

**TOWN OF RIVERHEAD
FINANCIAL STATEMENTS**

December 31, 2013

**TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
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**TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
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INTRODUCTORY SECTION

TOWN OF RIVERHEAD
PRINCIPAL OFFICIALS
December 31, 2013

ELECTED OFFICIALS

Sean M. Walter
John Dunleavy
James Wooten
George Gabrielsen
Jodi Giglio

Supervisor
Councilman
Councilman
Councilman
Councilwoman

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

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

DEPARTMENT HEADS

Robert Kozakiewicz
William Rothaar
Jefferson Murphree
Christina Kempner
Ken Testa
Meg Ferris
Chief David Hegermiller
Ray Coyne
Judy Doll
John Reeve
Michael Reichel
Gary Pendzick

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

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York (the "Town"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units, the Town of Riverhead Industrial Development Agency and the Riverhead IDA Economic Job Development Corporation, were audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

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

PERSONAL SERVICE. TRUSTED ADVICE. 

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

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INDEPENDENT MEMBER OF BKR INTERNATIONAL

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

New Accounting Guidance

As described in Note 1.H to the basic financial statements, the Town of Riverhead, New York adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34,*" GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities,*" and GASB Statement No. 66, "*Technical Corrections 2012 – an amendment of GASB Statements No. 10 and No. 62*" as of and for the year ended December 31, 2013.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the combining and individual nonmajor financial statements and schedules 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 September 24, 2014, 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 and should be considered in assessing the results of our audit.

Albert, Vignio, Zuck & Company P.C.

Hauppauge, New York
September 24, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

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TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013

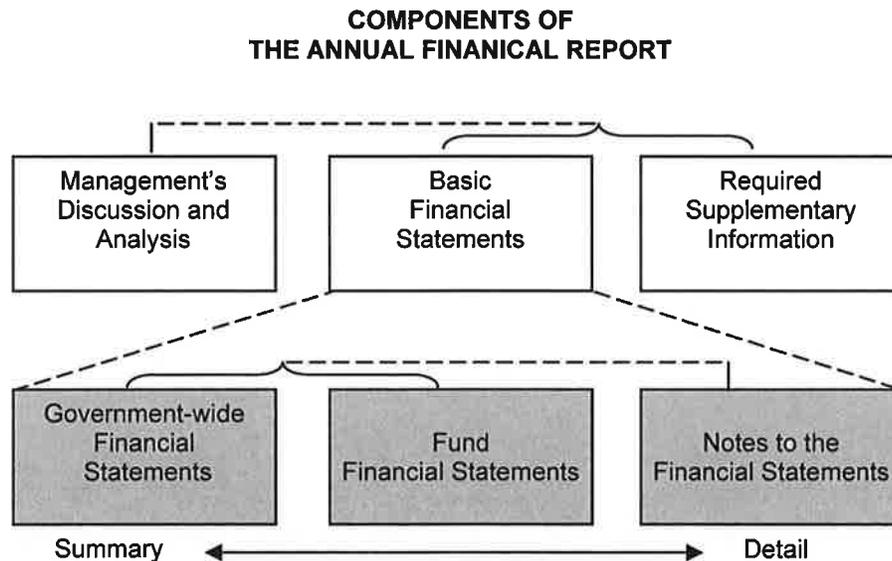
As management of the Town of Riverhead (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2013. Please read it in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the primary government exceed its liabilities and deferred inflows of resources at the close of 2013 by \$138,848,872 (net position). The net position of governmental activities was \$90,168,720 and the net position of business-type activities was \$48,680,152.
- The primary government's total net position decreased by \$4,239,951 or 3%. The governmental net position decreased by \$5,065,176 and the business-type net position increased by \$825,225.
- As of the close of 2013, the primary government's governmental funds reported combined ending fund balances of \$29,595,796, a decrease of \$6,662,998 in comparison with the prior year. Of this amount, \$1,583,935 is not in spendable form or is required to remain intact. The remaining \$28,011,861 or approximately 94.6% 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 2013, the primary government's total fund balance for the General Fund was \$5,839,435, a decrease of \$3,897,982 or 40% from the prior year. The assigned and unassigned fund balance for the General Fund was \$4,371,878, or 9.2% of total General Fund expenditures and other uses.
- The primary government's total bonded debt outstanding, exclusive of premiums, was \$112,479,999 a decrease of \$9,921,001 or 8.1%. The Town's governmental funds decreased by \$8,404,251 and the Town's business-type funds decreased by \$1,516,750.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

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

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

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

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

The prior year net position for the governmental activities and business-type activities have been restated as a result of the Town implementing Governmental Accounting Standards Board (GASB) Statement No. 65 as described in Note 1.H to the financial statements.

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 and federal grants finance these activities. The Town also charges fees to customers to help it cover the cost of certain services it provides.

Component Units

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

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

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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows of resources by \$138,848,872 at the close of the most recent year. Our analysis below focuses on the net position and changes in net position of the Town's governmental and business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
Assets						
Current and other assets	\$ 50,349,738	\$ 53,856,945	\$ 8,415,334	\$ 7,356,282	\$ 58,765,072	\$ 61,213,227
Capital assets	203,270,195	205,484,563	58,016,531	58,823,485	261,286,726	264,308,048
Total assets	253,619,933	259,341,508	66,431,865	66,179,767	320,051,798	325,521,275
Liabilities						
Current liabilities	14,071,252	15,616,168	2,451,616	2,599,044	16,522,868	18,215,212
Non-current liabilities	135,585,733	137,814,317	13,987,812	14,682,011	149,573,545	152,496,328
Total liabilities	149,656,985	153,430,485	16,439,428	17,281,055	166,096,413	170,711,540
Deferred Inflows of Resources	13,794,228	10,677,127	1,312,285	1,043,785	15,106,513	11,720,912
Net Position						
Net investment in capital assets	100,523,985	93,934,522	46,269,140	45,481,887	146,793,125	139,416,409
Restricted	17,654,466	21,904,561	1,050,208	282,633	18,704,674	22,187,194
Unrestricted	(28,009,731)	(20,605,187)	1,360,804	2,090,407	(26,648,927)	(18,514,780)
Total net position	\$ 90,168,720	\$ 95,233,896	\$ 48,680,152	\$ 47,854,927	\$ 138,848,872	\$ 143,088,823

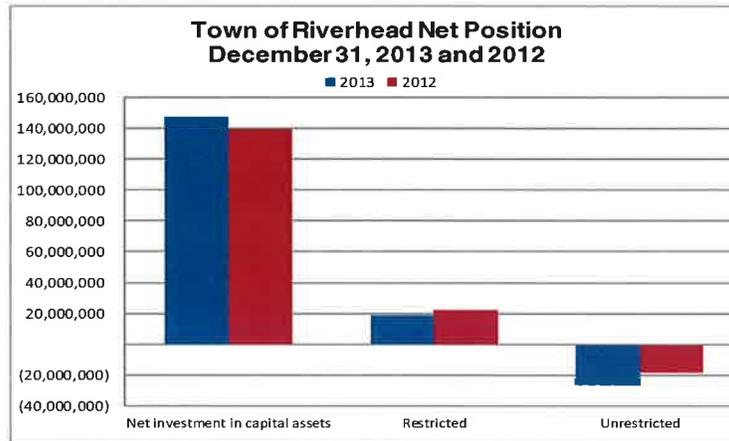
*Certain amounts from prior year were reclassified to conform to the current year presentation. There is no effect on the total net position report in 2012.

By far the largest portion of the Town's net position (\$146,793,125) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

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

**TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



The total net position of the Town as of December 31, 2013 was \$138,848,872, a decrease of \$4,239,951 from the prior year. Of this amount \$146,793,125 was the net investment in capital assets, while \$18,704,674 was restricted by statute or other specific purpose leaving a \$26,648,927 unrestricted deficit.

Continued recognition of the Town's OPEB costs will result in decreases in net position in future years. The unfunded liability for postemployment benefits healthcare costs increased in 2013 by \$6,823,305 bringing the unfunded liability at year-end to \$31,372,625. Additional information on OPEB can be found in Note 3.F to the financial statements.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012*	2013	2012*
Revenues						
Program revenues:						
Charges for services	\$ 6,590,071	\$ 2,904,188	\$ 7,762,142	\$ 7,065,054	\$ 14,352,213	\$ 9,969,242
Operating grants and contributions	1,030,386	1,041,411			1,030,386	1,041,411
Capital grants and contributions	1,780,850	2,738,766	1,618,322	118,435	3,399,172	2,857,201
	<u>9,401,307</u>	<u>6,684,365</u>	<u>9,380,464</u>	<u>7,183,489</u>	<u>18,781,771</u>	<u>13,867,854</u>
General revenues:						
Real property taxes	43,343,030	43,150,149	1,845,200	1,764,450	45,188,230	44,914,599
Real property tax items	491,736	442,076	327,101	367,548	818,837	809,624
Non-property tax items - sales tax	1,178,655	1,178,655	146,688	146,688	1,325,343	1,325,343
Community preservation fund 2% tax	2,825,445	2,210,549			2,825,445	2,210,549
Mortgage tax	1,182,233	922,797			1,182,233	922,797
Franchise tax	778,945	754,889			778,945	754,889
Investment earnings - unrestricted	424,108	460,210	8,654	199,182	432,762	659,392
Other compensation for loss	179,668	195,899			179,668	195,899
State aid	107,028	107,028			107,028	107,028
Other	159,751	921,707	659,943	942,629	819,694	1,864,336
	<u>50,670,599</u>	<u>50,343,959</u>	<u>2,987,586</u>	<u>3,420,497</u>	<u>53,658,185</u>	<u>53,764,456</u>
Total revenues	<u>60,071,906</u>	<u>57,028,324</u>	<u>12,368,050</u>	<u>10,603,986</u>	<u>72,439,956</u>	<u>67,632,310</u>
Expenses						
General government support	15,865,430	16,843,365			15,865,430	16,843,365
Public safety	27,975,161	26,906,255			27,975,161	26,906,255
Health	843,274	842,198			843,274	842,198
Transportation	7,831,401	6,376,090			7,831,401	6,376,090
Economic assistance and opportunity	2,301,961	2,043,429			2,301,961	2,043,429
Culture and recreation	3,415,384	2,914,809			3,415,384	2,914,809
Home and community services	4,588,907	4,275,173	10,357,095	10,087,588	14,946,002	14,362,761
Interest on debt	3,501,294	5,207,917			3,501,294	5,207,917
	<u>66,322,812</u>	<u>65,409,236</u>	<u>10,357,095</u>	<u>10,087,588</u>	<u>76,679,907</u>	<u>75,496,824</u>
Total expenses	<u>66,322,812</u>	<u>65,409,236</u>	<u>10,357,095</u>	<u>10,087,588</u>	<u>76,679,907</u>	<u>75,496,824</u>
Change in net position before transfers	(6,250,906)	(8,380,912)	2,010,955	516,398	(4,239,951)	(7,864,514)
Transfers	1,185,730	1,264,000	(1,185,730)	(1,264,000)	-0-	-0-
Change in net position	(5,065,176)	(7,116,912)	825,225	(747,602)	(4,239,951)	(7,864,514)
Net position - beginning	95,233,896	102,350,808	47,854,927	48,602,529	143,088,823	150,953,337
Net position - ending	<u>\$ 90,168,720</u>	<u>\$ 95,233,896</u>	<u>\$ 48,680,152</u>	<u>\$ 47,854,927</u>	<u>\$ 138,848,872</u>	<u>\$ 143,088,823</u>

* Certain amounts from prior year were reclassified to conform to the current year presentation. There is no effect on the total net position report in 2012.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The change in net position from all combined activities was a decrease of \$4,239,951. The governmental activities decreased by \$5,065,176 and the business-type increased by \$825,225.

Key elements of the changes in governmental activities were:

- Charges for services increased by \$3,685,883 compared to the prior year due to the following: Building and fire inspections fees increased by \$632,003 primarily due to the new commercial developments on County Road 58; rental income increased by \$1,013,000 for the lease of the runways at Enterprise Park at Calverton (EPCAL) to Insurance Auto Auctions, Inc. (IAAI); and self-insurance revenues increased \$1,550,153 due to insurance recoveries and increases in premiums charged to other funds.
- Capital grants and contributions decreased by \$957,916. Capital grants and contributions fluctuate due to the timing of certain projects expenses and the related reimbursements. Notable decreases in revenues were a result of a completion of capital projects in the prior year or a reduction in the activity for the particular grant in the current year. The current year decrease was primarily a result of the Calverton Rail Spur and Calverton Recreation Park projects being completed in the prior year (\$496,886), a reduction in the activity of the Horton Avenue Mitigation Grant Program (\$264,758), the Consolidated Highway Improvement Program (\$296,328), and Community Development Block Grant funding for capital purposes (\$256,400). These reductions were offset by an increase in Federal aid for disaster assistance for Hurricane Sandy damages (\$325,238).
- Community Preservation Fund 2% tax, mortgage tax, and franchise fee tax increased by \$898,388 from prior year which was based on economic conditions, consumer spending and housing market conditions.
- Other general revenues decreased by \$761,956 compared to the prior year due to a reconciliation of certain accounts in Trust and Agency Fund during 2012 which were deemed to be governmental activity revenue and reclassified accordingly. No such reconciliation was necessary in the current year.
- The decrease in interest on debt was a result of the Town refunding the 2003 general obligation bonds during 2012, which led to significant savings on interest due in the current year compared to the prior year.

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

- Metered water sales increased by \$609,323 primarily due to an increase in metered water rates which were effective May 2013.
- Developer fees in the Water District Fund increased by \$1,118,401 in the current year.
- Investment earnings decreased by \$190,528 compared to the prior year as a result of premiums recognized in 2012 related to the Town refunding the 2003 general obligation bonds.
- Other revenues decreased by \$282,686 due to payments in arrears recognized in prior year from cellular providers for rental of the water towers. No such arrear payments were made in 2013 as the providers payments were made timely.

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

Governmental Activities

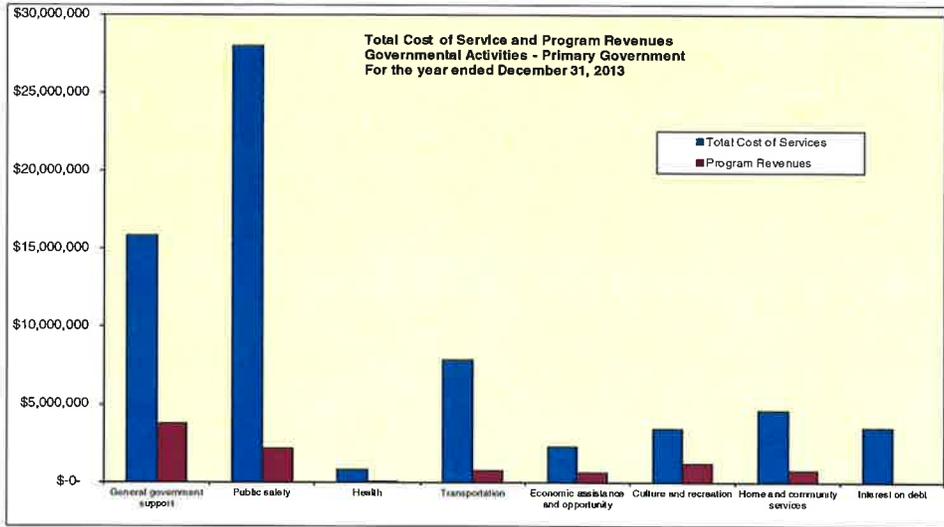
Total Cost of Services, Program Revenues and Net Cost of Services
Governmental Activities - Primary Government
For the years ended December 31,

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2013	2012	2013	2012	2013	2012
General government support	\$ 15,865,430	\$ 16,843,365	\$ 3,787,097	\$ 1,207,085	\$ 12,078,333	\$ 15,636,280
Public safety	27,975,161	26,906,255	2,186,394	1,661,913	25,788,767	25,244,342
Health	843,274	842,198	42,174	47,086	801,100	795,112
Transportation	7,831,401	6,376,090	764,251	1,167,389	7,067,150	5,208,701
Economic assistance and opportunity	2,301,961	2,043,429	650,404	393,335	1,651,557	1,650,094
Culture and recreation	3,415,384	2,914,809	1,228,560	1,213,309	2,186,824	1,701,500
Home and community services	4,588,907	4,275,173	742,427	994,248	3,846,480	3,280,925
Interest on debt	3,501,294	5,207,917			3,501,294	5,207,917
	<u>\$ 66,322,812</u>	<u>\$ 65,409,236</u>	<u>\$ 9,401,307</u>	<u>\$ 6,684,365</u>	<u>\$ 56,921,505</u>	<u>\$ 58,724,871</u>

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities (continued)



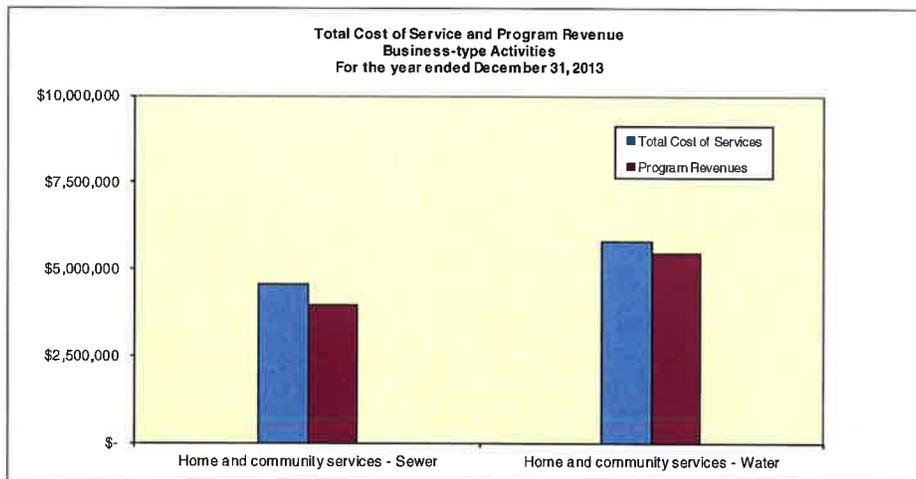
The cost of the governmental activities this year was \$66,322,812. The cost of these services after being partially subsidized by program revenues of \$9,401,307 was \$56,921,505.

Business-type Activities

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

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

	2013	2012	2013	2012	2013	2012
	Total Cost of Services		Program Revenue		Net Cost of Services	
Home and community services - Sewer	\$ 4,566,640	\$ 4,413,457	\$ 3,947,438	\$ 3,526,390	\$ 619,202	\$ 887,067
Home and community services - Water	<u>5,790,455</u>	<u>5,674,131</u>	<u>5,433,026</u>	<u>3,657,099</u>	<u>357,429</u>	<u>2,017,032</u>
	<u>\$ 10,357,095</u>	<u>\$ 10,087,588</u>	<u>\$ 9,380,464</u>	<u>\$ 7,183,489</u>	<u>\$ 976,631</u>	<u>\$ 2,904,099</u>

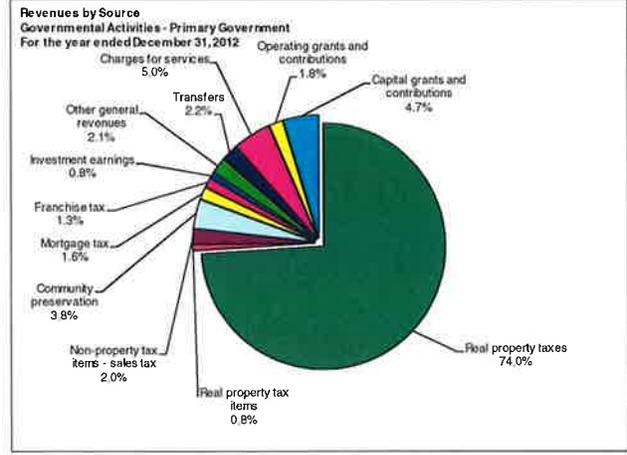
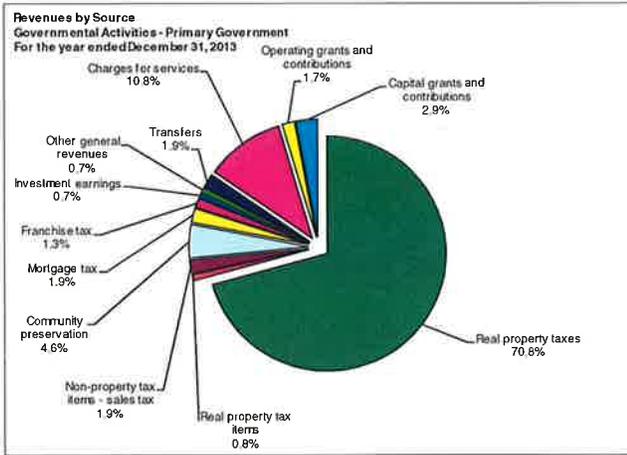


The cost of the business-type activities this year was \$10,357,095. The cost of these services after being partially subsidized by program revenues of \$9,380,464 was \$976,631.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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



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

	2013	2012
Real property taxes	\$ 43,343,030	\$ 43,150,149
Real property tax items	491,736	442,076
Non-property tax items - sales tax	1,178,655	1,178,655
Community preservation fund 2% tax	2,825,445	2,210,549
Mortgage tax	1,182,233	922,797
Franchise tax	778,945	754,889
Investment earnings - unrestricted	424,108	460,210
Other general revenues	446,447	1,224,634
Transfers	1,185,730	1,264,000
Charges for services	6,590,071	2,904,188
Operating grants and contributions	1,030,386	1,041,411
Capital grants and contributions	1,780,850	2,738,766
	<u>\$ 61,257,636</u>	<u>\$ 58,292,324</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

At December 31, 2013, the Town's governmental funds reported total ending fund balances of \$29,595,796, a decrease of \$6,662,998 or 18.4% in comparison with the prior year. The category breakdown is as follows:

- **Nonspendable fund balance** - \$1,583,935 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$17,654,466 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$10,293,044 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$64,351 (residual net resources) is the total fund balance in the General Fund of \$66,127 and the negative unassigned deficit in the Business Improvement District of \$1,776 in excess of nonspendable, restricted and assigned fund balance.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$5,839,435, decreasing \$3,897,982, or 40%, from the prior year. Of this amount, \$1,467,557 is not in spendable form (prepaid items and inventory). The remaining \$4,371,878 of the fund balance is in spendable form as follows: \$3,570,500 has been assigned by the Town Board for the subsequent year's budget, \$564,254 has been assigned for other miscellaneous designations; \$170,997 has been assigned for purchase orders by the Town Finance Administrator, and the remaining \$66,127 represents spendable, unassigned fund balance.

The fund balance of the Town's General Fund decreased by \$3,897,982. The major components of the fund balance decrease were as follows:

- There was a budgeted use of prior year fund balance of \$3,082,680, as well as the prior year encumbrances carried forward in the amount of \$243,617.
- During the year, an additional \$847,057 of fund balance was appropriated for additional expenditures.
- Building department related fees were higher than anticipated by \$320,517 due to the commercial development on County Road 58.
- Rental income for wireless antennae and investment income were lower than anticipated by \$145,000 and \$48,178, respectively.
- Interfund revenues related to the purchase of fuel were eliminated by \$332,593.
- Federal Emergency Management Aid (FEMA) of \$117,640 related to Hurricane Sandy was recognized but not included in the budget.
- State and local aid and economic assistance and opportunity expenditures for the Brownfield Opportunity Area program were budgeted at \$567,000. However, the Town only incurred expenditures in the amount of \$244,271 in 2013 and therefore recognized \$244,271 of revenue. This resulted in \$322,729 of a budget shortfall in revenues and lower than expected economic assistance and opportunity expenditures.

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$2,547,761, increasing \$199,760, or 8.5%, from the prior year. Of this amount, \$97,145 is not in spendable form (prepaid items). The remaining \$2,450,616 of the fund balance is in spendable form as follows: \$29,142 has been assigned for purchase orders by the Town Finance Administrator and the remaining \$2,421,474 is assigned for general highway purposes.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Highway Fund (continued)

The major components of the fund balance increase of \$199,760 were as follows:

- During the year, \$132,500 of fund balance was appropriated for additional expenditures as well as the prior year encumbrances carried forward in the amount of \$241,000.
- Federal Emergency Management Aid (FEMA) of \$113,316 related to Hurricane Sandy and the Winter Storm of 2013 were recognized but not included in the budget.
- Payments for fringe benefits including health insurance were lower than budgeted by \$124,991 due to lower anticipated costs for NYS retirement and health insurance. Actual expenditures were higher than prior year by \$184,128.
- Expenditures for the purchase and repair of equipment, as well as, contractual expenditures were lower than expected by \$255,699. Overall actual expenditures were consistent with prior year.

Capital Projects Fund

The fund balance decreased in the Capital Projects Fund by \$854,760 from the prior year as a result of timing differences between project expenditures and the recognition of corresponding permanent financing. At the end of the current year, the Capital Projects Fund had a total fund balance of \$83,513 which was entirely restricted.

Community Preservation Fund

At the end of the current year, the Community Preservation Fund had a total fund balance of \$17,310,006, decreasing by \$2,668,344 from the prior year. Of this amount \$1,127,876 was restricted for debt service and the remaining \$16,182,130 is restricted for Community Preservation purposes.

The major components of the fund balance decrease of \$2,668,344 were:

- There was a budgeted use of prior year fund balance of \$3,657,300.
- Total land transfer tax revenues exceeded the budget by \$700,445 and actual revenues were higher than prior year in the amount of \$614,895, a direct result of the increase in transfer tax revenues.
- There were unanticipated operating transfers into the Community Preservation Fund of \$245,931 a result of the following: \$204,117 from unspent bonds proceeds and \$41,814 from residual equity transfers from closed capital projects.

Nonmajor Governmental Funds

The net change in fund balances was an increase of \$558,328 over the nine nonmajor funds, the most notable changes are as follows:

- An increase of \$1,318,879 in the Community Development Fund primarily due to unanticipated revenues for the rental of the runway at EPCAL by IAAI for vehicles damaged by Hurricane Sandy.
- A decrease of \$581,410 in the Refuse and Garbage Fund primarily due to a reduction in property taxes assessed compared to prior year.
- The Street Lighting Fund had a decrease of \$241,147 due to an unexpected increase in electricity expenditures of \$86,562; an appropriation of prior year fund balance of \$150,500; and an additional appropriation of fund balance of \$60,000 to replace street lighting poles on Main Street.
- The Ambulance Fund had an increase of \$172,425 due to the Riverhead Volunteer Ambulance Corps contract coming in lower than budgeted and staying consistent with prior years.

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.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Proprietary Funds (continued)

Unrestricted net position (deficit) of the sewer and water proprietary funds at the end of the year amounted to \$3,543,753 and (\$2,182,949) respectively. The total net position change was an increase of \$825,225; a decrease of \$285,342 in the Sewer District Funds and an increase of \$1,110,567 in the Water District Funds:

- In the Water Fund, water sales came in \$514,075 higher than anticipated based on budgeted expectations; and actual sales were up \$609,323 over the prior year due to an increase in water rates which were effective in May 2013.
- Water Fund developer fees came in \$1,153,615 higher than anticipated due to new water capital projects of \$701,013 and repair and maintenance fees related to new developments of \$452,472.
- A review of cell tower rental agreements with cellular providers in the Water Fund resulted in additional revenues recognized in 2012 for payments in arrears in the amount of approximately \$440,000. Current year revenues of \$659,943 were in line with budgeted amounts.
- The Sewer District Fund's activity was consistent with the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there were budget amendments that increased estimated revenues and transfers by \$2,110,950 and budgeted appropriations by \$3,201,624, inclusive of transfers. Please see the "General Fund" section for more details on the comparison of final budgets to actual amounts. The following are the main components of the increase in appropriations:

- All capital projects were reconciled in 2013. This reconciliation showed that a number of projects were either overfunded or underfunded. Budget amendments resulted to adjust both transfers in and transfers out by \$1,002,792 and \$659,015, respectively, for this reconciliation.
- Amounts budgeted in state and local aid included \$567,000 of New York State aid for the Brownfield Opportunities Area program. Estimated appropriations for Economic Assistance and Opportunity expenditures were also increased by \$567,000.
- Public safety budgeted appropriations were increased for the following: \$86,477 to fund repairs of Town facilities damaged from Hurricane Sandy and maintenance of an emergency shelter also due to Hurricane Sandy; \$418,506 to fund retroactive and current year salary and fringe benefits expenditures resulting from a new contract with the Riverhead Police Benevolent Association; \$104,000 to fund salary expenditures for additional part time police officers for the downtown area; and \$292,042 to increase overtime expenditures resulting from the retirement of five police officers at the end of 2012.
- Estimated revenues for federal aid and budgeted appropriations for Culture and Recreation expenditures were both increased by \$149,500 for FEMA aid to dredge Wading River Creek.
- Prior year encumbrances in the amount of \$243,617 were included in the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2013 amounts to \$261,286,726 (net of accumulated depreciation). This investment in capital assets includes land, non-depreciable intangible assets, equipment, improvements, infrastructure, depreciable intangible assets and construction in progress.

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

- Highway road improvements throughout the Town were completed in the amount of \$367,671.
- Land purchases of \$194,655.
- Improvements of \$195,444 were made to Calverton Recreational Park.
- The Water District completed new water main installations of \$290,414 for various projects on County Road 58.

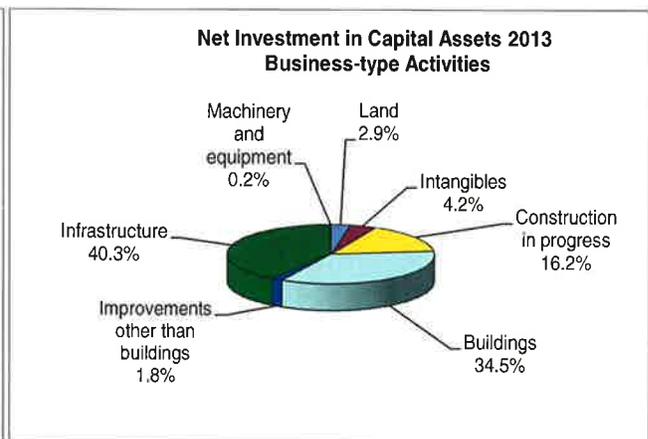
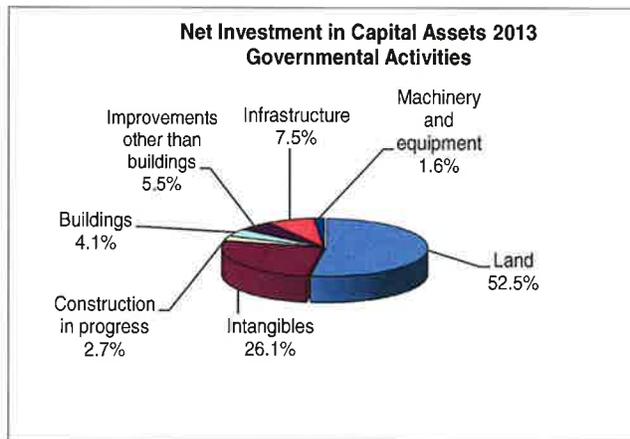
TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 106,884,353	\$ 104,792,910	\$ 1,668,290	\$ 1,516,994	\$ 108,552,643	\$ 106,309,904
Intangible development rights and easements	52,966,917	52,966,917	2,378,757	2,378,757	55,345,674	55,345,674
Construction in progress	5,530,122	10,494,782	9,409,181	12,073,188	14,939,303	22,567,970
Buildings	8,243,320	8,517,308	20,006,327	17,577,096	28,249,647	26,094,404
Improvements other than buildings	11,238,886	9,111,872	1,034,643	1,161,379	12,273,529	10,273,251
Infrastructure	15,252,724	16,081,394	23,351,718	23,918,748	38,604,442	40,000,142
Machinery and equipment	3,120,609	3,490,297	116,282	145,990	3,236,891	3,636,287
Intangibles - software	33,264	29,083	51,333	51,333	84,597	80,416
Total capital assets	\$ 203,270,195	\$ 205,484,563	\$ 58,016,531	\$ 58,823,485	\$ 261,286,726	\$ 264,308,048



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

Debt Administration

At the end of 2013 the Town had total bonded debt outstanding of \$112,479,999. For the year ended December 31, 2013 the Town's total combined bonded debt decreased by \$9,921,001 or 8.1%. The entire debt is backed by the full faith and credit of the Town of Riverhead.

Outstanding Debt as of December 31,

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 100,646,034	\$ 109,050,285	\$ 11,833,965	\$ 13,350,715	\$ 112,479,999	\$ 122,401,000
Total	\$ 100,646,034	\$ 109,050,285	\$ 11,833,965	\$ 13,350,715	\$ 112,479,999	\$ 122,401,000

The Town maintains an "Aa2" rating from Moody's Investors Service.

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average full valuation. The debt limit excludes water debt and sewer debt and the business-type activities. The current debt limitation for the Town is \$414,537,450 which is significantly in excess of the Town's outstanding general obligation debt. The percentage of debt limit exhausted is 24.28%.

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

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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Next year's budget will increase by \$1,575,825 (2.26%) with the majority of this increase in spending for the General Fund \$1,449,100, Highway Fund \$166,000, and Riverhead Sewer District Fund \$350,100. Spending decreases will be in Refuse and Garbage Fund \$471,900, and Water District Fund \$83,000. Several other funds had minor increases or decreases.

Assessed values increased in 2014 by \$2,555,838 over 2013 or 0.31%.

The Town-wide tax rate increased by \$1.01 per \$1,000 of assessed value.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The Town did not exceed the 2% cap, inclusive of allowable exclusions, in 2014.

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2013

	Primary Government			Nonmajor Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 20,215,388	\$ 9,408,179	\$ 29,623,567	\$ 260,961
Cash - restricted	19,456,738		19,456,738	
Accounts receivable	660,068	21,022	681,090	6,300
Billings receivable		1,016,326	1,016,326	
Due from other governments	6,107,737	146,688	6,254,425	
Internal balances	2,325,872	(2,325,872)	-0-	
Prepays	1,435,520	121,455	1,556,975	
Inventory of materials and supplies	148,415	27,536	175,951	
Total current assets	<u>50,349,738</u>	<u>8,415,334</u>	<u>58,765,072</u>	<u>267,261</u>
Non-current assets:				
Non-depreciable capital assets	165,381,392	13,456,228	178,837,620	
Capital assets, net of accumulated depreciation	37,888,803	44,560,303	82,449,106	967
Total non-current assets	<u>203,270,195</u>	<u>58,016,531</u>	<u>261,286,726</u>	<u>967</u>
Total assets	<u>253,619,933</u>	<u>66,431,865</u>	<u>320,051,798</u>	<u>268,228</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,543,551	744,780	3,288,331	68,545
Retainage payable		111,470	111,470	
Accrued interest payable	431,277	47,770	479,047	
Due to other governments	20,052		20,052	
Unearned revenue	93,720	78,721	172,441	
Other liabilities		43,800	43,800	
Non-current liabilities due within one year:				
General obligation bonds payable	8,773,398	1,335,885	10,109,283	
Compensated absences payable	823,172	89,190	912,362	6,550
Claims and judgments payable	1,321,775		1,321,775	
Estimated liability for landfill closure and postclosure care costs	64,307		64,307	
Total current liabilities	<u>14,071,252</u>	<u>2,451,616</u>	<u>16,522,868</u>	<u>75,095</u>
Non-current liabilities due in more than one year:				
General obligation bonds payable	94,836,182	10,498,080	105,334,262	
Compensated absences payable	8,759,735	949,111	9,708,846	
Claims and judgments payable	2,067,164		2,067,164	
Estimated liability for landfill closure and postclosure care costs	1,090,648		1,090,648	
Postemployment benefits healthcare costs	28,832,004	2,540,621	31,372,625	
Total non-current liabilities	<u>135,585,733</u>	<u>13,987,812</u>	<u>149,573,545</u>	<u>-0-</u>
Total liabilities	<u>149,656,985</u>	<u>16,439,428</u>	<u>166,096,413</u>	<u>75,095</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	13,794,228	1,312,285	15,106,513	
Total deferred inflows of resources	<u>13,794,228</u>	<u>1,312,285</u>	<u>15,106,513</u>	<u>-0-</u>
NET POSITION				
Net investment in capital assets	100,523,985	46,269,140	146,793,125	
Restricted for:				
Debt service fund		129,267	129,267	
Capital projects	83,513		83,513	
Community preservation fund	17,310,006		17,310,006	
Home and community services	260,947	920,941	1,181,888	
Unrestricted	(28,009,731)	1,360,804	(26,648,927)	193,133
Total net position	<u>\$ 90,168,720</u>	<u>\$ 48,680,152</u>	<u>\$ 138,848,872</u>	<u>\$ 193,133</u>

TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year ended December 31, 2013

Function/ Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government support	\$ 15,865,430	\$ 3,063,250	\$ 8,598	\$ 715,249
Public safety	27,975,161	1,913,560	199,152	73,682
Health	843,274	42,174		
Transportation	7,831,401	178,416	102,130	483,705
Economic assistance and opportunity	2,301,961	101,180	549,224	
Culture and recreation	3,415,384	1,099,792	73,076	55,692
Home and community services	4,588,907	191,699	98,206	452,522
Interest on debt	3,501,294			
Total governmental activities	<u>66,322,812</u>	<u>6,590,071</u>	<u>1,030,386</u>	<u>1,780,850</u>
Business-type Activities:				
Home and community services - Sewer	4,566,640	3,506,855		440,583
Home and community services - Water	5,790,455	4,255,287		1,177,739
Total business-type activities	<u>10,357,095</u>	<u>7,762,142</u>		<u>1,618,322</u>
Total primary government	<u>\$ 76,679,907</u>	<u>\$ 14,352,213</u>	<u>\$ 1,030,386</u>	<u>\$ 3,399,172</u>
NONMAJOR COMPONENT UNITS:				
Economic assistance and opportunity	\$ 191,720	\$ 355,447		
Total nonmajor component units	<u>\$ 191,720</u>	<u>\$ 355,447</u>		

General revenues:

- Real property taxes
- Real property tax items
- Non-property tax items - sales tax
- Community preservation fund 2% tax
- Mortgage tax
- Franchise tax
- Investment earnings - unrestricted
- Sale of property and compensation for loss
- State aid
- Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See notes to the financial statements

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

Governmental Activities	Business-type Activities	Total	Nonmajor Component Units
\$ (12,078,333)		\$ (12,078,333)	
(25,788,767)		(25,788,767)	
(801,100)		(801,100)	
(7,067,150)		(7,067,150)	
(1,651,557)		(1,651,557)	
(2,186,824)		(2,186,824)	
(3,846,480)		(3,846,480)	
(3,501,294)		(3,501,294)	
<u>(56,921,505)</u>		<u>(56,921,505)</u>	
	\$ (619,202)	(619,202)	
	<u>(357,429)</u>	<u>(357,429)</u>	
	(976,631)	(976,631)	
<u>\$ (56,921,505)</u>	<u>\$ (976,631)</u>	<u>\$ (57,898,136)</u>	
			\$ 163,727
			<u>\$ 163,727</u>
\$ 43,343,030	\$ 1,845,200	\$ 45,188,230	
491,736	327,101	818,837	
1,178,655	146,688	1,325,343	
2,825,445		2,825,445	
1,182,233		1,182,233	
778,945		778,945	
424,108	8,654	432,762	\$ 104
179,668		179,668	
107,028		107,028	
159,751	659,943	819,694	
1,185,730	(1,185,730)	-0-	
<u>51,856,329</u>	<u>1,801,856</u>	<u>53,658,185</u>	<u>104</u>
(5,065,176)	825,225	(4,239,951)	163,831
<u>95,233,896</u>	<u>47,854,927</u>	<u>143,088,823</u>	<u>29,302</u>
<u>\$ 90,168,720</u>	<u>\$ 48,680,152</u>	<u>\$ 138,848,872</u>	<u>\$ 193,133</u>

**TOWN OF RIVERHEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013**

MAJOR FUNDS

	General	Highway	Debt Service	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 8,506,939	\$ 4,755,928		
Cash - restricted				\$ 698,626
Accounts receivable	607,620	220		15,553
Due from other funds	6,078,608	147,396		135,288
Due from other governments	1,575,663			3,584,544
Prepays	1,319,142	97,145		
Inventory	148,415			
Total assets	<u>\$ 18,236,387</u>	<u>\$ 5,000,689</u>	<u>\$ -0-</u>	<u>\$ 4,434,011</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,847,994	\$ 232,310		\$ 264,506
Due to other funds	563,664	38,610		4,085,321
Due to other governments	19,722			330
Unearned revenue	93,379			341
Total liabilities	<u>2,524,759</u>	<u>270,920</u>		<u>4,350,498</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	9,872,193	2,182,008		
Total deferred inflows of resources	<u>9,872,193</u>	<u>2,182,008</u>		
FUND BALANCES (DEFICITS)				
Nonspendable	1,467,557	97,145		
Restricted				83,513
Assigned	4,305,751	2,450,616		
Unassigned	66,127			
Total fund balances (deficits)	<u>5,839,435</u>	<u>2,547,761</u>		<u>83,513</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 18,236,387</u>	<u>\$ 5,000,689</u>	<u>\$ -0-</u>	<u>\$ 4,434,011</u>

See notes to the financial statements

Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 3,427,869	\$ 16,690,736
\$ 16,816,298	1,941,814	19,456,738
1,946	34,729	660,068
227,877	53,803	6,642,972
263,885	418,657	5,842,749
	19,233	1,435,520
		148,415
<u>\$ 17,310,006</u>	<u>\$ 5,896,105</u>	<u>\$ 50,877,198</u>
	\$ 198,741	\$ 2,543,551
	142,256	4,829,851
		20,052
		93,720
	<u>340,997</u>	<u>7,487,174</u>
	1,740,027	13,794,228
	<u>1,740,027</u>	<u>13,794,228</u>
	19,233	1,583,935
\$ 17,310,006	260,947	17,654,466
	3,536,677	10,293,044
	(1,776)	64,351
<u>17,310,006</u>	<u>3,815,081</u>	<u>29,595,796</u>
<u>\$ 17,310,006</u>	<u>\$ 5,896,105</u>	<u>\$ 50,877,198</u>

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TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2013

Total fund balances - governmental funds		\$ 29,595,796
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets less accumulated depreciation are included in the Statement of Net Position:		
Capital assets - non-depreciable	\$ 165,381,392	
Capital assets - depreciable	159,686,368	
Accumulated depreciation	<u>(121,797,565)</u>	
		203,270,195
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).		
		4,037,403
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position:		
General obligation bonds payable, inclusive of premium	(103,609,580)	
Compensated absences payable	(9,582,907)	
Claims and judgments payable	(3,388,939)	
Estimated liability for landfill closure and postclosure care costs	(1,154,955)	
Postemployment benefits healthcare costs	<u>(28,832,004)</u>	
		(146,568,385)
Due from other governments applicable to the Town's governmental activities not due and receivable in the current period, and accordingly, are not reported in the funds. However, these assets are included in the Statement of Net Position.		
		264,988
Interest payable applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position.		
		<u>(431,277)</u>
Net position of governmental activities		<u><u>\$ 90,168,720</u></u>

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2013

	MAJOR FUNDS			
	General	Highway	Debt Service	Capital Projects
REVENUES				
Real property taxes	\$ 31,053,900	\$ 6,871,000		
Real property tax items	491,736			
Non-property tax items	1,957,600			
Departmental income	2,907,244			
Intergovernmental charges	134,380			
Use of money and property	181,352			\$ 61
Licenses and permits	80,183	8,749		
Fines and forfeitures	524,176			
Sale of property and compensation for loss	93,669	24,500		
Miscellaneous local sources	36,662	10,928		69,805
Interfund revenues	2,170,464	19,756		
State and local aid	1,914,029			478,081
Federal aid	386,345	113,316		737,679
Total revenues	<u>41,931,740</u>	<u>7,048,249</u>		<u>1,322,707</u>
EXPENDITURES				
Current:				
General government support	8,752,322	628,967		
Public safety	16,186,787			
Health	8,967			
Transportation	403,381	3,739,863		
Economic assistance and opportunity	1,287,189			
Culture and recreation	1,832,850			
Home and community services	1,248,443			
Employee benefits	12,377,557	1,248,346		
Capital Outlay				1,902,792
Debt Service:				
Principal			\$ 8,404,251	
Interest			4,041,070	
Total expenditures	<u>42,097,496</u>	<u>5,617,176</u>	<u>12,445,321</u>	<u>1,902,792</u>
Excess (deficiency) of revenues over expenditures	<u>(165,756)</u>	<u>1,431,073</u>	<u>(12,445,321)</u>	<u>(580,085)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,574,100	44,763	12,445,321	416,314
Transfers out	(5,306,326)	(1,276,076)		(690,989)
Total other financing sources (uses)	<u>(3,732,226)</u>	<u>(1,231,313)</u>	<u>12,445,321</u>	<u>(274,675)</u>
Net change in fund balance	(3,897,982)	199,760		(854,760)
Fund balances at beginning of year	9,737,417	2,348,001	-0-	938,273
Fund balances at end of year	<u>\$ 5,839,435</u>	<u>\$ 2,547,761</u>	<u>\$ -0-</u>	<u>\$ 83,513</u>

See notes to the financial statements.

Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 5,418,130	\$ 43,343,030
\$ 2,825,445		491,736
	409,071	4,783,045
		3,316,315
56,754	1,489,367	134,380
	30	1,736,283
		104,713
	26,254	524,176
1,947	14,731	200,656
		110,177
	44,677	2,170,464
	136,192	2,436,787
<u>2,884,146</u>	<u>7,538,452</u>	<u>60,725,294</u>
	937,788	10,319,077
		16,186,787
	954,034	963,001
	1,220,190	5,363,434
	246,824	1,534,013
	103,104	1,935,954
2,200	2,849,257	4,099,900
	197,840	13,823,743
		1,902,792
		8,404,251
		4,041,070
<u>2,200</u>	<u>6,509,037</u>	<u>68,574,022</u>
<u>2,881,946</u>	<u>1,029,415</u>	<u>(7,848,728)</u>
245,931	31,890	14,758,319
(5,796,221)	(502,977)	(13,572,589)
<u>(5,550,290)</u>	<u>(471,087)</u>	<u>1,185,730</u>
(2,668,344)	558,328	(6,662,998)
<u>19,978,350</u>	<u>3,256,753</u>	<u>36,258,794</u>
<u>\$ 17,310,006</u>	<u>\$ 3,815,081</u>	<u>\$ 29,595,796</u>

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TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
Year ended December 31, 2013

Net change in fund balances - total governmental funds **\$ (6,662,998)**

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

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

Capital outlay	\$ 1,070,180	
Depreciation expense	(3,239,473)	
Loss on disposition	(45,075)	
	(2,214,368)	(2,214,368)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 14,699

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net gain of the of the internal service funds is reported with governmental activities.

Claims and judgments payable	160,814	
Other change in net position	727,890	
	888,704	888,704

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

Repayment of debt principal	8,404,251	
Compensated absences	(196,878)	
Estimated liability for landfill closure and postclosure care costs	67,562	
Postemployment benefits healthcare costs	(6,235,207)	
	2,039,728	2,039,728

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

Bond interest is recorded as an expenditure on the fund statements when it is paid, and on the Statement of Activities when it is accrued. 539,776

Change in net position of governmental activities **\$ (5,065,176)**

TOWN OF RIVERHEAD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,256,259	\$ 3,151,920	\$ 9,408,179	\$ 3,524,652
Accounts receivable	85	20,937	21,022	
Billings receivables, net of allowance of \$15,295 in Sewer	59,787	956,539	1,016,326	
Due from other funds	2,637		2,637	512,751
Due from other governments	146,688		146,688	
Prepays	49,727	71,728	121,455	
Inventory		27,536	27,536	
Total current assets	<u>6,515,183</u>	<u>4,228,660</u>	<u>10,743,843</u>	<u>4,037,403</u>
Non-current assets:				
Capital assets:				
Land	890,273	778,017	1,668,290	
Intangibles - non-depreciable easements		2,378,757	2,378,757	
Construction work in progress	3,224,734	6,184,447	9,409,181	
Buildings	25,868,825	11,016,872	36,885,697	
Improvements other than buildings	1,847,847	134,711	1,982,558	
Machinery and equipment	967,712	7,299,565	8,267,277	
Infrastructure	21,123,705	42,585,704	63,709,409	
Intangibles - depreciable		88,000	88,000	
Less accumulated depreciation/amortization	<u>(33,791,625)</u>	<u>(32,581,013)</u>	<u>(66,372,638)</u>	
Total non-current assets	<u>20,131,471</u>	<u>37,885,060</u>	<u>58,016,531</u>	
Total assets	<u>26,646,654</u>	<u>42,113,720</u>	<u>68,760,374</u>	<u>4,037,403</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	284,056	460,724	744,780	
Retainage payable	4,225	107,245	111,470	
Accrued interest payable	14,788	32,982	47,770	
Due to other funds	19,843	2,308,666	2,328,509	
Unearned revenue		78,721	78,721	
Customers deposits payable		43,800	43,800	
Non-current liabilities due within one year:				
General obligation bonds payable	407,902	927,983	1,335,885	
Claims and judgments payable				1,321,775
Compensated absences payable	24,344	64,846	89,190	
Total current liabilities	<u>755,158</u>	<u>4,024,967</u>	<u>4,780,125</u>	<u>1,321,775</u>
Non-current liabilities due in more than one year:				
General obligation bonds payable	2,962,950	7,535,130	10,498,080	
Claims and judgments payable				2,067,164
Compensated absences payable	259,052	690,059	949,111	
Postemployment benefits healthcare costs	1,163,623	1,376,998	2,540,621	
Total non-current liabilities	<u>4,385,625</u>	<u>9,602,187</u>	<u>13,987,812</u>	<u>2,067,164</u>
Total liabilities	<u>5,140,783</u>	<u>13,627,154</u>	<u>18,767,937</u>	<u>3,388,939</u>
DEFERRED INFLOW OF RESOURCES				
Unearned revenue - property taxes	913,160	399,125	1,312,285	
Total deferred inflows of resources	<u>913,160</u>	<u>399,125</u>	<u>1,312,285</u>	
NET POSITION				
Net investment in capital assets	16,706,370	29,562,770	46,269,140	
Restricted for debt service		129,267	129,267	
Restricted for other purposes	342,588	578,353	920,941	
Unrestricted	3,543,753	(2,182,949)	1,360,804	648,464
Total net position	<u>\$ 20,592,711</u>	<u>\$ 28,087,441</u>	<u>\$ 48,680,152</u>	<u>\$ 648,464</u>

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
OPERATING REVENUES				
Charges for sales and services:				
Water sales		\$ 4,115,475	\$ 4,115,475	
Sewer rents	\$ 2,356,532		2,356,532	
Sewer charges	1,148,075		1,148,075	
Departmental income		55,791	55,791	
Water service charges		84,021	84,021	
Service other departments				\$ 1,713,553
Insurance recoveries				533,278
Other services	2,248		2,248	
Total operating revenues	<u>3,506,855</u>	<u>4,255,287</u>	<u>7,762,142</u>	<u>2,246,831</u>
OPERATING EXPENSES				
Cost of sales and services:				
Administration	1,189,135	1,484,662	2,673,797	
Claims and judgments				1,362,017
Sewerage treatment disposal	1,763,573		1,763,573	
Source of supply, power and pump		1,630,145	1,630,145	
Depreciation/amortization	661,315	1,196,148	1,857,463	
Employee benefits	867,792	1,155,195	2,022,987	
Total operating expenses	<u>4,481,815</u>	<u>5,466,150</u>	<u>9,947,965</u>	<u>1,362,017</u>
Operating income (loss)	<u>(974,960)</u>	<u>(1,210,863)</u>	<u>(2,185,823)</u>	<u>884,814</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment earnings - unrestricted	7,951	703	8,654	3,890
Interest expense	(84,825)	(324,305)	(409,130)	
Tower rentals and miscellaneous	2,605	661,767	664,372	
Developers' fees	437,978	1,175,915	1,613,893	
Real property taxes and tax items	419,400	1,425,800	1,845,200	
Other real property tax items	327,101		327,101	
Non-property tax distribution by county	146,688		146,688	
Total non-operating revenue	<u>1,256,898</u>	<u>2,939,880</u>	<u>4,196,778</u>	<u>3,890</u>
Income before transfers	281,938	1,729,017	2,010,955	888,704
Transfers out	(567,280)	(618,450)	(1,185,730)	
Change in net position	<u>(285,342)</u>	<u>1,110,567</u>	<u>825,225</u>	<u>888,704</u>
Total net position - beginning	<u>20,878,053</u>	<u>26,976,874</u>	<u>47,854,927</u>	<u>(240,240)</u>
Total net position - ending	<u>\$ 20,592,711</u>	<u>\$ 28,087,441</u>	<u>\$ 48,680,152</u>	<u>\$ 648,464</u>

TOWN OF RIVERHEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
December 31, 2013

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 3,517,476	\$ 5,122,972	\$ 8,640,448	\$ 1,713,553
Cash payments contractual expense	(1,810,694)	(1,713,481)	(3,524,175)	(1,378,015)
Cash payments employees	(1,721,033)	(2,203,760)	(3,924,793)	(148,156)
Other revenues	2,248	55,791	58,039	533,278
Net cash provided (used) by operating activities	<u>(12,003)</u>	<u>1,261,522</u>	<u>1,249,519</u>	<u>720,660</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Real property taxes and tax items	967,108	1,500,712	2,467,820	
Non-property tax distribution by county	146,688		146,688	
Tower rentals and miscellaneous	2,605	661,767	664,372	
Transfers to/from other funds	(587,738)	(1,260,261)	(1,847,999)	183,927
Net cash provided by noncapital and related financing activities	<u>528,663</u>	<u>902,218</u>	<u>1,430,881</u>	<u>183,927</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	(420,617)	(1,096,133)	(1,516,750)	
Interest paid on capital debt	(86,140)	(329,585)	(415,725)	
Capital contributions by developers	437,978	1,175,915	1,613,893	
Payments to contractors	(400,278)	(650,231)	(1,050,509)	
Net cash used by capital and related financing activities	<u>(469,057)</u>	<u>(900,034)</u>	<u>(1,369,091)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	7,951	703	8,654	3,890
Net cash provided by investing activities	<u>7,951</u>	<u>703</u>	<u>8,654</u>	<u>3,890</u>
Net increase (decrease) in cash and cash equivalents	55,554	1,264,409	1,319,963	908,477
Cash and cash equivalents at January 1, 2013	6,200,705	1,887,511	8,088,216	2,616,175
Cash and cash equivalents at December 31, 2013	<u>\$ 6,256,259</u>	<u>\$ 3,151,920</u>	<u>\$ 9,408,179</u>	<u>\$ 3,524,652</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (974,960)	\$ (1,210,863)	\$ (2,185,823)	\$ 884,814
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	661,315	1,196,148	1,857,463	
(Increase) decrease in due to/from other governments	109	423,230	423,339	
(Increase) decrease in accounts receivable	(85)	422,607	422,522	
(Increase) decrease in billings receivable	12,845	77,639	90,484	
(Increase) decrease in inventory		7,742	7,742	
(Increase) decrease in prepaid expense	(6,515)	(14,392)	(20,907)	
Increase (decrease) in compensated absences	12,891	24,938	37,829	
Increase (decrease) in postemployment healthcare benefits	246,432	341,666	588,098	
Increase (decrease) in customer deposits		9,228	9,228	
Increase (decrease) in accounts payable/accrued liabilities	31,740	(5,722)	26,018	(3,340)
Increase (decrease) in retainage payable	4,225	(10,699)	(6,474)	
Increase (decrease) in claims and judgments				(160,814)
Total adjustments	<u>962,957</u>	<u>2,472,385</u>	<u>3,435,342</u>	<u>(164,154)</u>
Net cash provided (used) by operating activities	<u>\$ (12,003)</u>	<u>\$ 1,261,522</u>	<u>\$ 1,249,519</u>	<u>\$ 720,660</u>

TOWN OF RIVERHEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
December 31, 2013

		Agency Fund
ASSETS		
Cash	\$	20,964,138
		Total assets
	\$	20,964,138
 LIABILITIES		
Due to school districts	\$	19,117,021
Other agency liabilities		1,847,117
		Total liabilities
	\$	20,964,138

TOWN OF RIVERHEAD
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December 31, 2013

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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. REPORTING ENTITY

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

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

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

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

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

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

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

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

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

The LDC is considered a related entity of the RIDA as it shares a common Board of Directors. During the year ended December 31, 2013, the LDC received revenues of \$97,104 which were distributed to the RIDA in furtherance of its mission. The transaction was excluded from the Statement of Activities to properly present the elimination of interagency activity.

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

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

Riverhead Industrial Development Agency
200 Howell Avenue
Riverhead, NY 11901

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

The Town reports the following major governmental funds:

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

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

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

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

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

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

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

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

Special Trust Fund – includes funds collected as impact fees from newly approved residential subdivisions and condominiums. The Town Board set the fee of \$2,000 per parcel by Town Board Resolution on April 2, 1991. On September 19, 2000 the Town Board approved an increase to \$5,000 per parcel.

Business Improvement District (BID) – includes all operations relating to promotion of the downtown business community, and was created in 1991.

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

Ambulance District Fund – includes all operations of a volunteer ambulance within the Town excluding the Wading River Fire District and was created in 2000. Previously the operations were contained within the General Fund.

Refuse and Garbage District Fund – includes all operations of the closed Town Landfill and includes contracted residential garbage pickup. Prior to 1992 when the district was created, landfill operations were part of the General Fund and there was no residential pickup. On January 1, 1997, the Town closed the transfer station at the Town Landfill. Commercial carters are contracted with the Town to provide residential collection of solid waste and are responsible for the ultimate disposal of this solid waste. Only residential properties contribute to the operations of the district via real property taxes on a benefit derived basis.

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

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

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

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

The Town reports the following major proprietary funds:

The Sewer District Fund, which is comprised of:

Riverhead Sewer District Fund – includes all operations relating to public sanitary sewers within the hamlet of Riverhead. This fund also includes its own capital projects and a denitrification reserve fund. This district does not encompass the entire Town. This district contracts with the County of Suffolk to provide services to the County Center Complex located in the Town of Riverhead. This fund was converted to an Enterprise Fund in 2001.

Calverton Sewer District Fund – includes all operations relating to public sanitary sewers within the hamlet of Calverton. This fund also includes its own capital fund. The sewage treatment plant and its infrastructure were given to the district in the 2000 fiscal year by the Riverhead Community Development Agency who, in turn, received this facility when the Agency received the Naval Weapons Facility at Calverton from the U.S. Government. This fund was converted to an Enterprise Fund in 2001.

Riverhead Scavenger Waste District Fund – includes all the operations relating to scavenger or septic system waste from properties outside the two sewer districts. A Joint Scavenger Waste District was established in 1979 as a joint activity between the Towns of Riverhead and Southampton. This joint activity terminated on December 31, 2001 and this fund was established on January 1, 2002. This fund also includes its own capital projects.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

The Water District Fund:

The Water District Fund – includes operations relating to potable water within the Town. This district does not encompass the entire Town. This fund also includes its own capital projects. The water district was converted to an Enterprise Fund in 2002.

Additionally, the Town reports the following fund type:

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

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

The Internal Service Fund includes 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. The Town obtained catastrophic loss coverage beginning with the fourth quarter of 1993. For 2013, workers' compensation has a Self-Insured Retention (SIR) of \$250,000 for police personnel and a Self-Insured Retention (SIR) of \$175,000 for all non-police personnel.

Self-Insurance Fund – Risk Retention Fund – is used to account for the Town's self-insurance program that was adopted in 1987 when insurance liability coverage was becoming increasingly difficult to obtain and the cost of liability insurance was becoming prohibitive. Beginning in the fourth quarter of 1993, the Town obtained catastrophic loss coverage. For 2013, property had a \$100,000 SIR with a limit of \$10,000,000 for the building and contents. Liability had a \$150,000 SIR with a limit of \$10,000,000. This fund is accounted for as Risk Retention in the internal service fund.

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 and 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 funds:

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

1. CASH AND CASH EQUIVALENTS

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. CASH AND CASH EQUIVALENTS (continued)

State statutes govern the Town's investment policy. Town monies must be deposited in FDIC insured commercial banks or trust companies located within the state. The Town Supervisor is authorized to use demand accounts, special time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities. All demand deposits and special time deposit accounts are carried at cost. The Town has no investments at December 31, 2013.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of New York State or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. Collateral is required for all demand deposits at 100 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies; obligations of the state and its municipalities, and school districts.

The Town's deposits were fully insured or collateralized as required by the state statutes at December 31, 2013.

2. RESTRICTED ASSETS

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

3. RECEIVABLES, PAYABLES AND TRANSFERS

Receivables relating to governmental-type 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 primarily consist of amounts due from residents and other entities for services rendered. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred and are recorded net of an allowance.

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

A. Interfund Revenues

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

B. Transfers

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. DUE FROM/TO OTHER FUNDS

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

5. INVENTORY AND PREPAID ITEMS

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

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

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

6. CAPITAL ASSETS

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

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

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. CAPITAL ASSETS (continued)

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

7. UNEARNED REVENUE

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

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town did not have any deferred outflows at December 31, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows from real property taxes levied in the current year to finance the subsequent year's budget that will be recognized as revenues in the period that the amounts become available. Total amounts reported as deferred inflows on the Town's fund and government-wide financial statements, which relate to 2014 real property taxes, were approximately \$15,107,000, of which approximately \$13,794,000 relates to governmental activities and \$1,312,000 relates to business-type activities.

9. LONG-TERM OBLIGATIONS

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. NET POSITION AND FUND BALANCE CLASSIFICATIONS

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

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Accounts payable in the Capital Projects Fund are 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 (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) 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 financials 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 Finance 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. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

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

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

12. FUND BALANCE POLICIES

The Town has, by resolution, adopted a fund balance policy that states the Town will make all reasonable efforts to maintain a total unrestricted (the total of committed, assigned, and unassigned) fund balance in its General Fund, including reserves, of no less than 15% of its total operating budget. If an emergency or a need were to occur that necessitated the appropriation of funds that would result in reducing the General Fund's fund balance below 15% of operating expenditures, a resolution of the Town Board, by simple majority, would be necessary to approve such appropriation. Unrestricted fund balance below the minimum cannot be replaced, unless during the succeeding year, expenditures are less than amounts budgeted and/or non-tax revenues are higher than projected. The Town was not in compliance with this policy as of December 31, 2013.

E. REVENUES AND EXPENDITURES

1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

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

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

2. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

2. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

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

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

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

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

3. COMPENSATED ABSENCES

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

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

F. ENCUMBRANCES

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

G. USE OF ESTIMATES

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRONOUNCEMENTS

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable for the year ended December 31, 2013:

- 1) GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* which modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously included as a component under the fiscal dependency criterion, a financial benefit/burden relationship must also be present between the primary government and the organization to be included in the reporting entity as a component unit. For organizations that do not meet the criterion for inclusion as a component unit but management determines it would be misleading not to include it, this statement clarifies the manner in which that determination should be made. This Statement had no effect on the Town's financial statements.
- 2) GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities,"* which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this Statement resulted in a change in the presentation of the Statement of Net Position and Balance Sheet of the governmental funds.
- 3) GASB Statement No. 66, *"Technical Corrections 2012 – an amendment of GASB Statements No. 10 and No. 62,"* which enhances the usefulness and consistency of the financial reports by resolving conflicting reporting guidance resulting from the issuance of GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement had no effect on the Town's financial statements.

I. SUBSEQUENT EVENTS

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

- a) The Town Charter establishes the fiscal year as the twelve-month period beginning January 1st.
- b) On or before September 20th, each department, officer or district submits to the Financial Administrator, a detailed estimate of the budget for the amount of revenue to be received and expenditures to be made for the ensuing year.
- c) On or before September 30th, the Budget Officer, who is the Town Supervisor, files with the Town Clerk a tentative budget for the ensuing year. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- d) On or before October 5th, the Town Board reviews the tentative budget and files with the Town Clerk, a preliminary budget.
- e) The Town Board conducts public hearings on the preliminary budget and on or before November 20th the Town Board meets to adopt the budget known as the "annual budget."

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

- f) 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.
- g) 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.
- h) Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

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, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The Town did not exceed the 2% cap in 2013.

B. FUND EQUITY

1. FUND BALANCE

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

	General Fund	Highway Fund	Capital Projects Funds	Community Preservation Fund	Other Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	\$ 148,415					148,415
Prepaid items	1,319,142	\$ 97,145			\$ 19,233	1,435,520
Total Nonspendable	1,467,557	97,145			19,233	1,583,935
Restricted for:						
Debt service				\$ 1,127,876		1,127,876
Community preservation - 2% tax				16,182,130		16,182,130
Purchases on order and/or contractual obligations			\$ 83,513			83,513
Home and community services					260,947	260,947
Total Restricted			83,513	17,310,006	260,947	17,654,466
Assigned to:						
Subsequent year's budget	3,570,500				591,236	4,161,736
Purchases on order and/or contractual obligations	170,997	29,142			181,651	381,790
Miscellaneous designations	564,254					564,254
Special revenue funds		2,421,474			2,763,790	5,185,264
Total Assigned	4,305,751	2,450,616			3,536,677	10,293,044
Unassigned, reported in						
General fund	66,127					66,127
Business Improvement District					(1,776)	(1,776)
Total Unassigned	66,127				(1,776)	64,351
Total Fund Balances	\$ 5,839,435	\$ 2,547,761	\$ 83,513	\$ 17,310,006	\$ 3,815,081	\$ 29,595,796

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY (continued)

2. DEFICIT FUND BALANCE

The Business Improvement District Fund reported a fund deficit of \$1,776 at December 31, 2013. This fund carried a deficit fund balance from the prior year in the amount of \$3,207, which was reduced by an increase in property taxes during 2013. The remaining deficit in the Business Improvement District Fund is expected to be eliminated in 2014 by an increase in property taxes.

3. FUND BALANCE RESERVES AND DESIGNATIONS

Miscellaneous Designations

The majority of the \$564,254 in miscellaneous designations in the General Fund consists mainly of the following designated fund balances: \$343,367 is designated for the building operations of the Stotzky Park child care building, \$131,496 is designated for the Town Board special programs, \$34,801 is designated for the Economic Development Zone and \$47,920 is designated for the Senior Day Care Center.

Debt Service

The debt service reserve in the Community Preservation Fund and the Water District Fund are the amounts that are being held specifically for debt service payments related to that fund.

3. DETAILED NOTES ON ALL FUNDS

A. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party. The Town had no investments as of December 31, 2013.

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

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

At December 31, 2013 the Town's cash book balance was \$70,038,245. This amount is inclusive of Fiduciary fund deposits of \$20,964,138, restricted cash of \$19,456,738 but exclusive of petty cash of \$6,175 and the nonmajor discretely presented component units cash of \$260,961. The available bank balance was \$69,523,405. Of the available bank balance, \$1,500,000 was covered by Federal deposit insurance, and \$68,023,405 was covered by collateral held by the Town's agents, third-party financial institutions, in the Town's name.

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND CASH EQUIVALENTS (continued)

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

As of December 31, 2013, the Town of Riverhead did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

At December 31, 2013, 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:

	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 6,078,608	\$ 563,664
Highway Fund	147,396	38,610
Capital Projects Fund	135,288	4,085,321
Community Preservation Fund	227,877	
Nonmajor Funds:		
Other Governmental Funds	53,803	142,256
Total Governmental Funds	<u>6,642,972</u>	<u>4,829,851</u>
Proprietary Funds:		
Sewer District Funds	2,637	19,843
Water District Funds		2,308,666
Internal Service Funds	512,751	
Total Proprietary Funds	<u>515,388</u>	<u>2,328,509</u>
Total	<u>\$ 7,158,360</u>	<u>\$ 7,158,360</u>

At December 31, 2013, individual fund interfund transfers balances for governmental and proprietary funds representing legally authorized transfers, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 1,574,100	\$ 5,306,326
Highway Fund	44,763	1,276,076
Debt Service Fund	12,445,321	
Capital Projects Fund	416,314	690,989
Community Preservation Fund	245,931	5,796,221
Nonmajor Funds:		
Other Governmental Funds	31,890	502,977
Total Governmental Funds	<u>14,758,319</u>	<u>13,572,589</u>
Proprietary Funds:		
Sewer District Funds		567,280
Water District Funds		618,450
Total Proprietary Funds	<u>-0-</u>	<u>1,185,730</u>
Total	<u>\$ 14,758,319</u>	<u>\$ 14,758,319</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2013 was as follows:

Primary Government

	Balance 1/1/2013	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2013
<u>Governmental Activities:</u>				
Capital assets not being depreciated/amortized				
Land and landfills	\$ 104,792,910	\$ 2,091,443		\$ 106,884,353
Intangibles - development rights/easements	52,966,917			52,966,917
Construction work in progress	10,494,782	1,448,489	\$ 6,413,149	5,530,122
Total capital assets not being depreciated	<u>168,254,609</u>	<u>3,539,932</u>	<u>6,413,149</u>	<u>165,381,392</u>
Depreciable/amortizable capital assets				
Buildings	12,717,338			12,717,338
Improvements	14,766,652	3,069,211		17,835,863
Infrastructure	107,361,270	367,671		107,728,941
Machinery and equipment	20,935,102	487,015	153,983	21,268,134
Intangibles - software	116,592	19,500		136,092
Total depreciable capital assets	<u>155,896,954</u>	<u>3,943,397</u>	<u>153,983</u>	<u>159,686,368</u>
Less accumulated depreciation/amortization				
Buildings	4,200,030	273,988		4,474,018
Improvements	5,654,780	942,197		6,596,977
Infrastructure	91,279,876	1,196,341		92,476,217
Machinery and equipment	17,444,805	811,628	108,908	18,147,525
Intangibles - software	87,509	15,319		102,828
Total accumulated depreciation	<u>\$ 118,667,000</u>	<u>\$ 3,239,473</u>	<u>\$ 108,908</u>	<u>\$ 121,797,565</u>
Total net depreciable capital assets				<u>37,888,803</u>
Total net capital assets				<u>\$ 203,270,195</u>
	Balance 1/1/2013	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2013
<u>Business-type Activities:</u>				
Capital assets not being depreciated/amortized				
Land	\$ 1,516,994	\$ 151,296		\$ 1,668,290
Intangibles - development rights/easements	2,378,757			2,378,757
Construction work in progress	12,073,188	1,067,451	\$ 3,731,458	9,409,181
Total capital assets not being depreciated	<u>15,968,939</u>	<u>1,218,747</u>	<u>3,731,458</u>	<u>13,456,228</u>
Depreciable/amortizable capital assets				
Buildings	33,783,620	3,102,077		36,885,697
Improvements	1,982,558			1,982,558
Machinery and equipment	8,233,394	33,883		8,267,277
Infrastructure	63,282,149	427,260		63,709,409
Intangibles - software	88,000			88,000
Total depreciable capital assets	<u>107,369,721</u>	<u>3,563,220</u>		<u>110,932,941</u>
Less accumulated depreciation/amortization				
Buildings	16,206,524	672,846		16,879,370
Improvements	821,179	126,736		947,915
Infrastructure	39,363,401	994,290		40,357,691
Machinery and equipment	8,087,404	63,591		8,150,995
Intangibles - software	36,667			36,667
Total accumulated depreciation	<u>\$ 64,515,175</u>	<u>\$ 1,857,463</u>	<u>\$ -0-</u>	<u>\$ 66,372,638</u>
Total net depreciable capital assets				<u>44,560,303</u>
Total net capital assets				<u>\$ 58,016,531</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

Primary Government (continued)

Depreciation was charged to the functions and programs as follows:

Governmental Activities:	
General government support	\$ 631,157
Public safety	238,264
Health	42,763
Transportation	1,240,825
Economic assistance and opportunity	278,276
Culture and recreation	692,225
Home and community services	115,963
Total depreciation expense - governmental activities	<u>\$ 3,239,473</u>
Business-type Activities:	
Home and community services - Sewer	\$ 661,315
Home and community services - Water	1,196,148
Total depreciation expense - business-type activities	<u>\$ 1,857,463</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, 2013, the Town has not recorded any such impairment losses.

D. INDEBTEDNESS

Short-term Debt

Bond Anticipation Notes (BANs) - Bond anticipation notes (BANs) are generally used as a temporary means of financing capital expenditures in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. BANs issued for assessable improvement projects, as found in the Water and/or Sewer Districts, may be renewed for periods equivalent to maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. Liabilities for BANs are generally accounted for in the Capital Projects Fund and proprietary funds. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes or by the stipulated annual reductions of principal. Payments of this short-term debt are made through the Debt Service Fund. At December 31, 2013 there were no outstanding BANs.

Long-term Debt

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

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Town to rebate excess arbitrage earnings from bond proceeds to the federal government. There were no excess arbitrage earnings for the year ended December 31, 2013.

The long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 0.785% to 5.000% and have maturity dates from 2014 through 2031.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

Primary Government

	Balance 1/1/2013	Issued	Redeemed	Balance 12/31/2013
Governmental Activities:				
General Fund	\$ 42,145,390		\$ 3,801,879	\$ 38,343,511
Highway Fund	7,476,470		844,515	6,631,955
Community Preservation Fund	57,243,492		3,576,028	53,667,464
Nonmajor Funds	2,184,933		181,829	2,003,104
Total government activities	<u>109,050,285</u>		<u>8,404,251</u>	<u>100,646,034</u>
Business-type Activities:				
Sewer Districts Funds	3,791,469		420,617	3,370,852
Water Districts Funds	9,559,246		1,096,133	8,463,113
Total business-type activities	<u>13,350,715</u>		<u>1,516,750</u>	<u>11,833,965</u>
Total general obligation bonds	<u>\$ 122,401,000</u>	<u>\$ -0-</u>	<u>\$ 9,921,001</u>	<u>\$ 112,479,999</u>

General Obligation Bonds

At December 31, 2013, bonds payable consisted of the following individual issues:

Governmental activities:				
Issue	Purpose	Average Rate	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-2004A	Refunding Bond	1.500%-3.500%	\$ 30,000	June 15, 2016
General Obligation Serial Bonds-2004B	Refunding Bond	2.500%-5.000%	666,000	January 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	8,559,100	August 1, 2022
General Obligation Serial Bonds-2006	Public Improvement	3.750%-4.000%	19,450,000	December 1, 2027
General Obligation Serial Bonds-2008	Public Improvement	3.250%-4.000%	28,225,000	December 2, 2030
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	773,700	May 15, 2020
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	15,550,000	November 15, 2031
General Obligation Serial Bonds-2012	Refunding Bond	2.000%-5.000%	27,392,234	June 1, 2022
			<u>\$ 100,646,034</u>	
Business-type activities:				
Issue	Purpose	Average Rate	Amount	Final Maturity
General Obligation Serial Bonds-2004A	Refunding Bond	1.500%-3.500%	\$ 15,000	January 15, 2016
General Obligation Serial Bonds-2004B	Refunding Bond	2.500%-5.000%	1,059,000	June 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	65,900	August 1, 2022
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	1,676,300	May 15, 2020
General Obligation Serial Bonds-2011A	Refunding Bond	1.014%-3.301%	1,255,000	February 15, 2018
General Obligation Serial Bonds-2011C	Refunding Bond	0.785%-4.665%	1,090,000	October 15, 2031
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	5,200,000	November 15, 2031
General Obligation Serial Bonds-2012	Refunding Bond	2.000%-5.000%	1,472,765	June 1, 2022
			<u>\$ 11,833,965</u>	
Total General Obligation Bonds			<u>\$ 112,479,999</u>	

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

General Obligation Bonds (continued)

Future principal and interest payments for the Town are as follows:

Governmental activities:	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 2014	\$ 8,444,115	\$ 3,763,978	\$ 12,208,093
2015	8,524,587	3,454,112	11,978,699
2016	8,706,437	3,134,824	11,841,261
2017	8,198,895	2,820,362	11,019,257
2018	8,423,227	2,514,292	10,937,519
2019-2023	37,048,773	7,752,391	44,801,164
2024-2028	17,900,000	2,562,125	20,462,125
2029-2031	3,400,000	204,000	3,604,000
Totals	<u>\$ 100,646,034</u>	<u>\$ 26,206,084</u>	<u>\$ 126,852,118</u>
Business-type activities:	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 2014	\$ 1,335,885	\$ 365,878	\$ 1,701,763
2015	1,370,413	320,735	1,691,148
2016	1,318,563	276,828	1,595,391
2017	1,006,105	241,782	1,247,887
2018	1,011,773	212,832	1,224,605
2019-2023	2,861,226	701,910	3,563,136
2024-2028	1,785,000	380,479	2,165,479
2029-2031	1,145,000	79,664	1,224,664
Totals	<u>\$ 11,833,965</u>	<u>\$ 2,580,108</u>	<u>\$ 14,414,073</u>
Total general obligation bonds	<u>\$ 112,479,999</u>	<u>\$ 28,786,192</u>	<u>\$ 141,266,191</u>

Bonds Authorized and Unissued

At December 31, 2013 the Town had \$35,702,000 in general obligation bonds, which were authorized but unissued.

As of December 31, 2013 the total long-term outstanding indebtedness of the Town aggregated to \$112,479,999. Of this amount, \$100,646,036 was subject to the constitutional debt limit and represented approximately 24.28% of its statutory debt limit.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

Changes in Long-term Debt

Long-term liability activities for the year ended December 31, 2013 are as follows:

Primary Government

	Balance 1/1/2013	Increases	Reductions	Balance 12/31/2013	Non-current liabilities due within one year	Non-current liabilities
Governmental activities:						
General obligation bonds	\$ 109,050,285		\$ 8,404,251	\$ 100,646,034	\$ 8,444,115	\$ 92,201,919
Plus deferred amounts:						
Premiums on issuance	3,292,829		329,283	2,963,546	329,283	2,634,263
Total bonds payable	<u>112,343,114</u>		<u>8,733,534</u>	<u>103,609,580</u>	<u>8,773,398</u>	<u>94,836,182</u>
Compensated absences	9,386,029	\$ 3,095,622	2,898,744	9,582,907	823,172	8,759,735
Claims and judgments	3,549,753	1,344,481	1,505,295	3,388,939	1,321,775	2,067,164
Estimated liability for landfill closure and postclosure care costs	1,222,517		67,562	1,154,955	64,307	1,090,648
Postemployment benefits	22,596,797	7,283,276	1,048,069	28,832,004		28,832,004
	<u>\$ 149,098,210</u>	<u>\$ 11,723,379</u>	<u>\$ 14,253,204</u>	<u>\$ 146,568,385</u>	<u>\$ 10,982,652</u>	<u>\$ 135,585,733</u>
Business-type activities:						
General obligation bonds	\$ 13,350,715		\$ 1,516,750	\$ 11,833,965	\$ 1,335,885	\$ 10,498,080
Compensated absences	1,000,472	\$ 355,124	317,295	1,038,301	89,190	949,111
Postemployment benefits healthcare costs	1,952,523	693,949	105,851	2,540,621		2,540,621
	<u>\$ 16,303,710</u>	<u>\$ 1,049,073</u>	<u>\$ 1,939,896</u>	<u>\$ 15,412,887</u>	<u>\$ 1,425,075</u>	<u>\$ 13,987,812</u>

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

Conduit Debt Obligations

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

As of December 31, 2013 the RIDA had thirteen (13) industrial revenue bonds outstanding and the LDC had two (2) industrial revenue bonds outstanding with aggregate principal amounts payable of \$74,426,943 and \$21,105,000, respectively.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM

Plan Description

The Town of Riverhead participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (collectively the Systems). These are cost sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System: on or after July 27, 1976 who generally contribute 3% of their salary for the first ten years of membership, on or after January 1, 2010, who generally contribute 3% of their salary for the entire length of service, and on or after April 1, 2012, who generally contribute 3% and 6% (based on annual wage) for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Contributions consist of a group term life insurance portion (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2013 are as follows:

Contribution Rates

<u>Tier</u>	<u>Plan/Option</u>	<u>ERS Rate</u>	<u>Tier</u>	<u>Plan/Option</u>	<u>PFRS Rate</u>
1	75I	25.2%			
2	75I	23.0%	2	384E2	25.4%
3	A14	18.4%			
4	A15	18.4%			
5	A15	14.9%	5	384E	24.4%
6	A15	9.9%	6	384E	22.0%

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to 100 percent of the actuarially required amounts. There are no contributions related to an early retirement incentive for Town employees. The credits and miscellaneous adjustments represent modification made by the NYSERS 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
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Funding Policy (continued)

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

Annual Required Contribution - ERS					
<u>Amount</u>	<u>% of Covered Payroll</u>	<u>Credits & Miscellaneous Adjustments</u>	<u>Prepayment Discount</u>	<u>Total Payment</u>	
2013	\$2,906,492	18.39%	\$ 69,273	\$ (26,156)	\$2,949,609
2012	2,531,099	16.89%	(77,622)	(22,778)	2,430,699
2011	2,236,582	15.18%	(9,474)	(20,033)	2,207,075

Annual Required Contribution - PFRS					
<u>Amount</u>	<u>% of Covered Payroll</u>	<u>Credits & Miscellaneous Adjustments</u>	<u>Prepayment Discount</u>	<u>Total Payment</u>	
2013	\$3,292,598	26.29%	\$ (41,370)	\$ (29,631)	\$3,221,597
2012	2,883,873	23.77%	(11,403)	(25,953)	2,846,517
2011	2,399,166	20.62%	123,710	(22,779)	2,500,097

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

The law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. Town of Riverhead did not participate in this program and therefore has no outstanding liability at December 31, 2013.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

Plan Description

For Civil Service Employees Association employees, the Town, as a single-employer defined benefit plan will pay 75% of the full premium costs for the medical benefits for employees 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. Employees hired prior to October 7, 2008 only need 8 years of service to receive 100% employer paid benefits. For all other employees the Town provides 100% of these costs. 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. In 2013 that amount is \$1,258.80 per individual.

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.

Plan sponsors are allowed to utilize the results of an actuarial valuation for multiple years if no significant changes have occurred since the prior valuation was performed. Accordingly, the Town's OPEB valuation for the year ended December 31, 2013, is based on the employee data, plan provisions, methods and assumptions described in the actuarial valuation for the year ended December 31, 2012, with the exception of an adjustment to reflect an increase in the NYSHIP premiums as of January 1, 2013.

The number of participants based on the census data as of January 1, 2013, is as follows. For active members it is assumed that 65% will have covered spouses at retirement. There have been no significant changes in the number or the type of coverage since that date.

	<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Active employees	313	283	30
Retired employees and spouses	150	135	15
Surviving spouses of deceased retirees	19	17	2
Total	<u>482</u>	<u>435</u>	<u>47</u>

Funding Policy

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

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2013, the Town's annual other postemployment benefits cost (expenses) of \$7,977,225 is not equal to the Annual Required Contribution (ARC), which is \$8,117,746. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled \$1,153,920 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$6,823,305 for the year ended December 31, 2013. The Town's nonmajor discretely presented component units, do not have a policy to pay for postemployment benefits.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Benefit Obligations and Normal Cost

	<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Actuarial Accrued Liability (AAL)			
Active employees	\$ 56,621,192	\$ 50,812,489	\$ 5,808,703
Retired employees	28,830,573	26,841,771	1,988,802
Total Actuarial Accrued Liability (AAL)	85,451,765	77,654,260	7,797,505
Actuarial value of plan assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 85,451,765</u>	<u>\$ 77,654,260</u>	<u>\$ 7,797,505</u>
Funded ratio	0%	0%	0%
Annual covered payroll	\$ 27,420,035	\$ 24,946,259	\$ 2,473,776
UAAL as a percentage of covered payroll	311.6%	311.3%	315.2%

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the Town, projected for December 31, 2013, based on the January 1, 2012 valuation amounted to \$85,451,765.

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

Level Percentage of Payroll Amortization

Calculation of ARC under the Projected Unit Credit Cost Method

	<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Normal cost	\$ 4,081,172	\$ 3,743,035	\$ 338,137
Amortization of unfunded actuarial liability (UAAL) over 30 years	3,756,926	3,414,423	342,503
Interest	279,648	255,745	23,903
Annual required contribution (ARC)	8,117,746	7,413,203	704,543
Interest on net OPEB obligation	981,974	903,849	78,125
Adjustment to ARC	<u>(1,122,495)</u>	<u>(1,033,776)</u>	<u>(88,719)</u>
Annual OPEB Cost	7,977,225	7,283,276	693,949
Less: Contribution for year ended December 31, 2013	<u>1,153,920</u>	<u>1,048,069</u>	<u>105,851</u>
Increase in other postemployment benefits liability	6,823,305	6,235,207	588,098
Other postemployment benefits liability at December 31, 2012	<u>24,549,320</u>	<u>22,596,797</u>	<u>1,952,523</u>
Other postemployment benefits liability at December 31, 2013	<u>\$ 31,372,625</u>	<u>\$ 28,832,004</u>	<u>\$ 2,540,621</u>
Percentage of annual OPEB cost contributed	14.5%	14.4%	15.3%

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Funded Status and Funding Progress

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

	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2013	\$ 7,977,225	\$ 1,153,920	14.5%	\$ 31,372,625
2012	7,578,868	1,160,846	15.3%	24,549,320
2011	6,284,179	1,134,853	18.1%	18,131,298

The primary government's funded status of the plan as of January 1, 2013 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Projected Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2013	\$ -0-	\$ 85,451,765	\$ 85,451,765 *	0%	\$ 27,420,035	311.6%

* Roll-forward year

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

Actuarial Methods and Assumptions

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

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

In the January 1, 2012 actuarial valuation, the liabilities were computed using the projected unit credit method, the level percentage of payroll amortization method, and an open 30 year amortization period to amortize the initial unfunded liability. The actuarial assumptions utilized a 4.0% interest rate, a 4.0% discount rate, a 2.5% payroll growth rate and assume that the benefits are not prefunded. The valuation assumes a 9.0% health care trend rate for 2012. The NYSHIP healthcare cost trend decreases in decrements to a rate of 5.9% after eight years.

A copy of the Town of Riverhead's Retiree Medical Program, January 1, 2012 Valuation is available by contacting the Town of Riverhead, Office of the Financial Administrator, 1295 Pulaski Street, Riverhead, New York 11901.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

G. COMPENSATED ABSENCES

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

Vested vacation, personal leave and sick leave accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Vested vacation, personal leave and sick leave accumulated by business type employees have been recorded in proprietary funds as a liability and expense. Payment of vacation, personal leave, and sick leave recorded as long term 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, 2013 the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was \$9,582,907 and \$1,038,301, respectively, for an aggregate total of \$10,621,208.

4. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

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

Liability

From 1987 until September 22, 1993, the Town of Riverhead was a self-insurer against personal injury liability. On September 22, 1993, the Town of Riverhead obtained catastrophic loss coverage for comprehensive general liability, automobile liability, public official's errors and omissions and employee benefits liability. This catastrophic loss coverage has a self-insured retention of \$150,000 per occurrence. Claims paid under these coverage's are subject to a maximum of \$10,000,000 per occurrence for general liability and automobile liability. Coverage for public officials is \$10,000,000 per policy year. Terrorism is excluded from liability coverage as well as any loss involving fungal pathogens and mold.

Property

The Town is self-insured for property on the first \$100,000 per loss and \$10,000,000 per occurrence with no annual aggregate. Terrorism is excluded from property coverage. The Town has flood and earthquake coverage of \$1,000,000 per occurrence and annual aggregate. The Town also has boiler and machinery coverage with a \$1,000 deductible and coverage with a \$50,000,000 limit.

Miscellaneous

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

Workers' Compensation/Unemployment Benefits

The Town is self-insured for workers' compensation insurance. Estimated benefits to be paid are appropriated in the various operating funds of the Town. The Town has provided an umbrella-type policy protecting against a catastrophic loss in the workers' compensation self-insurance protection program with \$175,000 retention per occurrence for non-police personnel and \$250,000 retention per occurrence for police personnel. 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, 2013, the Self-Insurance Fund had assets of \$4,037,403 and liabilities of \$3,388,939. Included in this amount is \$1,849,380 for general liability claims and \$1,539,559 for worker's compensation claims. This amount includes litigation but not administration expenses.

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

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

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

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 2,158,350	\$ 1,514,728	\$ 1,391,403	\$ 1,109,249
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	<u>471,513</u>	<u>1,435,273</u>	<u>872,968</u>	<u>985,213</u>
Total incurred claims and claim adjustment expenditures	<u>2,629,863</u>	<u>2,950,001</u>	<u>2,264,371</u>	<u>2,094,462</u>
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	<u>780,483</u>	<u>791,651</u>	<u>724,812</u>	<u>703,059</u>
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 1,849,380</u>	<u>\$ 2,158,350</u>	<u>\$ 1,539,559</u>	<u>\$ 1,391,403</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION

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

F1 Long Island, LLC and Marc Liebowitz: The plaintiffs have commenced two actions alleging constitutional and other violations surrounding, among other things, the denial of their site plan application before the Planning Board. By order of the court dated June 26, 2012, the state court proceeding in the Supreme Court was dismissed in its entirety.

In the federal action plaintiffs seek an unspecified sum in damages, and attorney fees, against the Town of Riverhead based on the allegation that they were treated differently from the Hampton Jitney. The Town successfully moved to dismiss the federal complaint but the Court permitted plaintiffs the opportunity to file an amended complaint solely with respect to their equal protection claim. On April 23, 2010, plaintiffs filed an amended complaint repleading only their equal protection claim. On June 16, 2010, the Town moved to dismiss the amended complaint. The Court denied the Town's motion to dismiss the amended complaint. Discovery has commenced and is held in abeyance due to recent settlement negotiations.

Great Rock Golf, LLC, et al. v. Town of Riverhead, et al.: The plaintiffs commenced a federal case alleging violations of federal rights. Specifically, the claims in plaintiffs' complaint asserted, *inter alia*, federal civil rights claims under 42 U.S.C §§ 1983, 1985 and 1988 based upon the Town's alleged failure to approve plaintiffs' construction of an additional 78 senior golf villas and was premised on the claim that the plaintiffs, in fact, have a right to build those units. By Order dated June 9, 2014, the federal action was dismissed.

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

Laurence Oxman v. Richard W. Downs, Philip Cardinale, George Bartunek and Town of Riverhead: This federal rights lawsuit related to the federal suit in the matter of Riverhead Park Corp., et al. v. Town of Riverhead, et al, described above. The individual shareholder of Riverhead Park Corp. commenced suit after the Southampton Town Justice Court found the plaintiff not guilty of Town Code charges brought against him individually. The complaint alleged violation of federal rights for malicious prosecution. Pursuant to Rule 12 (b)(6), the Town made a motion for dismissal. By Memorandum of Decision and Order of the Federal Court dated February 14, 2014, the Town's motion was granted and it was ordered that plaintiff's complaint be dismissed with prejudice.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

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

As of December 31, 2013 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 these closure and postclosure care costs as a liability in each period based on landfill capacity used as of each balance sheet date. As the liability is based on 100% capacity there are no estimated costs for closure and postclosure remaining to be recognized. Postclosure care costs and monitoring activities for the site are estimated to be approximately \$130,000 for the remaining two of the first five years and \$30,000 each year for the remaining twenty-four years, with an inflation factor built in.

Accordingly as of December 31, 2013, the Town has recorded an estimated liability of \$1,154,955, in the government-wide financial statements, which represents the provision to be made in future budgets for unfunded postclosure care costs and monitoring activities. Actual costs for postclosure monitoring and maintenance are recorded in the General Fund and may be higher or lower due to inflation, changes in technology, or changes in regulations or conditions on the ground.

D. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress and other capital commitments for governmental activities capital projects are \$253,823 while Sewer and Water District Funds are \$225,973 and \$226,350 respectively, aggregating to \$706,146.

E. GRANTS

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

5. 2% TRANSFER TAX

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

6. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 *“Accounting and Financial Reporting for Pensions”*—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2015.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 69 *“Governmental Combinations and Disposals of Governmental Operations.”* The statement establishes accounting and financial reporting standards related to governmental combinations and disposals of governmental operations. As used in this Statement, the term *government combination* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 70 *“Accounting and Reporting for Nonexchange Financial Guarantees.”* The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 71 *“Pension Transition for Contributions Made Subsequent to the Measurement date – an amendment of GASB Statement No. 68.”* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *“Accounting and Financial Reporting for Pensions.”* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of this Statement should be applied simultaneously with the provision of Statement No. 68.

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

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Schedules of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Major Governmental Funds and Schedule of
Postemployment Benefits Healthcare Costs – Schedule
of Funding Progress

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

TOWN OF RIVERHEAD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 31,053,900	\$ 31,053,900	\$ 31,053,900	\$ -0-
Real property tax items	472,800	497,950	491,736	(6,214)
Non-property tax items	1,878,650	1,878,650	1,957,600	78,950
Departmental income	2,468,800	2,586,727	2,907,244	320,517
Intergovernmental charges	4,000	4,000	134,380	130,380
Use of money and property	355,900	355,900	181,352	(174,548)
Licenses and permits	83,900	83,900	80,183	(3,717)
Fines and forfeitures	525,000	526,000	524,176	(1,824)
Sale of property and compensation for loss	135,000	135,000	93,669	(41,331)
Miscellaneous revenue	4,100	4,228	36,662	32,434
Interfund revenues	2,551,900	2,681,900	2,170,464	(511,436)
State and local aid	1,787,000	2,350,115	1,914,029	(436,086)
Federal aid	34,000	221,124	386,345	165,221
Total revenues	<u>41,354,950</u>	<u>42,379,394</u>	<u>41,931,740</u>	<u>(447,654)</u>
EXPENDITURES				
Current:				
General government support	8,727,055	8,884,674	8,752,322	132,352
Public safety	15,124,500	16,220,663	16,186,787	33,876
Health	8,800	8,967	8,967	-0-
Transportation	389,050	405,474	403,381	2,093
Economic assistance and opportunity	998,600	1,679,557	1,287,189	392,368
Culture and recreation	1,581,000	1,897,284	1,832,850	64,434
Home and community services	1,273,100	1,250,054	1,248,443	1,611
Employee benefits	12,215,025	12,425,040	12,377,557	47,483
Total expenditures	<u>40,317,130</u>	<u>42,771,713</u>	<u>42,097,496</u>	<u>674,217</u>
Excess (deficiency) of revenues over expenditures	<u>1,037,820</u>	<u>(392,319)</u>	<u>(165,756)</u>	<u>226,563</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,185,900	2,272,406	1,574,100	(698,306)
Transfers out	(5,306,400)	(6,053,441)	(5,306,326)	747,115
Total other financing sources (uses)	<u>(4,120,500)</u>	<u>(3,781,035)</u>	<u>(3,732,226)</u>	<u>48,809</u>
Net change in fund balances	<u>\$ (3,082,680)</u>	<u>\$ (4,173,354)</u>	<u>(3,897,982)</u>	<u>\$ 275,372</u>
Fund balances at beginning of year			<u>9,737,417</u>	
Fund balances at end of year			<u>\$ 5,839,435</u>	

TOWN OF RIVERHEAD
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 6,871,000	\$ 6,871,000	\$ 6,871,000	\$ -0-
Use of money and property	6,000	6,000	8,749	2,749
Licenses and permits	20,000	20,000	24,500	4,500
Sale of property and compensation for loss	1,500	1,500	10,928	9,428
Miscellaneous revenue	12,000	12,000	19,756	7,756
Federal aid			113,316	113,316
Total revenues	<u>6,910,500</u>	<u>6,910,500</u>	<u>7,048,249</u>	<u>137,749</u>
EXPENDITURES				
Current:				
General government support	625,700	628,980	628,967	13
Transportation	3,869,100	3,995,562	3,739,863	255,699
Employee benefits	1,319,600	1,373,337	1,248,346	124,991
Total expenditures	<u>5,814,400</u>	<u>5,997,879</u>	<u>5,617,176</u>	<u>380,703</u>
Excess of revenues over expenditures	<u>1,096,100</u>	<u>912,621</u>	<u>1,431,073</u>	<u>518,452</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-0-	-0-	44,763	44,763
Transfers out	(1,096,100)	(1,286,121)	(1,276,076)	10,045
Total other financing (uses)	<u>(1,096,100)</u>	<u>(1,286,121)</u>	<u>(1,231,313)</u>	<u>54,808</u>
Net change in fund balances	<u>\$ -0-</u>	<u>\$ (373,500)</u>	199,760	<u>\$ 573,260</u>
Fund balances at beginning of year			2,348,001	
Fund balances at end of year			<u>\$ 2,547,761</u>	

TOWN OF RIVERHEAD
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
Debt service:				
Principal	\$ 8,404,300	\$ 8,404,300	\$ 8,404,251	\$ 49
Interest	4,041,500	4,041,500	4,041,070	430
Total expenditures	<u>12,445,800</u>	<u>12,445,800</u>	<u>12,445,321</u>	<u>479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,445,800)</u>	<u>(12,445,800)</u>	<u>(12,445,321)</u>	<u>479</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	12,445,800	12,445,800	12,445,321	(479)
Total other financing sources (uses)	<u>12,445,800</u>	<u>12,445,800</u>	<u>12,445,321</u>	<u>(479)</u>
Net change in fund balances	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
Fund balances at beginning of year			-0-	
Fund balances at end of year			<u>\$ -0-</u>	

TOWN OF RIVERHEAD
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Non-property tax items	\$ 2,125,000	\$ 2,125,000	\$ 2,825,445	\$ 700,445
Use of money and property	20,000	20,000	56,754	36,754
Miscellaneous revenue			1,947	1,947
Total revenues	<u>2,145,000</u>	<u>2,145,000</u>	<u>2,884,146</u>	<u>739,146</u>
EXPENDITURES				
Current:				
Home and community services	6,000	6,000	2,200	3,800
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>2,200</u>	<u>3,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,139,000</u>	<u>2,139,000</u>	<u>2,881,946</u>	<u>742,946</u>
OTHER FINANCING (USES)				
Transfers in	-0-	-0-	245,931	245,931
Transfers out	(5,796,300)	(5,796,300)	(5,796,221)	79
Total other financing sources (uses)	<u>(5,796,300)</u>	<u>(5,796,300)</u>	<u>(5,550,290)</u>	<u>246,010</u>
Net change in fund balances	<u>\$ (3,657,300)</u>	<u>\$ (3,657,300)</u>	<u>(2,668,344)</u>	<u>\$ 988,956</u>
Fund balances at beginning of year			19,978,350	
Fund balances at end of year			<u>\$ 17,310,006</u>	

TOWN OF RIVERHEAD
TOWN OF RIVERHEAD RETIREE MEDICAL PROGRAM
POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS
SCHEDULE OF FUNDING PROGRESS
December 31, 2013

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

*Roll-forward

OTHER SUPPLEMENTARY INFORMATION

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

TOWN OF RIVERHEAD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
ASSETS				
Cash and cash equivalents		\$ 239,863	\$ 32,058	\$ 154,964
Cash - restricted	\$ 366,062			
Accounts receivable	32,959			
Due from other funds				44,375
Due from other governments	13,526			
Prepays				
Total assets	<u>\$ 412,547</u>	<u>\$ 239,863</u>	<u>\$ 32,058</u>	<u>\$ 199,339</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 16,112			\$ 3,553
Due to other funds	135,488			461
Total liabilities	<u>151,600</u>			<u>4,014</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes			\$ 33,834	
Total deferred inflows of resources	<u>-0-</u>	<u>\$ -0-</u>	<u>33,834</u>	<u>-0-</u>
FUND BALANCES (DEFICITS)				
Nonspendable				
Restricted	260,947			
Assigned		239,863		195,325
Unassigned			(1,776)	
Total fund balances (deficits)	<u>260,947</u>	<u>239,863</u>	<u>(1,776)</u>	<u>195,325</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 412,547</u>	<u>\$ 239,863</u>	<u>\$ 32,058</u>	<u>\$ 199,339</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 398,635	\$ 1,373,303	\$ 1,032,812	\$ 196,234	\$ 1,575,752	\$ 3,427,869
		1,770			1,941,814
9,216			212		34,729
8,757		7,786	2,690	405,131	53,803
<u>\$ 416,608</u>	<u>\$ 1,373,303</u>	<u>\$ 1,042,368</u>	<u>\$ 199,136</u>	<u>\$ 1,980,883</u>	<u>\$ 5,896,105</u>
\$ 80,340	\$ 17,894	\$ 9,705	\$ 4,486	\$ 66,651	\$ 198,741
3,230		3,077			142,256
<u>83,570</u>	<u>17,894</u>	<u>12,782</u>	<u>4,486</u>	<u>66,651</u>	<u>340,997</u>
324,045	420,244	912,626	49,278		1,740,027
<u>324,045</u>	<u>420,244</u>	<u>912,626</u>	<u>49,278</u>	<u>-0-</u>	<u>1,740,027</u>
8,757		7,786	2,690		19,233
236	935,165	109,174	142,682	1,914,232	260,947
<u>8,993</u>	<u>935,165</u>	<u>116,960</u>	<u>145,372</u>	<u>1,914,232</u>	<u>3,536,677</u>
					(1,776)
<u>\$ 416,608</u>	<u>\$ 1,373,303</u>	<u>\$ 1,042,368</u>	<u>\$ 199,136</u>	<u>\$ 1,980,883</u>	<u>\$ 5,896,105</u>

TOWN OF RIVERHEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended December 31, 2013

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
REVENUES				
Real property taxes			\$ 106,600	
Departmental income		\$ 201,000		\$ 208,071
Use of money and property	\$ 441	271	44	256
Licenses and permits				
Sale of property and compensation for loss				26,042
Miscellaneous local sources				
State and local aid	14,278			
Federal aid	117,340			1,652
Total revenues	<u>132,059</u>	<u>201,271</u>	<u>106,644</u>	<u>236,021</u>
EXPENDITURES				
Current:				
General governmental support	1,276		23,037	23,689
Health				
Transportation				
Economic assistance and opportunity			82,356	
Culture and recreation				103,104
Home and community services	128,710			
Employee benefits	771			3,089
Total expenditures	<u>130,757</u>	<u>201,271</u>	<u>105,393</u>	<u>129,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,302</u>	<u>201,271</u>	<u>1,251</u>	<u>106,139</u>
OTHER FINANCING (USES)				
Operating transfers in				18,333
Operating transfers out	(132,940)	(123,318)		(115,875)
Total other financing sources (uses)	<u>(132,940)</u>	<u>(123,318)</u>		<u>(97,542)</u>
Net change in fund balance	(131,638)	77,953	1,251	8,597
Fund balances at beginning of year	<u>392,585</u>	<u>161,910</u>	<u>(3,027)</u>	<u>186,728</u>
Fund balances at end of year	<u>\$ 260,947</u>	<u>\$ 239,863</u>	<u>\$ (1,776)</u>	<u>\$ 195,325</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 1,020,500	\$ 1,323,375	\$ 2,812,455	\$ 155,200		\$ 5,418,130
978	2,283	2,488	575	\$ 1,482,031	409,071
		30			1,489,367
			212		30
		11,731		3,000	26,254
7,256		9,944		30,399	14,731
1,028,734	1,325,658	2,836,648	155,987	1,515,430	44,677
					136,192
115,466	138,308	612,123	22,205	1,684	937,788
	954,034				954,034
1,037,363			152,428	30,399	1,220,190
				164,468	246,824
		2,720,547			103,104
108,670		85,310			2,849,257
1,261,499	1,092,342	3,417,980	174,633	196,551	197,840
(232,765)	233,316	(581,332)	(18,646)	1,318,879	1,029,415
4,678	1,218	7,661			31,890
(13,060)	(62,109)	(7,739)	(47,936)		(502,977)
(8,382)	(60,891)	(78)	(47,936)		(471,087)
(241,147)	172,425	(581,410)	(66,582)	1,318,879	558,328
250,140	762,740	698,370	211,954	595,353	3,256,753
\$ 8,993	\$ 935,165	\$ 116,960	\$ 145,372	\$ 1,914,232	\$ 3,815,081