

TOWN OF RIVERHEAD
FINANCIAL STATEMENTS

December 31, 2019

**TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
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INTRODUCTORY SECTION

TOWN OF RIVERHEAD
PRINCIPAL OFFICIALS
December 31, 2019

ELECTED OFFICIALS

Laura Jens-Smith
James Wooten
Jodi Giglio
Timothy Hubbard
Catherine Kent

Supervisor
Councilman
Councilwoman
Councilman
Councilwoman

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

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

DEPARTMENT HEADS

Robert Kozakiewicz
William Rothaar
Jefferson Murphree
Dawn Thomas
Drew Dillingham
Chief David Hegermiller
Ray Coyne
Michael Reichel
Frank Mancini

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

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York (the "Town"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

BEYOND THE NUMBERS...

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

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INDEPENDENT MEMBER OF BKR INTERNATIONAL

Opinions

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information other than the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Honorable Supervisor and Town Board
Town of Riverhead

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2021, on our consideration of the Town of Riverhead, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Riverhead's, New York internal control over financial reporting and compliance.

Albert, Vijay, Z-L & Emily P.C.

Hauppauge, New York
March 9, 2021

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

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TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

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, 2019. Please read it in conjunction with the Town's financial statements.

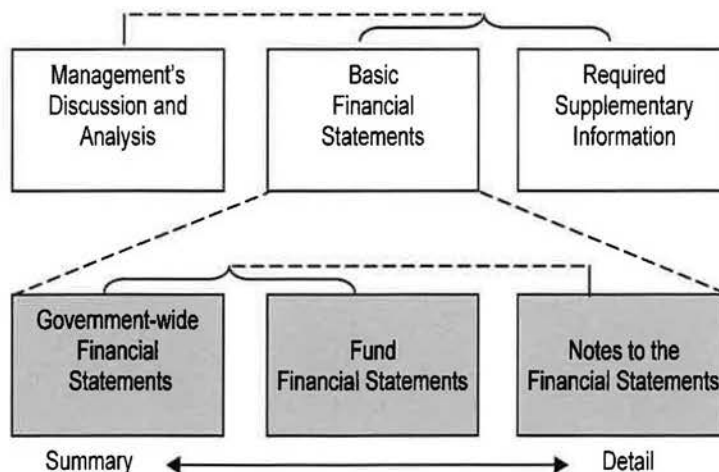
FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the primary government exceed its liabilities and deferred inflows of resources at the close of 2019 by \$91,912,245 (net position). The net position of governmental activities was \$34,256,786 and the net position of business-type activities was \$57,655,459.
- The primary government's total net position increased by \$3,891,265 or 4.4%. The governmental net position increased by \$2,355,755 and the business-type net position increased by \$1,535,510, net of the prior period adjustment.
- As of the close of 2019, the primary government's governmental funds reported combined ending fund balances of \$20,537,007 an increase of \$2,175,713 in comparison with the prior year. Of this amount, \$1,303,575 is not in spendable form or is required to remain intact. The remaining \$19,233,432 or approximately 93.7% of total fund balances is in spendable form with various levels of spending constraint: restricted, assigned, or unassigned making them available for spending at the Town's discretion.
- At the end of 2019, the primary government's total fund balance for the General Fund was \$6,880,611, an increase of \$2,517,084 or 57.7% from the prior year. The aggregate restricted, assigned and unassigned fund balance for the General Fund was \$5,661,454, or 11.8% 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 \$67,760,000, a decrease of \$10,775,638 or 13.7%. The Town's governmental funds decreased by \$8,586,839 and the Town's business-type funds decreased by \$2,188,799.

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, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

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

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

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

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

Governmental Activities

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

Component Units

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

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

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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$91,912,245 at the close of the most recent year. Our analysis below focuses on the net position and changes in net position of the Town's governmental and business-type activities.

Condensed Statement of Net Position
Governmental Activities and Business-type Activities - Primary Government
As of December 31,

	Governmental Activities		Business-type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
Assets						
Current and other assets	\$ 35,760,955	\$ 37,814,208	\$ 16,006,209	\$ 16,761,606	\$ 51,767,164	\$ 54,575,814
Capital assets	200,230,969	199,895,168	81,003,848	78,479,399	281,234,817	278,374,567
Total Assets	235,991,924	237,709,376	97,010,057	95,241,005	333,001,981	332,950,381
Deferred Outflows of Resources	16,767,266	14,640,347	1,392,958	1,086,512	18,160,224	15,726,859
Liabilities						
Current liabilities	17,093,958	15,676,334	4,739,939	2,917,958	21,833,897	18,594,292
Non-current liabilities	185,274,897	181,632,328	34,349,994	35,134,173	219,624,891	216,766,501
Total Liabilities	202,368,855	197,308,662	39,089,933	38,052,131	241,458,788	235,360,793
Deferred Inflows of Resources	16,133,549	23,140,030	1,657,623	2,155,437	17,791,172	25,295,467
Net Position						
Net investment in capital assets	147,126,029	139,762,167	59,227,775	55,467,563	206,353,804	195,229,730
Restricted	8,655,176	9,063,299	2,598,203	952,142	11,253,379	10,015,441
Unrestricted	(121,524,419)	(116,924,435)	(4,170,519)	(299,756)	(125,694,938)	(117,224,191)
Total Net Position	\$ 34,256,786	\$ 31,901,031	\$ 57,655,459	\$ 56,119,949	\$ 91,912,245	\$ 88,020,980

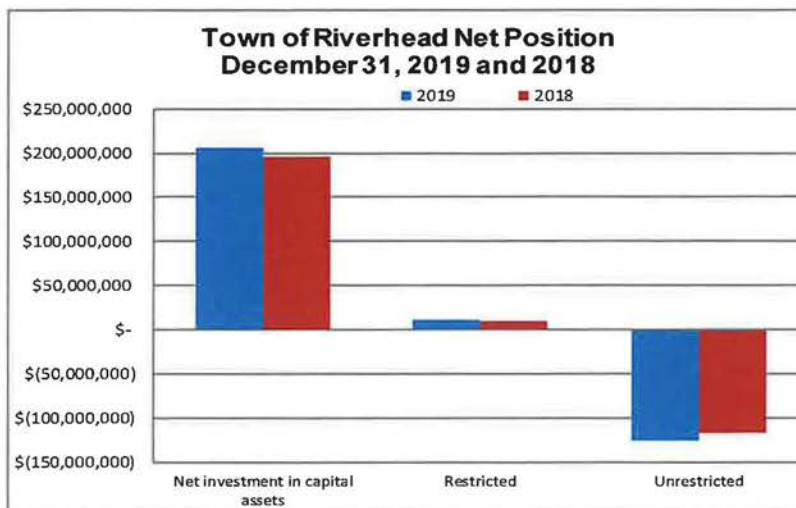
*Certain reclassifications have been made to be consistent with current year presentation.

By far, the largest portion of the Town's net position \$147,126,029 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles and infrastructure) less any outstanding debt or other borrowings used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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



The total net position of the Town as of December 31, 2019 was \$91,912,245, an increase of \$5,673,274 from the prior year. Of this amount, \$206,353,804 was the net investment in capital assets, while \$11,253,379 was restricted by statute or other specific purpose leaving a \$125,694,938 unrestricted deficit.

Changes in Net Position

Governmental Activities and Business-type Activities - Primary Government
For the years ended December 31,

	Governmental Activities		Business-type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
Revenues						
Program revenues:						
Charges for services	\$ 4,624,003	\$ 4,293,154	\$ 9,834,448	\$ 9,258,293	\$ 14,458,451	\$ 13,551,447
Operating grants and contributions	999,086	876,869			999,086	876,869
Capital grants and contributions	910,263	1,214,205	4,589,699	2,315,676	5,499,962	3,529,881
	<u>6,533,352</u>	<u>6,384,228</u>	<u>14,424,147</u>	<u>11,573,969</u>	<u>20,957,499</u>	<u>17,958,197</u>
General revenues:						
Real property taxes	52,044,348	50,416,599	1,828,500	1,745,400	53,872,848	52,161,999
Other tax items	698,600	712,353			698,600	712,353
Non-property tax items	6,037,960	7,593,789	842,762	846,243	6,880,722	8,440,032
Investment earnings - unrestricted	1,291,374	407,999	102,203	24,128	1,393,577	432,127
State aid	1,373,320	1,406,330			1,373,320	1,406,330
Other	321,920	226,238	625,039	733,572	946,959	959,810
	<u>61,767,522</u>	<u>60,763,308</u>	<u>3,398,504</u>	<u>3,349,343</u>	<u>65,166,026</u>	<u>64,112,651</u>
Total Revenues	<u>68,300,874</u>	<u>67,147,536</u>	<u>17,822,651</u>	<u>14,923,312</u>	<u>86,123,525</u>	<u>82,070,848</u>
Expenses						
General government support	14,460,578	14,411,234			14,460,578	14,411,234
Public safety	31,329,442	29,366,357			31,329,442	29,366,357
Health	1,583,456	1,259,998			1,583,456	1,259,998
Transportation	7,963,047	7,619,803			7,963,047	7,619,803
Economic assistance and opportunity	1,652,552	1,915,751			1,652,552	1,915,751
Culture and recreation	2,793,807	2,776,754			2,793,807	2,776,754
Home and community services	5,384,953	4,796,462	13,184,901	13,120,512	18,569,854	17,916,974
Interest on debt	2,097,515	2,099,726			2,097,515	2,099,726
	<u>67,265,350</u>	<u>64,246,085</u>	<u>13,184,901</u>	<u>13,120,512</u>	<u>80,450,251</u>	<u>77,366,597</u>
Total Expenses	<u>67,265,350</u>	<u>64,246,085</u>	<u>13,184,901</u>	<u>13,120,512</u>	<u>80,450,251</u>	<u>77,366,597</u>
Change in net position before transfers	1,035,524	2,901,451	4,637,750	1,802,800	5,673,274	4,704,251
Transfers	1,320,231	1,315,455	(1,320,231)	(1,315,455)	-0-	-0-
Change in net position	<u>2,355,755</u>	<u>4,216,906</u>	<u>3,317,519</u>	<u>487,345</u>	<u>5,673,274</u>	<u>4,704,251</u>
Net position - beginning	31,901,031	27,684,125	56,119,949	55,632,604	88,020,980	83,316,729
Prior period adjustment			(1,782,009)	-0-	(1,782,009)	-0-
Net position - beginning, as restated	<u>31,901,031</u>	<u>27,684,125</u>	<u>54,337,940</u>	<u>55,632,604</u>	<u>86,238,971</u>	<u>83,316,729</u>
Net position - ending	<u>\$ 34,256,786</u>	<u>\$ 31,901,031</u>	<u>\$ 57,655,459</u>	<u>\$ 56,119,949</u>	<u>\$ 91,912,245</u>	<u>\$ 88,020,980</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The change in net position from all combined activities was an increase of \$5,673,274. The governmental activities increased by \$2,355,755 and the business-type increased by \$3,317,519.

Key elements of the changes in governmental activities were:

- Charges for services increased by \$330,849 compared to the prior year due to more revenue from ambulance charges of \$44,980, culture and recreation fees of \$141,596 mainly from park and recreation development fees. Additionally, there was an increase in general government support revenues of \$274,069.
- 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 \$122,217. Notable increases of revenues were a result of an increase of grant revenues related to \$159,172 E-911 grant. Capital grants and contributions decreased from the prior year by \$303,942 due to a decrease in reimbursements received for completed projects in the prior year.
- General revenues increased by \$1,004,214 from the prior year, primarily due to an increase in real property tax and interest earnings, in the amounts of \$1,627,749 and \$883,375, respectively, which was offset by a lower amount received for transfer tax revenue of \$1,555,829.
- Overall, governmental expenses increased by \$3,019,265 compared to prior year. This is primarily a result of the overall increase in public safety due to the increase in the pension expense of \$1,594,916 when comparing the retirement systems' years ended March 31, 2019 to 2018. In addition, home and community expenses increased \$588,491 due to an increase in waste disposal costs.

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

- Water sales increased by \$173,285 compared to the prior year. In addition, sewer charges increased \$402,870 compared to the prior year.
- Capital grant revenue increased by \$2,274,023 primarily due to additional grant funding from a New York State Department of Environmental Conservation grant recognized in the current year to assist in the funding for the sewer treatment upgrade project.

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	
	2019	2018	2019	2018	2019	2018
General government support	\$ 14,460,578	\$ 14,411,234	\$ 819,594	\$ 1,119,843	\$ (13,640,984)	\$ (13,291,391)
Public safety	31,329,442	29,366,357	2,159,204	1,824,998	(29,170,238)	(27,541,359)
Health	1,583,456	1,259,998	167,822	46,912	(1,415,634)	(1,213,086)
Transportation	7,963,047	7,619,803	457,649	940,632	(7,505,398)	(6,679,171)
Economic assistance and opportunity	1,652,552	1,915,751	819,490	346,982	(833,062)	(1,568,769)
Culture and recreation	2,793,807	2,776,754	1,446,966	1,202,405	(1,346,841)	(1,574,349)
Home and community services	5,384,953	4,796,462	662,627	582,680	(4,722,326)	(4,213,782)
Interest on debt	2,097,515	2,099,726			(2,097,515)	(2,099,726)
	<u>\$ 67,265,350</u>	<u>\$ 64,246,085</u>	<u>\$ 6,533,352</u>	<u>\$ 6,064,452</u>	<u>\$ (60,731,998)</u>	<u>\$ (58,181,633)</u>

The cost of the governmental activities this year was \$67,265,350. The cost of these services after being partially subsidized by program revenues of \$6,533,352 was \$60,731,998.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

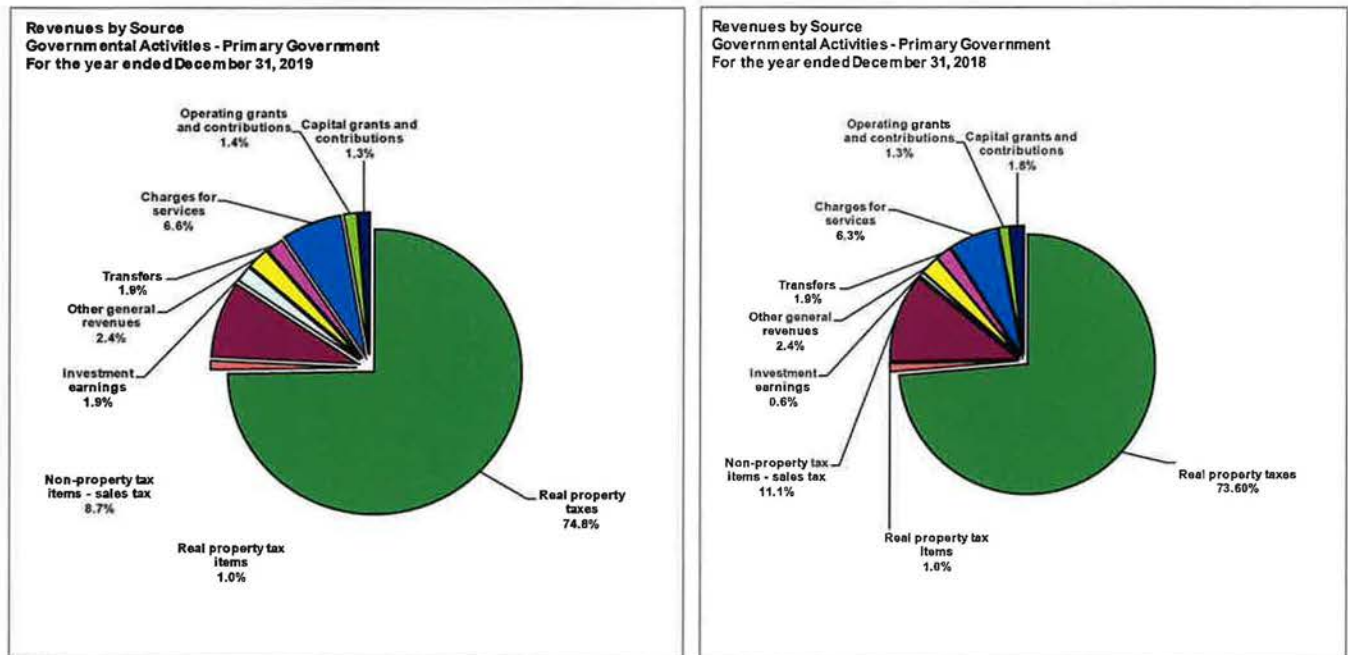
Business-type Activities

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	
	2019	2018	2019	2018	2019	2018
Home and community services - Sewer	\$ 6,483,433	\$ 6,676,759	\$ 8,145,017	\$ 5,333,471	\$ 1,661,584	\$ (1,343,288)
Home and community services - Water	6,701,468	6,443,753	6,279,130	6,240,498	(422,338)	(203,255)
	<u>\$ 13,184,901</u>	<u>\$ 13,120,512</u>	<u>\$ 14,424,147</u>	<u>\$ 11,573,969</u>	<u>\$ 1,239,246</u>	<u>\$ (1,546,543)</u>

The cost of the water business-type activity this year was \$6,701,468. The cost of this service after being partially subsidized by program revenues of \$6,279,130 was \$422,338. The cost of the sewer business-type activity was \$6,483,433, which was funded with program revenues of \$8,145,017. Program revenues include a capital grant in the amount of \$2,320,033, which was utilized to finance capital projects for the sewer upgrade in 2019.

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



	2019	2018
Real property taxes	\$ 52,044,348	\$ 50,416,599
Real property tax items	698,600	712,353
Non-property tax items - sales tax	6,037,960	7,593,789
Investment earnings - unrestricted	1,291,374	407,999
Other general revenues	1,695,240	1,632,568
Transfers	1,320,231	1,315,455
Charges for services	4,624,003	4,293,154
Operating grants and contributions	999,086	876,869
Capital grants and contributions	910,263	1,214,205
	<u>\$ 69,621,105</u>	<u>\$ 68,462,991</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

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, 2019, the Town's governmental funds reported total ending fund balances of \$20,537,007, an increase of \$2,175,713 or 11.8% in comparison with the prior year. The category breakdown is as follows:

- **Nonspendable fund balance** - \$1,303,575 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$8,655,176 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$5,699,231 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$4,879,025 (residual net resources) is the total fund balance in the General Fund of \$5,427,520 in excess of nonspendable, restricted and assigned fund balance and the negative unassigned deficit in the Special Trust Fund in the amount of \$548,495.

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 \$6,880,611, increasing \$2,517,084, or 57.7%, from the prior year. Of this amount, \$1,219,157 is not in spendable form (prepaid items and inventory). The remaining \$5,661,454 of the fund balance is in spendable form as follows: \$233,934 has been assigned for other miscellaneous designations and purchase orders, and the remaining \$5,427,520 represents spendable, unassigned fund balance.

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

- Overall revenues did not meet budgeted expectations by \$479,672, primarily due to lower than expected interfund revenues related to fuel and garage services in the amount of \$436,183 being eliminated and \$368,025 in departmental income which was offset by unanticipated revenues from interest earnings of \$184,477, and as well as federal grants earned exceeding budgeted expectations by \$148,610.
- Actual revenues increased by \$1,220,011 compared to the prior year, primarily due to the increase in real property taxes assessed \$1,525,645 and increases in use of money and property \$179,962 mainly from interest earnings.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

- Overall expenditures were under budget by \$3,799,391, a result of lower than expected costs for fuel contractual expenditures due to the elimination of fuel and garage costs \$516,827, employee benefit costs of \$1,388,501 related to pension, social security and medical insurance and an overall reduction of general government support expenditures mainly for information technology contractual expenditures \$290,390. In addition, there were lower than anticipated public safety personal service costs \$159,182 and costs savings in fuel, purchases of equipment and repairs and maintenance \$292,561.
- Actual expenditures increased by \$182,029 compared to the prior year, primarily a result of an increase in public safety expenditures of \$641,392 mainly personal services expenditures and culture and recreation of \$130,867 due to an increase in personal services expenditures. This was offset by a decrease in general government support expenditures of \$379,173 due to the decrease in Information Technology equipment and contract expenditures. In addition, economic assistance and opportunity expenditures decreased \$115,715 primarily due to the decrease in personal service expenditures.

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$3,075,466, decreasing \$37,252, or 1.2%, from the prior year. Of this amount, \$73,942 is not in spendable form (prepaid items). The remaining \$3,001,524 of the fund balance is assigned for general highway purposes.

The major components of the fund balance decrease of \$37,252 were as follows:

- Actual revenues exceeded budgeted expectations by \$111,951 due to unanticipated revenues for interest earnings of \$93,448.
- Overall actual revenues were higher than prior year by \$46,339, which is primarily a result of an increase in interest earnings.
- 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 \$765,759.
- Overall actual expenditures increased by \$653,981 compared to prior year due to an increase in transportation expenses \$349,019, a result of more purchases of equipment; and an increase in employee benefits of \$314,433 due to workers compensation payments. Other financing uses decreased by \$138,877 due to a reduction in the amount of debt service payments transferred out.
- Final budget includes planned use of fund balance of \$1,086,399.

Capital Projects Fund

The fund balance increased in the Capital Projects Fund by \$648,359 from the prior year as a result of timing differences between project expenditures and the recognition of corresponding financing. At the end of the current year, the Capital Projects Fund had a total fund balance of \$1,105,829.

Community Preservation Fund

At the end of the current year, the Community Preservation Fund had a total fund balance of \$7,472,220, decreasing by \$1,589,079 from the prior year. This fund balance is restricted for Community Preservation purposes.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Community Preservation Fund (continued)

The major components of the fund balance decrease of \$1,589,079 were as follows:

- There was an originally planned decrease of \$1,899,900 resulting from the appropriation of fund balance for the 2019 budget.
- Total interest earnings exceeded the budget by \$59,300 and actual revenues were in line with the prior year.
- Overall actual expenditures and operating transfers out were consistent with the prior year, actual transfers out were less than budgeted expectations by \$266,185.

Nonmajor Governmental Funds

The net change in fund balances was an increase of \$636,601 over the nine nonmajor funds, the most notable changes are as follows:

- The Street Lighting District had an increase in fund balance of \$292,206 due to unanticipated revenues from premiums related to bonds issued of \$109,216 and interest earnings of \$19,789 along with cost savings of \$278,293.
- The Ambulance Fund had an increase in fund balance of \$180,831, primarily a result of unanticipated revenues from ambulance charges and interest earnings of \$106,149 along with cost savings of \$120,441.
- The Public Parking Fund had an increase in fund balance of \$100,414 is due to cost savings of \$108,916.
- The Special Trust Fund had an increase of \$200,445 in fund balance, a result of the increase in park and recreation fees in the amount of \$96,000 and an increase in the amount transferred in related capital projects.

Proprietary Funds

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

Unrestricted net deficits of the Sewer and Water proprietary funds at the end of the year amounted to (\$2,459,283) and (\$1,711,236) respectively. The total net position change was an increase of \$3,317,519; an increase of \$2,126,612 in the Sewer District Funds and an increase of \$1,190,907 in the Water District Funds:

- In the Sewer Funds, total non-operating revenues increased by \$2,316,030 primarily a result of the funds recognizing more revenues related to the New York State Department of Conservation grant and local aid in the amount of \$2,320,033 to fund the costs of the sewer treatment upgrade project. Operating expenses related to sewerage treatment disposal and employee benefit expenses remained relatively consistent with the prior year. There were minimal increases in the non-operating expenses and transfers out compared to the prior year.
- In the Water Funds, operating revenues related to water sales increased by \$173,285 compared to the prior year, a result of an increase in consumption. Overall operating costs remained relatively consistent with the prior year. Non-operating revenues remained consistent over the prior year.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there were budget amendments that increased estimated revenues and transfers by \$39,000 and budgeted appropriations by \$561,263 inclusive of transfers. Please see the "General Fund" section for more details on the comparison of final budgets to actual amounts. The following are the main components of the increase in appropriations:

- Estimated revenues increased by \$26,000 of departmental income.
- Original budgeted appropriations increased by \$561,263 which were primarily due to increases of \$270,823 for legal and various repairs and general maintenance costs, and \$133,684 for police equipment purchases.

CAPITAL ASSET AND DEBT ADMINISTRATION

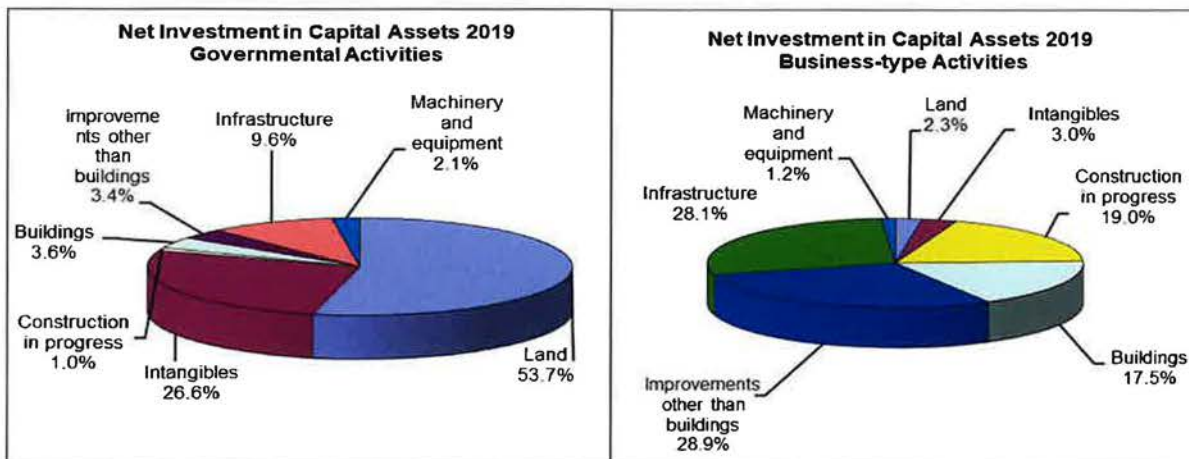
Capital Assets

The Town's capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$281,234,817 (net of accumulated depreciation). These capital assets include land, non-depreciable intangible assets, equipment, improvements, infrastructure, depreciable intangible assets and construction in progress.

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

- The Sewer District Fund invested \$1,918,765 for a sewer treatment plant upgrade project.
- The Water District Fund invested \$3,236,893 for various projects.
- Resurfacing of various Town roads for \$938,367.
- Various equipment purchases for governmental activities for \$1,652,714.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 107,303,389	\$ 107,303,389	\$ 1,829,300	\$ 1,829,300	\$ 109,132,689	\$ 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	2,021,998	793,937	15,361,450	10,001,317	17,383,448	10,795,254
Buildings	7,287,747	7,532,536	14,199,794	16,652,417	21,487,541	24,184,953
Improvements other than buildings	6,877,290	8,211,683	23,384,483	22,732,692	30,261,773	30,944,375
Infrastructure	19,203,270	19,352,108	22,785,286	23,905,498	41,988,556	43,257,606
Machinery and equipment	4,297,865	3,574,689	1,008,828	979,418	5,306,693	4,554,107
Intangibles - software	272,493	159,909	55,950		328,443	159,909
Total capital assets	\$ 200,230,969	\$ 199,895,168	\$ 81,003,848	\$ 78,479,399	\$ 281,234,817	\$ 278,374,567



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, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

At the end of 2019, the Town had total bonded debt outstanding of \$67,760,000. The entire debt is backed by the full faith and credit of the Town of Riverhead.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds*	\$ 46,936,936	\$ 83,677,332	\$ 20,823,064	\$ 9,127,667	\$ 67,760,000	\$ 92,804,999
Total	\$ 46,936,936	\$ 83,677,332	\$ 20,823,064	\$ 9,127,667	\$ 67,760,000	\$ 92,804,999

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

As of September 2019, the Town had an "Aa3" rating from Moody's Investors Service.

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average full valuation. The debt limit excludes water debt and sewer debt of the business-type activities. The Town's outstanding general obligation debt is significantly less than its current debt limit of \$429,184,268. The percentage of debt limit exhausted as of December 31, 2019 was 10.94%.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Next year's budget will increase by \$2,699,700 (2.76%) with increases in spending for the General Fund of \$704,800, Water District of \$547,300, Sewer Districts of \$2,089,000, and Refuse of \$308,100 and a decrease in Highway Fund of \$387,300 and Debt Service Fund of \$585,000. Several other funds had minor increases or decreases.

Assessed values increased in 2020 by \$6,441,526 over 2019 or .76%.

The Town-wide tax rate increased by \$1.431 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 did not exceed the 2% cap, inclusive of allowable exclusions, in 2019.

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

COVID-19

The Town will continue to monitor closely the 2020 economic environment and the global COVID-19 pandemic situation and take the proactive measures as required to ensure the strong financial condition of the Town of Southold. While certain revenues have been impacted, the Town is in a healthy financial position and is currently evaluating the long-term impact, if any.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Nonmajor Component Units
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 25,478,771	\$ 7,698,095	\$ 33,176,866	\$ 176,433
Cash - restricted	7,357,032	2,598,203	9,955,235	
Accounts receivable	619,199	51,280	670,479	1,250
Billings receivable		954,363	954,363	
Due from other governments	1,002,496	4,536,418	5,538,914	5,000
Internal balances	(118)	118	-0-	
Prepays	1,223,142	98,366	1,321,508	16,683
Inventory of materials and supplies	80,433	69,366	149,799	
Other assets			-0-	1,400
Total current assets	35,760,955	16,006,209	51,767,164	200,766
Non-current assets:				
Non-depreciable capital assets	162,292,304	19,569,507	181,861,811	
Capital assets, net of accumulated depreciation	37,938,665	61,434,341	99,373,006	667
Total non-current assets	200,230,969	81,003,848	281,234,817	667
Total Assets	235,991,924	97,010,057	333,001,981	201,433
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	296,803		296,803	
Pensions	8,977,544	597,250	9,574,794	28,103
Other postemployment benefits	7,492,919	795,708	8,288,627	
Total Deferred Outflows of Resources	16,767,266	1,392,958	18,160,224	28,103
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	4,035,251	2,569,800	6,605,051	27,318
Retainage payable		172,253	172,253	
Accrued interest payable	651,900	135,552	787,452	
Due to fiduciary funds	12,081		12,081	
Due to other governments	23,049		23,049	
Unearned revenue	752,433	67,434	819,867	
Non-current liabilities due within one year:				
General obligation bonds payable	8,808,870	1,676,120	10,484,990	
Installment purchase debt	36,574		36,574	
Compensated absences payable	1,142,240	104,380	1,246,620	
Employee Retirement Incentive	50,400	14,400	64,800	
Claims and judgments payable	1,517,660		1,517,660	
Estimated liability for landfill closure and postclosure care costs	63,500		63,500	
Total Current Liabilities	17,093,958	4,739,939	21,833,897	27,318
Non-current liabilities due in more than one year:				
General obligation bonds payable	43,354,986	19,976,803	63,331,789	
Installment purchase debt	135,585		135,585	
Compensated absences payable	7,511,092	686,378	8,197,470	22,354
Employee retirement incentive	138,600	39,600	178,200	
Claims and judgments payable	492,894		492,894	
Estimated liability for landfill closure and postclosure care costs	1,662,638		1,662,638	
Net pension liability - proportionate share	8,084,165	490,229	8,574,394	30,971
Total other postemployment benefits payable	123,894,937	13,156,984	137,051,921	
Total non-current liabilities	185,274,897	34,349,994	219,624,891	53,325
Total Liabilities	202,368,855	39,089,933	241,458,788	80,643
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	8,235,207	842,842	9,078,049	
Deferred gain on refunding		79,381	79,381	
Pensions	2,779,836	191,842	2,971,678	13,700
Other postemployment benefits	5,118,506	543,558	5,662,064	
Total Deferred Inflows of Resources	16,133,549	1,657,623	17,791,172	13,700
NET POSITION				
Net investment in capital assets	147,126,029	59,227,775	206,353,804	
Restricted for:				
Capital projects	1,105,829	2,598,203	3,704,032	
Community preservation fund	7,472,220		7,472,220	
Other purposes	77,127		77,127	
Unrestricted	(121,524,419)	(4,170,519)	(125,694,938)	135,193
Total Net Position	\$ 34,256,786	\$ 57,655,459	\$ 91,912,245	\$ 135,193

See notes to financial statements.

TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Nonmajor Component Units
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental Activities:								
General government support	\$ 14,460,578	\$ 819,594			\$ (13,640,984)		\$ (13,640,984)	
Public safety	31,329,442	1,747,520	\$ 375,684	\$ 36,000	(29,170,238)		(29,170,238)	
Health	1,583,456	167,822			(1,415,634)		(1,415,634)	
Transportation	7,963,047	28,007	(19,756)	449,398	(7,505,398)		(7,505,398)	
Economic assistance and opportunity	1,652,552	56,658	640,832	122,000	(833,062)		(833,062)	
Culture and recreation	2,793,807	1,144,101		302,865	(1,346,841)		(1,346,841)	
Home and community services	5,384,953	660,301	2,326		(4,722,326)		(4,722,326)	
Interest on debt	2,097,515				(2,097,515)		(2,097,515)	
Principal on debt								
Bond Issuance Costs								
Total governmental activities	67,265,350	4,624,003	999,086	910,263	(60,731,998)		(60,731,998)	
Business-type Activities:								
Home and community services - Sewer	6,483,433	5,280,393		2,864,624		\$ 1,661,584	1,661,584	
Home and community services - Water	6,701,468	4,554,055		1,725,075		(422,338)	(422,338)	
Total business-type activities	13,184,901	9,834,448	-0-	4,589,699	-0-	1,239,246	1,239,246	
Total primary government	\$ 80,450,251	\$ 14,458,451	\$ 999,086	\$ 5,499,962	\$ (60,731,998)	\$ 1,239,246	\$ (59,492,752)	
NONMAJOR COMPONENT UNITS:								
Economic assistance and opportunity	\$ 245,017	\$ 129,505						\$ (115,512)
Total nonmajor component units	\$ 245,017	\$ 129,505						\$ (115,512)
General revenues:								
Real property taxes					\$ 52,044,348	\$ 1,828,500	\$ 53,872,848	
Real property tax items					698,600		698,600	
Non-property tax items					6,037,960	842,762	6,880,722	
Investment earnings - unrestricted					1,291,374	102,203	1,393,577	\$ 926
State aid					1,373,320		1,373,320	
Other					321,920	625,039	946,959	15,122
Transfers					1,320,231	(1,320,231)	-0-	
Total general revenues and transfers					63,087,753	2,078,273	65,166,026	16,048
Change in net position					2,355,755	3,317,519	5,673,274	(99,464)
Net position - beginning					31,901,031	56,119,949	88,020,980	234,657
Prior period adjustment					-0-	(1,782,009)	(1,782,009)	-0-
Net position - beginning, as restated					31,901,031	54,337,940	86,238,971	234,657
Net position - ending					\$ 34,256,786	\$ 57,655,459	\$ 91,912,245	\$ 135,193

See notes to financial statements.

TOWN OF RIVERHEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

	MAJOR FUNDS					Nonmajor Governmental Funds	Total Governmental Funds
	General	Highway	Debt Service	Capital Projects	Community Preservation		
ASSETS							
Cash and cash equivalents	\$ 12,298,418	\$ 4,697,010		\$ 2,069,746		\$ 4,260,179	\$ 23,325,353
Cash - restricted					\$ 7,207,032		7,207,032
Accounts receivable	344,041			9,970	265,188		619,199
Due from other funds	1,411,360	71,632				108,869	1,591,861
Due from other governments	266,293			678,729		57,474	1,002,496
Prepays	1,138,724	73,942				10,476	1,223,142
Inventory	80,433						80,433
Total assets	<u>\$ 15,539,269</u>	<u>\$ 4,842,584</u>	<u>\$ -0-</u>	<u>\$ 2,758,445</u>	<u>\$ 7,472,220</u>	<u>\$ 4,436,998</u>	<u>\$ 35,049,516</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 2,343,021	\$ 685,117		\$ 768,926		\$ 100,696	\$ 3,897,760
Due to other funds				866,058		725,921	1,591,979
Due to fiduciary funds	231			11,850			12,081
Due to other governments	23,049						23,049
Unearned revenue	126,851			5,782		619,800	752,433
Total liabilities	<u>2,493,152</u>	<u>685,117</u>	<u>\$ -0-</u>	<u>1,652,616</u>	<u>\$ -0-</u>	<u>1,446,417</u>	<u>6,277,302</u>
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue - property taxes	6,165,506	1,082,001				987,700	8,235,207
Total deferred inflows of resources	<u>6,165,506</u>	<u>1,082,001</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>987,700</u>	<u>8,235,207</u>
FUND BALANCES							
Nonspendable	1,219,157	73,942				10,476	1,303,575
Restricted				1,105,829	7,472,220	77,127	8,655,176
Assigned	233,934	3,001,524				2,463,773	5,699,231
Unassigned	5,427,520					(548,495)	4,879,025
Total fund balances	<u>6,880,611</u>	<u>3,075,466</u>	<u>-0-</u>	<u>1,105,829</u>	<u>7,472,220</u>	<u>2,002,881</u>	<u>20,537,007</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,539,269</u>	<u>\$ 4,842,584</u>	<u>\$ -0-</u>	<u>\$ 2,758,445</u>	<u>\$ 7,472,220</u>	<u>\$ 4,436,998</u>	<u>\$ 35,049,516</u>

See notes to financial statements.

TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2019

Total Fund Balances - Governmental Funds

\$ 20,537,007

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	\$ 162,292,304	
Capital assets - depreciable	178,191,634	
Accumulated depreciation	<u>(140,252,969)</u>	
		200,230,969

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).

2,165,927

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

16,767,266

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	(52,163,856)	
Installment purchase debt	(172,159)	
Employee retirement incentive payable	(189,000)	
Compensated absences payable	(8,653,332)	
Claims and judgments payable	(2,010,554)	
Estimated liability for landfill closure and postclosure care costs	(1,726,138)	
Net pension liability - proportionate share	(8,084,165)	
Total other postemployment benefits payable	<u>(123,894,937)</u>	
		(196,894,141)

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.

(651,900)

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

(7,898,342)

Net Position of Governmental Activities

\$ 34,256,786

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	MAJOR FUNDS					Nonmajor Governmental Funds	Total Governmental Funds
	General	Highway	Debt Service	Capital Projects	Community Preservation		
REVENUES							
Real property taxes	\$ 38,848,800	\$ 7,125,900	\$ -0-			\$ 6,069,648	\$ 52,044,348
Real property tax items	697,873	727					698,600
Non-property tax items	2,606,504				\$ 3,431,456		6,037,960
Departmental income	2,712,575	5,157				167,822	2,885,554
Use of money and property	423,477	100,448		\$ 3,157	109,300	505,495	1,141,877
Licenses and permits	251,635	22,850					274,485
Fines and forfeitures	443,741						443,741
Sale of property and compensation for loss	41,109	661				4,804	46,574
Miscellaneous local sources	48,607	20,608		294,000			363,215
Interfund revenues	1,109,017						1,109,017
State and local aid	1,901,280			598,416		1,102	2,500,798
Federal aid	156,710					330,160	486,870
Total revenues	49,241,328	7,276,351	-0-	895,573	3,540,756	7,079,031	68,033,039
EXPENDITURES							
Current:							
General government support	9,047,862	57,502			2,100	68,729	9,176,193
Public safety	18,122,721						18,122,721
Health	20,297					1,481,646	1,501,943
Transportation	277,859	4,896,840				988,353	6,163,052
Economic assistance and opportunity	759,714					243,768	1,003,482
Culture and recreation	1,516,977					111,988	1,628,965
Home and community services	1,099,660					3,454,376	4,554,036
Employee benefits	12,395,269	1,736,405				182,042	14,313,716
Capital Outlay:							
General government support				250,020			250,020
Public safety				12,180			12,180
Transportation				1,112,402			1,112,402
Culture and recreation				329,860			329,860
Home and community services				20,953			20,953
Debt Service:							
Principal	21,117		8,618,029				8,639,146
Interest	883		1,650,497				1,651,380
Bond issuance costs			80,284				80,284
Total expenditures	43,282,359	6,690,747	10,348,810	1,725,415	2,100	6,530,902	68,560,333
Excess (deficiency) of revenues over (under) expenditures	5,978,969	585,604	(10,348,810)	(829,842)	3,538,656	548,129	(527,294)
OTHER FINANCING SOURCES (USES)							
Transfers in	1,335,070		10,268,526	1,289,313		172,088	13,064,997
Transfers out	(4,796,955)	(622,856)		(4,388)	(5,127,735)	(1,192,832)	(11,744,766)
Installment purchase debt				193,276			193,276
Refunding bonds issued			9,296,190				9,296,190
Debt proceeds						1,000,000	1,000,000
Premium on debt issuance			1,345,897			109,216	1,455,113
Payment to refunded debt escrow agent			(10,561,803)				(10,561,803)
Total other financing sources (uses)	(3,461,885)	(622,856)	10,348,810	1,478,201	(5,127,735)	88,472	2,703,007
Net change in fund balance	2,517,084	(37,252)	-0-	648,359	(1,589,079)	636,601	2,175,713
Fund balances at beginning of year	4,363,527	3,112,718	-0-	457,470	9,061,299	1,366,280	18,361,294
Fund balances at end of year	\$ 6,880,611	\$ 3,075,466	\$ -0-	\$ 1,105,829	\$ 7,472,220	\$ 2,002,881	\$ 20,537,007

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, 2019

Net change in fund balances - total governmental funds **\$ 2,175,713**

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	\$ 3,862,158	
Depreciation expense	(3,526,357)	
		335,801

Deferred Outflows of Resources

Pension	(4,458,023)	
OPEB	6,288,139	
Deferred loss on refunding	296,803	
		2,126,919

Deferred Inflows of Resources

Pension	7,388,907	
OPEB	(5,118,506)	
		2,270,401

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	(356,580)	
Other change in net position	(265,082)	
		(621,662)

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.

Refunding bonds issued	(9,296,190)	
Bonds issued	(1,000,000)	
Payment to escrow agent	10,265,000	
Repayment of bond principal	8,618,029	
Installment purchase debt	(172,159)	
Compensated absences	482,409	
Employee retirement incentive	(189,000)	
Estimated liability for landfill closure and postclosure care costs	(169,997)	
Net pension - liability proportionate share	(3,759,369)	
Total other postemployment benefits payable	(7,528,033)	
		(2,749,310)

Premiums on bond issuances are recognized in the governmental funds statements when issued and capitalized and amortized in the Statement of Activities. (735,972)

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. (446,135)

Change in net position of governmental activities **\$ 2,355,755**

TOWN OF RIVERHEAD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,319,048	\$ 5,379,047	\$ 7,698,095	\$ 2,153,418
Cash - restricted	1,151,386	1,446,817	2,598,203	150,000
Accounts receivable				
Accounts receivable, net of allowance of \$15,003	51,280		51,280	
Water rents receivable		954,363	954,363	
Due from other funds	18	100	118	
Due from other governments	4,536,418		4,536,418	
Prepays	38,015	60,351	98,366	
Inventory		69,366	69,366	
Total current assets	8,096,165	7,910,044	16,006,209	2,303,418
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	6,353,066	9,008,384	15,361,450	
Buildings	25,868,825	11,016,872	36,885,697	
Improvements other than buildings	26,421,432	383,711	26,805,143	
Machinery and equipment	1,068,464	8,249,747	9,318,211	
Infrastructure	21,150,681	49,377,752	70,528,433	
Intangibles - depreciable		143,950	143,950	
Less accumulated depreciation/amortization	(40,975,102)	(41,271,991)	(82,247,093)	
Capital assets, net of accumulated depreciation	40,777,639	40,226,209	81,003,848	-0-
Total non-current assets	40,777,639	40,226,209	81,003,848	-0-
Total assets	48,873,804	48,136,253	97,010,057	2,303,418
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	264,717	332,533	597,250	
Other postemployment benefits	389,565	406,143	795,708	
Total deferred outflows of resources	654,282	738,676	1,392,958	-0-
LIABILITIES				
Current liabilities:				
Accounts payable	1,798,678	771,122	2,569,800	137,491
Accrued liabilities	77,371	94,882	172,253	
Accrued interest payable	99,418	36,134	135,552	
Unearned revenue		67,434	67,434	
Non-current liabilities due within one year:				
General obligation bonds payable	775,623	900,497	1,676,120	
Claims and judgments payable				1,517,660
Compensated absences payable	50,255	54,125	104,380	
Employee retirement incentive	14,400		14,400	
Total current liabilities	2,815,745	1,924,194	4,739,939	1,655,151
Non-current liabilities due in more than one year:				
General obligation bonds payable	11,299,551	8,677,252	19,976,803	
Claims and judgments payable				492,894
Compensated absences payable	330,467	355,911	686,378	
Employee retirement incentive	39,600		39,600	
Net pension liability - proportionate share	215,864	274,365	490,229	
Postemployment benefits healthcare costs	6,441,125	6,715,859	13,156,984	
Total non-current liabilities	18,326,607	16,023,387	34,349,994	492,894
Total liabilities	21,142,352	17,947,581	39,089,933	2,148,045
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	632,473	210,369	842,842	
Deferred gain on refunding		79,381	79,381	
Pensions	97,290	94,552	191,842	
Other postemployment benefits	266,117	277,441	543,558	
Total deferred inflows of resources	995,880	661,743	1,657,623	-0-
NET POSITION				
Net investment in capital assets	28,697,751	30,530,024	59,227,775	
Restricted	1,151,386	1,446,817	2,598,203	
Unrestricted	(2,459,283)	(1,711,236)	(4,170,519)	155,373
Total net position	\$ 27,389,854	\$ 30,265,605	\$ 57,655,459	\$ 155,373

See notes to the financial statements.

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
OPERATING REVENUES				
Charges for sales and services:				
Water sales		\$ 4,503,866	\$ 4,503,866	\$ -0-
Sewer rents	\$ 3,055,492		3,055,492	
Sewer charges	2,224,901		2,224,901	
Water service charges		49,670	49,670	
Other revenues		519	519	
Total operating revenues	5,280,393	4,554,055	9,834,448	-0-
OPERATING EXPENSES				
Cost of sales and services:				
Administration	798,279	1,418,374	2,216,653	
Claims and judgments			-0-	647,956
Sewerage treatment disposal	2,124,580		2,124,580	
Source of supply, power and pump		2,219,804	2,219,804	
Depreciation/amortization	2,327,282	1,599,782	3,927,064	
Employee benefits	1,007,436	1,206,791	2,214,227	
Total operating expenses	6,257,577	6,444,751	12,702,328	647,956
Operating (loss)	(977,184)	(1,890,696)	(2,867,880)	(647,956)
NON-OPERATING REVENUE (EXPENSE)				
Investment earnings - unrestricted	46,797	55,406	102,203	26,295
Interest expense	(225,856)	(256,717)	(482,573)	
Tower rentals and miscellaneous		625,039	625,039	
Developers' fees	533,678	1,725,075	2,258,753	
Real property taxes	479,500	1,349,000	1,828,500	
Non-property tax distribution by county	842,762		842,762	
State and local aid	2,330,946		2,330,946	
Total non-operating revenue	4,007,827	3,497,803	7,505,630	26,295
Income (loss) before transfers	3,030,643	1,607,107	4,637,750	(621,661)
Transfers out	(904,031)	(416,200)	(1,320,231)	
Change in net position	2,126,612	1,190,907	3,317,519	(621,661)
Total net position - beginning	27,045,251	29,074,698	56,119,949	777,034
Prior period adjustment	(1,782,009)		(1,782,009)	
Total net position - beginning, as restated	25,263,242	29,074,698	54,337,940	777,034
Total net position - ending	\$ 27,389,854	\$ 30,265,605	\$ 57,655,459	\$ 155,373

TOWN OF RIVERHEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 5,298,118	\$ 4,585,577	\$ 9,883,695	
Cash payments for contractual expenses	(807,477)	(1,745,548)	(2,553,025)	
Cash payments to employees for salaries and employee benefits	(1,412,116)	(2,316,445)	(3,728,561)	\$ (56,660)
Cash paid for internal services provided - risk management				(119,271)
Other revenues		519	519	
Net cash provided by operating activities	3,078,525	524,103	3,602,628	(175,931)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Real property taxes and tax items	48,335	1,222,810	1,271,145	
Non-property tax distribution by county	842,762		842,762	
Tower rentals and miscellaneous		619,440	619,440	
Operating grants				
Transfers to/from other funds	(904,322)	(423,573)	(1,327,895)	
Net cash provided (used) by noncapital and related financing activities	(13,225)	1,418,677	1,405,452	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants	(328,948)		(328,948)	
Principal paid on capital debt	(774,185)	(1,001,763)	(1,775,948)	
Interest paid on capital debt	(179,920)	(220,583)	(400,503)	
Capital contributions by developers	533,678	1,725,075	2,258,753	
Gain on refunding		79,381	79,381	
Payments to contractors	(3,177,310)	(3,366,818)	(6,544,128)	
Net cash provided (used) by capital and related financing activities	(3,926,685)	(2,784,708)	(6,711,393)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	46,797	55,406	102,203	26,295
Net cash provided by investing activities	46,797	55,406	102,203	26,295
Net increase in cash and cash equivalents	(814,588)	(786,522)	(1,601,110)	(149,636)
Cash and cash equivalents at January 1, 2019 *	4,285,022	7,612,386	11,897,408	2,453,054
Cash and cash equivalents at December 31, 2019 *	\$ 3,470,434	\$ 6,825,864	\$ 10,296,298	\$ 2,303,418
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating (loss)	\$ (977,184)	\$ (1,890,696)	\$ (2,867,880)	\$ (647,956)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	2,327,282	1,599,782	3,927,064	
(Increase) decrease in billings receivable	17,725	32,042	49,767	
(Increase) decrease in inventory		(13,790)	(13,790)	
(Increase) decrease in prepaid expense	(264)	4,124	3,860	
(Increase) decrease in deferred outflows related to pension	155,840	199,109	354,949	
(Increase) decrease in deferred outflows related to OPEB	(323,808)	(337,587)	(661,395)	
Increase (decrease) in compensated absences	3,533	(92,748)	(89,215)	
Increase (decrease) in employee retirement incentive payable	54,000		54,000	
Increase (decrease) in the net pension liability - proportionate share	108,824	151,698	260,522	
Increase (decrease) in postemployment healthcare benefits	391,391	408,046	799,437	
Increase (decrease) in customer deposits		(164,640)	(164,640)	
Increase (decrease) in accounts payable/accrued liabilities	1,317,103	652,686	1,969,789	115,445
Increase (decrease) in deferred inflows related to pension	(262,034)	(301,364)	(563,398)	
Increase (decrease) in deferred inflows related to OPEB	266,117	277,441	543,558	
Increase (decrease) in claims and judgments				356,580
Total adjustments	4,055,709	2,414,799	6,470,508	472,025
Net cash provided by operating activities	\$ 3,078,525	\$ 524,103	\$ 3,602,628	\$ (175,931)

*This includes \$150,000 for the Internal Service Fund's restricted cash.

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Sewer Fund's payments to contractors in the amount of \$3,040,361 is reported net of the change in accounts payable and retainage payable totaling \$174,259.

The Water Fund's payments to contractors in the amount of \$3,366,818 is reported net of the change in accounts payable and retainage payable totaling \$129,925.

TOWN OF RIVERHEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
December 31, 2019

	Agency Fund
ASSETS	
Cash	\$ 18,297,655
Due from governmental funds	12,081
Total assets	<u>\$ 18,309,736</u>
LIABILITIES	
Other agency liabilities	\$ 18,309,736
Total liabilities	<u>\$ 18,309,736</u>

TOWN OF RIVERHEAD
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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. REPORTING ENTITY

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

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

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

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

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

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

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

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

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

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

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

Riverhead Industrial Development Agency
209 West Main Street
Riverhead, NY 11901

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The Town reports the following major governmental funds:

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

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

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

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

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 2019, 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 2019, general liability had a \$250,000 SIR with a limit of \$10,000,000.

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

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

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

The Town has presented the following fiduciary fund:

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

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within sixty (60) days of the end of the current period. However, certain revenues may be considered available if received within one year after the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure and 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. All other governmental fund revenues are recognized when received. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements are met. Expenditures for prepaids are recognized when incurred.

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

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

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

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

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

1. CASH AND CASH EQUIVALENTS

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2019.

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

2. RESTRICTED ASSETS

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

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

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 capital assets produced by Town labor. The Town will capitalize all other intangible assets exceeding \$50,000 and having a useful life of more than three years. Intangibles with indefinite useful lives may be capitalized (if it exceeds the threshold) and not amortized. The term depreciation, as used in these footnotes, includes amortization of intangible assets.

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

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

Infrastructure assets, consisting of certain improvements including but not limited to roads, curbs, sidewalks, drainage and water systems, and street lighting, are capitalized along with other capital assets.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. CAPITAL ASSETS (continued)

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

7. UNEARNED REVENUE

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

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the 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 prior years debt advanced refundings, pension related amounts pertaining to the employees' retirement system, and the other postemployment benefits plan-healthcare.

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: unearned revenue pertaining to the collection of 2020 real estate taxes, amounts related to various postemployment benefits the Town provides (employees' retirement system and the other postemployment benefits plan-healthcare). It also includes a deferred gain on the refunding of bonds in the current year.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. 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, compensated absences, 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.

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".

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. NET POSITION AND FUND BALANCE CLASSIFICATIONS (continued)

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.
- 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. Although the Town increased General Fund balance by approximately \$2,517,000 it is still under the 15% of its total operating budget as of December 31, 2019.

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.

2. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

2. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

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

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

3. COMPENSATED ABSENCES

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

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

4. PENSION

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

F. ENCUMBRANCES

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

G. USE OF ESTIMATES

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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.
- 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

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 did not exceed the 2% property tax cap for 2019.

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
Fund Balances:					
Nonspendable:					
Inventory	\$ 80,433				
Prepaid items	1,138,724	\$ 73,942			\$ 10,476
Total Nonspendable	<u>1,219,157</u>	<u>73,942</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>10,476</u>
Restricted for:					
Community preservation - 2% tax				7,472,220	
Capital projects			1,105,829		
Grantors and donors restrictions					77,127
Total Restricted	<u>-0-</u>	<u>-0-</u>	<u>1,105,829</u>	<u>7,472,220</u>	<u>77,127</u>
Assigned to:					
Purchases on order and/or contractual obligations	140,909	6,635			27,453
Miscellaneous designations	93,025				
Special revenue funds		2,994,889			2,436,320
Total Assigned	<u>233,934</u>	<u>3,001,524</u>	<u>-0-</u>	<u>-0-</u>	<u>2,463,773</u>
Unassigned, reported in:					
General Fund	5,427,520				
Special Trust Fund					(548,495)
Total Unassigned	<u>5,427,520</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(548,495)</u>
Total Fund Balances	<u><u>\$ 6,880,611</u></u>	<u><u>\$ 3,075,466</u></u>	<u><u>\$ 1,105,829</u></u>	<u><u>\$ 7,472,220</u></u>	<u><u>\$ 2,002,881</u></u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

2. DEFICIT FUND BALANCES

The Recreation Program Fund and the Police Athletic League Fund which are included in the General Fund for reporting purposes, had fund deficits of \$368,925 and \$17,939, respectively, at December 31, 2019. The deficits in these funds are expected to be eliminated in 2020 by reducing the expenditures and increasing the program revenues. The Special Trust Fund, which is a nonmajor governmental fund, had a fund deficit of \$548,495 at December 31, 2019. The deficit is expected to be eliminated through future impact fees from residential subdivisions and condominiums.

3. FUND BALANCE RESERVES AND DESIGNATIONS

Miscellaneous Designations

The majority of the \$93,025 in miscellaneous designations in the General Fund consists of the following: \$9,959 is designated for the Economic Development Zone, \$25,136 is designated for a Teen Center and \$48,129 is designated for the Senior Day Care Center.

Debt Service

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

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, 2019.

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, 2019, the Town's cash book balance was \$61,417,531. This amount is inclusive of Fiduciary fund deposits of \$18,297,655, restricted cash of \$9,955,235 but exclusive of petty cash of \$12,225 and the nonmajor discretely presented component units cash of \$176,433. The available bank balance was \$61,438,818. Of the available bank balance, \$1,687,685 was covered by Federal deposit insurance and \$59,751,133 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND CASH EQUIVALENTS (continued)

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

As of December 31, 2019, 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, 2019, individual fund interfund receivable and payable balances represent either loans, services provided, or reimbursements which are expected to be paid currently. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. These balances, representing various short-term loans for operating purposes, are stated as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
Major Funds:		
General Fund	\$ 1,411,360	\$ -0-
Highway Fund	71,632	
Capital Projects Fund		866,058
Nonmajor Funds:		
Other Governmental Funds	108,869	725,921
Total Governmental Funds	<u>1,591,861</u>	<u>1,591,979</u>
Proprietary Funds:		
Sewer District Funds	18	
Water District Funds	100	
Total Proprietary Funds	<u>118</u>	
Total	<u>\$ 1,591,979</u>	<u>\$ 1,591,979</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

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, 2019 is as follows:

	Transfers out:							
	Major Funds				Nonmajor Funds	Proprietary Funds		
	General	Highway	Capital	Community	Other			
	Fund	Fund	Projects Fund	Preservation	Governmental	Sewer District	Water District	Total
	Fund	Fund	Fund	Fund	Funds	Funds	Funds	
Transfers in:								
Governmental Funds:								
Major Funds:								
General Fund					\$ 14,839	\$ 904,031	\$ 416,200	\$ 1,335,070
Debt Service Fund	\$ 4,350,942	\$ 622,856		\$ 5,127,735	166,993			10,268,526
Capital Projects Fund	289,313				1,000,000			1,289,313
Nonmajor Funds:								
Other Governmental Funds	156,700		\$ 4,388		11,000			172,088
Total	\$ 4,796,955	\$ 622,856	\$ 4,388	\$ 5,127,735	\$ 1,192,832	\$ 904,031	\$ 416,200	\$ 13,064,997

C. CAPITAL ASSETS

Capital assets activity for the governmental activities for the year ended December 31, 2019 is as follows:

	Balance 1/1/2019	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2019
Governmental Activities:				
Capital assets not being depreciated/amortized:				
Land and landfills	\$ 107,303,389			\$ 107,303,389
Intangibles - development rights/easements	52,966,917			52,966,917
Construction work in progress	793,937	\$ 1,844,314	\$ 616,253	2,021,998
Total capital assets not being depreciated	161,064,243	1,844,314	616,253	162,292,304
Depreciable/amortizable capital assets:				
Buildings	13,365,357	43,016		13,408,373
Improvements	20,059,510		457,055	19,602,455
Infrastructure	119,079,041	938,367	(457,055)	120,474,463
Machinery and equipment	24,020,028	1,652,714	1,348,201	24,324,541
Intangibles - software	261,486		(120,315)	381,801
Total depreciable capital assets	176,785,422	2,634,097	1,227,886	178,191,633
Less accumulated depreciation/amortization:				
Buildings	5,832,821	287,805		6,120,626
Improvements	11,847,827	877,338		12,725,165
Infrastructure	99,726,933	1,544,260		101,271,193
Machinery and equipment	20,445,339	809,223	(1,227,886)	20,026,676
Intangibles - software	101,577	7,731		109,308
Total accumulated depreciation	\$ 137,954,497	\$ 3,526,357	\$ (1,227,886)	\$ 140,252,968
Total net depreciable capital assets				37,938,665
Total net capital assets				\$ 200,230,969

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

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, 2019 is as follows:

	Balance 1/1/2019	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2019
<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	10,001,317	\$ 6,237,809	\$ 877,676	15,361,450
Total capital assets not being depreciated	14,209,374	6,237,809	877,676	19,569,507
Depreciable/amortizable capital assets:				
Buildings	36,885,697			36,885,697
Improvements	26,040,347	764,796		26,805,143
Infrastructure	70,356,774	171,659		70,528,433
Machinery and equipment	9,326,458	99,276	107,523	9,318,211
Intangibles - software	88,000	55,950		143,950
Total depreciable capital assets	142,697,276	1,091,681	107,523	143,681,434
Less accumulated depreciation/amortization:				
Buildings	20,233,280	2,452,623		22,685,903
Improvements	3,307,655	113,005		3,420,660
Infrastructure	46,451,276	1,291,871		47,743,147
Machinery and equipment	8,347,040	70,066	107,723	8,309,383
Intangibles - software	88,000			88,000
Total accumulated depreciation	\$ 78,427,251	\$ 3,927,565	\$ 107,723	\$ 82,247,093
Total net depreciable capital assets				61,434,341
Total net capital assets				\$ 81,003,848

Depreciation was charged to the functions and programs as follows:

Governmental Activities:		
General government support		\$ 630,547
Public safety		259,974
Health		121,600
Transportation		1,491,920
Economic assistance and opportunity		292,127
Culture and recreation		642,224
Home and community services		87,965
Total depreciation expense - governmental activities		\$ 3,526,357
Business-type Activities:		
Home and community services - Sewer		\$ 2,327,482
Home and community services - Water		1,600,083
Total depreciation expense - business-type activities		\$ 3,927,565

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, 2019, the Town has not recorded any such impairment losses.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS

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, 2019.

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, 2019 is as follows:

	Balance 1/1/2019	Issued	Redeemed	Balance 12/31/2019
Governmental Activities:				
General Fund	\$ 19,227,303	\$ 6,963,161	\$ 11,099,522	\$ 15,090,942
Highway Fund	2,862,063	1,479,702	2,439,467	1,902,298
Community Preservation Fund	32,293,894	-0-	4,120,069	28,173,825
Nonmajor Funds	1,140,515	1,853,327	1,223,971	1,769,871
Total governmental activities	55,523,775	\$ 10,296,190	18,883,029	46,936,936
Business-type Activities:				
Sewer Districts Funds	12,849,359	3,258,810	4,673,424	11,434,745
Water Districts Funds	10,162,504		774,185	9,388,319
Total business-type activities	23,011,863	3,258,810	5,447,609	20,823,064
Total general obligation bonds	\$ 78,535,638	\$ 13,555,000	\$ 24,330,638	\$ 67,760,000

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-Term Debt (continued)

At December 31, 2019, bonds payable consisted of the following individual issues:

Governmental activities:

Issue	Purpose	Average Rate	Outstanding Amount	Final Maturity	Issue Date
General Obligation Serial Bonds-2008	Refunding Bond	5.000%	\$ 80,200	May 15, 2020	3/6/08
General Obligation Serial Bonds-2012	Refunding Bond	4.000%	8,821,398	June 1, 2022	4/25/12
General Obligation Serial Bonds-2018	Refunding Bond	4.000% - 5.000%	28,865,907	August 1, 2030	12/1/18
General Obligation Serial Bonds-2019	Public Improvement	5.000%	1,000,000	November 15, 2031	9/25/19
General Obligation Serial Bonds-2019	Refunding Bond	2.000% - 5.000%	8,169,431	November 15, 2031	9/25/19
			<u>46,936,936</u>		

Business-type activities:

Issue	Purpose	Average Rate	Amount	Final Maturity	Issue Date
General Obligation Serial Bonds-2008	Refunding Bond	2.973% - 4.665%	\$ 234,800	May 15, 2020	3/6/08
General Obligation Serial Bonds-2011	Refunding Bond	5.000%	745,000	October 15, 2031	7/25/02
General Obligation Serial Bonds-2012	Refunding Bond	4.000%	513,602	June 1, 2022	4/25/12
General Obligation Serial bonds-2016B	Public Improvement	.6980% - 3.073%	11,005,000	August 1, 2036	9/22/16
General Obligation Serial Bonds-2018	Public Improvement	4.000%	5,345,000	December 1, 2033	12/1/18
General Obligation Serial Bonds-2018	Refunding Bond	4.000%	9,093	August 1, 2030	12/1/18
General Obligation Serial Bonds-2019	Refunding Bond	2.000% - 000%	2,970,569	November 15, 2031	9/25/19
			<u>20,823,064</u>		
Total general obligation bonds			<u>\$ 67,760,000</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, 2020	\$ 8,089,729	\$ 2,125,586	\$ 10,215,315
2021	7,845,037	1,733,136	9,578,173
2022	7,670,691	1,381,944	9,052,635
2023	3,717,828	1,082,774	4,800,602
2024	3,882,966	902,133	4,785,099
2025-2029	14,185,685	1,888,112	16,073,797
2030-2034	1,545,000	61,800	1,606,800
Totals	<u>\$ 46,936,936</u>	<u>\$ 9,175,485</u>	<u>\$ 56,112,421</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, 2020	\$ 1,590,271	\$ 496,712	\$ 2,086,983
2021	1,359,963	462,888	1,822,851
2022	1,384,309	427,733	1,812,042
2023	1,242,172	390,985	1,633,157
2024	1,262,034	351,429	1,613,463
2025-2029	6,734,315	1,122,889	7,857,204
2030-2034	5,815,000	5,945,910	11,760,910
2035-2039	1,435,000	65,958	1,500,958
Totals	<u>\$ 20,823,064</u>	<u>\$ 9,264,504</u>	<u>\$ 30,087,568</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Bonds Authorized and Unissued

At December 31, 2019, the Town had \$19,877,188 in general obligation bonds, which were authorized but unissued.

As of December 31, 2019, the total long-term outstanding general obligation bonds of the Town aggregated to \$67,760,000. Of this amount, \$46,936,936 was subject to the constitutional debt limit and represented approximately 10.94% of its statutory debt limit.

Current Refunding Bonds

In September 2019, the Town issued \$12,555,000 Refunding Series B Bonds with interest rates ranging from 2.0% to 5.0% and annual maturities through November 2031.

The net proceeds of \$14,264,278 (the par amount of the bonds plus a premium of \$1,817,706 less underwriter's fees, insurance, and other issuance costs of \$108,428), were used to refund \$14,075,000 of outstanding 2011 bonds with interest rates ranging from 2.5% to 3.75%.

The net proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the governmental liabilities portion of the statement of net position.

The refunding was done in order to reduce debt service payments in the short-term. The refunding reduced future total debt service payments by \$1,210,250. The overall transaction resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1,115,747 for the Town.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Changes in Long-Term Debt

Long-term liability activities for the year ended December 31, 2019 are as follows:

	Balance 1/1/2019	Increases	Reductions	Balance 12/31/2019	Non-current liabilities due within one year	Non-current liabilities
Governmental activities:						
General obligation bonds	\$ 55,523,775	\$ 10,296,190	\$ 18,883,029	\$ 46,936,936	\$ 8,089,729	\$ 38,847,207
Premiums on issuance	4,490,948	1,455,113	719,141	5,226,920	719,141	4,507,779
Total bonds payable	60,014,723	11,751,303	19,602,170	52,163,856	8,808,870	43,354,986
Installment purchase debt		193,276	21,117	172,159	36,574	135,585
Compensated absences	9,135,741	1,979,937	2,462,346	8,653,332	1,142,240	7,511,092
Employee retirement incentive		189,000		189,000	50,400	138,600
Claims and judgments	1,653,974	2,096,535	1,739,955	2,010,554	1,517,660	492,894
Estimated liability for landfill closure and postclosure care costs	1,556,141	209,855	39,858	1,726,138	63,500	1,662,638
Net pension						
liabilities - proportionate share	4,324,796	12,930,819	9,171,450	8,084,165		8,084,165
Postemployment benefits healthcare costs	116,366,904	16,009,520	8,481,487	123,894,937		123,894,937
	<u>\$ 193,052,279</u>	<u>\$ 45,360,245</u>	<u>\$ 41,518,383</u>	<u>\$ 196,894,141</u>	<u>\$ 11,619,244</u>	<u>\$ 185,274,897</u>
Business-type activities:						
General obligation bonds	\$ 23,011,863	\$ 3,258,810	\$ 5,447,609	\$ 20,823,064	\$ 1,590,271	\$ 19,232,793
Premiums on issuance	417,008	471,809	58,958	829,859	85,849	744,010
Total bonds payable	23,428,871	3,730,619	5,506,567	21,652,923	1,676,120	19,976,803
Compensated absences	879,973	242,604	331,819	790,758	104,380	686,378
Employee retirement incentive		54,000		54,000	14,400	39,600
Net pension						
liabilities - proportionate share	229,707	608,785	348,263	490,229		490,229
Postemployment benefits healthcare costs	12,357,547	1,652,522	853,085	13,156,984		13,156,984
	<u>\$ 36,896,098</u>	<u>\$ 6,288,530</u>	<u>\$ 7,039,734</u>	<u>\$ 36,144,894</u>	<u>\$ 1,794,900</u>	<u>\$ 34,349,994</u>

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

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 \$-0- was recorded at December 31, 2019, resulting in a net book value of \$218,203.

Future principal and interest payments to maturity are as follows:

	Principal	Interest	Total
2020	\$ 36,574	\$ 6,977	\$ 43,551
2021	36,238	7,313	43,551
2022	38,208	5,343	43,551
2023	40,262	3,288	43,550
2024	20,877	1,123	22,000
	<u>\$ 172,159</u>	<u>\$ 24,044</u>	<u>\$ 196,203</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, 2019, the RIDA had six (6) industrial revenue bonds outstanding and the LDC had two (2) industrial revenue bonds outstanding with aggregate principal amounts payable of \$39,434,040 and \$19,670,000, respectively.

E. RETIREMENT SYSTEM

Plan Description

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (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

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (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

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (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 NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

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

Annual Required Contribution - ERS

	Annual Required Contribution	Credits & Miscellaneous Adjustments	Prepayment Discount	Total Payment
2019	\$ 2,048,181	\$ (3,313)	\$ (13,936)	\$ 2,030,932
2018	2,107,871	2,123	(17,769)	2,092,225
2017	2,041,115	2,165	(17,190)	2,026,090

Annual Required Contribution - PFRS

	Annual Required Contribution	Credits & Miscellaneous Adjustments	Prepayment Discount	Total Payment
2019	\$ 3,040,279	\$ -0-	\$ (25,604)	\$ 3,014,675
2018	2,956,892	456	(24,905)	2,932,443
2017	2,991,681	-0-	(25,194)	2,966,487

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, 2019, the Town reported a liability of \$8,574,394 for its proportionate share of the net pension liability for the Systems. The net pension liability was measured as of March 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

Below is the proportionate share of the net pension liability of the Systems and the related employer allocation percentage as of March 31, 2019 (measurement date):

	Net Pension Liability	Allocation of the System's	Change in Allocation of the Systems' Total Net Pension Liability since Prior Measurement Date
ERS	\$ 3,399,243	0.0479759%	0.0008760%
PFRS	\$ 5,175,151	0.3085842%	0.0083760%

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

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

The Town's portion of the net pension liability for ERS in the amount of \$3,399,243 is reported in the governmental activities and business-type activities in the amount of \$2,909,014 and \$490,229, respectively. The Town's net portion of the net pension liability for PFRS was reported in the governmental activities.

There was no significant change in the Town's proportion from March 31, 2018 to March 31, 2019.

For the year ended December 31, 2019, the Town recognized pension expense of \$5,920,933, of which \$5,541,915 was related to governmental activities and \$379,018 was for business-type activities. At December 31, 2019, 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	\$ 572,846	\$ 1,257,188	\$ 96,536
Changes of assumptions	731,208	1,880,271	123,223
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	302,392	690,963	135,962
Town's contribution subsequent to the measurement date	1,281,670	2,261,006	241,529
Total Deferred Outflow - Pension	<u>\$ 2,888,116</u>	<u>\$ 6,089,428</u>	<u>\$ 597,250</u>

At December 31, 2019, deferred outflows of resources related to the pension were reported from the following sources:

	Deferred Inflows of Resources		
	Government Activities		Business-Type Activities
	ERS	PFRS	ERS
Differences between expected and actual experience	\$ 195,277	\$ 552,533	\$ 32,908
Net difference between projected and actual earnings on pension plan investments	746,614	1,036,457	125,820
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	94,726	154,229	33,114
Total Deferred Inflow - Pension	<u>\$ 1,036,617</u>	<u>\$ 1,743,219</u>	<u>\$ 191,842</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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, 2020	\$ 667,114	\$ 1,181,486	\$ 141,764
2021	(517,909)	(81,977)	(66,610)
2022	(11,643)	133,837	10,684
2023	432,267	673,772	78,041
2024		178,085	
	<u>\$ 569,829</u>	<u>\$ 2,085,203</u>	<u>\$ 163,879</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2018, 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, 2019	March 31, 2019
Actuarial valuation date	April 1, 2018	April 1, 2018
Interest rate	7.0%	7.0%
Salary increases	4.2%	5.0%
Decrement tables	April 1, 2010 - March 31, 2015	April 1, 2010 - March 31, 2015
	System's Experience	System's Experience
Inflation rate	2.5%	2.5%

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	36.0%	7.30%
International equity	14.0%	8.55%
Private equity	10.0%	11.00%
Real estate	10.0%	8.25%
Absolute return strategies	2.0%	6.75%
Opportunistic portfolio	3.0%	8.60%
Real assets	3.0%	8.65%
Bonds and mortgages	17.0%	4.00%
Cash	1.0%	2.25%
Inflation indexed bonds	4.0%	4.00%
	<u>100.0%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for the System. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability (asset) for:			
Governmental Activities:			
ERS	\$ 12,718,679	\$ 2,909,014	\$ (5,331,798)
PFRS	18,702,225	5,175,151	(6,121,525)
Business-Type Activities:			
ERS	1,693,359	490,229	(898,518)

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, 2018 were as follows (in thousands):

	(Dollars in Thousands)	
	ERS	PFRS
Valuation date	April 1, 2018	April 1, 2018
Employers' total pension liability	\$ 189,803,429	\$ 34,128,100
Plan fiduciary net position	(182,718,124)	(32,451,037)
Employers' net pension liability	\$ 7,085,305	\$ 1,677,063
Ratio of plan fiduciary net position to the Employers' total pension liability	96.27%	95.09%

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

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

Benefits are provided as explained in the section entitled "Postemployment Benefits Healthcare Costs" located in the "Summary of Significant Accounting Policies". The retiree and his/her spouse are also eligible for Medicare Part B reimbursement.

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.

Employees Covered by Benefit Terms

The number of participants as of January 1, 2019 is as follows:

	Primary Government	Governmental Activities	Business-Type Activities
Active employees	288	259	29
Inactive employees entitled to but not yet receiving benefits	-	-	-
Inactive employees or beneficiaries currently receiving benefits	191	173	18
Total	479	432	47

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 \$137,051,921, which is comprised of governmental activities \$123,894,937 and business-type activities \$13,156,984 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019, with updating procedures used to rollforward 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

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, 2019, 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 3.26% 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-2014 mortality table projected to the valuation date with scale MP 2016.

A copy of the Town of Riverhead's Retiree Medical Program, January 1, 2019 Valuation is available by contacting the Town of Riverhead, Office of the Financial Administrator, 1295 Pulaski Street, Riverhead, New York 11901.

Changes in the Total OPEB Liability

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

	Primary Government	Governmental Activities	Business-Type Activities
Other Postemployment Liability, at the Beginning of Year	\$ 128,724,451	\$ 116,366,904	\$ 12,357,547
Changes for the Year:			
Service cost	3,912,164	3,579,630	332,534
Interest	4,644,493	4,198,622	445,871
Difference between expected and actual experience	(7,077,579)	(6,441,166)	(636,413)
Changes of assumptions and other inputs	9,105,384	8,231,267	874,117
Benefit payments	(2,256,992)	(2,040,320)	(216,672)
Net Changes	8,327,470	7,528,033	799,437
Other Postemployment Liability, at the End of Year	\$ 137,051,921	\$ 123,894,937	\$ 13,156,984

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

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 (2.26%) or 1-percentage point higher (4.26%) than the current discount rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB Liability	\$ 161,025,181	\$ 137,051,921	\$ 113,078,661

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, 2019 of a 1% change in the initial (8%) and the ultimate (5%) healthcare cost trend rates:

	1% Decrease (7.00% to 4.00%)	Health Care Trend Rates (8.00% to 5.00%)	1% Increase (9.00% to 6.00%)
Total OPEB Liability	\$ 110,163,106	\$ 137,051,921	\$ 170,015,885

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

For the year ended December 31, 2019, the Town recognized an OPEB expense of \$9,296,992. At December 31, 2019, 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	\$ 1,004,320	\$ 5,662,064
Changes of assumptions or other inputs	7,284,307	
Total	\$ 8,288,627	\$ 5,662,064

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, 2020	\$ 740,334
2021	740,334
2022	740,334
2023	405,561
	<u>\$ 2,626,563</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. COMPENSATED ABSENCES

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

Vested vacation, personal leave and sick leave accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Vested vacation, personal leave and sick leave accumulated by business type employees have been recorded in proprietary funds as a liability and expense. Payment of vacation, personal leave, and sick leave recorded as non-current liabilities are dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for payments of vacations, personal leave and sick leave when such payments become due. As of December 31, 2019, the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was \$8,653,332 and \$790,758, respectively, for an aggregate total of \$9,444,090.

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, 2019, the Town's property tax revenues were reduced by \$1,232,397 and payments in lieu of taxes, including recapture payments, were collected in the amount of \$543,546 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, 2018, the tax lien date.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. TAX ABATEMENT PROGRAM

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, 2019, the Town's property tax revenues were reduced by \$34,297 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, 2018, the tax lien date.

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

Workers' Compensation/Unemployment Benefits

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

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

Self-Insurance Fund

The Town uses a Self-Insurance Fund to account for its potential liability. As of December 31, 2019, the Self-Insurance Fund had assets of \$2,303,418 and liabilities of \$2,148,045. Included in this amount is \$582,540 for general liability claims and \$1,428,014 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	
	2019	2018	2019	2018
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 469,861	\$ 643,202	\$ 1,184,113	\$ 1,089,789
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	358,068	36,850	1,738,467	1,683,546
Total incurred claims and claim adjustment expenditures	827,929	680,052	2,922,580	2,773,335
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	245,389	210,191	1,494,566	1,589,222
Total unpaid claims and claim adjustment expenditures at the end of the year	\$ 582,540	\$ 469,861	\$ 1,428,014	\$ 1,184,113

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

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

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

C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal Laws and Regulations require the Town to place a final cover on its Youngs Avenue Landfill Site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill site stopped receiving waste on December 31, 1996. The Town reports a portion of the closure and postclosure care costs as a liability in each period based on landfill capacity used as of each balance sheet date. As the liability is based on 100% capacity there are no estimated costs for closure and postclosure remaining to be recognized. Postclosure care costs and monitoring activities for the site are estimated to be \$63,500 during 2020 and range between approximately \$63,500 to \$104,000 for the remaining 21 years, with an inflation factor built in.

Accordingly, as of December 31, 2019, the Town has recorded an estimated liability of \$1,726,138, 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 governmental and business-type activities capital projects are \$6,453,581, of which \$143,260 applies to the Capital Projects Fund, \$5,788,182 applies to Sewer Fund and \$522,139 applies to the Water District Fund. As of December 31, 2019, 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

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, 2019, the rental income was \$673,479. The minimum rental lease income for the next three years is as follows:

Fiscal Years Ending December 31,	Amount
2020	\$ 197,098
2021	79,421
2022	7,394
	<u>\$ 283,913</u>

5. PRIOR PERIOD ADJUSTMENT

Management determined that there was an overstatement of revenue and receivables due to litigation arising from disputed sales tax subsidies with Suffolk County in the amount of \$2,502,320. In addition, the Town understated sewer usage charges and receivables due to unbilled sewer charges in the amount of \$720,311. As a result of this restatement, the January 1, 2019 Sewer Fund's net position was decreased by \$1,782,009 from \$27,045,251 to \$25,263,242.

6. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public-Health Emergency of International Concern" and on March 10, 2020. Declared it to be a pandemic based on the rapid increase of exposure globally. New York City and surrounding areas were particularly hard hit by the coronavirus. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, coerced closures for certain types of public places and businesses. The coronavirus and actions taken globally and especially in New York State to mitigate it, have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas the Town operates. While it is unknown how long these conditions will last and what the complete financial impact be to the Town, the Town is expecting it to negatively impact its revenues and expenditures.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Town's future operations and result of its operations. As of the date of this report, the Town is unable to estimate the effects of the COVID-19 outbreak on the results of its operations for fiscal year 2020.

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. 84, "*Fiduciary Activities*", establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

7. NEW PRONOUNCEMENTS (continued)

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 periods beginning after December 15, 2021.

Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*", the objective of which is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement (1) defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established, (2) requires that additional information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses, and (3) requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2019.

Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", the objectives of which are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020.

Statement No. 90, "*Majority Equity Interests - an Amendment of GASB Statements No. 14 and 61*" provides guidance regarding the accounting and financial reporting of a government's majority equity interest in a legally separate organization. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

Statement No. 91, "*Conduit Debt Obligations*" - 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 reporting periods beginning after December 15, 2021.

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 years beginning after June 15, 2021.

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, except for paragraph 11b, 13 and 14, are effective for reporting periods beginning after June 15, 2020. The requirement of paragraph 11b is effective for reporting periods ending after December 31, 2021 and paragraphs 13 and 14 are effective for years beginning after June 15, 2021.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS

7. NEW PRONOUNCEMENTS (continued)

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 for years beginning after June 15, 2022.

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 years beginning after June 15, 2022.

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

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

TOWN OF RIVERHEAD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Real property taxes	\$ 38,848,800	\$ 38,848,800	\$ 38,848,800	\$ -0-
Real property tax items	710,700	710,700	697,873	(12,827)
Non-property tax items	2,615,300	2,615,300	2,606,504	(8,796)
Departmental income	3,054,600	3,080,600	2,712,575	(368,025)
Use of money and property	239,000	239,000	423,477	184,477
Licenses and permits	208,800	208,800	251,635	42,835
Fines and forfeitures	450,000	450,000	443,741	(6,259)
Sale of property and compensation for loss	14,500	14,500	41,109	26,609
Miscellaneous local sources	35,000	35,000	48,607	13,607
Interfund revenues	1,545,200	1,545,200	1,109,017	(436,183)
State and local aid	1,965,000	1,965,000	1,901,280	(63,720)
Federal aid	8,100	8,100	156,710	148,610
Total revenues	49,695,000	49,721,000	49,241,328	(479,672)
EXPENDITURES				
Current:				
General government support	10,610,900	10,881,723	9,047,862	1,833,861
Public safety	18,447,800	18,581,484	18,122,721	458,763
Health	9,000	20,113	20,297	(184)
Transportation	323,000	323,008	277,859	45,149
Economic assistance and opportunity	862,500	857,960	759,714	98,246
Culture and recreation	1,413,600	1,427,673	1,516,977	(89,304)
Home and community services	1,137,500	1,152,753	1,099,660	53,093
Employee benefits	14,022,200	13,817,036	12,395,269	1,421,767
Debt service:				
Principal			21,117	(21,117)
Interest			883	(883)
Total expenditures	46,826,500	47,061,750	43,262,359	3,799,391
Excess of revenues over expenditures	2,868,500	2,659,250	5,978,969	3,319,719
OTHER FINANCING SOURCES (USES)				
Transfers in	1,562,400	1,575,400	1,335,070	(240,330)
Transfers out	(4,430,900)	(4,756,913)	(4,796,955)	(40,042)
Total other financing sources (uses)	(2,868,500)	(3,181,513)	(3,461,885)	(280,372)
Net change in fund balances	\$ -0-	\$ (522,263)	2,517,084	\$ 3,039,347
Fund balances at beginning of year			4,363,527	
Fund balances at end of year			\$ 6,880,611	

TOWN OF RIVERHEAD
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Real property taxes	\$ 7,125,900	\$ 7,125,900	\$ 7,125,900	\$ -0-
Real property tax items	-0-	-0-	727	727
Departmental income	5,000	5,000	5,157	157
Use of money and property	7,000	7,000	100,448	93,448
Licenses and permits	25,000	25,000	22,850	(2,150)
Sale of property and compensation for loss	1,500	1,500	661	(839)
Miscellaneous revenue	-0-	-0-	20,608	20,608
Total revenues	7,164,400	7,164,400	7,276,351	111,951
EXPENDITURES				
Current:				
General government support	116,000	116,000	57,502	58,498
Transportation	4,576,200	5,662,599	4,896,840	765,759
Employee benefits	1,840,500	1,840,500	1,736,405	104,095
Total expenditures	6,532,700	7,619,099	6,690,747	928,352
Excess of revenues over expenditures	631,700	(454,699)	585,604	1,040,303
OTHER FINANCING SOURCES (USES)				
Transfers out	(631,700)	(631,700)	(622,856)	8,844
Total other financing sources (uses)	(631,700)	(631,700)	(622,856)	8,844
Net change in fund balances	\$ -0-	\$ (1,086,399)	(37,252)	\$ 1,049,147
Fund balances at beginning of year			3,112,718	
Fund balances at end of year			\$ 3,075,466	

TOWN OF RIVERHEAD
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Non-property tax items	\$ 3,450,000	\$ 3,450,000	\$ 3,431,456	\$ (18,544)
Use of money and property	50,000	50,000	109,300	59,300
Total revenues	3,500,000	3,500,000	3,540,756	40,756
EXPENDITURES				
Current:				
General government support	6,000	6,000	2,100	3,900
Total expenditures	6,000	6,000	2,100	3,900
Excess of revenues over expenditures	3,494,000	3,494,000	3,538,656	44,656
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,393,900)	(5,393,900)	(5,127,735)	266,165
Total other financing sources (uses)	(5,393,900)	(5,393,900)	(5,127,735)	266,165
Net change in fund balances	\$ (1,899,900)	\$ (1,899,900)	(1,589,079)	\$ 310,821
Fund balances at beginning of year			9,061,299	
Fund balances at end of year			\$ 7,472,220	

TOWN OF RIVERHEAD
SCHEDULE OF CHANGE IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS
December 31, 2019

	2019	2018
Total OPEB Liability		
Other postemployment benefit liability at the beginning of year	\$ 128,724,451	\$ 121,388,567
Service cost	3,912,164	3,582,568
Interest	4,644,493	4,376,733
Differences between expected and actual experience	(7,077,579)	1,673,866
Changes of assumptions or other inputs	9,105,384	
Benefit payments	(2,256,993)	(2,297,283)
Net changes	8,327,469	7,335,884
Other postemployment benefit liability at the end of year	\$ 137,051,920	\$ 128,724,451
Covered employee payroll	\$ 28,862,454	\$ 28,211,830
Total other postemployment benefits liability as a percentage of covered payroll	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

None

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:

2019	3.26%
2018	3.64%
2017	4.00%

TOWN OF RIVERHEAD
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2019

	2019	2018	2017	2016	2015	2014
NYSERS						
Town's proportion of the collective net pension liability	0.0479759%	0.0470999%	0.0492274%	0.0515963%	0.0528417%	0.0528417%
Town's proportionate share of the net collective pension liability	\$ 3,399,243	\$ 1,520,126	\$ 4,625,508	\$ 8,281,359	\$ 1,785,122	\$ 2,387,842
Town's covered-employee payroll	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	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	96.27%	98.24%	94.70%	90.68%	97.90%	97.20%
NYSPPRS						
Town's proportion of the collective net pension liability	0.3085842%	0.3002082%	0.3209108%	0.3293926%	0.3323762%	0.3323762%
Town's proportionate share of the net collective pension liability	\$ 5,175,151	\$ 3,034,375	\$ 6,851,366	\$ 9,752,613	\$ 914,897	\$ 1,383,714
Town's covered-employee payroll	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	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	95.09%	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 assumptions for salary increases was increased from 3.8% to 4.2% for ERS and 4.5% to 5.0% for PFRS.

Note:

Amounts presented are based on the fiscal year related to the measurement date of March 31st.

TOWN OF RIVERHEAD
SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2019

	NYSERS									
	Years Ended December 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 2,030,932	\$ 2,075,737	\$ 2,008,863	\$ 2,204,868	\$ 2,490,586	\$ 2,873,570	\$ 2,819,882	\$ 2,374,793	\$ 2,058,981	\$ 1,450,880
Contributions in relation to the contractually required contribution	2,030,932	2,075,737	2,008,863	2,204,868	2,490,586	2,873,570	2,819,882	2,374,793	2,058,981	1,450,880
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Town's covered-employee payroll	\$ 14,248,270	\$ 12,654,327	\$ 14,065,643	\$ 15,472,582	\$ 11,907,098	\$ 13,667,903	\$ 13,387,242	\$ 13,360,979	\$ 13,982,775	\$ 13,637,037
Contributions as a percentage of covered-employee payroll	14.25%	16.40%	14.28%	14.25%	20.92%	21.02%	21.06%	17.77%	14.73%	10.64%
	NYSPFRS									
	For the Years Ended December 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 3,014,675	\$ 2,940,954	\$ 2,963,043	\$ 2,852,581	\$ 2,690,618	\$ 3,134,827	\$ 3,127,827	\$ 2,759,912	\$ 2,372,503	\$ 1,863,463
Contributions in relation to the contractually required contribution	3,014,675	2,940,954	2,963,043	2,852,581	2,690,618	3,134,827	3,127,827	2,759,912	2,372,503	1,863,463
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Town's covered-employee payroll	\$ 14,614,184	\$ 15,557,503	\$ 13,811,746	\$ 12,571,918	\$ 13,956,137	\$ 14,839,575	\$ 14,942,923	\$ 14,534,983	\$ 13,100,953	\$ 13,771,966
Contributions as a percentage of covered-employee payroll	20.63%	18.90%	21.45%	22.69%	19.28%	21.12%	20.93%	18.99%	18.11%	13.53%

Notes:

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

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

OTHER SUPPLEMENTARY INFORMATION

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

TOWN OF RIVERHEAD
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
Debt service:				
Principal	\$ 8,441,700	\$ 8,441,700	\$ 8,618,029	\$ (176,329)
Interest	2,187,400	2,187,400	1,650,497	536,903
Bond issuance costs			80,284	(80,284)
Total expenditures	10,629,100	10,629,100	10,348,810	280,290
Excess (deficiency) of revenues over expenditures	(10,629,100)	(10,629,100)	(10,348,810)	280,290
OTHER FINANCING SOURCES				
Transfers in	10,629,100	10,629,100	10,268,526	(360,574)
Payments to refunded bond escrow agent			(10,561,803)	(10,561,803)
Refunding bonds issued			9,296,190	9,296,190
Premiums on obligations			1,345,897	1,345,897
Total other financing sources	10,629,100	10,629,100	10,348,810	(280,290)
Net change in fund balances	\$ -0-	\$ -0-	-0-	\$ -0-
Fund balances at beginning of year			-0-	
Fund balances at end of year			\$ -0-	

TOWN OF RIVERHEAD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019

		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
ASSETS											
Cash and cash equivalents		\$ 197,731	\$ 100,502	\$ 35,540	\$ 107,640	\$ 1,055,720	\$ 1,205,204	\$ 793,415	\$ 177,070	\$ 587,357	\$ 4,260,179
Due from other funds						99,216	29	8,625		999	108,869
Due from other governments		57,474									57,474
Prepays					979	6,489		8	3,000		10,476
Total assets		<u>\$ 255,205</u>	<u>\$ 100,502</u>	<u>\$ 35,540</u>	<u>\$ 108,619</u>	<u>\$ 1,161,425</u>	<u>\$ 1,205,233</u>	<u>\$ 802,048</u>	<u>\$ 180,070</u>	<u>\$ 588,356</u>	<u>\$ 4,436,998</u>
LIABILITIES											
Accounts payable and accrued liabilities		\$ 32,000			\$ 4,196	\$ 45,509	\$ 4,359	\$ 6,000	\$ 6,309	\$ 2,323	\$ 100,696
Due to other funds		64,539	\$ 648,997			12,385					725,921
Collections in advance		63,803								555,997	619,800
Total liabilities		<u>160,342</u>	<u>648,997</u>	<u>\$ -0-</u>	<u>4,196</u>	<u>57,894</u>	<u>4,359</u>	<u>6,000</u>	<u>6,309</u>	<u>558,320</u>	<u>1,446,417</u>
DEFERRED INFLOWS OF RESOURCES											
Unearned revenue - property taxes		17,736		18,880		185,195	231,924	506,800	27,165		987,700
Total deferred inflows of resources		<u>17,736</u>	<u>-0-</u>	<u>18,880</u>	<u>-0-</u>	<u>185,195</u>	<u>231,924</u>	<u>506,800</u>	<u>27,165</u>	<u>-0-</u>	<u>987,700</u>
FUND BALANCES											
Nonspendable					979	6,489		8	3,000		10,476
Restricted		77,127									77,127
Assigned				16,660	103,444	911,847	968,950	289,240	143,596	30,036	2,463,773
Unassigned			(548,495)								(548,495)
Total fund balances		<u>77,127</u>	<u>(548,495)</u>	<u>16,660</u>	<u>104,423</u>	<u>918,336</u>	<u>968,950</u>	<u>289,248</u>	<u>146,596</u>	<u>30,036</u>	<u>2,002,881</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 255,205</u>	<u>\$ 100,502</u>	<u>\$ 35,540</u>	<u>\$ 108,619</u>	<u>\$ 1,161,425</u>	<u>\$ 1,205,233</u>	<u>\$ 802,048</u>	<u>\$ 180,070</u>	<u>\$ 588,356</u>	<u>\$ 4,436,998</u>

TOWN OF RIVERHEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	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			\$ 121,200		\$ 1,252,900	\$ 1,487,600	\$ 3,033,648	\$ 174,300		\$ 6,069,648
Departmental income						167,822				167,822
Intergovernmental charges										
Use of money and property	\$ 1,411	\$ 96,057	387	\$ 286,519	19,789	19,327	23,820	2,499	\$ 55,686	505,495
Sale of property and compensation for loss							4,804			4,804
State and local aid				1,102						1,102
Federal aid	313,415			16,745						330,160
Total revenues	314,826	96,057	121,587	304,366	1,272,689	1,674,749	3,062,272	176,799	55,686	7,079,031
EXPENDITURES										
Current:										
General governmental support			950	13,643	9,788	12,272	24,199	7,572	305	68,729
Health						1,481,646				1,481,646
Transportation					955,009			33,344		988,353
Economic assistance and opportunity			118,158						125,610	243,768
Culture and recreation				111,988						111,988
Home and community services	335,163			15,948	100,893		3,119,213			3,454,376
Employee benefits							65,201			182,042
Total expenditures	335,163	-0-	119,108	141,579	1,065,690	1,493,918	3,208,613	40,916	125,915	6,530,902
Excess (deficiency) of revenues over (under) expenditures	(20,337)	96,057	2,479	162,787	206,999	180,831	(146,341)	135,883	(70,229)	548,129
OTHER FINANCING SOURCES (USES)										
Refunding bonds proceeds										
Principal amount of bond proceeds					1,000,000					1,000,000
Premium on bonds					109,216					109,216
Operating transfers in	11,000	104,388							56,700	172,088
Operating transfers out	(1,839)			(122,344)	(1,024,009)		(9,171)	(35,469)		(1,192,832)
Total other financing sources (uses)	9,161	104,388	-0-	(122,344)	85,207	-0-	(9,171)	(35,469)	56,700	88,472
Net change in fund balance	(11,176)	200,445	2,479	40,443	292,206	180,831	(155,512)	100,414	(13,529)	636,601
Fund balances at beginning of year	88,303	(748,940)	14,181	63,980	626,130	788,119	444,760	46,182	43,565	1,366,280
Fund balances at end of year	\$ 77,127	\$ (548,495)	\$ 16,660	\$ 104,423	\$ 918,336	\$ 968,950	\$ 289,248	\$ 146,596	\$ 30,036	\$ 2,002,881