



FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORT

December 31, 2017

**TOWN OF RIVERHEAD**  
**TABLE OF CONTENTS**

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**INTRODUCTORY SECTION**

<b>Principal Officials</b>	1
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**FINANCIAL SECTION**

<b>Independent Auditors' Report</b>	2
-------------------------------------	---

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>Management's Discussion and Analysis (MD&amp;A)</b>	5
--------------------------------------------------------	---

**BASIC FINANCIAL STATEMENTS:**

**Government-Wide Financial Statements**

Statement of Net Position	20
Statement of Activities	21

**Fund Financial Statements**

*Governmental Funds Financial Statements*

Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25

*Proprietary Funds Financial Statements*

Statement of Net Position	26
Statement of Revenues, Expenses and Changes in Net Position	27
Statement of Cash Flows	28

*Fiduciary Fund Financial Statements*

Statement of Fiduciary Net Position	29
-------------------------------------	----

<b><u>Notes to Financial Statements</u></b>	30
---------------------------------------------	----

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund	70
Highway Fund	71
Debt Service Fund	72
Community Preservation Fund	73
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)	74
Schedule of the Town's Proportionate Share of the Net Pension Liability	75
Schedule of Town Pension Contributions	76

**OTHER SUPPLEMENTARY INFORMATION**

**Combining Funds Statements**

<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	77
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	78

## Introductory Section

**TOWN OF RIVERHEAD**  
**PRINCIPAL OFFICIALS**

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**Elected Officials**

<i>Laura Jens-Smith</i>	Supervisor
<i>James Wooten</i>	Councilman
<i>Jodi Giglio</i>	Councilwoman
<i>Timothy Hubbard</i>	Councilman
<i>Catherine Kent</i>	Councilwoman
<i>Laverne Tennenberg</i>	Chairwoman, Board of Assessors
<i>Paul Leszczynski</i>	Board of Assessors
<i>Mason E. Haas</i>	Board of Assessors
<i>George Woodson</i>	Highway Superintendent
<i>Laurie Zaneski</i>	Receiver of Taxes
<i>Diane M. Wilhelm</i>	Town Clerk
<i>Allen M. Smith</i>	Town Justice
<i>Lori M. Hulse</i>	Town Justice

**Department Heads**

<i>Robert Kozakiewicz</i>	Town Attorney
<i>William Rothhaar</i>	Accounting Department
<i>Jefferson Murphree</i>	Building/Planning Department
<i>Dawn Thomas</i>	Community Development
<i>Drew Dillingham</i>	Engineering Department
<i>Chief David Hegermiller</i>	Police Department
<i>Ray Coyne</i>	Recreation Department
<i>Judy Doll</i>	Senior Services
<i>Michael Reichel</i>	Sewer District
<i>Mark Conklin</i>	Water Department

## Financial Section

## INDEPENDENT AUDITOR'S 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

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

## **Opinions**

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2018, 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.

*Cullen & Danowski, LLP*

December 14, 2018

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Town of Riverhead's (Town) discussion and analysis of financial performance provides an overall review of the Town's financial activities for the fiscal year ended December 31, 2017 in comparison with the year ended December 31, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

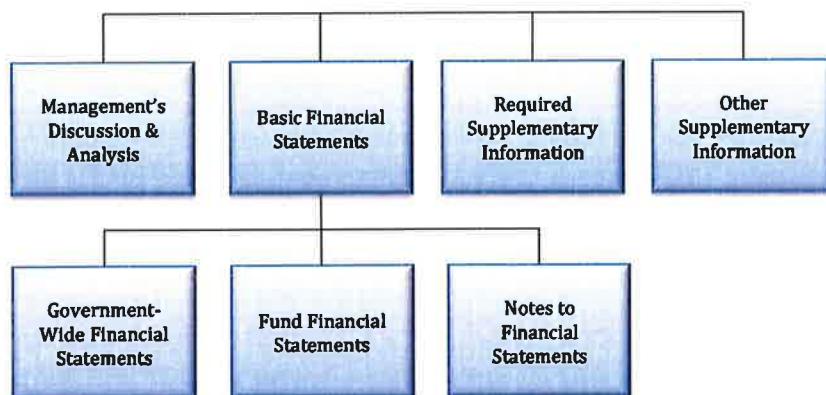
## **1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2017 are as follows:

- The assets and deferred outflows of the primary government exceeded its liabilities and deferred inflows of resources at the close of 2017 by \$142,708,578 (net position). The net position of governmental activities was \$81,118,778 and the net position of business-type activities was \$61,589,800.
- The primary government's net position increased by \$1,001,232 from the prior year. The governmental net position decreased by \$1,291,043 and the business-type net position increased by \$2,292,275.
- As of the close of 2017, the primary government's governmental fund reporting combined ending fund balances of \$16,376,614, a decrease of \$2,011,963 or 10.9% from the prior year. Of this amount, \$1,299,312 is not in spendable form or is required to remain intact. The remaining \$15,077,302 or approximately 92.1% 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 2017, the primary government's total fund balance for the General Fund was \$2,905,155, an increase of \$470,880 or 19.3% from the prior year. The aggregate restricted, assigned and unassigned fund balance of the General Fund was \$1,682,762, or 3.5% of the 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 \$85,763,361, a decrease of \$9,805,001 or 10.3%. The Town's governmental funds decreased by \$8,198,895 and the Town's business-type funds decreased by \$1,606,106.

## **2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**TOWN OF RIVERHEAD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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## **A. 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.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

### The Statement of Net Position

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

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.

## **B. 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.

**TOWN OF RIVERHEAD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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**C. 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.

**D. Fund Financial Statements**

The fund financial statements provide more detailed information about the Town's funds, not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Town are reported in the governmental, proprietary and the 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."

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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**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.

**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.

**E. 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.

**F. 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.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**3. FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

**A. Net Position**

The Town's total governmental activities net position decreased \$1,291,043 and the business-type activities net position increased by \$2,292,275 between fiscal years 2017 and 2016. A summary of the Town's Statements of Net Position follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current & Other Assets	\$ 29,330,604	\$ 30,836,370	\$ 11,819,477	\$ 10,364,522	\$ 41,150,081	\$ 41,200,892
Capital Assets	199,923,759	199,454,518	78,258,478	78,258,723	278,182,237	277,713,241
Total Assets	<u>229,254,363</u>	<u>230,290,888</u>	<u>90,077,955</u>	<u>88,623,245</u>	<u>319,332,318</u>	<u>318,914,133</u>
<b>Deferred Outflows of Resources</b>						
	<u>11,341,316</u>	<u>19,628,926</u>	<u>783,859</u>	<u>1,443,849</u>	<u>12,125,175</u>	<u>21,072,775</u>
<b>Liabilities</b>						
Current Liabilities	13,670,448	13,471,859	4,097,017	4,359,946	17,767,465	17,831,805
Long-Term Liabilities	137,293,530	145,821,799	24,432,699	25,701,849	161,726,229	171,523,648
Total Liabilities	<u>150,963,978</u>	<u>159,293,658</u>	<u>28,529,716</u>	<u>30,061,795</u>	<u>179,493,694</u>	<u>189,355,453</u>
<b>Deferred Inflows of Resources</b>						
	<u>8,512,923</u>	<u>8,216,335</u>	<u>742,298</u>	<u>707,774</u>	<u>9,255,221</u>	<u>8,924,109</u>
<b>Net Position</b>						
<b>Net Investment in</b>						
Capital Assets	122,981,164	122,504,101	59,267,123	56,884,744	182,248,287	179,388,845
Restricted	9,596,388	11,610,841	2,036,317	1,420,969	11,632,705	13,031,810
Unrestricted (Deficit)	<u>(51,458,774)</u>	<u>(51,705,121)</u>	<u>286,360</u>	<u>991,812</u>	<u>(51,172,414)</u>	<u>(50,713,309)</u>
Total Net Position	<u>\$ 81,118,778</u>	<u>\$ 82,409,821</u>	<u>\$ 61,589,800</u>	<u>\$ 59,297,525</u>	<u>\$ 142,708,578</u>	<u>\$ 141,707,346</u>

**Governmental Activities**

Current and other assets decreased by \$1,505,766, as compared to the prior year and primarily reflects decreases in cash, due from other governments net of an increase in accounts receivables.

Capital assets, net increased by \$469,241, as compared to the prior year. This increase is due to capital additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 6 "Capital Assets", provides additional information.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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Current and other liabilities increased \$198,589 and is primarily due to a decrease in claims and judgements payable net of an increase in accounts payable and accrued liabilities.

Long-term liabilities decreased by \$8,528,269, as compared to the prior year. This decrease is primarily the result of decreases in the long term portion of serial bonds outstanding and net pension liability – proportionate share net of an increase in the net other postemployment benefits obligation.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years, as well as amounts related to the service concession agreements.

**Business-Type Activities**

Current and other assets increased by \$1,454,955, as compared to the prior year and primarily reflects an increase in due from other governments net of a decrease in unrestricted cash.

Capital assets, net decreased by \$245, as compared to the prior year. This decrease is due to depreciation expense in excess of capital additions. The accompanying o Financial Statements, Note 7 "Capital Assets", provides additional information.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased \$262,929 and is primarily due to a decrease in retainage payable net of an increase in accounts payable and accrued liabilities.

Long-term liabilities decreased by \$1,269,150, as compared to the prior year. This decrease is primarily the result of decreases in the long term portion of serial bonds outstanding and net pension liability – proportionate share net of an increase in the net other postemployment benefits obligation.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years, as well as amounts related to the service concession agreements

**Total Primary Government**

The largest portion of the Town's total net position (\$182,248,287) reflects its investment in capital net assets (e.g., land, buildings, machinery and equipment, intangibles, and infrastructure) less any outstanding debt of other borrowings used to accumulate those assets. The Town uses 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 resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

The deficit in unrestricted net position does not necessarily indicate fiscal stress. The deficit balance of unrestricted net position is primarily the result of long term liabilities, which include compensated absences, claims and judgments, landfill closure and postclosure care costs, the proportionate share of the net pension liability, and postemployment benefit healthcare costs (OPEB) 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, 2017 was \$142,708,578, an increase of \$1,001,232 from the prior year. Of this amount \$182,248,287 was the investment in capital assets, while \$11,632,705 was restricted by statute or other specific purpose leaving a \$51,172,414 unrestricted deficit.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

Continued recognition of the Town's OPEB costs will result in decreases in net position in future years. The unfunded liability for net other postemployment benefits obligation of \$61,829,111 increased \$8,792,144 from December 31, 2016.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended December 31, 2017 and 2016 is as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 4,387,942	\$ 4,175,790	\$ 8,804,407	\$ 9,089,718	\$ 13,192,349	\$ 13,265,508
Operating Grants	774,236	836,611			774,236	836,611
Capital Grants and Contributions	549,535	719,086	2,316,365	1,586,220	2,865,900	2,305,306
General Revenues						
Property Taxes	49,194,841	47,357,795	1,698,300	1,674,700	50,893,141	49,032,495
Other Tax Items	494,323	375,575	165,868	454,272	660,191	829,847
Nonproperty taxes	6,510,314	5,855,163	1,949,453	146,688	8,459,767	6,001,851
Use of Money and Property	173,536	389,206	3,777	1,943	177,313	391,149
Sale of Property and						
Compensation for Loss	80,632	129,355			80,632	129,355
Miscellaneous	88,204	89,708	527,204	566,113	615,408	655,821
State Sources	987,295	1,243,410			987,295	1,243,410
Total Revenues	<u>63,240,858</u>	<u>61,171,699</u>	<u>15,465,374</u>	<u>13,519,654</u>	<u>78,706,232</u>	<u>74,691,353</u>
<b>Expenses</b>						
General Support	14,190,399	14,524,350			14,190,399	14,524,350
Public Safety	29,996,364	28,956,046			29,996,364	28,956,046
Health	1,309,031	1,158,024			1,309,031	1,158,024
Transportation & Maintenance	7,764,674	7,503,150			7,764,674	7,503,150
Economic Assistance and						
Opportunity	1,969,740	1,805,463			1,969,740	1,805,463
Culture & Recreation	3,022,833	2,993,126			3,022,833	2,993,126
Home & Community Services	5,090,800	5,372,189	11,909,899	11,251,830	17,000,699	16,624,019
Debt Service	2,451,260	3,098,003			2,451,260	3,098,003
Total Expenses	<u>65,795,101</u>	<u>65,410,351</u>	<u>11,909,899</u>	<u>11,251,830</u>	<u>77,705,000</u>	<u>76,662,181</u>
Change in Net Position Before Transfers and Special Items	<u>(2,554,243)</u>	<u>(4,238,652)</u>	<u>3,555,475</u>	<u>2,267,824</u>	<u>1,001,232</u>	<u>(1,970,828)</u>
Operating Transfers	<u>1,263,200</u>	<u>1,326,600</u>	<u>(1,263,200)</u>	<u>(1,326,600)</u>	<u>-</u>	<u>-</u>
	<u>1,263,200</u>	<u>1,326,600</u>	<u>(1,263,200)</u>	<u>(1,326,600)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<u><b>\$ (1,291,043)</b></u>	<u><b>\$ (2,912,052)</b></u>	<u><b>\$ 2,292,275</b></u>	<u><b>\$ 941,224</b></u>	<u><b>\$ 1,001,232</b></u>	<u><b>\$ (1,970,828)</b></u>

The change in net position from all combined activities was an increase of \$1,001,232. The governmental activities decreased \$1,291,043 and the business-type activities increased \$2,292,275.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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**Governmental Activities**

The Town's governmental activities net position decreased by \$1,291,043 and \$2,912,052 for the years ended December 31, 2017 and 2016, respectively.

The governmental activities 2017 revenues increased by \$2,069,159 or 3.38% compared to fiscal 2016. This increase is primarily due to an increase in property taxes. The increase in property taxes was in accordance with the Board approved 2017 budget and was needed to fund the increase in appropriations.

The governmental activities expenses for the year increased by \$384,750 or 0.63% compared to fiscal 2016, with the largest increase in public safety.

**Business-Type Activities**

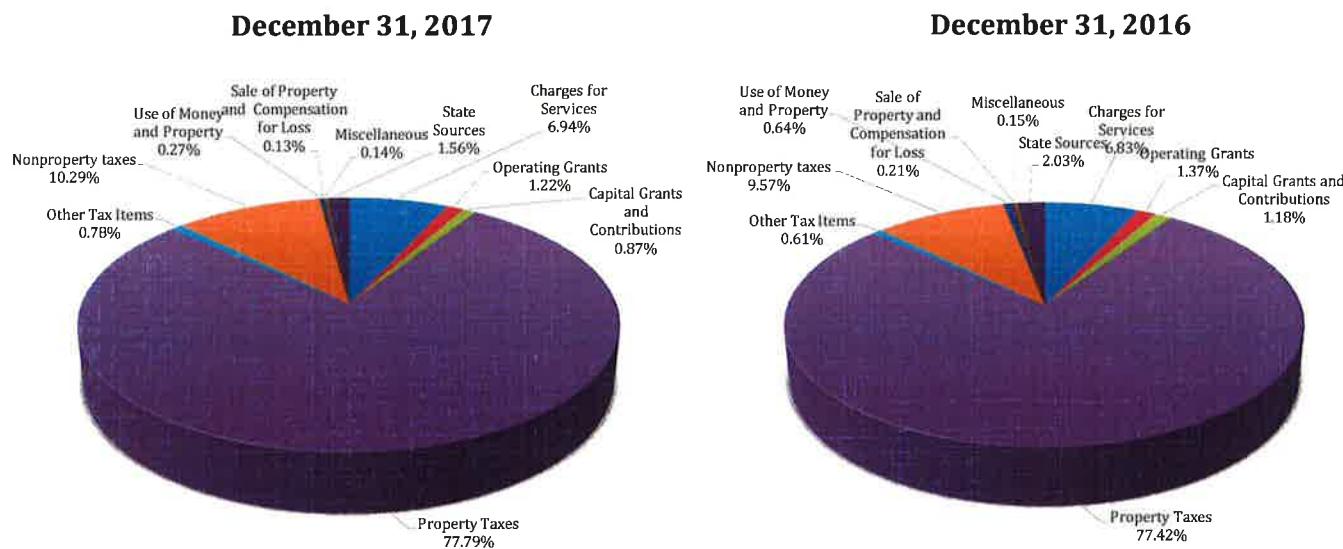
The business-type activities net position increased by \$2,292,275 and \$941,224 for the years ended December 31, 2017 and 2016, respectively.

The business-type activities 2017 revenues increased by \$1,945,720 or 14.39% compared to fiscal year 2016. This increase was primarily due to an increase in Nonproperty taxes.

The business-type activities 2017 expenses increased by \$658,069 or 5.85% compared to fiscal year 2016.

As indicated on the pie charts that follow, property taxes are the largest components of revenues recognized (i.e., 77.79% and 77.42% of the total for the years 2017 and 2016, respectively. Public safety is the largest categories of expenses incurred (i.e., 45.59% and 44.27% of the total for the years 2017 and 2016, respectively.

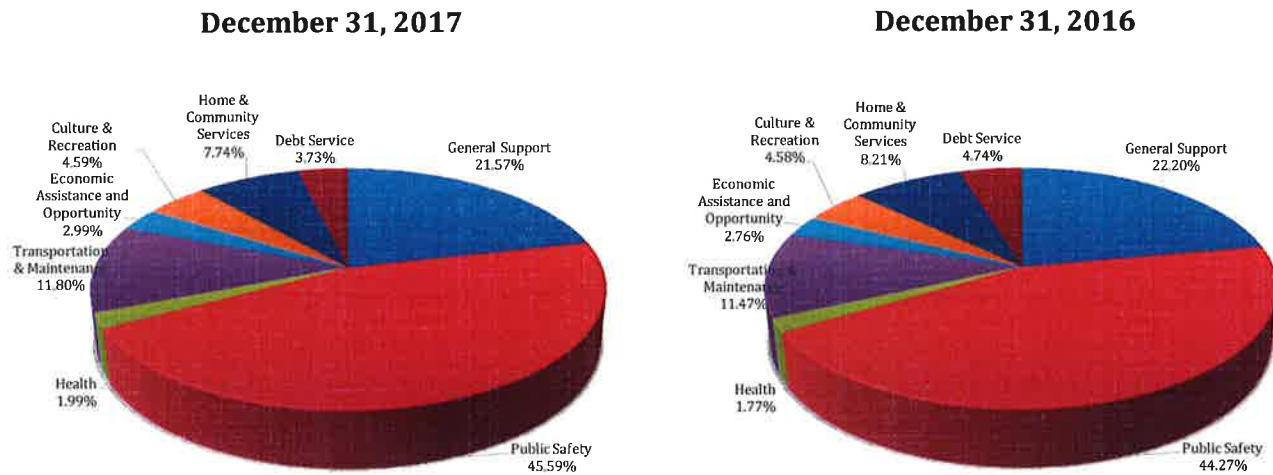
A graphic display of the distribution of revenues for the two years follows:



**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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A graphic display of the distribution of expenses for the two years follows:



#### **4. FINANCIAL ANALYSIS OF THE TOWN'S FUND BALANCES**

As noted earlier, the Town uses fund accounting to maintain control over resources and to ensure and demonstrate compliance with finance-related legal requirements. The Town's governmental funds utilize the modified accrual basis of accounting.

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, 2017 the Town's governmental funds reported a combined fund balance of \$16,376,614, which is a decrease of \$2,011,963 or 10.94% from the prior year. The category breakdown is as follows:

- Nonspendable fund balance - \$1,299,312 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- Restricted fund balance - \$9,596,388 (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 - \$4,711,594 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- Unassigned fund balance - \$769,320 (residual net resources) is the total fund balance in the General Fund of \$1,573,374 in excess of nonspendable, restricted and assigned fund balance and the negative unassigned deficit in the Special Trust Fund in the amount of \$804,054.

**TOWN OF RIVERHEAD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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**Major Governmental Funds**

**A. General Fund**

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$2,905,155, increasing \$470,880, or 19.3%, from the prior year. Of this amount, \$1,222,393 is not in spendable form (prepaid items and inventory). The remaining \$1,682,762 of the fund balance is in spendable form as follows; \$109,388 has been assigned for miscellaneous designations and purchase orders, and the remaining \$1,573,374 represents spendable, unassigned fund balance.

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

- Overall revenues exceeded budgeted expectations by \$36,194. Lower than expected collections of State and Local Aid in the amount of \$181,293 and interfund revenues related to fuel and garage services in the amount of \$618,895 being eliminated were offset by non-property tax items received exceeded budgeted expectations by \$251,089. Additionally, departmental income exceeded budgeted expectations by \$183,541. Federal grants earned exceeded expectations by \$188,068.
- Actual revenues increased by \$2,494,800 compared to the prior year, primarily due to the increase in real property taxes assessed (\$1,736,059), departmental income (\$519,026), sales tax and franchise fees collected (\$212,776), as well as increases in fines and forfeitures of \$55,905. Other financing sources decreased due to a decrease in transfers in (\$478,474) and a decrease in proceeds from the sale of Town capital assets (\$154,554).
- Overall expenditures were under budget by \$438,447, a result of lower than expected costs for fuel contractual expenditures due to the elimination of fuel and garage costs (\$618,895), lower employee benefit expenditures related to Social Security and Medicare and medical premiums (\$188,068) and an overall reduction of general government support expenditures.
- Actual expenditures increased by \$2,164,195 compared to the prior year, primarily a result of an increase in employee benefit costs related to medical premiums (\$596,012), an increase in claim payments made to the workers' compensation fund (\$283,821), an increase in public safety payroll costs (\$309,599) and an increase in information technology equipment and equipment maintenance contracts (\$206,052), which was offset by a decrease of economic assistance and opportunity professional services costs (\$143,847) and transportation payroll (\$118,075).

**B. Highway Fund**

The highway fund is a special revenue fund and includes the operations relating to the maintenance and repair of the Town's roads. At the end of the current year, the total fund balance of the Highway Fund was \$2,681,205, decreasing \$663,764, or 19.8% from the prior year. Of this amount, \$63,173 is not in spendable form (prepaid items). The remaining \$2,618,032 of the fund balance is assigned for general highway purposes.

The major components of the fund balance decrease of \$663,764 were as follows:

- During the year \$1,318,641 of fund balance was appropriated for additional expenditures.
- Actual revenues exceeded budgeted expectations of \$8,158 due to unanticipated revenues for licenses and permits and sales of property.
- Overall actual revenues were higher than the prior year by \$39,210, which is primarily a result of a minimal increase in real property taxes and licenses and permits, which were offset by decreases in use of money and property and state and local aid.
- 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 expenditures by \$619,417

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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- Overall actual expenditures increased by \$478,603 compared to the prior year due to an increase in transportation expenses (\$478,195), a result of higher personal services expenses and higher costs related purchases of equipment and repair work, fuel costs and snow removal costs. This was offset by lower employee benefit costs (\$38,674) primarily due to a decrease in New York State Retirement System contributions (\$47,673). Other financing uses increased by \$798,358, due to increased transfers to the Town's Capital Projects fund to fund new projects (\$938,345). This increase was offset by a reduction in the amount of debt service payments transferred out.

#### **C. Capital Projects Fund**

The fund balance decreased in the Capital Projects Fund by \$461,081 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 \$391,769.

#### **D. Community Preservation Fund**

The community preservation fund is a special revenue fund and is used to account for the land transfer tax levied on all property sales and transfers for the purchase of development rights and open space.

At the end of the current year, the Community Preservation Fund has a total fund balance of \$9,472,364, decreasing \$1,257,239 from the prior year. This fund balance is restricted for Community Preservation purposes.

The major components of the fund balance decrease of \$1,257,239 were as follows:

- There was an originally planned decrease of \$2,056,900 resulting from the appropriation of fund balance for the 2017 budget.
- Total land transfer tax revenues exceeded the budget by \$472,825 and actual revenues were greater than the prior year by \$444,281.
- Overall actual expenditures and operating transfers out were consistent with the prior year and budgeted expectations.
- Operating transfers in both exceeded the budget and were \$325,044 greater than the prior year. This was due to the closing of a capital project.

#### Nonmajor governmental funds

The net change in fund balances was a decrease of \$100,759 over the nine nonmajor funds. The most notable changes are as follows:

- The Street Lighting District has an increase in fund balance of \$166,153 mainly due to lower than anticipated spending of transportation expenditures, such as equipment, repairs & maintenance, and electricity (\$138,780).
- The Community Development Fund had a decrease of \$62,275 in fund balance due to lower than anticipated revenues related to rental of real property (\$12,738), as well as greater than anticipated spending for professional services (\$24,800).
- The Ambulance Fund had a decrease in fund balance of \$227,267. This decrease is primarily due to an increase of \$207,529 in health expenditures from the previous year, relating to the remounts of two emergency vehicles.

**TOWN OF RIVERHEAD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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**Proprietary Funds**

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

Unrestricted net position (deficit) of the Water and Sewer Funds amounted to \$(1,112,710) and \$1,399,070 respectively at December 31, 2017. The total net position change was an increase of \$2,292,275 over the prior year; an increase of \$783,343 in the Water District Funds and an increase of \$1,508,932 in the Sewer District Funds.

- In the Water District Funds, operating revenues related to water sales decreased \$458,764 from the prior year. The Town increased the billing rates for consumption for 2017, however the amount of gallons consumed during 2017 decreased from those consumed in 2016 as a result of differences in weather. Operating expenses related to general government expenses increased from the prior year by \$110,532. Operating transfers out decreased from the prior year by \$518,700.
- In the Sewer District Funds, operating expenses increased \$650,487 as construction on the plant for the Riverhead Sewer District was completed and the plant was brought online in 2017. Non-operating revenues increased \$1,696,749 over the prior year primarily as a result of increases in recorded amounts due from the county for Non-property tax distributions.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2017 Budget**

The Town's general fund adopted budget for the year ended December 31, 2017 was \$47,100,400. This amount was increased by budget revisions in the amount of \$196,696 for a total final budget of \$47,297,096.

The adopted budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding was \$36,254,400 in estimated real property taxes.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At December 31, 2017, the Town had invested in a broad range of capital assets, as indicated in the table below. Major capital asset events during the current year included the following:

- Resurfacing of various Town roads for \$1,429,100
- Various vehicle purchases for the Highway Department for \$402,741
- Improvements of Town buildings and properties of \$659,729
- The Water District invested \$1,771,000 for various projects

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

A summary of the Town's capital assets, net of depreciation at December 31, 2017 and 2016, is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Capital assets not being depreciated</b>						
Land	\$ 107,303,389	\$ 107,028,389	\$ 1,829,300	\$ 1,829,300	\$ 109,132,689	\$ 108,857,689
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	877,664	410,725	6,877,749	30,197,235	7,755,413	30,607,960
<b>Capital assets being depreciated</b>						
Buildings	7,159,856	7,421,356	17,320,105	17,987,795	24,479,961	25,409,151
Improvements	8,389,034	8,717,865	24,307,633	901,703	32,696,667	9,619,568
Infrastructure	19,959,736	20,034,261	928,393	102,544	20,888,129	20,136,805
Machinery & equipment	3,122,924	2,820,513	24,616,541	24,861,389	27,739,465	27,681,902
Intangibles software	144,239	54,492			144,239	54,492
	<u>\$ 199,923,759</u>	<u>\$ 199,454,518</u>	<u>\$ 78,258,478</u>	<u>\$ 78,258,723</u>	<u>\$ 278,182,237</u>	<u>\$ 277,713,241</u>

## B. Debt Administration

Historically, the Town has issued serial bonds and other forms of debt to fund various capital projects and equipment acquisitions. A summary of the Town's long-term debt indebtedness at December 31, 2017 and 2016 is as follows:

Issue Date	Maturity Date	Governmental Activities		Business-Type Activities		Total	
		2017	2016	2017	2016	2017	2016
2005	3.75 - 4.00%	\$ 4,621,500	\$ 5,612,000	\$ 28,500	\$ 38,000	\$ 4,650,000	\$ 5,650,000
2006	3.75 - 4.00%	13,700,000	15,150,000			13,700,000	15,150,000
2008	3.25 - 4.00%	21,950,000	23,550,000			21,950,000	23,550,000
2008	3.00 - 5.00%	283,000	386,300	717,000	963,700	1,000,000	1,350,000
2011	1.01 - 3.30%			255,000	510,000	255,000	510,000
2011	2.50 - 3.75%	11,315,000	12,390,000			11,315,000	12,390,000
2011	0.79 - 4.67%			865,000	925,000	865,000	925,000
2011	2.50 - 5.00%			4,085,000	4,360,000	4,085,000	4,360,000
2012	2.00 - 5.00%	14,902,502	17,882,597	852,499	1,012,403	15,755,001	18,895,000
2016	0.61 - 3.07%			12,188,360	12,788,360	12,188,360	12,788,360
		<u>\$ 66,772,002</u>	<u>\$ 74,970,897</u>	<u>\$ 18,991,359</u>	<u>\$ 20,597,463</u>	<u>\$ 85,763,361</u>	<u>\$ 95,568,360</u>

The Town's latest underlying, long term credit rating affirmed by Moody's Investors Service, Inc. as of September 27, 2017 is Aa3.

State statutes limit the amount of general obligations a governmental entity may issue to 7.00% of a 5-year average full valuation. The current debt limitation for the Town is \$391,689,299 of which the Town has exhausted 17.57% of the maximum debt allowed by state statutes. The Town's outstanding general obligation debt is significantly less than the Town's current debt limitation.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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Included in the Town's long-term liabilities are estimated amounts due for compensated absences, claims and judgments, landfill closure and postclosure care costs, net pension liability-proportionate share obligation, and net other postemployment benefits. The compensated absences liability is based on employment contracts and Town policy. The claims and judgments liability is based on consultation with legal counsel, contracted third party administrators, and assessing past experience with similar claims. The liability for landfill closure and postclosure care costs is based on past experience. The net pension liability-proportionate share obligations and net other postemployment benefits are based on actuarial valuations.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Compensated absences	\$ 9,021,107	\$ 9,607,085	\$ 870,357	\$ 911,956	\$ 9,891,464	\$ 10,519,041
Claims and judgments	1,732,991	2,658,656			1,732,991	2,658,656
Landfill closure and postclosure care costs	1,628,162	1,888,301			1,628,162	1,888,301
Net pension liability - proportionate share	10,554,270	16,784,249	722,603	1,249,724	11,276,873	18,033,973
Net OPEB obligation	56,300,611	48,404,347	5,528,500	4,632,620	61,829,111	53,036,967
	<u>\$ 79,237,141</u>	<u>\$ 79,342,638</u>	<u>\$ 7,121,460</u>	<u>\$ 6,794,300</u>	<u>\$ 86,358,601</u>	<u>\$ 86,136,938</u>

## **7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

### **A. Subsequent Year's Budget**

On November 20, 2017, the \$95,600,900 preliminary budget for the year ending December 31, 2018 for the Town became final. This was an increase of \$1,700,050 or 1.81% over the previous year's budget. The 2018 budget contains increases in spending for the General Fund of \$1,361,850, Water District of \$169,800, Refuse and Garbage District of \$158,100, Ambulance Fund of \$118,100, and a decrease in the Risk Retention Fund of \$100,000. Several other funds had minor increases or decreases.

### **B. Future Budgets**

Future budgets will continue to be affected by the economy and rising costs of operations including pressures on costs of employee benefits and further capital improvements.

### **C. Tax Cap**

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, and lasting through at least June 15, 2020, no 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 2018.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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**8. CONTACTING THE TOWN**

This financial report is designed to provide the Town's citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Treasurer at the following:

Mr. William Rothaar  
Town Financial Administrator  
Town of Riverhead  
1295 Pulaski Street  
Riverhead, NY 11901  
(631) 727-3200

**TOWN OF RIVERHEAD**  
**Statement of Net Position**  
December 31, 2017

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash			
Unrestricted	\$ 15,909,044	\$ 5,449,539	\$ 21,358,583
Restricted	9,706,388	2,036,317	11,742,705
Receivables			
Accounts receivable	1,455,316	357,584	1,812,900
Water rents receivable		997,651	997,651
Due from state and federal		2,812,290	2,812,290
Due from other governments	957,706		957,706
Internal balances	2,838	(2,838)	-
Prepaid items	1,194,368	103,676	1,298,044
Inventories	104,944	65,258	170,202
Other assets			
Capital assets not being depreciated	161,147,970	8,707,049	169,855,019
Capital assets being depreciated, net	<u>38,775,789</u>	<u>69,551,429</u>	<u>108,327,218</u>
<b>Total Assets</b>	<b><u>229,254,363</u></b>	<b><u>90,077,955</u></b>	<b><u>319,332,318</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	<u>11,341,316</u>	<u>783,859</u>	<u>12,125,175</u>
<b>LIABILITIES</b>			
Payables			
Accounts payable	1,110,276	1,894,813	3,005,089
Accrued liabilities	1,961,558	196,758	2,158,316
Retainage payable		186,675	186,675
Due to other governments	330		330
Customer deposits payable		40,276	40,276
Unearned credits			
Collections in advance	236,257	98,377	334,634
Long-term liabilities			
Due and payable within one year			
Bonds payable	8,752,510	1,600,132	10,352,642
Claims and judgments payable	728,145		728,145
Compensated absences payable	828,137	79,986	908,123
Estimated liability for landfill closure and postclosure care	53,235		53,235
Due and payable after one year			
Bonds payable	59,665,906	17,391,225	77,057,131
Claims and judgments payable	1,004,846		1,004,846
Compensated absences payable	8,192,970	790,371	8,983,341
Estimated liability for landfill closure and postclosure care	1,574,927		1,574,927
Net other postemployment benefits obligation	56,300,611	5,528,500	61,829,111
Net pension liability - proportionate share	<u>10,554,270</u>	<u>722,603</u>	<u>11,276,873</u>
<b>Total Liabilities</b>	<b><u>150,963,978</u></b>	<b><u>28,529,716</u></b>	<b><u>179,493,694</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	6,604,216	627,458	7,231,674
Pensions	<u>1,908,707</u>	<u>114,840</u>	<u>2,023,547</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>8,512,923</u></b>	<b><u>742,298</u></b>	<b><u>9,255,221</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	122,981,164	59,267,123	182,248,287
Restricted	9,596,388	2,036,317	11,632,705
Unrestricted (Deficit)	<u>(51,458,774)</u>	<u>286,360</u>	<u>(51,172,414)</u>
<b>Total Net Position (Deficit)</b>	<b><u>\$ 81,118,778</u></b>	<b><u>\$ 61,589,800</u></b>	<b><u>\$ 142,708,578</u></b>

**TOWN OF RIVERHEAD**  
**Statement of Activities**  
For The Year Ended December 31, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Primary Government				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
<b>PROGRAMS/FUNCTIONS</b>									
<b>PRIMARY GOVERNMENT</b>									
<b>Governmental Activities</b>									
General support	\$ 14,190,399	\$ 618,590	\$ 428,245	\$ 6,927	\$ (13,564,882)	\$	\$ (13,564,882)		
Public safety	29,996,364	2,158,230			(27,409,889)		(27,409,889)		
Health	1,309,031	97,843			(1,211,188)		(1,211,188)		
Transportation and street maintenance	7,764,674	109,029		529,983	(7,125,662)		(7,125,662)		
Economic assistance and opportunity	1,969,740	39,568	245,965		(1,684,207)		(1,684,207)		
Culture and recreation	3,022,833	1,118,636		12,625	(1,891,572)		(1,891,572)		
Home and community services	5,090,800	246,046	100,026		(4,744,728)		(4,744,728)		
Debt service - interest	2,451,260				(2,451,260)		(2,451,260)		
<b>Total Programs and Functions</b>	<b>65,795,101</b>	<b>4,387,942</b>	<b>774,236</b>	<b>549,535</b>	<b>(60,083,388)</b>	<b>-</b>	<b>(60,083,388)</b>		
<b>Business-type Activities</b>									
Water	6,170,956	4,426,815		1,148,232		(595,909)	(595,909)		
Sewer	5,738,943	4,377,592		1,168,133		(193,218)	(193,218)		
<b>Total Business-type Activities</b>	<b>11,909,899</b>	<b>8,804,407</b>		<b>2,316,365</b>		<b>(789,127)</b>	<b>(789,127)</b>		
<b>Total Primary Government</b>	<b>\$ 77,705,000</b>	<b>\$ 13,192,349</b>	<b>\$ 774,236</b>	<b>\$ 2,865,900</b>					
<b>NONMAJOR COMPONENT UNITS</b>									
Economic assistance and opportunity	\$ 236,724	\$ 169,535							
<b>Total Nonmajor Component Units</b>	<b>\$ 236,724</b>	<b>\$ 169,535</b>							
<b>GENERAL REVENUES</b>									
Real property taxes				49,194,841	1,698,300	50,893,141			
Other tax items				494,323	165,868	660,191			
Nonproperty taxes				6,510,314	1,949,453	8,459,767			
Use of money and property				173,536	3,777	177,313			
Sale of property and compensation for loss				80,632		80,632			
Miscellaneous				88,204	527,204	615,408			
State sources				987,295		987,295			
<b>Total General Revenues</b>				<b>57,529,145</b>	<b>4,344,602</b>	<b>61,873,747</b>			
<b>Change in Net Position Before Other Items</b>				<b>(2,554,243)</b>	<b>3,555,475</b>	<b>1,001,232</b>			
<b>OTHER ITEMS</b>									
Operating transfers				1,263,200	(1,263,200)		-		
<b>Total Other Items</b>				<b>1,263,200</b>	<b>(1,263,200)</b>		-		
Change in Net Position				(1,291,043)	2,292,275	1,001,232			
<b>Total Net Position (Deficit) - Beginning of year</b>				<b>82,409,821</b>	<b>59,297,525</b>	<b>141,707,346</b>			
<b>Total Net Position (Deficit) - End of year</b>				<b>\$ 81,118,778</b>	<b>\$ 61,589,800</b>	<b>\$ 142,708,578</b>			

**TOWN OF RIVERHEAD**  
**Balance Sheet - Governmental Funds**  
December 31, 2017

	Major Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General	Highway	Debt Service	Capital Projects	Community Preservation		
<b>ASSETS</b>							
Cash							
Unrestricted	\$ 5,786,016	\$ 3,338,838	\$	\$ 405,995	\$ 8,624,450	\$ 2,750,604	\$ 12,281,453
Restricted	847,914			124,024			9,596,388
Receivables							
Accounts receivable	567,005	1,125		9,970	847,914	29,302	1,455,316
Due from other governments	275,266			618,242		64,198	957,706
Due from other funds	1,191,292	461,966		848,997		3,104	2,505,359
Prepaid items	1,117,449	63,173				13,746	1,194,368
Inventory	104,944						104,944
Total Assets	<u>\$ 9,889,886</u>	<u>\$ 3,865,102</u>	<u>\$ -</u>	<u>\$ 2,007,228</u>	<u>\$ 9,472,364</u>	<u>\$ 2,860,954</u>	<u>\$ 28,095,534</u>
<b>LIABILITIES</b>							
Payables							
Accounts payable	\$ 512,258	\$ 72,170	\$	\$ 11,800	\$	\$ 108,856	\$ 705,084
Accrued liabilities	1,447,187	141,519		69,417		12,389	1,670,512
Due to other funds		43,203		1,528,130		931,188	2,502,521
Due to other governments				330			330
Unearned credits							
Collections in advance	124,390			5,782		106,085	236,257
Total Liabilities	<u>2,083,835</u>	<u>256,892</u>	<u>-</u>	<u>1,615,459</u>	<u>-</u>	<u>1,158,518</u>	<u>5,114,704</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unearned revenue	<u>4,900,896</u>	<u>927,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>776,315</u>	<u>6,604,216</u>
<b>FUND BALANCE</b>							
Nonspendable:							
Prepays and inventory	1,222,393	63,173				13,746	1,299,312
Restricted:							
Grantors and donor restrictions					9,472,364		9,472,364
Capital				124,024			124,024
Assigned:							
Miscellaneous designations	109,388						109,388
Unappropriated		2,618,032		267,745		1,716,429	4,602,206
Unassigned: Fund balance	1,573,374					(804,054)	769,320
Total Fund Balance	<u>2,905,155</u>	<u>2,681,205</u>	<u>-</u>	<u>391,769</u>	<u>9,472,364</u>	<u>926,121</u>	<u>16,376,614</u>
Total Liabilities and Fund Balance	<u>\$ 9,889,886</u>	<u>\$ 3,865,102</u>	<u>\$ -</u>	<u>\$ 2,007,228</u>	<u>\$ 9,472,364</u>	<u>\$ 2,860,954</u>	<u>\$ 28,095,534</u>

**TOWN OF RIVERHEAD**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
December 31, 2017

Total Governmental Fund Balances \$ 16,376,614

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

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Village as a whole, and their original costs are depreciated annually over their useful lives.

Original cost of capital assets	\$ 334,595,491
Accumulated depreciation	<u>(134,671,732)</u>
	199,923,759

Internal Service Funds are used by management to charge the costs of certain activities such as insurance, to individual funds. The assets and liabilities of Internal Service Funds are included in the governmental activities in the government-wide Statement of Net Position (net of amount allocated to long-term liabilities)	3,332,399
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Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	11,341,316
Net pension liability - NYSLRS	<u>(10,554,270)</u>
Deferred inflows of resources	<u>(1,908,707)</u>
	(1,121,661)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(291,046)
Bonds payable	<u>(68,418,416)</u>
Compensated absences payable	<u>(9,021,107)</u>
Claims and judgments payable	<u>(1,732,991)</u>
Estimated liability for landfill closure and postclosure care costs	<u>(1,628,162)</u>
Net other postemployment benefits obligation	<u>(56,300,611)</u>
	(137,392,333)

Total Net Position (Deficit) of Governmental Activities	<u>\$ 81,118,778</u>
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**TOWN OF RIVERHEAD**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended December 31, 2017

	Major Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General	Highway	Debt Service	Capital Projects	Community Preservation		
<b>REVENUES</b>							
Real property taxes	\$ 36,328,049	\$ 7,125,900	\$	\$	\$	\$ 5,740,892	\$ 49,194,841
Real property tax items	493,546	777					494,323
Non-property tax items	2,637,489					3,872,825	6,510,314
Departmental income	3,031,659						397,081
Intergovernmental charges	73,312						73,312
Use of money and property	123,368	7,311			27,859	81,564	240,102
Licenses and permits	85,874	32,400				165	118,439
Fines and forfeitures	552,423						552,423
Sale of property and compensation for loss	80,632	3,317				7,670	91,619
Miscellaneous	154,747						154,747
Interfund revenues	1,099,666	2,853					1,102,519
State and local aid	1,777,707			529,983			2,307,690
Federal aid	202,168			12,625		94,251	309,044
<b>Total Revenues</b>	<b>46,640,640</b>	<b>7,172,558</b>	<b>-</b>	<b>542,608</b>	<b>3,900,684</b>	<b>6,321,623</b>	<b>64,578,113</b>
<b>EXPENDITURES</b>							
General support	9,590,130	127,563			2,100	477,289	10,197,082
Public safety	17,121,296						17,121,296
Health	9,546					2,249,025	2,258,571
Transportation	278,407	4,417,752				98,275	4,794,434
Economic assistance & opportunity	867,388					236,006	1,103,394
Culture and recreation	1,405,896					51,071	1,456,967
Home and community services	1,198,223					2,769,056	3,967,279
Employee benefits	12,437,713	1,578,159				222,773	14,238,645
Capital outlay				1,696,349			1,696,349
Debt service							
Principal			8,198,895				8,198,895
Interest			2,820,364				2,820,364
<b>Total Expenditures</b>	<b>42,908,599</b>	<b>6,123,474</b>	<b>11,019,259</b>	<b>1,696,349</b>	<b>2,100</b>	<b>6,103,495</b>	<b>67,853,276</b>
<b>Excess/(Deficiency) of Revenues over Expenditures</b>	<b>3,732,041</b>	<b>1,049,084</b>	<b>(11,019,259)</b>	<b>(1,153,741)</b>	<b>3,898,584</b>	<b>218,128</b>	<b>(3,275,163)</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>							
Operating transfers in	1,289,364		11,019,259	698,160	325,044		13,331,827
Operating transfers out	(4,550,525)	(1,712,848)		(5,500)	(5,480,867)	(318,887)	(12,068,627)
<b>Total Other Sources (Uses)</b>	<b>(3,261,161)</b>	<b>(1,712,848)</b>	<b>11,019,259</b>	<b>692,660</b>	<b>(5,155,823)</b>	<b>(318,887)</b>	<b>1,263,200</b>
<b>Net Change in Fund Balance</b>	<b>470,880</b>	<b>(663,764)</b>	<b>-</b>	<b>(461,081)</b>	<b>(1,257,239)</b>	<b>(100,759)</b>	<b>(2,011,963)</b>
<b>Fund Balance - Beginning of year</b>	<b>2,434,275</b>	<b>3,344,969</b>		852,850	10,729,603	1,026,880	18,388,577
<b>Fund Balance - End of year</b>	<b>\$ 2,905,155</b>	<b>\$ 2,681,205</b>	<b>\$ -</b>	<b>\$ 391,769</b>	<b>\$ 9,472,364</b>	<b>\$ 926,121</b>	<b>\$ 16,376,614</b>

**TOWN OF RIVERHEAD**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended December 31, 2017

Net Change in Fund Balance \$ (2,011,963)

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

**Long-Term Revenue and Expense Differences**

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for those items are measured by the amount of financial resources provided (essentially, the amounts actually received).

(312,596)

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in compensated absences	\$ 585,978
Decrease in estimated liability for landfill closure and postclosure care costs	<u>260,139</u>
	846,117

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 the governmental activities.

Decrease in judgments and claims	925,665
Other change in net position	<u>(299,068)</u>
	626,597

**Capital Related Differences**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Customer deposits payable

Capital additions	4,159,481
Depreciation expense	<u>(3,690,237)</u>
	469,244

**Long-Term Debt Transaction Differences**

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal	8,198,895
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The amortization of deferred premiums of serial bonds decreases interest expense in the Statement of Activities.

329,283

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Accrued interest from December 31, 2016 to December 31, 2017 decreased by:

39,821

8,567,999

**Pension Differences**

The change in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Net pension liability proportionate share	(1,580,177)
Post employment benefits healthcare costs	<u>(7,896,264)</u>
	(9,476,441)

Change in Net Position of Governmental Activities \$ (1,291,043)

**TOWN OF RIVERHEAD**  
**Statement of Net Position -**  
**Proprietary Funds**  
December 31, 2017

	Water	Sewer	Total	Governmental Activities - Internal Service Funds
<b>ASSETS</b>				
Cash				
Unrestricted	\$ 2,188,230	\$ 3,261,309	\$ 5,449,539	\$ 3,627,591
Restricted	675,956	1,360,361	2,036,317	110,000
Receivables				
Accounts receivable		357,584	357,584	
Water rents receivable	997,651	997,651		
Due from other funds	495,532	4,555,644	5,051,176	
Due from state and federal		2,812,290	2,812,290	
Prepaid items	63,705	39,971	103,676	
Inventories	65,258		65,258	
Capital assets not being depreciated	3,978,919	4,728,130	8,707,049	
Capital assets being depreciated, net	32,312,432	37,238,997	69,551,429	
Total Assets	40,777,683	54,354,286	95,131,969	3,737,591
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	433,835	350,024	783,859	
<b>LIABILITIES</b>				
Payables				
Accounts payable	608,571	1,286,242	1,894,813	405,192
Accrued liabilities	78,387	118,371	196,758	
Retainage payable		186,675	186,675	
Due to other funds	526,542	4,527,472	5,054,014	
Customer deposits payable	40,276		40,276	
Unearned credits				
Collections in advance	98,377		98,377	
Long-term liabilities				
Due and payable within one year				
Bonds payable	577,062	1,023,070	1,600,132	
Claims and judgements payable				1,004,846
Compensated absences payable	44,699	35,287	79,986	
Due and payable after one year				
Bonds payable	4,541,504	12,849,721	17,391,225	
Claims and judgements payable				728,145
Compensated absences payable	441,688	348,683	790,371	
Total other postemployment benefits obligation	2,924,632	2,603,868	5,528,500	
Net pension liability - proportionate share	366,791	355,812	722,603	
Total Liabilities	10,248,529	23,335,201	33,583,730	2,138,183
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenues	166,463	460,995	627,458	
Pensions	60,494	54,346	114,840	
Total Deferred Inflows of Resources	226,957	515,341	742,298	-
<b>NET POSITION</b>				
Net investment in capital assets	31,172,786	28,094,337	59,267,123	
Restricted	675,956	1,360,361	2,036,317	
Unrestricted (deficit)	(1,112,710)	1,399,070	286,360	1,599,408
Total Net Position	\$ 30,736,032	\$ 30,853,768	\$ 61,589,800	\$ 1,599,408

**TOWN OF RIVERHEAD**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
For The Year Ended December 31, 2017

	Water	Sewer	Total	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>				
<b>Charges for services:</b>				
Water sales	\$ 4,330,722	\$ 84,177	\$ 4,330,722	\$ 84,177
Water service charges				
Sewer rents		3,045,180	3,045,180	
Sewer charges		1,332,412	1,332,412	
Services to other departments - risk management				1,350,000
Other revenues	11,916		11,916	
<b>Total Operating Revenues</b>	<b>4,426,815</b>	<b>4,377,592</b>	<b>8,804,407</b>	<b>1,350,000</b>
<b>OPERATING EXPENSES</b>				
General government				-
Administration	1,504,909	812,856	2,317,765	
Claims and judgments				-
Plant, transmission and distribution	1,711,159		1,711,159	
Sewage treatment disposal		2,983,488	2,983,488	
Benefits	1,292,707	1,132,591	2,425,298	
Depreciation	1,484,421	643,702	2,128,123	
<b>Total Operating Expenses</b>	<b>5,993,196</b>	<b>5,572,637</b>	<b>11,565,833</b>	<b>727,410</b>
<b>Loss from Operations</b>	<b>(1,566,381)</b>	<b>(1,195,045)</b>	<b>(2,761,426)</b>	<b>622,590</b>
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>				
Interest on investments	1,313	2,464	3,777	4,007
Real property taxes	1,245,900	452,400	1,698,300	
Real property tax items		165,868	165,868	
Non-property tax distribution by county		1,949,453	1,949,453	
Miscellaneous:				
Cellular towers licensing fees	523,039		523,039	
Developer fees	1,148,232	1,168,133	2,316,365	
Other		4,165	4,165	
Operating transfers out	(391,000)	(872,200)	(1,263,200)	
Interest expense	(177,760)	(166,306)	(344,066)	
<b>Total Net Non-Operating Revenues</b>	<b>2,349,724</b>	<b>2,703,977</b>	<b>5,053,701</b>	<b>4,007</b>
<b>Change in Net Position</b>	<b>783,343</b>	<b>1,508,932</b>	<b>2,292,275</b>	<b>626,597</b>
<b>Total Net Position - Beginning of year</b>	<b>29,952,689</b>	<b>29,344,836</b>	<b>59,297,525</b>	<b>972,811</b>
<b>Total Net Position - End of year</b>	<b>\$ 30,736,032</b>	<b>\$ 30,853,768</b>	<b>\$ 61,589,800</b>	<b>\$ 1,599,408</b>

**TOWN OF RIVERHEAD**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For The Year Ended December 31, 2017

	Water	Sewer	Total
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 4,652,939	\$ 4,062,749	\$ 8,715,688
Cash received from interfund services provided - risk management	-	-	-
Cash payments for contractual expenses	(1,968,495)	(1,918,137)	(3,886,632)
Cash payments to employees for salaries and benefits	(2,235,123)	(1,751,708)	(3,986,831)
Cash paid for internal services provided - risk management	(117,456)	(90,317)	(207,773)
Other revenues	<u>11,916</u>	<u>11,916</u>	<u>11,916</u>
Net Cash Provided by Operating Activities	<u>343,781</u>	<u>302,587</u>	<u>646,368</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	(577,616)	(1,028,490)	(1,606,106)
Interest paid on capital debt	(190,905)	(161,806)	(352,711)
Reduction in cash held with fiscal agent	1,123,487	1,123,487	1,123,487
Capital grants	70,076	70,076	70,076
Capital contributions by developers	1,148,233	1,168,133	2,316,366
Payments to contractors	<u>(1,469,913)</u>	<u>(760,241)</u>	<u>(2,230,154)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,090,201)</u>	<u>411,159</u>	<u>(679,042)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest on investments	<u>1,313</u>	<u>2,464</u>	<u>3,777</u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Real property taxes and tax items	1,265,640	2,706,146	3,971,786
Tower rentals and miscellaneous	528,248	4,165	532,413
Operating grants	(2,231,517)	(2,231,517)	(2,231,517)
Transfers from other funds	<u>(359,989)</u>	<u>(900,372)</u>	<u>(1,260,361)</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,433,899</u>	<u>(421,578)</u>	<u>1,012,321</u>
Net Increase in Cash	<u>688,792</u>	<u>294,632</u>	<u>983,424</u>
Cash - Beginning of year	<u>2,175,394</u>	<u>4,327,038</u>	<u>6,502,432</u>
Cash - End of year	<u>\$ 2,864,186</u>	<u>\$ 4,621,670</u>	<u>\$ 7,485,856</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Loss from operations	\$ (1,566,381)	\$ (1,195,045)	\$ (2,761,426)
Adjustment to reconcile change in net position to net cash provided by (used in) operating activities			
Depreciation	1,484,421	643,702	2,128,123
(Increase) Decrease in:			
Accounts receivable	4,886	350,205	355,091
Billings receivable	233,154	1,683	234,837
Due from other funds	(7,941)	(29,750)	(37,691)
Inventory	(24,909)	(24,909)	(24,909)
Prepaid items	(1,356)	1,891	535
Deferred outflows of resources	345,736	314,254	659,990
Increase (Decrease) in:			
Accounts payable / accrued liabilities	(258,473)	(60,367)	(318,840)
Due to Other Funds	38,951	1,578	8,446
Customer deposits payable	8,446		8,446
Compensated absences payable	(84,666)	43,067	(41,599)
Postemployment healthcare benefits	450,229	445,651	895,880
Net pension liability - proportionate share	(281,141)	(245,980)	(527,121)
Deferred inflows of resources	<u>2,825</u>	<u>31,698</u>	<u>34,523</u>
Net Cash Provided by Operating Activities	<u>\$ 343,781</u>	<u>\$ 302,587</u>	<u>\$ 605,839</u>

**TOWN OF RIVERHEAD**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Fund**  
December 31, 2017

	Agency Funds
<b>ASSETS</b>	
Cash	<u>\$ 7,922,810</u>
	<u><u>\$ 7,922,810</u></u>
<b>LIABILITIES</b>	
Guarantee and bid deposits	<u>\$ 7,922,810</u>
	<u><u>\$ 7,922,810</u></u>

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**

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**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. Financial 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.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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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 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 AIDA 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**  
**(Continued)**

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**B. Basis of Presentation**

**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 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*** - 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 emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the Town's major governmental funds:

***General Fund*** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for 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**  
**(Continued)**

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**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 a special revenue account 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.

***Nonmajor Special Revenue Governmental Funds***

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

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

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

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

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

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

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

**Refuse and Garbage District Fund** - includes all operations of the closed Town Landfill and includes contracted residential garbage pickup. Commercial carters are contracted with the Town to provide residential collection of solid waste and are responsible for the ultimate disposal of this solid waste.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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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.

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.).

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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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 2017, 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 2017, 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 Funds*** - is used to account for money received and held in the capacity of trustee, custodian or agent.

#### **C. Measurement Focus and Basis of Accounting**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within sixty (60) days of the end of the current period. However, certain revenues maybe considered available if received within one year after the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure and postclosure care costs, proportionate share of the net pension liabilities, pollution remediation obligations and other postemployment benefits are recorded when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt is reported as other financing sources.

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

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 Outflows/Inflows of Resources and Net Position/Fund Balance**

**Cash and Cash Equivalents**

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

State statutes govern the Town's investment policy. The Town has a written policy stating that Town money must be deposited in FDIC insured commercial banks or trust companies. The Town Supervisor is authorized to use demand accounts, special time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, obligations of New York State or its localities, and certificates of participation. All demand deposits and special time deposit accounts are carried at cost. The Town has no investments at December 31, 2017.

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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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.

**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.

**Interfund Transactions**

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:

*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.

*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.

**E. Due To/From 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.

**F. 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.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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

#### **G. 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:

	<u>Estimated Useful Life</u>
Buildings	20 - 50 years
Machinery and equipment	5 - 20 years
Vehicles	5 - 10 years
Improvements	10 - 50 years
Infrastructure	10 - 50 years
Intangibles	5 - 10 years

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

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

#### **H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town has reported deferred outflows of resources of \$12,125,175, of which \$11,341,316 relates to governmental activities and \$783,859 relates to business-type activities, for pension related activities in the government-wide and proprietary fund's Statement of Net Position.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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The pension plan deferred outflow represents the difference during the measurement period between expected and actual experience, change in assumptions, the net difference between projected and actual investment earnings on the pension plan assets and the net change in the Town's proportion of the collective net pension liability and the difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. This amount also includes the Town's contributions to the pension system subsequent to the measurement date.

In addition to liabilities, balance sheet or the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows from real property taxes levied in the current year to finance the subsequent year's budget that will be recognized as revenues in the period that the amounts become available as a deferred inflow of resources on the Town's fund and government-wide financial statements. The amount of real property taxes collected during 2017 that relate to the 2018 tax levy were \$7,231,674, of which \$6,604,216 relates to governmental activities and \$627,458 relates to business-type activities. On the government-wide and proprietary fund statement of net position, the Town reports a deferred inflow of resources of \$2,023,547, of which \$1,908,707 relates to governmental activities and \$114,840 relates to business-type activities. This deferred inflow of resources relates to changes in proportion and differences between the contributions and proportionate share of the Town's net pension liability as well as differences between expected and actual experience.

**I. Collections in Advance**

Collections in advance arise when resources are received by the Town before it has a 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, such as summer tennis fees and golf memberships. 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.

**J. Long-Term Obligations**

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

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**K. Net Position and Fund Balance Classifications**

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

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

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

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

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

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**L. 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.

**M. Fund Balance Policy**

The Town has, by resolution, adopted a fund balance policy that states the Town will make all reasonable efforts to maintain a total fund balance in its General Fund of no less than 15% of its total operating budget. If an emergency or a need were to occur that necessitated the appropriation of funds that would result in reducing the General Fund's fund balance below 15% of operating expenditures, a resolution of the Town Board, by simple majority, would be necessary to approve such appropriation. Total fund balance below the minimum cannot be replaced, unless during the succeeding year expenditures are less than amounts budgeted and/or non-tax revenues are higher than projected. Although the Town increased General Fund fund balance by approximately \$471,000 it is still under the 15% of its total operating budget as of December 31, 2017.

**N. Revenues and Expenditures**

Real Property Taxes

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 31<sup>st</sup>. The first half is due on January 10th and the second half is due on May 31<sup>st</sup>, 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 31<sup>st</sup>, the County of Suffolk assumes enforcement responsibility for all uncollected taxes. If the Town fails to collect the Town's portion of the tax warrant, that shortfall is remitted by the County to the Town in August.

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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insurance premiums to, and remained enrolled in, the Town's health insurance plan between the last date of service with the Town and the date of vesting and also be eligible for the receipt of benefits from the NYSERS.

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

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

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

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

**Employee Benefits - 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.

**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.

**O. 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**  
**(Continued)**

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**2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the government-wide statements, compared with the current financial resource measurement focus of the governmental funds.

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the Town's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities, including pensions.

**B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities**

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

**Long-Term Revenue and Expense Differences**

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

**Capital Related Differences**

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal payments are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

**Pension Differences**

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the Town's proportionate share of the collective pension expense of the plan).

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

1. The Town Charter establishes the fiscal year as the twelve-month period beginning January 1<sup>st</sup>
2. On or before September 20<sup>th</sup>, 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 30<sup>th</sup>, 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 5<sup>th</sup>, 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 Town Board meets to adopt the budget known as the "annual budget."
6. Formal budget integration is employed during the year as a management control device for the General Fund and certain Special Revenue Funds. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures. The Town Board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval via resolution except for transfers of \$2,500 or less which can be done by the Finance Administrator. Appropriations for all governmental funds except the Capital Projects Fund lapse at year end.
7. Budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual expenditures exceed budgeted amounts, budgetary appropriations transfers are made. The Capital Projects, Special Grants and Community Development Funds do not have annually adopted budgets, but are budgeted on a project or grant basis.
8. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Town did exceed the 2% property tax cap for 2017.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**B. Fund Equity**

**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 Fund	Community Preservation Fund	Other Governmental Funds	Total
<b>Fund Balances:</b>						
Nonspendable						
Inventory	\$ 104,944	\$ 63,173	\$	\$	\$ 13,746	\$ 104,944
Prepaid Items	1,117,449				13,746	1,194,368
Total Nonspendable	<u>1,222,393</u>	<u>63,173</u>			<u>13,746</u>	<u>1,299,312</u>
Restricted for:						
Community Preservation - 2% tax				9,472,364		9,472,364
Total Restricted				<u>9,472,364</u>		<u>9,472,364</u>
Assigned to:						
Subsequent year's budget		200,000			229,100	429,100
Capital Projects			124,024			124,024
Miscellaneous designations	109,388					109,388
Special revenue funds		2,418,032			1,475,883	3,893,915
Total Assigned	<u>109,388</u>	<u>2,618,032</u>	<u>124,024</u>		<u>1,704,983</u>	<u>4,556,427</u>
Unassigned, reported in:						
General Fund	1,573,374					1,573,374
Capital Projects			267,745			267,745
Special Trust Fund					(804,054)	(804,054)
Business Improvement District					11,446	11,446
Total Unassigned	<u>1,573,374</u>	<u>267,745</u>			<u>(792,608)</u>	<u>1,048,511</u>
Total Funds Balances	<u>\$ 2,905,155</u>	<u>\$ 2,681,205</u>	<u>\$ 391,769</u>	<u>\$ 9,472,364</u>	<u>\$ 926,121</u>	<u>\$ 16,376,614</u>

**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 \$216,354 and \$1,660 respectively, at December 31, 2017. The deficits in these funds are expected to be eliminated in 2017 by reducing the expenditures and increasing the program revenues. The Special Trust Fund, which is a nonmajor governmental fund, had a fund deficit of \$804,054 at December 31, 2017. The deficit is expected to be eliminated through future impact fees from residential subdivisions and condominiums.

**Fund Balance Reserves and Designations**

**Miscellaneous Designations**

The majority of the \$109,388 in miscellaneous designations in the General Fund consists of the following: \$48,129 is designated for the Senior Day Care Center, \$24,959 is designated for the Economic Development Zone, and \$25,136 is designated for a Teen Center.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The Town's investment policies are governed by state statutes and Town policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure the Town may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

The Town's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Town's behalf at year end in the Town's name.

The Town did not have any investments at year end or during the year. Consequently, the Town was not exposed to any material credit risk, interest rate risk or concentration of credit risk.

**5. INTERFUND TRANSACTIONS**

At December 31, 2017, 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:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,191,292	\$ 1,289,364	\$ 4,550,525	
Highway Fund	461,966	43,203		1,712,848
Debt Service Fund			11,019,259	
Capital Projects Fund	848,997	1,528,130	698,160	5,500
Community Preservation Fund			325,044	5,480,867
Nonmajor Funds	3,104	931,188		318,887
Total Governmental Funds	<u>2,505,359</u>	<u>2,502,521</u>	<u>13,331,827</u>	<u>12,068,627</u>
Water Fund	495,532	526,542		391,000
Sewer Fund	4,555,644	4,527,472		872,200
Total Proprietary Funds	<u>5,051,176</u>	<u>5,054,014</u>	-	<u>1,263,200</u>
Total Governmental and Proprietary Funds	<u>7,556,535</u>	<u>7,556,535</u>	<u>\$ 13,331,827</u>	<u>\$ 13,331,827</u>
Agency Funds				
Total	<u>\$ 7,556,535</u>	<u>\$ 7,556,535</u>		

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(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.

**6. CAPITAL ASSETS**

Capital assets and accumulated depreciation of the governmental activities and business-type activities for the year ended December 31, 2017, were as follows:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land and landfills	\$ 107,028,389	\$ 275,000	\$	\$ 107,303,389
Intangibles - development rights/easements	52,966,917			52,966,917
Construction work in progress	410,725	616,697	(149,758)	877,664
Total capital assets not being depreciated	<u>160,406,031</u>	<u>891,697</u>	<u>(149,758)</u>	<u>161,147,970</u>
Capital assets being depreciated				
Buildings	12,700,478	17,345		12,717,823
Improvements	18,426,968	746,364		19,173,332
Infrastructure	116,633,754	1,484,684		118,118,438
Machinery and equipment	22,515,218	1,073,109	(432,231)	23,156,096
Intangibles - software	185,792	96,040		281,832
Total capital assets being depreciated	<u>170,462,210</u>	<u>3,417,542</u>	<u>(432,231)</u>	<u>173,447,521</u>
Less accumulated depreciation for:				
Buildings	5,279,122	278,845		5,557,967
Improvements	9,709,103	1,075,195		10,784,298
Infrastructure	96,599,493	1,559,209		98,158,702
Machinery and equipment	19,694,705	770,695	(432,231)	20,033,172
Intangibles - software	131,300	6,293		137,593
Total accumulated depreciation	<u>131,413,723</u>	<u>3,690,237</u>	<u>(432,231)</u>	<u>134,671,732</u>
Total capital assets being depreciated	<u>39,048,487</u>	<u>(272,695)</u>		<u>38,775,789</u>
Capital assets, net	<u><u>\$ 199,454,518</u></u>	<u><u>\$ 619,002</u></u>	<u><u>\$ (149,758)</u></u>	<u><u>\$ 199,923,759</u></u>

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
<b>Business-type activities combined:</b>				
Capital assets not being depreciated				
Land	\$ 1,829,300	\$	\$	\$ 1,829,300
Intangibles - development rights/easements	2,378,757			2,378,757
Construction in progress	30,197,235	1,006,391	(24,325,877)	6,877,749
Total capital assets not being depreciated	<u>34,405,292</u>	<u>1,006,391</u>	<u>(24,325,877)</u>	<u>11,085,806</u>
Capital assets being depreciated				
Buildings	36,885,697			36,885,697
Improvements	2,248,100	23,544,107		25,792,207
Machinery and equipment	8,334,772	872,060		9,206,832
Infrastructure	68,710,521	1,031,196		69,741,717
Other assets	88,000			88,000
Total capital assets being depreciated	<u>116,267,090</u>	<u>25,447,363</u>	-	<u>141,714,453</u>
Less accumulated depreciation for:				
Buildings	18,897,902	667,690		19,565,592
Improvements	1,346,397	138,177		1,484,574
Machinery and equipment	8,232,228	46,211		8,278,439
Infrastructure	43,849,132	1,276,044		45,125,176
Other assets	88,000			88,000
Total accumulated depreciation	<u>72,413,659</u>	<u>2,128,122</u>	-	<u>74,541,781</u>
Capital assets, net	<u>\$ 78,258,723</u>	<u>\$ 24,325,632</u>	<u>\$ (24,325,877)</u>	<u>\$ 78,258,478</u>

Depreciation was charged to the functions and programs as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>
General support	\$ 714,434	Water	\$ 1,484,421
Public safety	177,336	Sewer Fund	643,701
Health	88,308		—————
Transportation	1,556,666		—————
Economic assistance and opportunity	277,893		—————
Culture and recreation	777,490		—————
Home and community services	<u>98,110</u>		<u>\$ 2,128,122</u>
	<u>\$ 3,690,237</u>		

The Town of Riverhead evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2017, the Town has not recorded any such impairment losses.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**7. LONG-TERM LIABILITIES**

**A. Changes**

**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, 2017.

The long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 0.608% to 5.000% and have maturity dates from 2018 through 2036.

The activity related to the general obligations bonds for year ended December 31, 2017 is as follows:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
<b>Governmental activities:</b>				
General Fund	\$ 26,807,729	\$	\$ 3,587,966	\$ 23,219,763
Highway Fund	4,195,348		635,925	3,559,423
Community Preservation Fund	42,503,475		3,805,494	38,697,981
Non-major Funds	1,464,345		169,510	1,294,835
 Total Governmental Activities	 74,970,897	 -	 8,198,895	 66,772,002
 <b>Business-type activities</b>				
Sewer District Funds	14,901,281		1,028,488	13,872,793
Water District Funds	5,696,182		577,616	5,118,566
 Total business-type activities	 20,597,463	 -	 1,606,104	 18,991,359
 <b>Total general obligation bonds</b>	 \$ 95,568,360	 \$ -	 \$ 9,804,999	 \$ 85,763,361

On the statement of net position, the general bond obligations include the amount related to the amortization of bond premiums from prior year advance refunding of bonds. The remaining unamortized refunding at December 31, 2017 is \$1,646,414, which is excluded in the above table. The bond premiums are being amortized at an amount of \$329,283 per year through January 2022 on a straight-line basis.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

At December 31, 2017, bonds payable consisted of the following individual issues:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at December 31, 2017
<b>Governmental activities:</b>				
Serial bonds - public improvement	2005	8/1/2022	3.75%-4.00%	\$ 4,621,500
Serial bonds - public improvement	2006	12/1/2027	3.75%-4.00%	13,700,000
Serial bonds - public improvement	2008	12/2/2030	3.25%-4.00%	21,950,000
Refunding bonds	2008	5/15/2020	3.00%-5.00%	283,000
Serial bonds - public improvement	2011	11/15/2027	2.50%-3.75%	11,315,000
Refunding bonds	2012	6/1/2022	2.00%-5.00%	<u>14,902,502</u>
				66,772,002
<b>Business-type activities:</b>				
Serial bonds - public improvement	2005	8/1/2022	3.75%-4.00%	28,500
Refunding bonds	2008	5/15/2020	3.00%-5.00%	717,000
Refunding bonds - A	2011	2/15/2018	1.014%-3.301%	255,000
Refunding bonds - C	2011	10/15/2031	0.785%-4.665%	865,000
Serial bonds - public improvement	2011	11/15/2031	2.50%-3.75%	4,085,000
Refunding bonds	2012	6/1/2022	2.00%-5.00%	852,499
Serial bonds - public improvement - B	2016	8/1/2036	0.608%-3.073%	<u>12,188,360</u>
				18,991,359
Total general obligation bonds				<u>\$ 85,763,361</u>

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

**Governmental Activities**

Fiscal Year Ending December 31,	Principal	Interest	Total
2018	\$ 8,423,225	\$ 2,514,292	\$ 10,937,517
2019	8,441,679	2,187,362	10,629,041
2020	8,488,323	1,849,878	10,338,201
2021	8,198,787	1,528,825	9,727,612
2022	7,974,988	1,218,912	9,193,900
2023 - 2027	20,145,000	3,325,638	23,470,638
2028 - 2032	5,100,000	408,000	5,508,000
Total	<u>\$ 66,772,002</u>	<u>\$ 13,032,907</u>	<u>\$ 79,804,909</u>

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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

**Business-Type Activities**

Fiscal Year Ending December 31,	Principal	Interest	Total
2018	\$ 1,600,132	\$ 448,410	\$ 2,048,542
2019	1,348,324	415,554	1,763,878
2020	1,351,678	383,715	1,735,393
2021	1,106,213	357,942	1,464,155
2022	1,110,012	337,261	1,447,273
2023 - 2027	4,835,000	1,410,564	6,245,564
2028 - 2032	4,815,000	813,302	5,628,302
2033 - 2036	2,825,000	214,258	3,039,258
Total	<u>18,991,359</u>	<u>4,381,006</u>	<u>23,372,365</u>
Total general obligation bonds	<u><u>\$ 85,763,361</u></u>	<u><u>\$ 17,413,913</u></u>	<u><u>\$ 103,177,274</u></u>

**B. Interest Expense**

Interest on long-term debt for the year was composed of the following:

	Governmental Activities	Business-Type Activities
Interest paid	\$ 2,820,364	\$ 352,711
Less: Interest accrued in the prior year	(330,867)	(73,346)
Add: Interest accrued in the current year	291,046	64,701
Less: Amortization of deferred amounts on refunding	<u>(329,283)</u>	
Total interest expense on long-term debt	<u><u>\$ 2,451,260</u></u>	<u><u>\$ 344,066</u></u>

**C. Unissued Debt**

At December 31, 2017, the Town had \$30,245,523 in general obligation bonds, which were authorized but not issued.

As of December 31, 2017, the total long-term outstanding general obligation bonds of the Town aggregated to \$85,763,361. Of this amount \$67,000,664 was subject to the constitutional debt limit and represented approximately 17.57% of its statutory debt limit.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**D. Changes in Long-Term Debt**

Long-term liability activities for the year ended December 31, 2017 are as follows:

	As Restated			Balance December 31, 2017	Non-Current Liabilities	
	Balance January 1, 2017	Additions	Reductions		Due Within One Year	Due After One Year
<b>Governmental activities:</b>						
Bonds Payable	\$ 74,970,897	\$	\$ 8,198,895	\$ 66,772,002	\$ 8,423,227	\$ 58,348,775
General obligation bonds						
Plus deferred amounts:						
Premiums on issuance	1,975,697		329,283	1,646,414	329,283	1,317,131
Total bonds payable	76,946,594	-	8,528,178	68,418,416	8,752,510	59,665,906
Compensated absences	9,607,085		585,978	9,021,107	828,137	8,192,970
Claims and judgments	2,658,656	437,790	1,363,455	1,732,991	1,004,846	728,145
Estimated liability for landfill closure and postclosure care costs	1,888,301		260,139	1,628,162	53,235	1,574,927
Net pension liabilities - proportionate share	16,784,249		6,229,978	10,554,271		10,554,271
Postemployment benefits healthcare costs	48,404,347	9,551,085	1,654,821	56,300,611		56,300,611
	\$ 156,289,232	\$ 9,988,875	\$ 18,622,549	\$ 147,655,558	\$ 10,638,728	\$ 137,016,830
<b>Business-type activities:</b>						
General obligation bonds	20,597,463		1,606,106	18,991,357	1,600,132	17,391,225
Compensated absences	911,956		41,600	870,356	79,899	790,457
Net pension liabilities - proportionate share	1,249,724		527,121	722,603		722,603
Postemployment benefits healthcare costs	4,632,620	1,048,951	153,071	5,528,500		5,528,500
	\$ 27,391,763	\$ 1,048,951	\$ 2,327,898	\$ 26,112,816	\$ 1,680,031	\$ 24,432,785

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.

**E. 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, 2017, the AIDA had eight (8) industrial revenue bonds outstanding and the LDC had two (2) industrial revenue bonds outstanding with aggregate principal amounts payable of \$53,009,235 and \$20,275,000, respectively.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**8. PENSION PLANS**

**A. Pension Plan – New York State**

Plan Description

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

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

**B. Benefits Provided**

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

*Tiers 1 and 2*

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

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

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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*Tiers 3, 4, and 5*

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

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

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

*Tier 6*

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

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

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

*Special Plans*

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

*Ordinary Disability Benefits*

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

*Accidental Disability Benefits*

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*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%.

**C. Contributions**

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership; and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute 3% of their salary for the entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYRSSL, 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 three preceding years were:

	Annual Required Contribution	Credits & Miscellaneous Adjustments	Prepayment Discount	Total Payment
<b>Annual Required Contribution - ERS</b>				
2017	\$ 2,041,115	\$ 2,165	\$ (17,190)	\$ 2,026,090
2016	2,162,527	5,093	(18,254)	2,149,366
2015	2,487,222	(94,315)	(21,534)	2,371,373
2014	2,838,317	35,769	(25,863)	2,848,223
<b>Annual Required Contribution - PFRS</b>				
2017	\$ 2,991,681	\$	\$ (25,194)	\$ 2,966,487
2016	2,976,740	1,049	(25,078)	2,952,711
2015	2,744,164	(168,799)	(23,176)	2,552,189
2014	3,185,369	(51,260)	(28,305)	3,105,804

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

At December 31, 2017, the Town reported a total liability of \$11,276,874 for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 2016. 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 system 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, 2017 (measurement date).

	ERS	PFRS
Measurement date	March 31, 2017	March 31, 2017
Town's proportionate share of the net pension liability	\$ 4,625,508	\$ 6,651,366
Town's portion of the Plan's total net pension liability	0.0492274%	0.3209108%
Change in proportion since the prior measurement date	(0.0023663)	(0.0084818)

The Town's portion of the net pension liability for ERS in the amount of \$4,625,508 is reported in the governmental activities and business-type activities in the amount of \$3,902,905 and \$722,603, 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, 2016 to March 31, 2017.

For the year ended December 31, 2017, the Town recognized pension expense of \$6,698,676, of which \$6,247,057 was related to governmental activities and \$451,619 was for business-type activities. At December 31, 2017, deferred outflows of resources related to the pension were reported from the following sources:

	Deferred Outflows of Resources		
	Business-Type		Activities
	Governmental Activities	PFRS	
	ERS	PFRS	ERS
Differences between expected and actual experience	\$ 97,803	\$ 872,544	\$ 18,107
Changes of assumptions	1,333,375	3,276,848	246,868
Net difference between projected and actual earnings on pension plan investments	779,568	993,372	144,333
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	236,344	270,689	110,891
Town contributions subsequent to the measurement date	1,255,908	2,224,865	263,660
<b>Total</b>	<b>\$ 3,702,998</b>	<b>\$ 7,638,318</b>	<b>\$ 783,859</b>

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

At December 31, 2017, deferred inflows of resources related to the pension were reported from the following sources:

	Deferred Inflows of Resources		
	Business-Type		
	Governmental Activities	Activities	
ERS	PFRS	ERS	
Differences between expected and actual experience	\$ 592,678	\$ 1,149,209	\$ 109,731
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	93,286	73,534	5,109
	<u>93,286</u>	<u>73,534</u>	<u>5,109</u>
	<u><u>\$ 685,964</u></u>	<u><u>\$ 1,222,743</u></u>	<u><u>\$ 114,840</u></u>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	Business-Type		
	Governmental Activities		Activities
	ERS	PFRS	ERS
2018	\$ 793,498	\$ 1,363,135	\$ 174,470
2019	793,498	1,363,135	174,470
2020	686,451	1,288,994	143,447
2021	(512,321)	(24,285)	(87,028)
2022		199,731	
	<u><u>\$ 1,761,126</u></u>	<u><u>\$ 4,190,710</u></u>	<u><u>\$ 405,359</u></u>

c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, 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, 2017	March 31, 2017
Actuarial valuation date	April 1, 2016	April 1, 2016
Interest rate	7.0%	7.0%
Salary increases	3.8%	3.8%
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%

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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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 each major asset class, as well as historical investment data and plan performance.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	NYSLRS	
	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2017
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Private Equity	10.0%	7.75%
Real estate	10.0%	5.80%
Absolute return strategies	2.0%	4.00%
Opportunistic portfolio	3.0%	5.89%
Real Assets	3.0%	5.54%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation indexed bonds	4.0%	1.50%
	100.0%	

d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 determined. Based upon the assumptions, the ERS' 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**  
(Continued)

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e) Sensitivity of the Proportionate Share of the Net Pension Asset/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 asset/(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 :

**Governmental activities:**

	ERS	Current		
		1% Decrease (6.00)%	Assumption (7.00)%	1% Increase (8.00)%
Town's proportionate share of the net pension asset (liability)		\$ (12,465,106)	\$ (3,902,905)	\$ 3,336,420
PFRS		Current		
		1% Decrease (6.00)%	Assumption (7.00)%	1% Increase (8.00)%
Town's proportionate share of the net pension asset (liability)		\$ (18,856,234)	\$ (6,651,365)	\$ 3,585,532

**Business-type activities:**

	ERS	Current		
		1% Decrease (6.00)%	Assumption (7.00)%	1% Increase (8.00)%
Town's proportionate share of the net pension asset (liability)		\$ (2,307,853)	\$ (722,603)	\$ 617,721

f) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date is as follows:

	ERS	PFRS
	Dollars in Thousands	
Measurement date	March 31, 2017	March 31, 2017
Employers' total pension liability	\$ (177,400,586)	\$ (31,670,483)
Plan fiduciary net position	168,004,363	29,597,830
Employers' net pension liability	\$ (9,396,223)	\$ (2,072,653)
Ratio of plan fiduciary net position to the employers' total pension liability	94.70%	93.46%

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**g) Prepayments to the Pension Plan**

Employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Annual payments are due by February 1<sup>st</sup>. An employer can elect to prepay the amount due by December 15<sup>th</sup> to receive a 1% discount. The Town paid the annual invoice in December. This resulted in a prepayment of \$1,248,144 for the period January 1, 2018 through March 31, 2018. Employee contributions are remitted monthly.

**9. PENSION PLANS – OTHER**

The Town has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Town makes no contributions into this Plan. The amount deferred by eligible employees for the year ended December 31, 2017 totaled \$1,869,719.

**10. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

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

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

Benefits are provided as explained in the section entitled "Postemployment Benefits Healthcare Costs" located in the "Summary of Significant Accounting Policies." The retiree and his/her spouse are also eligible for Medicare Part B reimbursement. The Medicare Part B reimbursement is determined based on yearly income (2014 income used for the 2016 determination) with the minimum reimbursement being \$1,259 and the maximum reimbursement being \$4,028.

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

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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The January 1, 2016 valuation is based on the number of participants on the census data as of January 1, 2017, as follows. There have been no significant changes in the number or the type of coverage since that date.

	Primary Government	Governmental Activities	Business-Type Activities
Active Employees	288	258	30
Retired Employees	163	151	12
Surviving spouses of deceased retirees	16	15	1
	<u>467</u>	<u>424</u>	<u>43</u>

**B. Funding Policy**

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

**C. Annual Other Postemployment Benefit Cost**

For the year ended December 31, 2017, the Town's annual other postemployment benefits cost (expenses) of \$10,600,036 is not equal to the Annual Required Contribution (ARC), which is \$11,387,769. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled \$1,807,892 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$8,792,144 for the year ended December 31, 2017. The Town's nonmajor discretely presented component units do not have a policy to pay for postemployment benefits.

**D. Benefit Obligations and Normal Cost**

	Primary Government	Governmental Activities	Business-Type Activities
Actuarial Accrued Liability (AAL)			
Active Employees	\$ 72,702,007	\$ 64,866,129	\$ 7,835,878
Retired Employees	40,449,906	37,432,526	3,017,380
Total Actuarial Accrued Liability	<u>113,151,913</u>	<u>102,298,655</u>	<u>10,853,258</u>
Actuarial value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>113,151,913</u>	<u>102,298,655</u>	<u>10,853,258</u>
Funded ratio	0%	0%	0%
Annual Covered payroll	27,877,390	25,399,877	2,477,513
UAAL as a percentage of covered payroll	405.89%	402.75%	438.07%

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASS Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the Town, projected for December 31, 2017, based on the January 1, 2017 update amounted to \$113,151,913.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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

	Primary Government	Governmental Activities	Business-Type Activities
Normal Cost	\$ 4,743,109	\$ 4,263,672	\$ 479,437
Amortization of unfunded actuarial liability (UAAL) over 30 years	6,206,669	5,611,340	595,329
Interest	437,991	395,000	42,991
Annual Required Contribution (ARC)	11,387,769	10,270,012	1,117,757
Interest in net OPEB	2,121,479	1,936,174	185,305
Adjustment to ARC	(2,909,212)	(2,655,101)	(254,111)
Annual OPEB Cost	10,600,036	9,551,085	1,048,951
Less: Contribution for the year ended December 31, 2017	1,807,892	1,654,821	153,071
Increase in other postemployment benefits liability	8,792,144	7,896,264	895,880
Other postemployment benefits liability at December 31, 2016	53,036,968	48,404,348	4,632,620
Other postemployment benefits liability at December 31, 2017	<u>\$ 61,829,112</u>	<u>\$ 56,300,612</u>	<u>\$ 5,528,500</u>
Percentage of annual OPEB cost contributed	17.06%	17.33%	14.59%

#### **E. Funded Status and Funding Progress**

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

December 31,	Annual OPEB Cost	Annual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 10,600,036	\$ 1,807,892	17.06%	\$ 61,829,111
2016	9,601,645	1,756,599	18.29%	53,036,968
2015	8,614,245	1,575,169	18.29%	45,191,922

The primary government's funded status of the plan as of January 1, 2017 is as follows:

Valuation (update)	Actuarial		Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
1/1/2017	\$ 113,151,913	\$ 113,151,913	0%	\$ 27,877,389	405.9%	

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**F. 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.

The update in 2017 is based on the January 1, 2016, actuarial valuation. The liabilities were computed using the projected unit credit method and level percentage of payroll amortization method on a closed basis. The actuarial assumptions utilized a 3.0% inflation rate, a 4.0% discount rate, a 2.5% payroll growth rate. The valuation assumes an 8.0% health care trend rate for the year ended and reduced decrements to a rate of 5.0% after seven years. The remaining amortization period at December 31, 2017 was twenty-one years.

A copy of the Town of Riverhead's Retiree Medical Program, January 1, 2016 Valuation and the 2017 update are available by contacting the Town of Riverhead, Office of the Financial Administrator, 1295 Pulaski Street, Riverhead, New York 11901.

**11. 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, 2017, the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was \$9,021,107 and \$870,356, respectively, for an aggregate total of \$9,891,463.

**12. TAX ABATEMENT PROGRAM**

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**A. 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, 2017, the Town's property tax revenues were reduced by \$558,913 and payments in lieu of taxes, including recapture payments, were collected in the amount of \$350,371 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, 2016, the tax lien date.

**B. 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, 2017, there were no agreements entered into by the Suffolk County Industrial Development Agency that resulted in significant Town abated property tax revenues.

**13. COMMITMENTS AND CONTINGENCIES**

**A. Risk Management**

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

*Liability*

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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*Property*

The Town is self-insured for property on the first \$50,000 per loss and approximately a \$70,700,000 (based on the most recent value of the Town's various properties) per occurrence with no annual aggregate. Terrorism is excluded from property coverage. The Town has flood and earthquake coverage of \$2,500,000 per occurrence and annual aggregate. The Town also has boiler and machinery coverage with a \$1,000 deductible and coverage with a \$50,000,000 limit.

*Miscellaneous*

The Town has ancillary insurance policies for the East Creek Marina, Calverton Airport, Recreation Accidents and Crime and Fidelity and Cyber Liability. The East Creek Marina policy has a \$2,500 deductible with coverage up to \$5,000,000 per occurrence and \$5,000,000 annual aggregate. The Calverton Airport policy has a \$1,000 deductible with coverage up to \$5,000,000 per occurrence. The Recreation Accident policy has a \$250 deductible with coverage of \$250,000 maximum with \$10,000 accidental death benefit. The Crime and Fidelity policy has the following deductibles and limits: \$2,500 deductible for Inside the Premises - Theft of Money and Securities and Outside the Premises with a limit of \$250,000; and \$5,000 deductible for Employee Theft and Faithful Performance with a \$500,000 limit. The Cyber liability policy has a \$15,000 deductible with a \$1,000,000 limit.

*Workers' Compensation/Unemployment Benefits*

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

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

*Self-Insurance Fund*

The Town uses a Self-Insurance Fund to account for its potential liability. As of December 31, 2017, the Self-Insurance Fund had assets of \$3,737,591 and liabilities of \$2,138,183. Included in this amount is \$643,202 for general liability claims, \$1,089,789 for worker's compensation claims and \$ 375,000 for a litigation settlement that was paid out in February 2018.

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

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

	General Liability		Workers' Compensation	
	2017	2016	2017	2016
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 801,112	\$ 912,946	\$ 1,157,544	\$ 1,295,385
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	200,738	178,362	937,052	554,891
Total incurred claims and claim adjustment expenditures	1,001,850	1,091,308	2,094,596	1,850,276
Payments				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years.	358,648	290,196	1,004,807	692,732
Total unpaid claims and claim adjustment expenditures at the end of the year.	\$ 643,202	\$ 801,112	\$ 1,089,789	\$ 1,157,544

In addition to the general liability and workers' compensation reserves, claims and judgments payable at December 31, 2017 includes an amount of \$375,000 for another litigation matter that was settled in February 2018.

## **B. Litigation**

The Town is subject to a number of lawsuits in the ordinary conduct of its municipal affairs. As of December 31, 2017, the Town recorded no liability in these matters in excess of the SIR amounts disclosed in Note A.

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

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

## **C. Landfill Closure and Postclosure Care Costs**

State and Federal Laws and Regulations require the Town to place a final cover on its Youngs Avenue Landfill Site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill site stopped receiving waste on December 31, 1996. The Town reports a portion of the closure and postclosure care costs as a liability in each period based on landfill capacity used as of each balance sheet date. As the liability is based on 100% capacity there are no estimated costs for closure and postclosure remaining to be recognized. Postclosure care costs and monitoring activities for the site are estimated to be \$60,000 during 2018 and range between approximately \$53,000 to \$103,000 for the remaining twenty-three years, with an inflation factor built in.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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Accordingly, as of December 31, 2017, the Town has recorded an estimated liability of \$1,628,162, 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. 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.

**E. 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.

**F. 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, 2017, the rental income was \$607,910. The minimum rental lease income for the next five years is as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 530,280
2019	343,645
2020	222,447
2021	104,695
2022	7,394
	<hr/> <u>\$ 1,208,461</u>

**14. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 82, *Pension Issues - an Amendment of Statements No. 67, 68, and 73*, the objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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to satisfy employee (plan member) contribution requirements. The requirements of the Statement are effective for reporting beginning after June 15, 2016, except for the requirements for selection of assumptions in a certain circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

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

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 governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement 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.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. 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. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statements No. 14 and No. 61*, the objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

## **15. SUBSEQUENT EVENT**

The Town has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment or disclosure in the financial statements, except for the following:

In December 2018, the Town issued two (2) new bonds known as the "2018 Series A" and "2018 Series B" bonds. The "Series A" bond in the amount of \$5,621,000 is for public improvements relating to Water District Facilities distribution system, installation of emergency generators, and Water tank related work.

The "Series B" bond is a refunding bond issue in the amount of \$33,275,000. The purpose of this refunding is to advance refund outstanding principal for bonds issues related to 2005, 2006 and 2008. The anticipated present value savings from this refunding issuance is expected to be approximately \$2.4 million.

Both the Superior Officers Association (SOA) and the Police Benevolent Association (PBA) contracts were expired as of December 31, 2015. The SOA stipulation of agreement was signed on July 3, 2018 for the period January 1, 2016 through December 31, 2020 with no major changes. The PBA stipulation of agreement was signed on October 16, 2018 for the period January 1, 2016 through December 31, 2020 with a change in health insurance contributions for members during employ and in retirement.

**TOWN OF RIVERHEAD**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For The Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real Property Taxes	\$ 36,254,400	\$ 36,300,644	\$ 36,328,049	\$ 27,405
Real Property Tax Items	407,400	407,400	493,546	86,146
Non-Property Tax Items	2,386,400	2,386,400	2,637,489	251,089
Departmental Income	2,808,750	2,848,118	3,031,659	183,541
Intergovernmental Charges	100,000	100,000	73,312	(26,688)
Use of Money and Property	162,000	162,000	123,368	(38,632)
Licenses and Permits	80,400	80,400	85,874	5,474
Fines and Forfeitures	550,000	550,000	552,423	2,423
Sale of Property and Compensation for Loss	20,500	30,425	80,632	50,207
Miscellaneous	45,500	78,559	154,747	76,188
Interfund Revenues	1,687,400	1,687,400	1,099,666	(587,734)
State and Local Aid	1,899,000	1,959,000	1,777,707	(181,293)
Federal Aid	6,000	14,100	202,168	188,068
 Total Revenues	 46,407,750	 46,604,446	 46,640,640	 36,194
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	1,293,200	1,293,200	1,289,364	(3,836)
 Total Other Sources	 1,293,200	 1,293,200	 1,289,364	 (3,836)
 Total Revenues and Other Sources	 47,700,950	 47,897,646	 47,930,004	 \$ 32,358
 Total Revenues, Other Sources and Appropriated Fund Balance	 \$ 47,700,950	 \$ 47,897,646		
<b>EXPENDITURES</b>				
General Support	\$ 10,009,350	\$ 10,157,307	\$ 9,590,130	\$ 567,177
Public Safety	16,662,450	16,733,976	17,121,296	(387,320)
Health	9,000	9,750	9,546	204
Transportation	263,000	263,000	278,407	(15,407)
Economic Assistance & Opportunity	936,600	924,002	867,388	56,614
Culture and Recreation	1,385,650	1,372,320	1,405,896	(33,576)
Home and Community Services	1,179,600	1,229,093	1,198,223	30,870
Employee Benefits	12,704,700	12,657,598	12,437,713	219,885
 Total Expenditures	 43,150,350	 43,347,046	 42,908,599	 438,447
<b>OTHER FINANCING USES</b>				
Operating transfer out	4,550,600	4,550,600	4,550,525	75
 Total Expenditures and Other Uses	 \$ 47,700,950	 \$ 47,897,646	 47,459,124	 \$ 438,522
 Net Change in Fund Balance			470,880	
 Fund Balance - Beginning of Year			2,434,275	
 Fund Balance - End of Year			\$ 2,905,155	

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**TOWN OF RIVERHEAD**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Highway Fund**  
For The Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real Property Taxes	\$ 7,125,900	\$ 7,125,900	\$ 7,125,900	\$ -
Real Property Tax Items			777	777
Use of Money and Property	7,000	7,000	7,311	311
Licenses and Permits	25,000	25,000	32,400	7,400
Sale of Property and Compensation for Loss	1,500	1,500	3,317	1,817
Interfund Revenues	5,000	5,000	2,853	(2,147)
 Total Revenues	 7,164,400	 7,164,400	 7,172,558	 8,158
<b>APPROPRIATED FUND BALANCE</b>				
Appropriated Fund Balance			1,318,641	
 Total Appropriated Fund Balance	 -	 1,318,641		
 Total Revenues, Other Sources and Appropriated Fund Balance	 \$ 7,164,400	 \$ 8,483,041		
<b>EXPENDITURES</b>				
General Support	\$ 132,100	\$ 128,100	\$ 127,563	\$ 537
Transportation	4,526,200	4,870,291	4,417,752	452,539
Employee Benefits	1,731,500	1,744,500	1,578,159	166,341
 Total Expenditures	 6,389,800	 6,742,891	 6,123,474	 619,417
<b>OTHER FINANCING USES</b>				
Operating transfer out	774,600	1,740,150	1,712,848	27,302
 Total Expenditures and Other Uses	 \$ 7,164,400	 \$ 8,483,041	 7,836,322	 \$ 646,719
 Net Change in Fund Balance				(663,764)
 Fund Balance - Beginning of Year				3,344,969
 Fund Balance - End of Year				\$ 2,681,205

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**TOWN OF RIVERHEAD**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Debt Service Fund**  
**For The Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	\$ 11,019,700	\$ 11,019,700	\$ 11,019,259	\$ (441)
<b>EXPENDITURES</b>				
Debt Service				
Principal	8,198,900	8,198,900	8,198,895	5
Interest	2,820,800	2,820,800	2,820,364	436
Total Expenditures	<u>\$ 11,019,700</u>	<u>\$ 11,019,700</u>	<u>11,019,259</u>	<u>\$ 441</u>
Net Change in Fund Balance				-
Fund Balance - Beginning of Year				-
Fund Balance - End of Year				\$ -

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**TOWN OF RIVERHEAD**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Community Preservation Fund**  
For The Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Non-Property Tax Items	\$ 3,400,000	\$ 3,400,000	\$ 3,872,825	\$ 472,825
Use of Money and Property	30,000	30,000	27,859	(2,141)
Total Revenues	<u>3,430,000</u>	<u>3,430,000</u>	<u>3,900,684</u>	<u>470,684</u>
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	-	-	325,044	325,044
Total Other Sources	<u>-</u>	<u>-</u>	<u>325,044</u>	<u>325,044</u>
Total Revenues and Other Sources	<u>3,430,000</u>	<u>3,430,000</u>	<u>4,225,728</u>	<u>\$ 795,728</u>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Year's Encumbrances	2,056,900	2,056,900		
Appropriated Restricted Fund Balance	<u>2,056,900</u>	<u>2,056,900</u>		
Total Appropriated Fund Balance	<u>2,056,900</u>	<u>2,056,900</u>		
Total Revenues, Other Sources and Appropriated Fund Balance	<u>\$ 5,486,900</u>	<u>\$ 5,486,900</u>		
<b>EXPENDITURES</b>				
General Support	\$ 6,000	\$ 6,000	2,100	\$ 3,900
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>2,100</u>	<u>3,900</u>
<b>OTHER FINANCING USES</b>				
Operating transfer out	5,480,900	5,480,900	5,480,867	33
Total Expenditures and Other Uses	<u>\$ 5,486,900</u>	<u>\$ 5,486,900</u>	<u>5,482,967</u>	<u>\$ 3,933</u>
Net Change in Fund Balance			(1,257,239)	
Fund Balance - Beginning of Year			<u>10,729,603</u>	
Fund Balance - End of Year			<u>\$ 9,472,364</u>	

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**TOWN OF RIVERHEAD**  
**Schedule of Funding Progress for Other Postemployment Benefits (OPEB)**  
December 31, 2017

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
January 1, 2017	-0-	\$ 113,151,913	\$ 113,151,913	*	0%	\$ 27,877,389 405.9%
January 1, 2016	-0-	104,163,378	104,163,378	*	0%	27,133,706 383.9%
January 1, 2015	-0-	94,176,314	94,176,314	*	0%	27,660,321 340.5%
January 1, 2014	-0-	87,971,048	87,971,048	*	0%	27,601,923 318.7%
January 1, 2013	-0-	85,451,765	85,451,765	*	0%	27,420,035 311.6%
January 1, 2012	-0-	79,462,081	79,462,081	*	0%	27,121,569 293.0%
January 1, 2011	-0-	75,633,000	75,633,000	*	0%	26,875,823 281.4%
January 1, 2010	-0-	70,608,000	70,608,000	*	0%	25,320,003 278.9%
January 1, 2009	-0-	59,521,000	59,521,000	*	0%	25,263,938 235.6%
January 1, 2008	-0-	55,374,800	55,374,800	*	0%	22,667,312 244.3%

\* Roll-forward

January 1, 2016 actuarial valuation

a) Mortality projection scale was updated to reflect the Societies of Actuaries' RP-2014 mortality table with MP-2014 projection.

**TOWN OF RIVERHEAD**  
**Schedule of the Town's Proportionate Share of the Net Pension Liability**  
Last Two Fiscal Years

***Employees' Retirement System***

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Town's proportion of the net pension liability	0.0492274%	0.0515963%	0.0528417%
Town's proportionate share of the net pension liability	\$ 4,625,508	\$ 8,281,359	\$ 1,785,122
Town's covered payroll	\$ 14,065,643	\$ 12,798,470	\$ 13,227,701
Town's proportionate share of the net pension liability as a percentage of its covered payroll	32.89 %	64.71 %	13.50 %
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.90%

***Police and Fire Retirement System***

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Town's proportion of the net pension liability	0.3209108%	0.3293926%	0.3323762%
Town's proportionate share of the net pension liability	\$ 6,651,366	\$ 9,752,613	\$ 914,897
Town's covered payroll	\$ 13,811,746	\$ 13,610,084	\$ 14,618,715
Town's proportionate share of the net pension liability as a percentage of its covered payroll	48.16 %	71.66 %	6.26 %
Plan fiduciary net position as a percentage of the Customer deposits payable	93.46%	90.24%	99.00%

**Note to Required Supplementary Information**

The amounts presented for each fiscal year were determined as of March 31st.

There were not significant changes in benefits for the years presented above.

There were no changes in assumptions in 2017 compared to 2016.

**TOWN OF RIVERHEAD**  
**Schedule of Town Pension Contributions**  
Last Ten Fiscal Years

	<i>Employees' Retirement System</i>									
	For the Years Ended December 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 2,008,863	\$ 2,204,868	\$ 2,490,586	\$ 2,873,570	\$ 2,819,882	\$ 2,374,793	\$ 2,058,981	\$ 1,450,880	\$ 983,322	\$ 1,072,629
Contributions in relation to the contractually required contribution	<u>2,008,863</u>	<u>2,204,868</u>	<u>2,490,586</u>	<u>2,873,570</u>	<u>2,819,882</u>	<u>2,374,793</u>	<u>2,058,981</u>	<u>1,450,880</u>	<u>983,322</u>	<u>1,072,629</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 14,065,643	\$ 15,472,582	\$ 11,907,098	\$ 13,667,903	\$ 13,387,242	\$ 13,360,979	\$ 13,982,775	\$ 13,637,037	\$ 14,065,204	N/A
Contributions as a percentage of covered payroll	14%	14%	21%	21%	21%	18%	15%	11%	7%	N/A

	<i>Police and Fire Retirement System</i>									
	For the Years Ended December 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 2,963,043	\$ 2,852,581	\$ 2,690,618	\$ 3,134,827	\$ 3,127,827	\$ 2,759,912	\$ 2,372,503	\$ 1,863,463	\$ 1,459,218	\$ 1,434,273
Contributions in relation to the contractually required contribution	<u>2,963,043</u>	<u>2,852,581</u>	<u>2,690,618</u>	<u>3,134,827</u>	<u>3,127,827</u>	<u>2,759,912</u>	<u>2,372,503</u>	<u>1,863,463</u>	<u>1,459,218</u>	<u>1,434,273</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 13,811,746	\$ 12,571,918	\$ 13,956,137	\$ 14,839,575	\$ 14,942,923	\$ 14,534,983	\$ 13,100,953	\$ 13,771,966	\$ 11,074,052	N/A
Contributions as a percentage of covered payroll	21%	23%	19%	21%	21%	19%	18%	14%	13%	N/A

N/A - Covered employee payroll for year ended December 2008 was not available.

Notes:

The amounts presented for each year are determined as of the year ending December 31 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.

**TOWN OF RIVERHEAD**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
December 31, 2017

	Special Grant	Special Trust	Business Improvement District			Special Revenue Funds Street Lighting District			Refuse and Garbage			Public Parking		Community Development		Total Nonmajor Governmental Funds
			East Creek Docking Facility	Ambulance												
<b>ASSETS</b>																
Cash	\$ 104,754	\$ 44,943	\$ 26,797	\$ 66,469	\$ 655,897	\$ 943,783	\$ 730,473	\$ 42,209	\$ 135,279				2,765			\$ 2,750,604
Unrestricted Receivables	22,580			10			3,947									29,302
Accounts receivable	64,198															64,198
Due from other governments																3,104
Due from other funds																13,746
Prepaid items					888	8,068							3,000			
<b>Total Assets</b>	<b>\$ 191,532</b>	<b>\$ 44,943</b>	<b>\$ 26,797</b>	<b>\$ 67,367</b>	<b>\$ 663,965</b>	<b>\$ 943,783</b>	<b>\$ 739,314</b>	<b>\$ 45,209</b>	<b>\$ 138,044</b>							<b>\$ 2,860,954</b>
<b>LIABILITIES</b>																
Payables	\$ 6,128	\$ 848,997	\$ 848,997	\$ 193	\$ 67,549	\$ 10,538	\$ 990	\$ 990	\$ 23,458							108,856
Accounts payable				1,532	10,857											12,389
Accrued liabilities	69,504			8,331	300	4,056										931,188
Due to other funds																
Unearned credits																
Collections in advance	26,168			16,744												
<b>Total Liabilities</b>	<b>\$ 101,800</b>	<b>\$ 848,997</b>	<b>\$ 848,997</b>	<b>\$ 26,800</b>	<b>\$ 78,706</b>	<b>\$ 14,594</b>	<b>\$ 990</b>	<b>\$ 7,324</b>	<b>\$ 55,849</b>							<b>106,085</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>																
Unearned revenue				15,251												
<b>FUND BALANCE</b>																
Nonspendable:																
Prepays and inventory																
Assigned: Unappropriated	89,732	11,446	888	8,068	740,910	3,790	3,000									13,746
Unassigned: Fund balance (deficit)		(804,054)	39,679	418,612		344,491	12,822									1,716,129
Total Fund Balance	89,732	11,446	40,567	426,680	740,910	346,281	15,822									(804,054)
<b>Total Liabilities and Fund Balance</b>	<b>\$ 191,532</b>	<b>\$ 44,943</b>	<b>\$ 26,797</b>	<b>\$ 67,367</b>	<b>\$ 663,965</b>	<b>\$ 943,783</b>	<b>\$ 739,314</b>	<b>\$ 45,209</b>	<b>\$ 138,044</b>							<b>\$ 2,860,954</b>
																926,121
																776,315

**TOWN OF RIVERHEAD**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
For The Year Ended December 31, 2017

	Special Grant	Special Trust	Business Improvement District			East Creek Docking Facility			Street Lighting District			Ambulance			Refuse and Garbage			Public Parking			Community Development			Total Nonmajor Governmental Funds			
			Special Revenue Funds	Street Revenue Funds	Special Revenue Funds	Special Revenue Funds	Street Revenue Funds	Special Revenue Funds	Special Revenue Funds	Street Revenue Funds	Special Revenue Funds	Special Revenue Funds	Street Revenue Funds														
<b>REVENUES</b>																											
Real property taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Departmental income																											
Use of money and property	258		93,979	11	137		85		1,189,200	\$	1,409,200	\$	2,862,392	\$	165,200	\$											
Licenses and permits																											
and compensation for loss																											
Federal aid																											
	<b>94,251</b>																										
Total Revenues	<b>94,509</b>		<b>93,990</b>		<b>115,037</b>		<b>241,492</b>		<b>1,190,300</b>		<b>1,472,655</b>		<b>2,871,799</b>		<b>165,308</b>		<b>76,533</b>		<b>6,321,623</b>								
<b>EXPENDITURES</b>																											
General support																											
Health																											
Transportation																											
Economic assistance & opportunity																											
Culture and recreation																											
Home and community services																											
Employee benefits																											
Total Expenditures	<b>79,587</b>																										
Excess of Revenues over Expenditure:	<b>14,922</b>		<b>93,990</b>		<b>2,004</b>		<b>100,914</b>		<b>177,795</b>		<b>(206,567)</b>		<b>42,921</b>		<b>54,424</b>		<b>(62,275)</b>		<b>218,128</b>								
<b>OTHER FINANCING SOURCES AND (USES)</b>																											
Operating transfers out																											
Total Other Sources (Uses)	<b>(20,664)</b>		<b>(84,859)</b>																								
Net Change in Fund Balance	<b>(5,742)</b>		<b>9,131</b>		<b>2,004</b>		<b>(31,211)</b>		<b>(11,642)</b>		<b>(20,700)</b>		<b>(8,144)</b>		<b>(40,753)</b>												
Fund Balance - Beginning of year	<b>95,474</b>		<b>(813,185)</b>		<b>9,442</b>		<b>71,778</b>		<b>260,527</b>		<b>968,177</b>		<b>34,777</b>		<b>13,671</b>		<b>(62,275)</b>		<b>(100,759)</b>								
Fund Balance - End of year	<b>\$ 89,732</b>		<b>\$ (804,054)</b>		<b>\$ 11,446</b>		<b>\$ 40,567</b>		<b>\$ 426,680</b>		<b>\$ 740,910</b>		<b>\$ 346,281</b>		<b>\$ 15,822</b>		<b>\$ 58,737</b>		<b>\$ 926,121</b>								

