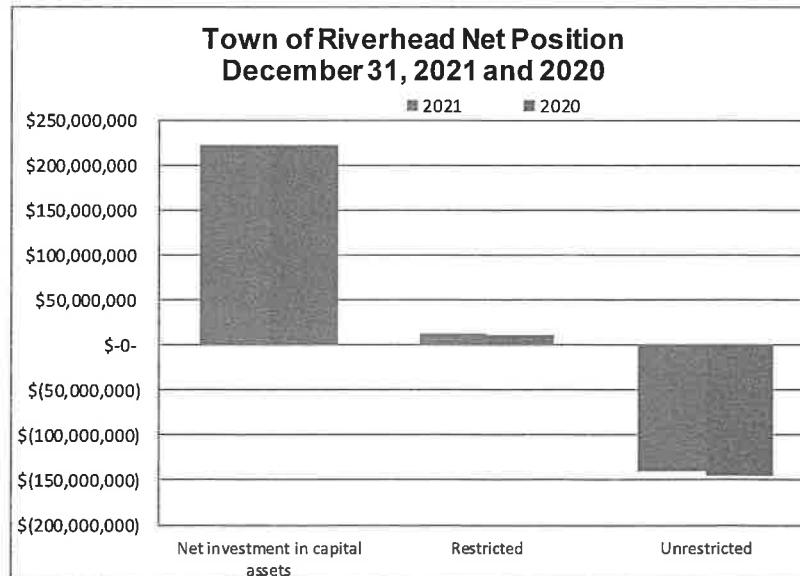
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020*	2021	2020*
Assets						
Current and other assets	\$ 57,077,568	\$ 41,867,573	\$ 24,030,708	\$ 21,775,294	\$ 81,108,276	\$ 63,642,867
Capital assets	205,760,362	199,821,165	85,641,651	86,868,724	291,402,013	286,689,889
Total Assets	262,837,930	241,688,738	109,672,359	108,644,018	372,510,289	350,332,756
Deferred Outflows of Resources	55,756,988	51,444,236	4,051,182	3,999,643	59,808,170	55,443,879
Liabilities						
Current liabilities	26,750,311	16,604,995	7,840,623	13,509,508	34,590,934	30,114,503
Non-current liabilities	212,134,954	236,177,390	38,994,703	34,903,018	251,129,657	271,080,408
Total Liabilities	238,885,265	252,782,385	46,835,326	48,412,526	285,720,591	301,194,911
Deferred Inflows of Resources	45,721,457	14,957,330	3,749,092	1,409,227	49,470,549	16,366,557
Net Position						
Net investment in capital assets	163,964,339	156,435,867	59,035,608	66,062,765	222,999,947	222,498,632
Restricted	10,275,984	8,006,464	3,131,092	2,654,767	13,407,076	10,661,231
Unrestricted	(140,252,127)	(139,049,072)	972,423	(5,895,624)	(139,279,704)	(144,944,696)
Total Net Position	\$ 33,988,196	\$ 25,393,259	\$ 63,139,123	\$ 62,821,908	\$ 97,127,319	\$ 88,215,167

*Net position as of December 31, 2020 has been restated, see Note 5.

By far, the largest portion of the Town's net position \$222,999,947 reflects its net 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 net 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.

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, including compensated absences, employee retirement incentives, claims and judgments, landfill closure and postclosure care costs, the proportionate share of the net pension liability, and total other postemployment benefits liability ("OPEB") that will be funded through future budgetary appropriations when they become payable in future periods.



TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The total net position of the Town as of December 31, 2021 was \$97,127,319, an increase of \$8,912,152 from the prior year. Of this amount, \$222,999,947 was the net investment in capital assets, while \$13,407,076 was restricted by statute or other specific purpose leaving an unrestricted deficit of \$139,279,704.

Changes in Net Position

Governmental Activities and Business-type Activities - Primary Government

For the years ended December 31,

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 4,638,640	\$ 3,072,371	\$ 11,161,020	\$ 10,376,257	\$ 15,799,660	\$ 13,448,628
Operating grants and contributions	885,395	845,123	14,915		900,310	845,123
Capital grants and contributions	873,016	969,463	1,412,258	5,175,158	2,285,274	6,144,621
	<u>6,397,051</u>	<u>4,886,957</u>	<u>12,588,193</u>	<u>15,551,415</u>	<u>18,985,244</u>	<u>20,438,372</u>
General revenues:						
Real property taxes	55,085,019	52,977,654	1,928,715	1,870,571	57,013,734	54,848,225
Other tax items	895,339	841,298			895,339	841,298
Non-property tax items	9,515,590	7,530,564	290,838	830,859	9,806,428	8,361,423
Investment earnings - unrestricted	790,534	869,901	7,607	34,760	798,141	904,661
State aid	2,289,956	2,036,141			2,289,956	2,036,141
Other	1,915,137	307,955	702,394	738,279	2,617,531	1,046,234
	<u>70,491,575</u>	<u>64,563,513</u>	<u>2,929,554</u>	<u>3,474,469</u>	<u>73,421,129</u>	<u>68,037,982</u>
Total Revenues	76,888,626	69,450,470	15,517,747	19,025,884	92,406,373	88,476,354
Expenses						
General government support						
General government support	15,413,237	17,302,581			15,413,237	17,302,581
Public safety	33,449,164	41,065,992			33,449,164	41,065,992
Health	1,544,933	1,489,322			1,544,933	1,489,322
Transportation	8,060,395	8,295,919			8,060,395	8,295,919
Economic assistance and opportunity	1,863,795	1,935,800			1,863,795	1,935,800
Culture and recreation	2,488,668	2,551,991			2,488,668	2,551,991
Home and community services	5,094,748	5,169,215	13,871,317	11,910,797	18,966,065	17,080,012
Interest on debt	1,707,964	2,063,026			1,707,964	2,063,026
	<u>69,622,904</u>	<u>79,873,846</u>	<u>13,871,317</u>	<u>11,910,797</u>	<u>83,494,221</u>	<u>91,784,643</u>
Change in net position before transfers	7,265,722	(10,423,376)	1,646,430	7,115,087	8,912,152	(3,308,289)
Transfers	1,329,215	1,333,265	(1,329,215)	(1,333,265)	-0-	-0-
Change in net position	\$ 8,594,937	\$ (9,090,111)	\$ 317,215	\$ 5,781,822	\$ 8,912,152	\$ (3,308,289)

The change in net position from all combined activities was an increase of \$8,912,152. The governmental activities increased by \$8,594,937 and the business-type activities increased by \$317,215.

Key elements of the changes in governmental activities were:

- Charges for services increased by \$1,566,269 compared to the prior year resulting from mandated closures during the COVID-19 pandemic in the prior year, which were lifted in the current year. The increase is primarily due to increases in charges for service for home and community services of \$711,187 and public safety of \$481,382.
- Grants and contributions fluctuate due to the timing of certain projects/operating expenses and the related reimbursements. Operating grants and contributions increased from the prior year by \$40,272. Capital grants and contributions decreased from the prior year by \$96,447.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

- General revenues increased by \$5,928,062 from the prior year, primarily due to increases in real property tax, non-property tax items, and other revenues, in the amounts of \$2,107,365, \$1,985,026 and \$1,607,182, respectively.
- Overall, governmental expenses decreased by \$10,250,942 compared to prior year. This is primarily a result of the overall decreases in general government support and public safety due to decreases in pension expense and other postemployment benefits expense.

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

- Sewer charges increased \$373,244 from the prior year, and water sales increased by \$411,519 compared to the prior year.
- Capital grant revenue decreased by \$3,762,900 primarily due to grant funding from a New York State Department of Environmental Conservation grant recognized in the prior year to assist in the funding for the sewer treatment upgrade project.

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

Governmental Activities

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2021	2020	2021	2020	2021	2020
General government support	\$ 15,413,237	\$ 17,302,581	\$ 369,657	\$ 254,993	\$ (15,043,580)	\$ (17,047,588)
Public safety	33,449,164	41,065,992	2,177,482	1,775,072	(31,271,682)	(39,290,920)
Health	1,544,933	1,489,322	158,682	104,816	(1,386,251)	(1,384,506)
Transportation	8,060,395	8,295,919	919,649	599,754	(7,140,746)	(7,696,165)
Economic assistance and opportunity	1,863,795	1,935,800	715,039	568,316	(1,148,756)	(1,367,484)
Culture and recreation	2,488,668	2,551,991	824,503	710,804	(1,664,165)	(1,841,187)
Home and community services	5,094,748	5,169,215	1,232,039	873,202	(3,862,709)	(4,296,013)
Interest on debt	1,707,964	2,063,026			(1,707,964)	(2,063,026)
	<u>\$ 69,622,904</u>	<u>\$ 79,873,846</u>	<u>\$ 6,397,051</u>	<u>\$ 4,886,957</u>	<u>\$ (63,225,853)</u>	<u>\$ (74,986,889)</u>

The cost of the governmental activities this year was \$69,622,904. The cost of these services after being partially subsidized by program revenues of \$6,397,051 was \$63,225,853.

Business-type Activities

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

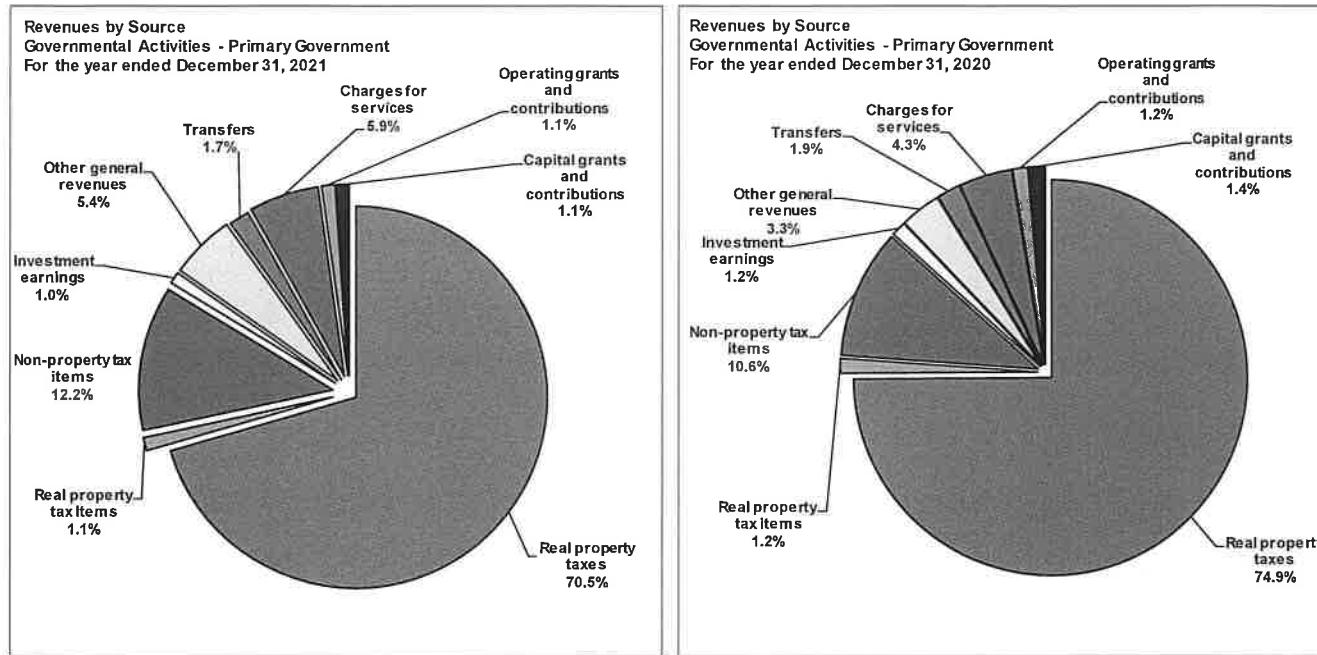
	Total Cost of Services		Program Revenue		Net (Cost) Revenue of Services	
	2021	2020	2021	2020	2021	2020
Home and community services - Sewer	\$ 6,931,152	\$ 5,397,010	\$ 6,166,191	\$ 9,996,033	\$ (764,961)	\$ 4,599,023
Home and community services - Water	6,940,165	6,513,787	6,422,002	5,555,382	(518,163)	(958,405)
	<u>\$ 13,871,317</u>	<u>\$ 11,910,797</u>	<u>\$ 12,588,193</u>	<u>\$ 15,551,415</u>	<u>\$ (1,283,124)</u>	<u>\$ 3,640,618</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The cost of the sewer business-type activity was \$6,931,152, which was funded with program revenues of \$6,166,191 resulting in a net cost of \$764,961. The cost of the water business-type activity this year was \$6,940,165. The cost of this service after being partially subsidized by program revenues of \$6,422,002 was \$518,163.

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



	2021	2020
Real property taxes	\$ 55,085,019	\$ 52,977,654
Real property tax items	895,339	841,298
Non-property tax items	9,515,590	7,530,564
Investment earnings - unrestricted	790,534	869,901
Other general revenues	4,205,093	2,344,096
Transfers	1,329,215	1,333,265
Charges for services	4,638,640	3,072,371
Operating grants and contributions	885,395	845,123
Capital grants and contributions	873,016	969,463
	<hr/> \$ 78,217,841	<hr/> \$ 70,783,735

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

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, 2021, the Town's governmental funds reported total ending fund balances of \$28,706,548, an increase of \$3,900,160 or 15.72% in comparison with the prior year. The category breakdown is as follows:

- **Nonspendable fund balance** - \$1,629,755 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$10,662,124 (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** - \$10,296,818 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$6,117,851 (residual net resources) is the total fund balance in the General Fund of \$11,461,758 in excess of nonspendable, restricted and assigned fund balance offset by the unassigned deficit in the capital projects fund of \$5,343,907, which represents expenditures for projects for which permanent financing has not been obtained.

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 \$14,699,724, an increase of \$5,794,124, or 65.06%, from the prior year. Of this amount, \$1,541,968 is not in spendable form (prepaid items and inventory). The remaining \$13,157,756 of the fund balance is in spendable form as follows: \$1,695,998 has been assigned for other miscellaneous designations and purchase orders, and the remaining \$11,461,758 represents spendable, unassigned fund balance.

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

- Actual revenues were more than budgeted expectations by \$2,888,892, primarily due to higher than expected State and local aid in the amount of \$1,200,215, departmental income in the amount of \$821,209, miscellaneous local sources of \$637,473, and non-property tax items in the amount of \$530,180.
- Actual revenues increased by \$4,921,267 compared to the prior year, primarily due to increases in real property taxes departmental income, and miscellaneous local sources of \$1,814,374, \$1,380,937, and \$760,670 respectively.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

- Overall expenditures were under budget by \$3,892,515, a result of budgetary savings in general governmental support of \$1,928,848, primarily relating to insurance, fuel, information technology, and equipment purchases, budgetary savings in public safety costs of \$744,579, and lower than expected costs for employee benefit costs of \$490,532 related to pension, social security and medical insurance.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

- Actual expenditures increased by \$1,881,125 compared to the prior year, primarily a result of a increases in employee benefits of \$951,193, public safety of \$590,788, and general government support expenditures of \$226,714.

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$4,377,600, increasing \$419,609, or 10.60%, from the prior year. Of this amount, \$77,437 is not in spendable form (prepaid items). The remaining \$4,300,163 of the fund balance is assigned for general highway purposes.

The major components of the fund balance increase of \$419,609 were as follows:

- Actual revenues exceeded budgeted expectations by \$178,565 due to federal aid coming in over budget by \$188,083.
- Overall actual revenues were lower than the prior year by \$127,728, which is primarily a result of a decrease in real property taxes of \$323,562, which was offset by an increase in State and local aid, and federal aid of \$31,347 and \$188,083, respectively.
- 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 \$865,115.
- Overall actual expenditures increased by \$473,248 compared to prior year due to an increase in transportation expenses of \$303,442, and an increase in employee benefits expense of \$146,041.
- Final budget includes prior year encumbrances of \$366,287, and current year fund balance appropriation of \$260,112.

Capital Projects Fund

The fund balance decreased in the Capital Projects Fund by \$5,959,644 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 deficit fund balance of \$4,461,868 which will be eliminated when permanent financing for the town square land acquisition project is obtained.

Community Preservation Fund

At the end of the current year, the Community Preservation Fund had a total fund balance of \$9,667,810, increasing by \$2,214,005 from the prior year. This fund balance is restricted for Community Preservation purposes.

The major components of the fund balance increase of \$2,214,005 were as follows:

- Total non-property tax items exceeded the budget by \$2,907,810 and exceeded prior year revenues by \$1,951,884.
- Overall actual expenditures and operating transfers out were consistent with the prior year, and the adopted budget.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Nonmajor Governmental Funds

The net change in fund balances was an increase of \$1,432,066 over the nine nonmajor funds, the most notable changes are as follows:

- The Street Lighting District had an increase in fund balance of \$180,089 primarily due to actual expenditures coming in under budget by \$135,400.
- The Community Development Fund had an increase of \$768,079 in fund balance, a result of rental of Town owned space resulting in an increase in use of money and property revenue of \$798,074.

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 (\$4,495,653) and \$5,468,076 respectively. The total net position change was an increase of \$317,215; a decrease of \$843,051 in the Sewer District Funds and an increase of \$1,160,266 in the Water District Funds:

- In the Sewer Fund, total non-operating revenues decreased by \$4,736,629 primarily a result of prior year revenues related to the New York State Department of Conservation grant and local aid to fund the costs of the sewer treatment upgrade project which did not recur in the current year. Operating expenses related to sewerage treatment disposal remained relatively consistent with the prior year, and employee benefits expense increased \$1,489,870 from the prior year as a result of the prior year actuarial valuation for other postemployment benefits resulting in a credit to employee benefits for 2020. Operating revenues were consistent with the prior year.
- In the Water Fund, operating revenues related to water sales decreased by \$567,460 compared to the prior year, a result of a decrease in consumption. Overall operating costs increased \$412,864 from the prior year, primarily due to an increase in employee benefits expense. Non-operating revenues increased \$443,729 from the prior year as a result of an increase in developers fees.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there were budget amendments that increased estimated revenues and transfers by \$755,807 and budgeted appropriations by \$1,777,307 inclusive of transfers. Please see the "General Fund" section for more details on the comparison of adopted budgets to actual amounts. The following are the main components of the increase in appropriations:

- Estimated revenues increased by \$400,000 of non-property tax items primarily for municipal garage vehicles, \$190,000 of miscellaneous local sources for community benefit funds including enhancements of police, fire, and emergency medical response, and \$112,598 of departmental income for various items, including a new police vehicle and an environmental review.
- Original budgeted appropriations increased by \$1,819,945 which were primarily due to prior year encumbrances of \$431,826, and increases of \$1,267,929 for public safety, \$300,651 for home and community services, \$209,202 for general government support, and \$417,386 for interfund transfers. These increases were offset by a decrease in the budgeted expenditures for employee benefits of \$587,200.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

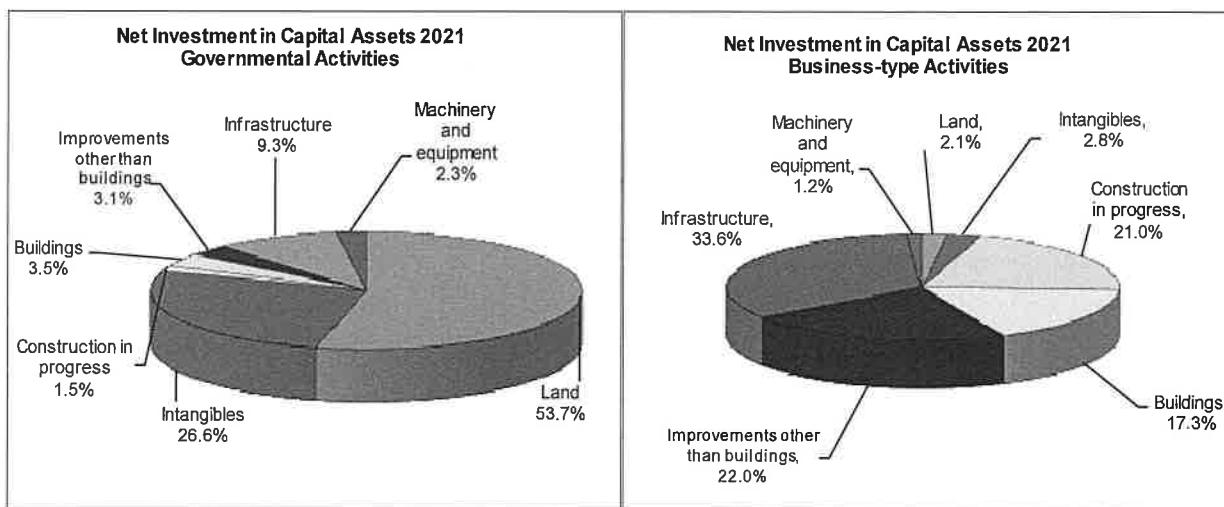
Capital Assets

The Town's capital assets for its governmental and business-type activities as of December 31, 2021 amount to \$291,402,013 (net of accumulated depreciation/amortization). These capital assets include land and landfills, non-depreciable intangible assets, buildings, improvements, infrastructure, machinery and equipment, depreciable intangible assets and construction in progress.

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

- The Sewer District Fund invested \$1,106,012 for sewer treatment plant upgrade projects.
- The Water District Fund invested \$1,140,024 for various projects.
- The Town purchased land in the governmental activities for a town square project at a cost of \$4,917,643.
- The Town resurfaced various Town roads for \$523,898.
- The Town completed parking lot improvements totaling \$820,748.
- The Town purchased equipment for governmental activities for \$1,082,747.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 112,221,032	\$ 107,303,389	\$ 1,829,300	\$ 1,829,300	\$ 114,050,332	\$ 109,132,689
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	5,324,595	2,900,497	18,019,667	23,997,939	23,344,262	26,898,436
Buildings	6,753,697	7,042,230	14,792,341	13,603,587	21,546,038	20,645,817
Improvements other than buildings	5,465,729	6,221,890	18,832,008	21,676,532	24,297,737	27,898,422
Infrastructure	17,914,154	18,514,138	28,737,357	22,292,715	46,651,511	40,806,853
Machinery and equipment	4,852,236	4,607,342	996,281	1,024,918	5,848,517	5,632,260
Intangibles - software	262,002	264,762	55,940	64,976	317,942	329,738
Total capital assets	\$ 205,760,362	\$ 199,821,165	\$ 85,641,651	\$ 86,868,724	\$ 291,402,013	\$ 286,689,889



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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

At the end of 2021, the Town had total bonded debt outstanding of \$56,000,000. The entire debt is backed by the full faith and credit of the Town of Riverhead.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds*	\$ 31,651,201	\$ 38,847,207	\$ 24,348,799	\$ 19,232,793	\$ 56,000,000	\$ 58,080,000
Total	\$ 31,651,201	\$ 38,847,207	\$ 24,348,799	\$ 19,232,793	\$ 56,000,000	\$ 58,080,000

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

As of July 2021, the Town had an "Aa2" 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 \$465,224,575. The percentage of debt limit exhausted as of December 31, 2021 was 6.80%.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Next year's budget will increase by \$458,900 (0.46%) with an increase in spending for the General Fund of \$1,436,900, offset by decreases in spending in the Water Districts of \$365,400, and Debt Service Fund of \$441,200. Several other funds had minor increases or decreases.

Assessed values decreased in 2022 by \$16,940,527, or 1.98% as compared to 2021.

The Town-wide tax rate decreased by \$0.787 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 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 exceeded the 2% cap, inclusive of allowable exclusions, in 2022 by \$403,925. The Town will record the excess in a reserve for excess levy, and will utilize the funds to reduce the tax levy in the year ending December 31, 2023.

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.

BASIC FINANCIAL STATEMENTS

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TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government			Nonmajor Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 42,956,484	\$ 15,827,696	\$ 58,784,180	\$ 169,490
Cash - restricted	8,702,156	3,131,092	11,833,248	
Accounts receivable	296,650		296,650	4,750
Billings receivable		967,951	967,951	
Due from other governments	3,492,523	3,960,371	7,452,894	500
Prepays	1,483,507	96,747	1,580,254	21,482
Inventory of materials and supplies	146,248	46,851	193,099	
Other assets			-0-	1,400
Total current assets	57,077,568	24,030,708	81,108,276	197,622
Non-current assets:				
Non-depreciable capital assets	170,512,544	22,227,724	192,740,268	
Capital assets, net of accumulated depreciation	35,247,818	63,413,927	98,661,745	333
Total non-current assets	205,760,362	85,641,651	291,402,013	333
Total Assets	262,837,930	109,672,359	372,510,289	197,955
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	242,055		242,055	
Pensions	26,905,113	1,664,447	28,569,560	98,114
Other postemployment benefits	28,609,820	2,386,735	30,996,555	
Total Deferred Outflows of Resources	55,756,988	4,051,182	59,808,170	98,114
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	7,811,490	1,357,617	9,169,107	29,282
Retainage payable		32,552	32,552	
Accrued interest payable	479,657	223,191	702,848	
Bond anticipation notes payable	5,000,000		5,000,000	
Due to other governments	210,429	3,468,438	3,678,867	21,288
Unearned revenue	2,685,215	914,963	3,600,178	
Compensated absences	422,257		422,257	
Other liabilities	692,484		692,484	
Non-current liabilities due within one year:				
General obligation bonds payable, inclusive of unamortized premiums	7,702,573	1,702,427	9,405,000	
Installment purchase debt	38,207		38,207	
Compensated absences payable	1,024,672	127,035	1,151,707	
Employee Retirement Incentive	50,400	14,400	64,800	
Claims and judgments payable	569,427		569,427	
Estimated liability for landfill closure and postclosure care costs	63,500		63,500	
Total Current Liabilities	26,750,311	7,840,623	34,590,934	50,570
Non-current liabilities due in more than one year:				
General obligation bonds payable, inclusive of unamortized premiums	27,896,341	24,280,565	52,176,906	
Installment purchase debt	61,140		61,140	
Compensated absences payable	6,918,520	619,945	7,538,465	20,704
Employee retirement incentive	37,800	10,800	48,600	
Claims and judgments payable	1,696,776		1,696,776	
Estimated liability for landfill closure and postclosure care costs	1,457,072		1,457,072	
Net pension liability - proportionate share	5,325,835	6,369	5,332,204	391
Total other postemployment benefits payable	168,741,470	14,077,024	182,818,494	
Total non-current liabilities	212,134,954	38,994,703	251,129,657	21,095
Total Liabilities	238,865,265	46,835,326	285,720,591	71,665
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	8,955,893	901,074	9,856,967	
Deferred gain on refunding		87,692	87,692	
Pensions	26,552,574	1,908,321	28,460,895	118,057
Other postemployment benefits	10,212,990	852,005	11,064,995	
Total Deferred Inflows of Resources	45,721,457	3,749,092	49,470,549	118,057
NET POSITION				
Net investment in capital assets	163,964,339	59,035,608	222,999,947	
Restricted for:				
Capital projects	495,899	3,131,092	3,626,991	
Community preservation fund	9,667,810		9,667,810	
Other purposes	112,275		112,275	
Unrestricted	(140,252,127)	972,423	(139,279,704)	106,347
Total Net Position	\$ 33,988,196	\$ 63,139,123	\$ 97,127,319	\$ 106,347

See notes to financial statements.

TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Nonmajor Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
PRIMARY GOVERNMENT:									
Governmental Activities:									
General government support	\$ 15,413,237	\$ 369,657			\$ (15,043,580)		\$ (15,043,580)		
Public safety	33,449,164	1,981,756	\$ 195,726		(31,271,682)		(31,271,682)		
Health	1,544,933	158,682			(1,386,251)		(1,386,251)		
Transportation	8,060,395	30,891	35,894	\$ 852,864	(7,140,746)		(7,140,746)		
Economic assistance and opportunity	1,863,795	83,775	631,264		(1,148,756)		(1,148,756)		
Culture and recreation	2,488,668	797,061	7,290	20,152	(1,664,165)		(1,664,165)		
Home and community services	5,094,748	1,216,818	15,221		(3,862,709)		(3,862,709)		
Interest on debt	1,707,964				(1,707,964)		(1,707,964)		
Total governmental activities	<u>69,622,904</u>	<u>4,638,640</u>	<u>885,395</u>	<u>873,016</u>	<u>(63,225,853)</u>		<u>(63,225,853)</u>		
Business-type Activities:									
Home and community services - Sewer	6,931,152	5,518,751							
Home and community services - Water	6,940,165	5,642,269	14,915	647,440		\$ (764,961)	(764,961)		
Total business-type activities	<u>13,871,317</u>	<u>11,161,020</u>	<u>14,915</u>	<u>764,818</u>		<u>(518,163)</u>	<u>(518,163)</u>		
Total primary government	<u>\$ 83,494,221</u>	<u>\$ 15,799,660</u>	<u>\$ 900,310</u>	<u>\$ 2,285,274</u>	<u>\$ (63,225,853)</u>	<u>\$ (1,283,124)</u>	<u>(1,283,124)</u>	<u>\$ (64,508,977)</u>	
NONMAJOR COMPONENT UNITS:									
Economic assistance and opportunity	\$ 215,959	\$ 259,630							
Total nonmajor component units	<u>\$ 215,959</u>	<u>\$ 259,630</u>						<u>\$ 43,671</u>	
								<u>43,671</u>	
General revenues:									
Real property taxes				\$ 55,085,019	\$ 1,928,715	\$ 57,013,734			
Real property tax items				895,339		895,339			
Non-property tax items				9,515,590	290,838	9,806,428			
Investment earnings - unrestricted				790,534	7,607	798,141		209	
State aid - unrestricted				2,289,956		2,289,956			
Other				1,915,137	702,394	2,617,531		24,965	
Transfers				1,329,215	(1,329,215)	-0-			
Total general revenues and transfers				<u>71,820,790</u>	<u>1,600,339</u>	<u>73,421,129</u>		<u>25,174</u>	
Change in net position				8,594,937	317,215	8,912,152		68,845	
Net position - beginning of year, as restated				<u>25,393,259</u>	<u>62,821,908</u>	<u>88,215,167</u>		<u>37,502</u>	
Net position - ending				<u>\$ 33,988,196</u>	<u>\$ 63,139,123</u>	<u>\$ 97,127,319</u>		<u>\$ 106,347</u>	

See notes to financial statements.

TOWN OF RIVERHEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	MAJOR FUNDS					Nonmajor Governmental Funds	Total Governmental Funds
	General	Highway	Debt Service	Capital Projects	Community Preservation		
ASSETS							
Cash and cash equivalents	\$ 26,225,944	\$ 6,436,177		\$ 1,491,479		\$ 6,865,127	\$ 41,018,727
Cash - restricted				358,989	\$ 8,193,167		8,552,156
Accounts receivable	287,275	375				9,000	296,650
Due from other funds	692,212						692,212
Due from other governments	1,161,810			558,190	1,474,643	297,880	3,492,523
Prepays	1,395,720	77,437				10,350	1,483,507
Inventory	146,248						146,248
Other assets							
Total assets	\$ 29,909,209	\$ 6,513,989	\$ -0-	\$ 2,408,658	\$ 9,667,810	\$ 7,182,357	\$ 55,682,023
LIABILITIES							
Accounts payable and accrued liabilities	\$ 4,732,458	\$ 1,029,072		\$ 1,456,751		\$ 560,383	\$ 7,778,664
Bond anticipation notes payable				5,000,000			5,000,000
Due to other funds				407,993		284,219	692,212
Due to other governments	210,429						210,429
Compensated absences	412,874	9,383					422,257
Unearned revenue	1,901,589			5,782		777,844	2,685,215
Other liabilities	648,984	43,500					692,484
Total liabilities	\$ 7,906,334	1,081,955	\$ -0-	\$ 6,870,526	\$ -0-	\$ 1,622,446	\$ 17,481,261
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	538,321						538,321
Unavailable revenue - property taxes	6,764,830	1,054,434				1,136,629	8,955,893
Total deferred inflows of resources	\$ 7,303,151	1,054,434	\$ -0-	\$ -0-	\$ -0-	\$ 1,136,629	\$ 9,494,214
FUND BALANCES							
Nonspendable	1,541,968	77,437				10,350	1,629,755
Restricted				882,039	9,667,810	112,275	10,662,124
Assigned	1,695,998	4,300,163				4,300,657	10,296,818
Unassigned	11,461,758			(5,343,907)			6,117,851
Total fund balances	\$ 14,699,724	4,377,600	\$ -0-	\$ (4,461,868)	\$ 9,667,810	\$ 4,423,282	\$ 28,706,548
Total liabilities, deferred inflows of resources and fund balances	\$ 29,909,209	\$ 6,513,989	\$ -0-	\$ 2,408,658	\$ 9,667,810	\$ 7,182,357	\$ 55,682,023

See notes to financial statements.

TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2021

Total Fund Balances - Governmental Funds \$ 28,706,548

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	\$ 170,512,544
Capital assets - depreciable	181,906,444
Accumulated depreciation	<u>(146,658,626)</u>
	205,760,362

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).

2,054,931

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

538,321

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

55,756,988

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	(35,598,914)
Installment purchase debt	(99,347)
Employee retirement incentive payable	(88,200)
Compensated absences payable	(7,943,192)
Claims and judgments payable	(2,266,203)
Estimated liability for landfill closure and postclosure care costs	(1,520,572)
Net pension liability - proportionate share	(5,325,835)
Total other postemployment benefits payable	<u>(168,741,470)</u>
	(221,583,733)

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.

(479,657)

Deferred inflows of resources related to the pension plan and other postemployment benefits is included in the Statement of Net Position.

(36,765,564)

Net Position of Governmental Activities

\$ 33,988,196

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	MAJOR FUNDS					Nonmajor Governmental Funds	Total Governmental Funds
	General	Highway	Debt Service	Capital Projects	Community Preservation		
REVENUES							
Real property taxes	\$ 41,413,167	\$ 6,710,381				\$ 6,961,471	\$ 55,085,019
Real property tax items	873,479	21,860					895,339
Non-property tax items	2,607,780					\$ 6,907,810	9,515,590
Departmental income	3,252,107	2,391					158,682
Use of money and property	228,583	9,120	\$ 581	3,634	1,179,765	1,421,683	
Licenses and permits	233,149	25,950					259,099
Fines and forfeitures	498,955						498,955
Sale of property and compensation for loss	14,765	1,547					16,312
Miscellaneous local sources	844,473	886		110,000		17,290	972,649
Interfund revenues	1,095,961						1,095,961
State and local aid	2,641,315	31,347		543,586		1,338	3,217,586
Federal aid	273,165	188,083				263,996	725,244
Total revenues	53,976,899	6,991,565	\$ -0-	654,167	6,911,444	8,582,542	77,116,617
EXPENDITURES							
Current:							
General government support	9,423,454	82,978				9,208	105,178
Public safety	18,756,850						18,756,850
Health	35,319						1,618,438
Transportation	426,432	4,036,000					698,105
Economic assistance and opportunity	793,986						283,686
Culture and recreation	1,044,312						111,904
Home and community services	1,029,334						3,563,764
Employee benefits	13,533,868	1,974,406					230,571
Capital Outlay:							
General government support				5,924,291			5,924,291
Transportation				1,499,571			1,499,571
Culture and recreation				452,263			452,263
Home and community services				44,925			44,925
Debt Service:							
Principal	36,238		7,845,037				7,881,275
Interest	7,313		1,751,347				1,758,660
Total expenditures	45,087,106	6,093,384	9,596,384	7,921,050	9,208	6,611,646	75,318,778
Excess (deficiency) of revenues over (under) expenditures	8,889,793	898,181	(9,596,384)	(7,266,883)	6,902,236	1,970,896	1,797,839
OTHER FINANCING SOURCES (USES)							
Transfers in	1,385,326		9,596,384	611,636		120,773	11,714,119
Transfers out	(4,501,614)	(478,572)		(56,884)	(4,688,231)	(659,603)	(10,384,904)
Debt proceeds				649,031			649,031
Premium on debt issuance	20,619			103,456			124,075
Total other financing sources (uses)	(3,095,669)	(478,572)	9,596,384	1,307,239	(4,688,231)	(538,830)	2,102,321
Net change in fund balance	5,794,124	419,609	-0-	(5,959,644)	2,214,005	1,432,066	3,900,160
Fund balances at beginning of year	8,905,600	3,957,991	-0-	1,497,776	7,453,805	2,991,216	24,806,388
Fund balances at end of year	\$ 14,699,724	\$ 4,377,600	\$ -0-	\$ (4,461,868)	\$ 9,667,810	\$ 4,423,282	\$ 28,706,548

See notes to financial statements.

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, 2021

Net change in fund balances - total governmental funds \$ 3,900,160

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	\$ 9,468,308
Depreciation expense	<u>(3,529,111)</u>
	5,939,197

Deferred Outflows of Resources

Pension	6,450,385
OPEB	<u>(2,113,156)</u>
Deferred loss on refunding	<u>(24,477)</u>
	4,312,752

Deferred Inflows of Resources

Pension	(25,683,223)
OPEB	<u>(4,986,201)</u>
	(30,669,424)

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

(11,753)

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 internal service funds is reported with governmental activities.

Claims and judgments payable	(394,135)
Other change in net position	<u>411,985</u>
	17,850

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.

Bonds issued	(649,031)
Repayment of bond principal	7,845,037
Repayment of installment purchase debt	36,238
Compensated absences	819,516
Employee retirement incentive	50,400
Estimated liability for landfill closure and postclosure care costs	101,514
Net pension - liability proportionate share	20,597,960
Total other postemployment benefits payable	<u>(4,399,723)</u>
	24,401,911

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

629,071

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.

75,173

Change in net position of governmental activities

\$ 8,594,937

See notes to the financial statements.

TOWN OF RIVERHEAD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,385,565	\$ 13,442,131	\$ 15,827,696	\$ 1,937,757
Cash - restricted	1,342,911	1,788,181	3,131,092	150,000
Water rents receivable		967,951	967,951	
Due from other governments, net of allowance of \$612,193	3,960,371		3,960,371	
Prepays	44,233	52,514	96,747	
Inventory		46,851	46,851	
Total current assets	<u>7,733,080</u>	<u>16,297,628</u>	<u>24,030,708</u>	<u>2,087,757</u>
Non-current assets:				
Capital assets:				
Land	890,273	939,027	1,829,300	
Intangibles - non-depreciable		2,378,757	2,378,757	
Construction work in progress	14,752,881	3,266,786	18,019,667	
Buildings	25,868,825	11,016,872	36,885,697	
Improvements other than buildings	26,452,425	956,490	27,408,915	
Machinery and equipment	1,151,390	8,341,104	9,492,494	
Infrastructure	21,150,681	58,032,544	79,183,225	
Intangibles - depreciable		161,154	161,154	
Less accumulated depreciation/amortization	(45,190,494)	(44,527,064)	(89,717,558)	
Capital assets, net of accumulated depreciation	<u>45,075,981</u>	<u>40,565,670</u>	<u>85,641,651</u>	<u>-0-</u>
Total non-current assets	<u>45,075,981</u>	<u>40,565,670</u>	<u>85,641,651</u>	<u>-0-</u>
Total assets	<u>52,809,061</u>	<u>56,863,298</u>	<u>109,672,359</u>	<u>2,087,757</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	704,429	960,018	1,664,447	
Other postemployment benefits	1,053,883	1,332,852	2,386,735	
Total deferred outflows of resources	<u>1,758,312</u>	<u>2,292,870</u>	<u>4,051,182</u>	<u>-0-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	317,579	915,190	1,232,769	32,826
Retainage payable		32,552	32,552	
Accrued liabilities	59,524	65,324	124,848	
Due to other governments	3,468,438		3,468,438	
Accrued interest payable	93,928	129,263	223,191	
Unearned revenue	221,841	693,122	914,963	
General obligation bonds payable, inclusive of unamortized premiums	767,076	935,351	1,702,427	
Claims and judgments payable				569,427
Compensated absences payable	75,132	51,903	127,035	
Employee retirement incentive	14,400		14,400	
Total current liabilities	<u>5,017,918</u>	<u>2,822,705</u>	<u>7,840,623</u>	<u>602,253</u>
Non-current liabilities due in more than one year:				
General obligation bonds payable, inclusive of unamortized premiums	9,770,000	14,510,565	24,280,565	
Claims and judgments payable				1,696,776
Compensated absences payable	366,654	253,291	619,945	
Employee retirement incentive	10,800		10,800	
Net pension liability - proportionate share	2,490	3,879	6,369	
Postemployment benefits healthcare costs	6,215,514	7,861,510	14,077,024	
Total non-current liabilities	<u>16,365,458</u>	<u>22,629,245</u>	<u>38,994,703</u>	<u>1,696,776</u>
Total liabilities	<u>21,383,376</u>	<u>25,451,950</u>	<u>46,835,326</u>	<u>2,299,029</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	671,710	229,364	901,074	
Deferred gain on refunding		87,692	87,692	
Pensions	772,893	1,135,428	1,908,321	
Other postemployment benefits	376,210	475,795	852,005	
Total deferred inflows of resources	<u>1,820,813</u>	<u>1,928,279</u>	<u>3,749,092</u>	<u>-0-</u>
NET POSITION				
Net investment in capital assets	34,515,926	24,519,682	59,035,608	
Restricted	1,342,911	1,788,181	3,131,092	
Unrestricted	(4,495,653)	5,468,076	972,423	(211,272)
Total net position	<u>\$ 31,363,184</u>	<u>\$ 31,775,939</u>	<u>\$ 63,139,123</u>	<u>\$ (211,272)</u>

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2021

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
OPERATING REVENUES				
Charges for sales and services:				
Water sales	\$ 4,587,402	\$ 4,587,402	\$ -0-	
Sewer rents	\$ 3,433,402	3,433,402		
Sewer charges	2,085,349	2,085,349		
Water service charges	1,054,867	1,054,867		
	<u>Total operating revenues</u>	<u>5,518,751</u>	<u>5,642,269</u>	<u>11,161,020</u>
				-0-
OPERATING EXPENSES				
Cost of sales and services:				
Administration	867,283	1,632,185	2,499,468	
Claims and judgments			-0-	(16,327)
Sewerage treatment disposal	2,789,989	2,789,989		
Source of supply, power and pump		2,017,487	2,017,487	
Depreciation/amortization	2,089,191	1,651,093	3,740,284	
Employee benefits	1,027,001	1,368,620	2,395,621	
	<u>Total operating expenses</u>	<u>6,773,464</u>	<u>6,669,385</u>	<u>13,442,849</u>
				(16,327)
	<u>Operating (loss)</u>	<u>(1,254,713)</u>	<u>(1,027,116)</u>	<u>(2,281,829)</u>
				<u>16,327</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment earnings - unrestricted	2,130	5,477	7,607	1,523
Interest expense	(157,688)	(270,780)	(428,468)	
Tower rentals and miscellaneous		702,394	702,394	
Developers' fees	272,276	762,332	1,034,608	
Real property taxes	518,528	1,410,187	1,928,715	
Non-property tax distribution by county	290,838		290,838	
State and local aid	375,164	2,486	377,650	
Federal aid		14,915	14,915	
	<u>Total non-operating revenue</u>	<u>1,301,248</u>	<u>2,627,011</u>	<u>3,928,259</u>
				<u>1,523</u>
	<u>Income (loss) before transfers</u>	<u>46,535</u>	<u>1,599,895</u>	<u>1,646,430</u>
				<u>17,850</u>
Transfers out		(889,586)	(439,629)	(1,329,215)
	<u>Change in net position</u>	<u>(843,051)</u>	<u>1,160,266</u>	<u>317,215</u>
				<u>17,850</u>
Total net position - beginning of year, as restated	32,206,235	30,615,673	62,821,908	(229,122)
	<u>Total net position - ending</u>	<u>\$ 31,363,184</u>	<u>\$ 31,775,939</u>	<u>\$ 63,139,123</u>
				<u>\$ (211,272)</u>

TOWN OF RIVERHEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 5,518,751	\$ 5,889,185	\$ 11,407,936	
Cash payments for contractual expenses	(3,934,106)	(2,289,477)	(6,223,583)	
Cash payments to employees for salaries and employee benefits	(1,667,176)	(2,619,620)	(4,286,796)	\$ 474,033
Cash paid for internal services provided - risk management				(58,517)
Net cash from operating activities	<u>(82,531)</u>	<u>980,088</u>	<u>897,557</u>	<u>415,516</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Real property taxes and tax items	561,208	1,418,128	1,979,336	
Non-property tax distribution by county	290,838		290,838	
Tower rentals and miscellaneous		490,331	490,331	
Operating grants		17,401	17,401	
Transfers to/from other funds	(885,289)	(439,566)	(1,324,865)	
Net cash from noncapital and related financing activities	<u>(33,253)</u>	<u>1,486,294</u>	<u>1,453,041</u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from debt	625,000	7,508,213	8,133,213	
Capital grants	6,184,842		6,184,842	
Principal paid on capital debt	(5,568,877)	(739,549)	(6,308,426)	
Interest paid on capital debt	(160,438)	(173,593)	(334,031)	
Capital contributions by developers	272,276	762,332	1,034,608	
Gain on refunding		17,178	17,178	
Payments to contractors	(1,888,401)	(830,914)	(2,719,315)	
Net cash from capital and related financing activities	<u>(535,598)</u>	<u>6,543,667</u>	<u>6,008,069</u>	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	2,130	5,477	7,607	1,523
Net cash from investing activities	<u>2,130</u>	<u>5,477</u>	<u>7,607</u>	<u>1,523</u>
Net increase (decrease) in cash and cash equivalents	(649,252)	9,015,526	8,366,274	417,039
Cash and cash equivalents at January 1, 2021 *	4,377,728	6,214,786	10,592,514	1,670,718
Cash and cash equivalents at December 31, 2021 *	<u>\$ 3,728,476</u>	<u>\$ 15,230,312</u>	<u>\$ 18,958,788</u>	<u>\$ 2,087,757</u>
Reconciliation of operating income (loss)				
to net cash provided by operating activities:				
Operating income (loss)	\$ (1,254,713)	\$ (1,027,116)	\$ (2,281,829)	\$ 16,327
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	2,089,191	1,651,093	3,740,284	
(Increase) decrease in billings receivable		246,916	246,916	
(Increase) decrease in inventory		56,783	56,783	
(Increase) decrease in prepaid expense	(6,296)	(571)	(6,867)	
(Increase) decrease in deferred outflows related to pension	(78,958)	(148,868)	(227,826)	
(Increase) decrease in deferred outflows related to OPEB	77,841	98,446	176,287	
Increase (decrease) in compensated absences	(79,085)	(71,911)	(150,996)	
Increase (decrease) in employee retirement incentive payable	(14,400)		(14,400)	
Increase (decrease) in the net pension liability - proportionate share	(747,831)	(1,046,984)	(1,794,815)	
Increase (decrease) in postemployment healthcare benefits	162,070	204,971	367,041	
Increase (decrease) in accounts payable/accrued liabilities	(1,144,117)	(328,773)	(1,472,890)	5,054
Increase (decrease) in deferred inflows related to pension	730,093	1,113,809	1,843,902	
Increase (decrease) in deferred inflows related to OPEB	183,674	232,293	415,967	
Increase (decrease) in claims and judgments				394,135
Total adjustments	<u>1,172,182</u>	<u>2,007,204</u>	<u>3,179,386</u>	<u>399,189</u>
Net cash from operating activities	<u>\$ (82,531)</u>	<u>\$ 980,088</u>	<u>\$ 897,557</u>	<u>\$ 415,516</u>

*This includes \$1,342,911 of restricted cash in the Sewer Fund, \$1,788,181 of restricted cash in the Water Fund, and \$150,000 of restricted cash in the Internal Service Fund.

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Sewer Fund's payments to contractors in the amount of \$1,865,751 is reported net of the change in accounts payable and accrued liabilities totaling \$1,143,919.

The Water Fund's payments to contractors in the amount of \$830,528 is reported net of the change in accounts payable and accrued liabilities totaling \$329,159.

TOWN OF RIVERHEAD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
December 31, 2021

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 9,120,464
	<hr/>
Total assets	<hr/> \$ 9,120,464
LIABILITIES	
Due to other governments	\$ 8,842,729
Other liabilities	277,735
	<hr/>
Total liabilities	<hr/> \$ 9,120,464

TOWN OF RIVERHEAD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended December 31, 2021

	Custodial Fund
ADDITIONS	
Real property taxes collected for other governments	\$ 102,221,047
Bail collected	107,713
	<u>Total Additions</u>
	<u>102,328,760</u>
DEDUCTIONS	
Payments of real property taxes to other governments	102,221,047
Bail returned or remitted	107,713
	<u>Total Deductions</u>
	<u>102,328,760</u>
	Change in Net Position
	-0-
Net Position - Beginning of year	<u>-0-</u>
Net Position - End of year	<u>\$ -0-</u>

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TOWN OF RIVERHEAD
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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. REPORTING ENTITY

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

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

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

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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
December 31, 2021

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 fund, even though the fiduciary fund is 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.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

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.

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 Fund includes the Highway Fund and the Community Preservation Fund:

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

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

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

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

The Town reports the following major proprietary funds:

The Sewer District Fund, which is comprised of:

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

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

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

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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 2021, workers' compensation has a Self-Insured Retention ("SIR") of \$400,000 for all personnel.

Self-Insurance Fund - Risk Retention Fund - is used to account for the Town's self-insurance program for general liability claims and other litigation. For 2021, 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 Fund (Not included in government-wide financial statements) – is used to account for assets held by the Town on behalf of others.

The Town has presented the following fiduciary fund:

Custodial Fund - is used primarily to account for amounts due to other governments for general and school taxes collected, as well as amounts due to others for bail.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 post-closure 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. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements are met. All other governmental fund revenues are recognized when received.

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

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

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

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

1. CASH AND CASH EQUIVALENTS

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. CASH AND CASH EQUIVALENTS (continued)

State statutes govern the Town's investment policy. 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, 2021.

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 Community Preservation Fund, Water District Fund, Sewer District Fund, and Internal Service Fund are classified as restricted assets because their use is restricted by law and/or contractual agreement.

3. RECEIVABLES, PAYABLES AND TRANSFERS

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

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

A. Interfund Revenues

Interfund revenues and interfund services provided and used, 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. DUE FROM/TO OTHER FUNDS

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

5. INVENTORY AND PREPAID ITEMS

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

Certain payments to vendors 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 non-spendable fund balance amounts, indicating that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets purchased or acquired with an original cost of \$5,000 or more and a five-year useful life are reported at historical cost or estimated historical cost. Infrastructure assets capitalized with an original cost of \$5,000 or more are reported at historical cost. Contributed assets are valued at their 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 intangible 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. CAPITAL ASSETS (continued)

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

7. UNEARNED REVENUE

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

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the balance sheet or statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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. Deferred outflows of resources consist of deferred charges on refunding bonds in a prior year, pension related amounts pertaining to the employees' retirement system, and the other postemployment benefits.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, 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's deferred inflows of resources consist of the following: unavailable revenue pertaining to the collection of 2022 real estate taxes, pension related amounts pertaining to the employees' retirement system, other postemployment benefits, and a deferred gain on refunding of bonds in a prior year.

9. COLLECTIONS IN ADVANCE

Collections in advance arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the Town. These amounts are recorded as liabilities in the financial statements as unearned revenue. The liabilities are removed, and revenues are recognized in subsequent periods when the Town has legal claim to the resources.

10. 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, installment purchase debt, compensated absences, employee retirement incentives, claim and judgments, liability for landfill closure and post-closure 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. LONG-TERM OBLIGATIONS (continued)

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.

11. NET POSITION AND FUND BALANCE CLASSIFICATIONS

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

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

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

- 1) Non-spendable 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. NET POSITION AND FUND BALANCE CLASSIFICATIONS (continued)

- 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.

12. 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.

13. 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. The Town was in compliance with this fund balance policy at December 31, 2021.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

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.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

H. RECLASSIFICATIONS

Certain reclassifications have been made to the financial statements to conform with the prior year presentation. This reclassification had no effect on the change in fund balance or net position as previously reported.

I. NEW ACCOUNTING PRONOUNCEMENTS

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board ("GASB") that are applicable.

J. SUBSEQUENT EVENTS

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

- 1) The Town Charter establishes the fiscal year as the 12 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

- 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. All budgetary amendments and transfers of appropriation require Town Board approval via resolution except for transfers of \$5,000 or less which can be done by the Finance Administrator, and transfers between \$5,001 - \$10,000 which require approval from the Supervisor. 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 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 exceeded the 2% property tax cap for the year ended December 31, 2018 through December 31, 2021 without adopting a local law in accordance with the New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. As a result, the Town has recorded an accrued liability for the amount of \$1,531,049, which will be utilized to reduce the levy for the year ending December 31, 2022.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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	\$ 146,248					\$ 146,248
Prepaid items	1,395,720	\$ 77,437			\$ 10,350	1,483,507
Total Nonspendable	1,541,968	77,437	\$ -0-	\$ -0-	10,350	1,629,755
Restricted for:						
Debt service			27,151			27,151
Unspent bond proceeds			358,989			358,989
Community preservation - 2% tax				9,667,810		9,667,810
Capital projects			495,899			495,899
Grantors and donors restrictions					112,275	112,275
Total Restricted	-0-	-0-	882,039	9,667,810	112,275	10,662,124
Assigned to:						
Recycling program					28,870	28,870
Purchases on order and/or contractual obligations	895,270	4,841			132,869	1,032,980
Miscellaneous designations	800,728					800,728
Special revenue funds		4,295,322			4,138,918	8,434,240
Total Assigned	1,695,998	4,300,163	-0-	-0-	4,300,657	10,296,818
Unassigned, reported in:						
General Fund	11,461,758		(5,343,907)			6,117,851
Total Unassigned	11,461,758	-0-	(5,343,907)	-0-	-0-	6,117,851
Total Fund Balances	\$ 14,699,724	\$ 4,377,600	\$ (4,461,868)	\$ 9,667,810	\$ 4,423,282	\$ 28,706,548

2. DEFICIT FUND BALANCES AND NET POSITION

The Recreation Program Fund and the Police Athletic League Fund which are included in the General Fund for reporting purposes, had fund deficits of \$381,723 and \$23,154, respectively, at December 31, 2021. The deficits in these funds are expected to be eliminated in 2022 by reducing the expenditures and increasing the program revenues. The internal service fund reported a net deficit of \$211,272 at December 31, 2021. This deficit is expected to be eliminated in 2022 when the internal service fund is reimbursed by the governmental and/or enterprise funds. The capital projects fund reported a deficit fund balance of \$4,461,868 which will be eliminated when permanent financing is obtained.

3. FUND BALANCE DESIGNATIONS

Miscellaneous Designations

The majority of the \$800,728 in miscellaneous designations in the General Fund consists of the following: \$25,136 is designated for a Teen Center, \$48,129 is designated for the Senior Day Care Center, and \$689,485 is designated for community benefit funds.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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, 2021.

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, 2021, the Town's cash book balance was \$79,725,819. This amount is inclusive of Fiduciary fund deposits of \$9,120,464, and restricted cash of \$11,474,259 but exclusive of petty cash of \$12,075 and the nonmajor discretely presented component units cash of \$169,490. The available bank balance was \$79,129,858. Of the available bank balance, \$2,250,638 was covered by Federal deposit insurance and \$76,879,220 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 – Concentration of credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5% or more in securities of a single issuer.

As of December 31, 2021, the Town of Riverhead did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

At December 31, 2021, 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:

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
Due to/from Other Funds:		
Major Funds:		
General Fund	\$ 692,212	
Capital Projects Fund		\$ 407,993
Nonmajor Funds:		
Other Governmental Funds		284,219
Total Due to/from Other Funds	<u>\$ 692,212</u>	<u>\$ 692,212</u>

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, 2021 is as follows:

	Transfers in:					
	Major Funds		Nonmajor Funds			
	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total	
Transfers out:						
Governmental Funds:						
Major Funds:						
General Fund		\$ 4,041,590	\$ 340,024	\$ 120,000	\$ 4,501,614	
Highway Fund		478,572				478,572
Capital Projects Fund	\$ 56,111				773	56,884
Community Preservation Fund		4,688,231				4,688,231
Nonmajor Funds:						
Other Governmental Funds		387,991	271,612			659,603
Total Governmental Funds	56,111	9,596,384	611,636	120,773		10,384,904
Proprietary Funds:						
Sewer District Funds		889,586				889,586
Water District Fund		439,629				439,629
Total Proprietary Funds	1,329,215	-0-	-0-	-0-		1,329,215
Total	<u>\$ 1,385,326</u>	<u>\$ 9,596,384</u>	<u>\$ 611,636</u>	<u>\$ 120,773</u>		<u>\$ 11,714,119</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital assets activity for the governmental activities for the year ended December 31, 2021 is as follows:

	Balance 1/1/2021	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2021
<u>Governmental Activities:</u>				
Capital assets not being depreciated/amortized:				
Land and landfills	\$ 107,303,389	\$ 4,917,643		\$ 112,221,032
Intangibles - development rights/easements	52,966,917			52,966,917
Construction work in progress	2,900,497	3,042,518	\$ (618,420)	5,324,595
Total capital assets not being depreciated	<u>163,170,803</u>	<u>7,960,161</u>	<u>(618,420)</u>	<u>170,512,544</u>
Depreciable/amortizable capital assets:				
Buildings	13,408,373			13,408,373
Improvements	19,812,469	8,012	81,781	19,902,262
Infrastructure	121,254,553	417,388	428,112	122,100,053
Machinery and equipment	25,047,316	1,082,747	(16,108)	26,113,955
Intangibles - software	381,801			381,801
Total depreciable capital assets	<u>179,904,512</u>	<u>1,508,147</u>	<u>493,785</u>	<u>181,906,444</u>
Less accumulated depreciation/amortization:				
Buildings	6,366,143	288,533		6,654,676
Improvements	13,590,579	845,954		14,436,533
Infrastructure	102,740,415	1,445,484		104,185,899
Machinery and equipment	20,439,974	946,380	(124,635)	21,261,719
Intangibles - software	117,039	2,760		119,799
Total accumulated depreciation	<u>\$ 143,254,150</u>	<u>\$ 3,529,111</u>	<u>\$ (124,635)</u>	<u>\$ 146,658,626</u>
Total net depreciable capital assets				35,247,818
Total net capital assets				<u>\$ 205,760,362</u>

Depreciation was charged to the functions and programs as follows:

Governmental Activities:				
General government support				\$ 434,417
Public safety				273,520
Health				101,063
Transportation				1,653,499
Economic assistance and opportunity				291,391
Culture and recreation				693,003
Home and community services				82,218
Total depreciation expense - governmental activities				<u>\$ 3,529,111</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

Capital assets activity for the business-type activities for the year ended December 31, 2021 is as follows:

	Balance 1/1/2021	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2021
<u>Business-type Activities:</u>				
Capital assets not being depreciated/amortized:				
Land	\$ 1,829,300			\$ 1,829,300
Intangibles - development rights/easements	2,378,757			2,378,757
Construction work in progress	23,997,939	\$ 2,246,036	\$ (8,224,308)	18,019,667
Total capital assets not being depreciated	<u>28,205,996</u>	<u>2,246,036</u>	<u>(8,224,308)</u>	<u>22,227,724</u>
Depreciable/amortizable capital assets:				
Buildings	36,885,697			36,885,697
Improvements	26,824,204	40,863	543,848	27,408,915
Infrastructure	71,355,514	147,251	7,680,460	79,183,225
Machinery and equipment	9,413,433	79,061		9,492,494
Intangibles - software	161,154			161,154
Total depreciable capital assets	<u>144,640,002</u>	<u>267,175</u>	<u>8,224,308</u>	<u>153,131,485</u>
Less accumulated depreciation/amortization:				
Buildings	21,497,175	596,181		22,093,356
Improvements	6,863,085	1,713,822		8,576,907
Infrastructure	49,107,568	1,338,300		50,445,868
Machinery and equipment	8,413,268	82,945		8,496,213
Intangibles - software	96,178	9,036		105,214
Total accumulated depreciation	<u>\$ 85,977,274</u>	<u>\$ 3,740,284</u>	<u>\$ -0-</u>	<u>\$ 89,717,558</u>
Total net depreciable capital assets				63,413,927
Total net capital assets				<u>\$ 85,641,651</u>

Depreciation was charged to the functions and programs as follows:

Business-type Activities:			
Home and community services - Sewer			\$ 2,089,191
Home and community services - Water			1,651,093
Total depreciation expense - business-type activities			<u>\$ 3,740,284</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, 2021, the Town has not recorded any such impairment losses.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS

Short-Term Debt

Bond Anticipation Notes (BANs) - Bond anticipation notes (BANs) are used as a temporary means of financing capital expenditures in the Capital Projects Fund. 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. Liabilities for BANs are generally accounted for in the Capital Projects Fund. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes. The Town issued \$5,000,000 of bond anticipation notes during 2021 for the acquisition and improvement of land for a downtown town square project.

A summary of changes in BANs for the year ended December 31, 2021 is as follows:

	Interest Rate	Maturity Date	Balance 1/1/2021	Issued	Redeemed	Balance 12/31/2021
Governmental activities:						
Capital Projects Fund						
Series A BAN	1.00%	8/17/2022	\$ -0-	\$ 2,900,000		\$ 2,900,000
Series B BAN	0.42%	8/17/2022	\$ -0-	2,100,000		2,100,000
Total bond anticipation notes			\$ -0-	\$ 5,000,000	\$ -0-	\$ 5,000,000

Long-Term Debt

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, 2021.

The long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 0.698% to 5.00% and have maturity dates from 2020 through 2036.

The activity related to the general obligations bonds for year ended December 31, 2021 is as follows:

	Balance 1/1/2021	Issued	Redeemed	Balance 12/31/2021
Governmental Activities:				
General Fund	\$ 11,493,773		\$ 3,551,613	\$ 7,942,160
Highway Fund	1,431,571		396,543	1,035,028
Community Preservation Fund	24,448,344		3,588,728	20,859,616
Nonmajor Funds	1,473,519	649,031	308,153	1,814,397
Total governmental activities	38,847,207	\$ 649,031	\$ 7,845,037	\$ 31,651,201
Business-type Activities:				
Sewer Districts Funds	10,659,122	625,000	1,387,475	9,896,647
Water Districts Funds	8,573,671	6,475,969	597,488	14,452,152
Total business-type activities	19,232,793	7,100,969	1,984,963	24,348,799
Total general obligation bonds	\$ 58,080,000	\$ 7,750,000	\$ 9,830,000	\$ 56,000,000

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-Term Debt (continued)

At December 31, 2021, bonds payable consisted of the following individual issues:

Governmental activities:

Issue	Purpose	Interest Rate	Outstanding Amount	Final Maturity	Issue Date
General Obligation Serial Bonds-2012	Refunding Bond	4.000%	\$ 2,799,988	June 1, 2022	April 25, 2012
General Obligation Serial Bonds-2018	Refunding Bond	4.000% - 5.000%	21,295,000	August 1, 2030	December 1, 2018
General Obligation Serial Bonds-2019	Public Improvement	5.000%	630,000	November 15, 2031	September 25, 2019
General Obligation Serial Bonds-2019	Refunding Bond	2.000% - 5.000%	6,277,182	November 15, 2031	September 25, 2019
General Obligation Serial Bonds-2021	Public Improvement	2.00% - 5.00%	649,031	August 1, 2036	August 17, 2021
			<u>\$ 31,651,201</u>		

Business-type activities:

Issue	Purpose	Average Rate	Amount	Final Maturity	Issue Date
General Obligation Serial Bonds-2012	Refunding Bond	4.000%	\$ 170,012	June 1, 2022	April 25, 2012
General Obligation Serial bonds-2016B	Public Improvement	0.6980% - 3.073%	9,810,000	August 1, 2036	September 22, 2016
General Obligation Serial Bonds-2018	Public Improvement	4.000%	4,765,000	December 1, 2033	December 1, 2018
General Obligation Serial Bonds-2019	Refunding Bond	2.000% - 5.000%	2,502,818	November 15, 2031	September 25, 2019
General Obligation Serial Bonds-2021	Public Improvement	2.00% - 5.00%	6,475,969	August 1, 2036	August 17, 2021
General Obligation Serial Bonds-2021B	Refunding Bond	0.00% - 4.951%	625,000	October 15, 2031	December 9, 2021
			<u>24,348,799</u>		
Total general obligation bonds			<u>\$ 56,000,000</u>		

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

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2022	\$ 7,702,573	\$ 1,417,079	\$ 9,119,652
2023	3,750,166	1,117,067	4,867,233
2024	3,916,670	929,558	4,846,228
2025	3,783,442	733,725	4,517,167
2026	3,784,348	544,553	4,328,901
2027-2031	8,452,568	772,736	9,225,304
2032-2036	261,434	17,458	278,892
Totals	<u>\$ 31,651,201</u>	<u>\$ 5,532,176</u>	<u>\$ 37,183,377</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, 2022	\$ 1,702,427	\$ 669,857	\$ 2,372,284
2023	1,564,834	630,387	2,195,221
2024	1,598,330	583,675	2,182,005
2025	1,641,558	535,196	2,176,754
2026	1,710,652	484,588	2,195,240
2027-2031	9,067,432	1,585,899	10,653,331
2032-2036	7,063,566	390,257	7,453,823
Totals	<u>\$ 24,348,799</u>	<u>\$ 4,879,859</u>	<u>\$ 29,228,658</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Bonds Authorized and Unissued

At December 31, 2021, the Town had \$26,236,509 in general obligation bonds, which were authorized but unissued.

As of December 31, 2021, the total long-term outstanding general obligation bonds of the Town aggregated to \$56,000,000. Of this amount, \$31,651,201 was subject to the constitutional debt limit and represented approximately 6.80% of its statutory debt limit.

Changes in Long-Term Debt

Long-term liability activities for the year ended December 31, 2021 are as follows:

	Balance 1/1/2021	Increases	Reductions	Balance 12/31/2021	Non-current liabilities due within one year	Non-current liabilities
Governmental activities:						
General obligation bonds	\$ 38,847,207	\$ 649,031	\$ 7,845,037	\$ 31,651,201	\$ 7,702,573	\$ 23,948,628
Premiums on issuance	4,576,784	103,456	732,527	3,947,713		3,947,713
Total bonds payable	43,423,991	752,487	8,577,564	35,598,914	7,702,573	27,896,341
Installment purchase debt	135,585		36,238	99,347	38,207	61,140
Compensated absences	8,762,708	1,030,554	1,850,070	7,943,192	1,024,672	6,918,520
Employee retirement incentive	138,600		50,400	88,200	50,400	37,800
Claims and judgments	1,872,068	1,941,680	1,547,545	2,266,203	569,427	1,696,776
Estimated liability for landfill closure and postclosure care costs	1,622,086		101,514	1,520,572	63,500	1,457,072
Net pension liabilities - proportionate share	25,923,795		20,597,960	5,325,835		5,325,835
Postemployment benefits healthcare costs *	164,341,747	4,399,723		168,741,470		168,741,470
	\$ 246,220,580	\$ 8,124,444	\$ 32,761,291	\$ 221,583,733	\$ 9,448,779	\$ 212,134,954
Business-type activities:						
General obligation bonds	\$ 19,232,793	\$ 7,100,969	\$ 1,984,963	\$ 24,348,799	\$ 1,702,427	\$ 22,646,372
Premiums on issuance	744,011	1,032,244	142,062	1,634,193		1,634,193
Total bonds payable	19,976,804	8,133,213	2,127,025	25,982,992	1,702,427	24,280,565
Compensated absences	897,976	59,988	210,984	746,980	127,035	619,945
Employee retirement incentive	39,600		14,400	25,200	14,400	10,800
Net pension liabilities - proportionate share	1,801,184		1,794,815	6,369		6,369
Postemployment benefits healthcare costs *	13,709,983	367,041		14,077,024		14,077,024
	\$ 36,425,547	\$ 8,560,242	\$ 4,147,224	\$ 40,838,565	\$ 1,843,862	\$ 38,994,703

*Change is shown net, as information to present increases and decreases separately is not readily available.

Other long-term liabilities for compensated absences, employee retirement incentive, 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Installment Purchase Debt

In April 2019, the Town entered into a capital lease for telephone equipment. The agreement calls for annual payments of \$43,551 for five years and includes both principal and interest. Annual interest is charged at a fixed rate of 1.89%. The Town has the option to purchase the equipment for \$1 upon the expiration of the lease in January 2024. The Town has determined that this lease meets the definition of a capital lease and has recorded a capital asset and corresponding long-term liability. The equipment cost is \$218,203 and accumulated depreciation of \$33,563 was recorded at December 31, 2021, resulting in a net book value of \$184,640.

Future principal and interest payments to maturity are as follows:

	Principal	Interest	Total
2022	\$ 38,207	\$ 5,343	\$ 43,550
2023	40,263	3,288	43,551
2024	<u>20,877</u>	1,123	22,000
	<u><u>\$ 99,347</u></u>	<u><u>\$ 9,754</u></u>	<u><u>\$ 109,101</u></u>

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, 2021, the RIDA had five (5) industrial revenue bonds outstanding and the LDC had two (2) industrial revenue bonds outstanding with aggregate principal amounts payable of \$35,792,488 and \$19,030,000, respectively.

E. PENSION PLAN

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 defined benefit 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

E. PENSION PLAN (continued)

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

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

Final average salary is the average of the wages earned in the three highest consecutive years. For Tiers 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

E. PENSION PLAN (continued)

Benefits Provided (continued)

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 Tiers 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.

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%.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

E. PENSION PLAN (continued)

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, Tiers 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSSRSL, 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
2021	\$ 2,234,683	\$ 154	\$ (18,302)	\$ 2,216,535
2020	2,017,782	2,036	(16,524)	2,003,294
2019	2,048,181	(3,313)	(13,936)	2,030,932

Annual Required Contribution - PFRS

	Annual Required Contribution	Credits & Miscellaneous Adjustments	Prepayment Discount	Total Payment
2021	\$ 3,750,820	\$ 1,435	\$ (30,729)	\$ 3,721,526
2020	3,253,211	-0-	(26,642)	3,226,569
2019	3,040,279	-0-	(25,604)	3,014,675

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

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

At December 31, 2021, the Town reported a liability of \$5,332,204 for its proportionate share of the net pension liability for the Systems. The net pension liability was measured as of March 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020. 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

E. PENSION PLAN (continued)

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

Below is the proportionate share of the net pension liability of the Systems and the related employer allocation percentage as of March 31, 2021 (measurement date):

	Net Pension Liability	Employer Allocation Percentage	Change in Employer Allocation Percentage Since Prior Measurement Date
ERS	\$ 42,560	0.0427416%	-0.0025050%
PFRS	\$ 5,289,644	0.3046545%	0.0101065%

The Town's portion of the net pension liability for ERS in the amount of \$42,560 is reported in the governmental activities and business-type activities in the amount of \$36,191 and \$6,369, respectively. The Town's net portion of the net pension liability of \$5,289,644 for PFRS was reported in the governmental activities.

There was no significant change in the Town's proportion from March 31, 2020 to March 31, 2021.

For the year ended December 31, 2021, the Town recognized pension expense of \$4,217,176, of which \$4,027,516 was related to governmental activities and \$189,660 was for business-type activities. At December 31, 2021, 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	\$ 441,986	\$ 1,173,744	\$ 77,781
Changes of assumptions	6,654,295	12,996,083	1,171,027
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	396,179	1,078,769	126,148
Town's contribution subsequent to the measurement date	1,372,912	2,791,145	289,491
Total Deferred Outflow - Pension	\$ 8,865,372	\$ 18,039,741	\$ 1,664,447

At December 31, 2021, deferred inflows of resources related to the pension were reported from the following sources:

	Deferred Inflows of Resources		
	Government Activities		Business-Type Activities
	ERS	PFRS	ERS
Changes of assumptions	\$ 125,502	\$ -0-	\$ 22,086
Net difference between projected and actual earnings on pension plan investments	10,396,089	15,553,888	1,829,509
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	303,659	173,436	56,726
Total Deferred Inflow - Pension	\$ 10,825,250	\$ 15,727,324	\$ 1,908,321

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

E. PENSION PLAN (continued)

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows 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, 2022	\$ (573,098)	\$ (370,182)	\$ (77,525)	
2023	(180,355)	162,394	(15,845)	
2024	(567,880)	(327,348)	(88,922)	
2025	(2,011,457)	(2,622,418)	(351,073)	
2026		2,678,826		
	<u>\$ (3,332,790)</u>	<u>\$ (478,728)</u>	<u>\$ (533,365)</u>	

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2020, 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, 2021	March 31, 2021
Actuarial valuation date	April 1, 2020	April 1, 2020
Interest rate	5.9%	5.9%
Salary increases	4.4%	6.2%
Decrement tables	April 1, 2015 - March 31, 2020	April 1, 2015 - March 31, 2020
	System's Experience	System's Experience
Inflation rate	2.7%	2.7%

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

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
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

E. PENSION PLAN (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, 2021 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	32.0%	4.05%
International equity	15.0%	6.30%
Private equity	10.0%	6.75%
Real estate	9.0%	4.95%
Opportunistic/absolute return strategies	3.0%	4.50%
Credit	4.0%	3.63%
Real assets	3.0%	5.95%
Fixed income	23.0%	0.00%
Cash	1.0%	0.50%
	<hr/> <u>100.0%</u>	<hr/>

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% for the Systems. 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 5.9%, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (4.9%) or 1-percentage point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Town's proportionate share of the net pension liability (asset) for:			
Governmental Activities:			
ERS	\$ 10,045,127	\$ 36,191	\$ (9,194,392)
PFRS	22,494,596	5,289,644	(8,951,569)
Business-Type Activities:			
ERS	1,767,746	6,369	(1,618,033)

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

E. PENSION PLAN (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, 2020 were as follows (in thousands):

	(Dollars in Thousands)	
	ERS	PFRS
Valuation date	April 1, 2020	April 1, 2020
Employers' total pension liability	\$ 220,680,157	\$ 41,236,775
Plan fiduciary net position	<u>(220,580,583)</u>	<u>(39,500,500)</u>
Employers' net pension liability	<u>\$ 99,574</u>	<u>\$ 1,736,275</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	99.95%	95.79%

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

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

In the government wide financial statements, the cost of postemployment benefit healthcare benefits, like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of postemployment healthcare in the year when the employee services are received and provides information useful in assessing potential demands on the Town's future cash flows.

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.

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
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Employees Covered by Benefit Terms

The number of participants as of January 1, 2020 is as follows:

	Primary Government	Governmental Activities	Business-Type Activities
Active employees	287	256	31
Inactive employees or beneficiaries currently receiving benefits	208	179	29
Total	495	435	60

There have been no significant changes in the number of employees or the type of coverage since that date.

Total OPEB Liability

The Town's total OPEB liability of \$182,818,494, which is comprised of governmental activities \$168,741,470 and business-type activities \$14,077,024 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2020, with updating procedures used to roll forward the OPEB liability to each measurement date.

Funding Policy

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

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, 2020, 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 2.25% discount rate, and a 3.0% payroll growth rate. The discount rate was based on the S&P Municipal Bond 20-year High Grade Index. 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. Mortality rates were based on the RP 2006 mortality table projected to the valuation date with scale MP 2019.

A copy of the Town of Riverhead's Retiree Medical Program, January 1, 2020 Valuation is available by contacting the Town of Riverhead, Office of the Financial Administrator, 1295 Pulaski Street, Riverhead, New York 11901.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Changes in the Total OPEB Liability

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

	Primary Government
Other Postemployment Benefits Liability, at the Beginning of Year	<u>\$ 178,051,730</u>
Changes for the Year:	
Service cost	6,071,178
Interest	3,411,776
Changes of benefit terms	-
Difference between expected and actual experience	6,356,461
Changes of assumptions and other inputs	(8,521,129)
Benefit payments	<u>(2,551,522)</u>
Net Changes	<u>4,766,764</u>
Other Postemployment Benefits Liability, at the End of Year	<u>\$ 182,818,494</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percent point lower (1.25%) or 1-percentage point higher (3.25%) than the current discount rate:

	Current Discount Rate		
	1% Decrease (1.25%)	(2.25%)	1% Increase (3.25%)
Total OPEB Liability	<u>\$ 209,460,108</u>	<u>\$ 182,818,494</u>	<u>\$ 156,176,881</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

Healthcare costs can be subject to considerable volatility over time. The following presents the effect of the total OPEB liability at December 31, 2021 of a 1% change in the initial (8%) and the ultimate (5%) healthcare cost trend rates:

	Health Care Trend		
	1% Decrease (7.00% to 4.00%)	Rates (8.00% to 5.00%)	1% Increase (9.00% to 6.00%)
Total OPEB Liability	<u>\$ 146,422,645</u>	<u>\$ 182,818,494</u>	<u>\$ 227,557,333</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

OPEB Expense, Deferred Inflows of Resources and Deferred Outflows of Resources

For the year ended December 31, 2021, the Town recognized an OPEB expense of \$15,009,898. At December 31, 2021, the Town recorded deferred inflows of resources and deferred outflows of resources related to OPEB as shown below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,631,825	\$ 3,964,054
Changes of assumptions or other inputs	25,364,730	7,100,941
Total	\$ 30,996,555	\$ 11,064,995

The amounts reported as deferred inflows of resources and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

For years ending December 31, 2022	\$ 5,526,944
2023	5,192,171
2024	4,786,610
2025	4,786,610
2026	(360,775)
	<hr/>
	\$ 19,931,560

G. COMPENSATED ABSENCES AND RETIREMENT INCENTIVE

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, 2021, the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was \$7,943,192 and \$746,980, respectively, for an aggregate total of \$8,690,172.

In the current and prior years, the Town offered employees meeting specific criteria an incentive to retire from active employment. As of December 31, 2021, the value of the retirement incentive for governmental and business-type activities was \$88,200 and \$25,200, respectively, for an aggregate total of \$113,400.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. DETAILED NOTES ON ALL FUNDS (continued)

H. 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.

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, 2021, the Town's property tax revenues were reduced by \$1,848,635 and payments in lieu of taxes, including recapture payments, were collected in the amount of \$579,281 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, 2020, 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, 2021, the Town's property tax revenues were reduced by \$50,417 and payments in lieu of taxes, including recapture payments, were collected in the amount of \$11,502, under the agreements entered into by the Suffolk County Industrial Development Agency. The amount of the abated taxes reported is based on the assessed value of the property per the official assessment tax rolls and tax rates in effect on December 1, 2020, the tax lien date.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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.

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 and Cyber Liability. 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. The Cyber Liability Policy has a \$15,000 deductible with a \$1,000,000 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

Self-Insurance Fund

The Town uses a Self-Insurance Fund to account for its potential liability. As of December 31, 2021, the Self-Insurance Fund had assets of \$2,087,757 and liabilities of \$2,299,029. Included in this amount is \$844,655 for general liability claims and \$1,421,548 for worker's compensation claims. This amount includes litigation but not administration expenses.

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

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

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

	General Liability		Workers' Compensation	
	2021	2020	2021	2020
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 703,400	\$ 582,540	\$ 1,168,668	\$ 1,428,014
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	478,729	1,395,393	1,462,951	913,566
Total incurred claims and claim adjustment expenditures	1,182,129	1,977,933	2,631,619	2,341,580
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	337,474	1,274,533	1,210,071	1,172,912
Total unpaid claims and claim adjustment expenditures at the end of the year	\$ 844,655	\$ 703,400	\$ 1,421,548	\$ 1,168,668

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION

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

The liabilities for these lawsuits are reported when it is probable that a material loss has occurred and the amount of that loss can be reasonably estimated.

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 \$63,500 during 2022 and range between approximately \$63,500 to \$104,000 for the remaining 20 years, with an inflation factor built in.

Accordingly, as of December 31, 2021, the Town has recorded an estimated liability of \$1,520,572, 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 \$260,893, of which \$116,674 applies to Sewer Fund and \$144,219 applies to the Water District Fund. As of December 31, 2021, 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.

F. 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

4. COMMITMENTS AND CONTINGENCIES (continued)

G. RENTAL INCOME

The Town has certain leases for cell towers and receives rental income annually. These leases are subject to renewal or renegotiation every five years. For the year ended December 31, 2021, the rental income was \$604,263. The minimum rental lease income for the next two years is as follows:

Fiscal Years Ending December 31,	Amount
2022	\$ 616,448
2023	<u>632,471</u>
	<u><u>\$ 1,248,919</u></u>

5. PRIOR PERIOD ADJUSTMENT

The Town recognized revenue for developer fees in prior years which should have been reported as unearned revenue. Net position was reduced as of January 1, 2021 to reflect this change. The effect of this prior period adjustment is illustrated in the table below:

	Sewer Fund	Water Fund	Business-Type Activities
Net position, as originally reported	\$ 32,433,773	\$ 30,983,576	\$ 63,417,349
Prior period adjustment for deferred developer fees	<u>(227,538)</u>	<u>(367,903)</u>	<u>(595,441)</u>
Net position, as restated	<u><u>\$ 32,206,235</u></u>	<u><u>\$ 30,615,673</u></u>	<u><u>\$ 62,821,908</u></u>

6. SUBSEQUENT EVENTS

On March 24, 2022, the Town Board approved a resolution authorizing the CDA to sell property to Calverton Aviation & Technology, LLC for the purchase price of \$40,000,000 for redevelopment.

On August 16, 2022, the Town issued a bond anticipation note in the amount of \$2,900,000 with an interest rate of 3.25%, and a premium on issuance of \$19,360. The bond anticipation note matures on August 16, 2023.

On August 16, 2022, the Town issued a bond anticipation note in the amount of \$2,100,000 with an interest rate of 3.375%, and a premium on issuance of \$2,010. The bond anticipation note matures on August 16, 2023.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

7. 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. 87, "Leases", requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for the year ending December 31, 2022.

Statement No. 91, *Conduit Debt Obligations*, as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance," - This statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for financial statements for the year ending December 31, 2022.

Statement No. 92, "Omnibus 2020", as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", was issued to enhance comparability in accounting and financial reporting and consistency of authoritative language on various topics. The requirements of this Statement are effective for reporting periods as follows: paragraphs 4,5,6,7,8,9,10 and 12 effective for the year ending December 31, 2022.

Statement No. 93, "Replacement of Interbank Offered Rates", as amended by Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", amends certain provisions of GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" as amended) and 87, "Leases". It has been issued to address the various accounting and reporting implications that will result from the replacement of LIBOR, as LIBOR will cease to exist in 2021. The requirements of this Statement are effective for the year ending December 31, 2022.

Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", this Statement has been issued to improve financial reporting related to public-private and public-public partnership arrangements, in which one a government (transferor) contracts with an operator (governmental or nongovernmental entity) to provide public services by conveying the right to operate or use a nonfinancial assets. The requirements of this Statement are effective the year ending December 31, 2023.

Statement No. 96, "Subscription-Based Technology Arrangements (SBITAs)", this Statement has been issued to improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet the definition. The requirements of this Statement are effective for the year ending December 31, 2023.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

7. NEW PRONOUNCEMENTS (Continued)

Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*" – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, the primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board, and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans, and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement No. 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67 or paragraph 3 of Statement No. 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for financial statements for the year ending December 31, 2022.

Statement No. 99, "*Omnibus 2022*", was issued to enhance comparability in accounting and financial reporting and consistency of authoritative language on various topics. The requirements of this Statement are effective for certain requirements effective for the year ending December 31, 2023. The remaining requirements are effective for the year ending December 31, 2024.

Statement No. 100, "*Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*", this Statement has been issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for the year ending December 31, 2024.

Statement No. 101, "*Compensated Absences*", this Statement has been issued to update the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for the year ending December 31, 2024.

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

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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 Change in the Town's Total OPEB
Liability and Related Ratios, 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.

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TOWN OF RIVERHEAD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Real property taxes	\$ 41,698,400	\$ 41,704,909	\$ 41,413,167	\$ (291,742)
Real property tax items	831,300	831,300	873,479	42,179
Non-property tax items	1,677,600	2,077,600	2,607,780	530,180
Departmental income	2,318,300	2,430,898	3,252,107	821,209
Use of money and property	118,500	133,500	228,583	95,083
Licenses and permits	160,800	160,800	233,149	72,349
Fines and forfeitures	300,000	308,000	498,955	190,955
Sale of property and compensation for loss	4,500	4,500	14,765	10,265
Miscellaneous local sources	17,000	207,000	844,473	637,473
Interfund revenues	1,553,300	1,774,300	1,095,961	(678,339)
State and local aid	1,417,400	1,441,100	2,641,315	1,200,215
Federal aid	14,100	14,100	273,165	259,065
Total revenues	<u>50,111,200</u>	<u>51,088,007</u>	<u>53,976,899</u>	<u>2,888,892</u>
EXPENDITURES				
Current:				
General government support	11,186,700	11,352,302	9,423,454	1,928,848
Public safety	18,233,500	19,501,429	18,756,850	744,579
Health	24,000	44,000	35,319	8,681
Transportation	316,600	428,500	426,432	2,068
Economic assistance and opportunity	843,900	846,410	793,986	52,424
Culture and recreation	1,307,900	1,342,829	1,044,312	298,517
Home and community services	1,095,500	1,396,151	1,029,334	366,817
Employee benefits	14,611,600	14,024,400	13,533,868	490,532
Debt service:				
Principal		36,250	36,238	12
Interest		7,350	7,313	37
Total expenditures	<u>47,619,700</u>	<u>48,979,621</u>	<u>45,087,106</u>	<u>3,892,515</u>
Excess of revenues over expenditures	<u>2,491,500</u>	<u>2,108,386</u>	<u>8,889,793</u>	<u>6,781,407</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,550,100	1,371,738	1,385,326	13,588
Transfers out	(4,041,600)	(4,501,624)	(4,501,614)	10
Premiums on debt issuance			20,619	20,619
Total other financing sources (uses)	<u>(2,491,500)</u>	<u>(3,129,886)</u>	<u>(3,095,669)</u>	<u>34,217</u>
Net change in fund balances	<u>\$ -0-</u>	<u>\$ (1,021,500)</u>	<u>5,794,124</u>	<u>\$ 6,815,624</u>
Fund balances at beginning of year				<u>8,905,600</u>
Fund balances at end of year				<u>\$ 14,699,724</u>

See Paragraph on Required Supplementary Information Included in Auditors' Report

TOWN OF RIVERHEAD
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Real property taxes	\$ 6,756,600	\$ 6,756,600	\$ 6,710,381	\$ (46,219)
Real property tax items	22,900	22,900	21,860	(1,040)
Departmental income	5,000	5,000	2,391	(2,609)
Use of money and property	2,000	2,000	9,120	7,120
Licenses and permits	25,000	25,000	25,950	950
Sale of property and compensation for loss	1,500	1,500	1,547	47
Miscellaneous revenue			886	886
State and local aid			31,347	31,347
Federal aid			188,083	188,083
Total revenues	6,813,000	6,813,000	6,991,565	178,565
EXPENDITURES				
Current:				
General government support	96,100	96,100	82,978	13,122
Transportation	4,245,400	4,871,799	4,036,000	835,799
Employee benefits	1,990,600	1,990,600	1,974,406	16,194
Total expenditures	6,332,100	6,958,499	6,093,384	865,115
Excess of revenues over expenditures	480,900	(145,499)	898,181	1,043,680
OTHER FINANCING SOURCES (USES)				
Transfers out		(480,900)	(480,900)	(478,572)
Total other financing sources (uses)		(480,900)	(480,900)	(478,572)
Net change in fund balances	\$ -0-	\$ (626,399)	419,609	\$ 1,046,008
Fund balances at beginning of year				3,957,991
Fund balances at end of year				\$ 4,377,600

See Paragraph on Required Supplementary Information Included in Auditors' Report

TOWN OF RIVERHEAD
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Non-property tax items	\$ 4,000,000	\$ 4,000,000	\$ 6,907,810	\$ 2,907,810
Use of money and property	50,000	50,000	3,634	(46,366)
Total revenues	<u>4,050,000</u>	<u>4,050,000</u>	<u>6,911,444</u>	<u>2,861,444</u>
EXPENDITURES				
Current:				
General government support	11,000	11,000	9,208	1,792
Total expenditures	<u>11,000</u>	<u>11,000</u>	<u>9,208</u>	<u>1,792</u>
Excess of revenues over expenditures	<u>4,039,000</u>	<u>4,039,000</u>	<u>6,902,236</u>	<u>2,863,236</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,688,300)	(4,688,300)	(4,688,231)	69
Total other financing sources (uses)	<u>(4,688,300)</u>	<u>(4,688,300)</u>	<u>(4,688,231)</u>	<u>69</u>
Net change in fund balances	<u>\$ (649,300)</u>	<u>\$ (649,300)</u>	<u>2,214,005</u>	<u>\$ 2,863,305</u>
Fund balances at beginning of year				<u>7,453,805</u>
Fund balances at end of year				<u>\$ 9,667,810</u>

TOWN OF RIVERHEAD
SCHEDULE OF CHANGE IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Other postemployment benefit liability at the beginning of year	\$ 178,051,730	\$ 137,051,920	\$ 128,724,451	\$ 121,388,567
Service cost	6,071,178	4,211,830	3,912,164	3,582,568
Interest	3,411,776	4,427,961	4,644,493	4,376,733
Changes in benefit terms		3,925,492		
Differences between expected and actual experience	6,356,461	(1,699,534)	(7,077,579)	1,673,866
Changes of assumptions or other inputs	(8,521,129)	32,583,865	9,105,384	
Benefit payments	(2,551,522)	(2,449,804)	(2,256,993)	(2,297,283)
Net changes	4,766,764	40,999,810	8,327,469	7,335,884
Other postemployment benefit liability at the end of year	<u>\$ 182,818,494</u>	<u>\$ 178,051,730</u>	<u>\$ 137,051,920</u>	<u>\$ 128,724,451</u>
Covered employee payroll	\$ 31,044,940	\$ 29,059,355	\$ 28,862,454	\$ 28,211,830
Total other postemployment benefits liability as a percentage of covered payroll		588.88%	612.72%	474.85%
				456.28%

Note:

This schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no other date prior to 2018 is available. However, additional years will be included as they become available.

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay other postemployment benefits (OPEB).

The Town currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

Changes in Benefit Terms

The 2020 valuation reflects a change in the Town's contributions for members of the police department. The Town's share of premiums changed from 100% for individual coverage and 50% for dependent coverage, to 90% for both individual and dependent coverage. The affect of this change was recognized as an expense in 2020.

Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2021	2.25%
2020	1.93%
2019	3.26%
2018	3.64%
2017	4.00%

TOWN OF RIVERHEAD
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
NYERS								
Town's proportion of the collective net pension liability	0.0427416%	0.0452466%	0.0479759%	0.0470999%	0.0492274%	0.0515963%	0.0528417%	0.0528417%
Town's proportionate share of the net collective pension liability	\$ 42,560	\$ 11,981,573	\$ 3,399,243	\$ 1,520,126	\$ 4,625,508	\$ 8,281,359	\$ 1,785,122	\$ 2,387,842
Town's covered-employee payroll	\$ 14,311,529	\$ 14,346,519	\$ 14,495,873	\$ 13,627,909	\$ 14,065,643	\$ 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	0.30%	83.52%	23.45%	11.15%	32.89%	64.71%	13.50%	17.74%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.90%	97.20%
NYSPFRS								
Town's proportion of the collective net pension liability	0.3046545%	0.2945480%	0.3085642%	0.3002082%	0.3209108%	0.3293926%	0.3293926%	0.3323762%
Town's proportionate share of the net collective pension liability	\$ 5,289,644	\$ 15,743,406	\$ 5,175,151	\$ 3,034,375	\$ 6,651,366	\$ 9,752,613	\$ 914,897	\$ 1,383,714
Town's covered-employee payroll	\$ 13,019,933	\$ 12,802,871	\$ 12,511,883	\$ 15,065,844	\$ 13,811,746	\$ 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	40.63%	122.97%	41.36%	20.14%	48.16%	71.66%	6.26%	9.24%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	95.79%	84.86%	95.09%	96.93%	93.46%	90.24%	99.00%	98.50%

Notes:

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

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

Changes in assumptions were as follows:

- a) The discount rate used to calculate the total pension liability for was decreased from 6.8% to 5.9% for both ERS and PFRS effective with the March 31, 2021 measurement date.
- b) The assumptions for salary increases was increased from 4.2% to 4.3% for ERS and 5.0% to 5.2% for PFRS effective with the March 31, 2019 measurement date.

Amounts presented are based on the fiscal year related to the measurement date of March 31st. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Town presents information for those years for which information is available.

The decrease in the proportionate share of the net pension liabilities is primarily attributable to an increase in the plan fiduciary net position due to investment gains.

TOWN OF RIVERHEAD
SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

	NYSERS									
	Years Ended December 31.									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 2,216,535	\$ 2,003,294	\$ 2,030,932	\$ 2,075,737	\$ 2,008,863	\$ 2,204,868	\$ 2,490,586	\$ 2,873,570	\$ 2,819,882	\$ 2,374,793
Contributions in relation to the contractually required contribution	2,216,535	2,003,294	2,030,932	2,075,737	2,008,863	2,204,868	2,490,586	2,873,570	2,819,882	2,374,793
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Town's covered-employee payroll	\$ 14,595,444	\$ 13,897,090	\$ 14,248,270	\$ 12,654,327	\$ 14,065,643	\$ 15,472,582	\$ 11,907,098	\$ 13,667,903	\$ 13,387,242	\$ 13,360,979
Contributions as a percentage of covered-employee payroll	15.19%	14.42%	14.25%	16.40%	14.28%	14.25%	20.92%	21.02%	21.06%	17.77%
NYSPFRS										
For the Years Ended December 31,										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 3,721,526	\$ 3,226,569	\$ 3,014,675	\$ 2,940,954	\$ 2,963,043	\$ 2,852,581	\$ 2,690,618	\$ 3,134,827	\$ 3,127,827	\$ 2,759,912
Contributions in relation to the contractually required contribution	3,721,526	3,226,569	3,014,675	2,940,954	2,963,043	2,852,581	2,690,618	3,134,827	3,127,827	2,759,912
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Town's covered-employee payroll	\$ 15,509,041	\$ 15,162,265	\$ 14,614,184	\$ 15,557,503	\$ 13,811,746	\$ 12,571,918	\$ 13,956,137	\$ 14,839,575	\$ 14,942,923	\$ 14,534,983
Contributions as a percentage of covered-employee payroll	24.00%	21.28%	20.63%	18.90%	21.45%	22.69%	19.28%	21.12%	20.93%	18.99%

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.

There was a change in assumption for the pensioner mortality improvement in the April 1, 2019 actuarial valuation from the Society of Actuaries Scale MP-2014 to Scale MP-2018.

There was a change in assumption for the pensioner mortality improvement in the April 1, 2020 actuarial valuation from the Society of Actuaries Scale MP-2018 to Scale MP-2020.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund
Balances - Budget and Actual – Debt Service Fund
Combining Balance Sheet Nonmajor Governmental Funds and
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances Nonmajor Governmental Funds

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TOWN OF RIVERHEAD
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
EXPENDITURES				
Debt service:				
Principal	\$ 7,845,200	\$ 7,845,200	\$ 7,845,037	\$ 163
Interest	1,733,200	1,733,200	1,751,347	(18,147)
	Total expenditures	9,578,400	9,578,400	(9,596,384)
Excess (deficiency) of revenues over expenditures	(9,578,400)	(9,578,400)	(9,596,384)	(17,984)
OTHER FINANCING SOURCES				
Transfers in				
	Total other financing sources	9,578,400	9,578,400	9,596,384
		9,578,400	9,578,400	17,984
Net change in fund balances	\$ -0-	\$ -0-	-0-	\$ -0-
Fund balances at beginning of year				
Fund balances at end of year				
			\$ -0-	

TOWN OF RIVERHEAD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2021

Special Revenue Funds											
	Special	Special	Business	East Creek	Street	Refuse and	Public	Community	Total Nonmajor		
	Grant	Trust	Improvement	Docking	Lighting				Development	Governmental	Funds
ASSETS											
Cash and cash equivalents	\$ 122,879	\$ 13,622	\$ 42,100	\$ 136,299	\$ 1,628,752	\$ 1,611,633	\$ 1,438,478	\$ 230,803	\$ 1,640,561	\$ 6,865,127	
Accounts receivable											
Due from other governments											9,000
Prepays											297,880
Total assets	<u>\$ 420,759</u>	<u>\$ 22,622</u>	<u>\$ 42,100</u>	<u>\$ 137,563</u>	<u>\$ 1,637,838</u>	<u>\$ 1,611,633</u>	<u>\$ 1,438,478</u>	<u>\$ 230,803</u>	<u>\$ 1,640,561</u>	<u>\$ 7,182,357</u>	<u>10,350</u>
LIABILITIES											
Accounts payable and accrued liabilities											
Due to other funds	\$ 4,694		\$ 3,649	\$ 7,867	\$ 89,925	\$ 384,922	\$ 19,514	\$ 8,087	\$ 41,725	\$ 560,383	
Collections in advance	284,219										284,219
Total liabilities	<u>290,748</u>	<u>-0-</u>	<u>3,649</u>	<u>7,867</u>	<u>89,925</u>	<u>384,922</u>	<u>19,514</u>	<u>8,087</u>	<u>776,009</u>	<u>777,844</u>	<u></u>
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - property taxes	17,736		21,271								
Total deferred inflows of resources	<u>17,736</u>	<u>-0-</u>	<u>21,271</u>	<u>-0-</u>	<u>191,593</u>	<u>251,475</u>	<u>624,253</u>	<u>30,301</u>	<u>-0-</u>	<u>1,136,629</u>	<u></u>
FUND BALANCES											
Nonspendable											
Restricted											
Assigned											
Total fund balances	<u>112,275</u>	<u>\$ 22,622</u>	<u>17,180</u>	<u>128,432</u>	<u>1,347,234</u>	<u>975,236</u>	<u>794,711</u>	<u>192,415</u>	<u>822,827</u>	<u>4,300,657</u>	<u>10,350</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 420,759</u>	<u>\$ 22,622</u>	<u>\$ 42,100</u>	<u>\$ 137,563</u>	<u>\$ 1,637,838</u>	<u>\$ 1,611,633</u>	<u>\$ 1,438,478</u>	<u>\$ 230,803</u>	<u>\$ 1,640,561</u>	<u>\$ 7,182,357</u>	<u>112,275</u>

See Paragraph on Other Supplementary Information Included in Auditors' Report

TOWN OF RIVERHEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	Special Revenue Funds									Total Nonmajor Governmental Funds	
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility	Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development		
REVENUES											
Real property taxes				\$ 126,528		\$ 1,200,829	\$ 1,554,692	\$ 3,897,376	\$ 182,046	\$ 6,961,471	
Departmental income						158,682				158,682	
Use of money and property	\$ 158	\$ 21,003	37	\$ 290,938	2,169	2,780	2,599	365	\$ 859,716	1,179,765	
Miscellaneous local sources	17,290				1,338					17,290	
State and local aid					8,028					1,338	
Federal aid	255,968									263,996	
	Total revenues	273,416	21,003	126,565	290,938	1,212,364	1,716,154	3,899,975	182,411	859,716	8,582,542
EXPENDITURES											
General government support				1,436	17,915	14,085	18,570	38,481	9,063	5,628	
Health							1,618,438			105,178	
Transportation						642,760			55,345	1,618,438	
Economic assistance and opportunity	23,000			124,677		111,904				698,105	
Culture and recreation										136,009	
Home and community services	238,322				18,539	134,754	3,325,442			283,686	
Employee benefits						791,599	77,278			111,904	
	Total expenditures	261,322	-0-	126,113	148,358	1,637,008	3,441,201	64,408	141,637	3,563,764	
	Excess (deficiency) of revenues over (under) expenditures	12,094	21,003	452	142,580	420,765	79,146	458,774	118,003	718,079	230,571
										6,611,646	
OTHER FINANCING SOURCES (USES)											
Operating transfers in	773						70,000			50,000	
Operating transfers out		(113,362)			(116,377)	(240,676)		(7,663)	(181,525)	120,773	
	Total other financing sources (uses)	773	(113,362)	-0-	(116,377)	(240,676)	70,000	(7,663)	(181,525)	(659,603)	
										50,000	
										(538,830)	
Net change in fund balance	12,867	(92,359)	452	26,203	180,089	149,146	451,111	(63,522)	768,079	1,432,066	
Fund balances at beginning of year	99,408	114,981	16,728	103,493	1,176,231	826,090	343,600	255,937	54,748	2,991,216	
Fund balances at end of year	\$ 112,275	\$ 22,622	\$ 17,180	\$ 129,696	\$ 1,356,320	\$ 975,236	\$ 794,711	\$ 192,415	\$ 822,827	\$ 4,423,282	

See Paragraph on Other Supplementary Information Included in Auditors' Report