TOWN OF RIVERHEAD

FINANCIAL STATEMENTS

December 31, 2014

TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
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INTRODUCTORY SECTION

TOWN OF RIVERHEAD
PRINCIPAL OFFICIALS
December 31, 2014

ELECTED OFFICIALS

Sean M. Walter	Supervisor
John Dunleavy	Councilman
James Wooten	Councilman
George Gabrielsen	Councilman
Jodi Giglio	Councilwoman
Laverne Tennenberg	Chairwoman, Board of Assessors
Paul Leszczynski	Board of Assessors
Mason E. Haas	Board of Assessors
George Woodson	Highway Superintendent
Laurie Zaneski	Receiver of Taxes
Diane M. Wilhelm	Town Clerk
Richard Ehlers	Town Justice
Allen M. Smith	Town Justice

DEPARTMENT HEADS

Robert Kozakiewicz	Town Attorney
William Rothaar	Accounting Department
Jefferson Murphree	Building/Planning Department
Chris Kempner	Community Development
Ken Testa	Engineering Department
Meg Ferris	Personnel Officer
Chief David Hegermiller	Police Department
Ray Coyne	Recreation Department
Judy Doll	Senior Services
Michael Reichel	Sewer District
Mark Conklin	Water Department

FINANCIAL SECTION

CERTIFIED PUBLIC ACCOUNTANTS

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, 2014, 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.

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

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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, 2014, 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.

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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of another auditor, 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, 2015, 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.

Abbott, Vijay, Zark & Conroy P.C.

Hauppauge, New York
September 24, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

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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, 2014. 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 2014 by $135,669,053 (net position). The net position of governmental activities was $85,789,565 and the net position of business-type activities was $49,879,488.

- The primary government's total net position decreased by $3,179,819 or 2.3%. The governmental net position decreased by $4,379,155 and the business-type net position increased by $1,199,336.

- As of the close of 2014, the primary government's governmental funds reported combined ending fund balances of $23,572,330, a decrease of $6,023,466 in comparison with the prior year. Of this amount, $1,508,063 is not in spendable form or is required to remain intact. The remaining $22,064,267 or approximately 93.6% 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.

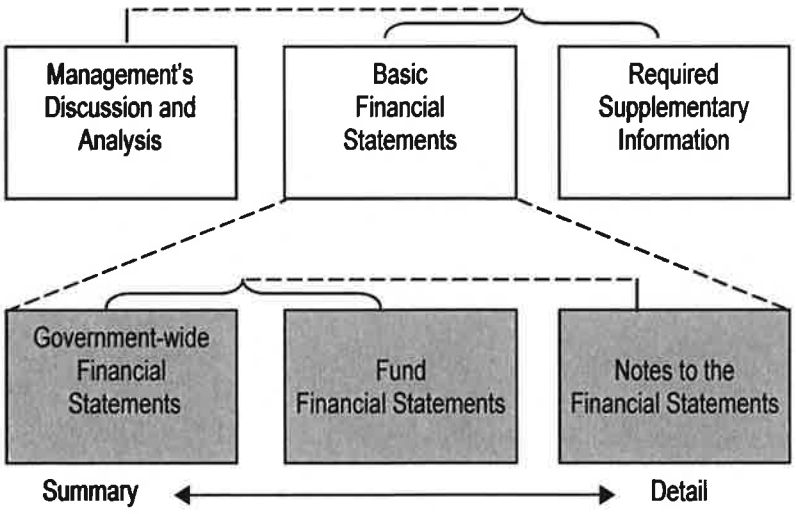
- At the end of 2014, the primary government's total fund balance for the General Fund was $2,714,292, a decrease of $3,125,143 or 53.5% from the prior year. The aggregate restricted, assigned and unassigned fund balance for the General Fund was $1,314,517, or 2.8% of total General Fund expenditures and other uses.

- The primary government's total bonded debt outstanding, exclusive of premiums, was $102,699,999 a decrease of $9,780,000 or 8.7%. The Town's governmental funds decreased by $8,444,115 and the Town's business-type funds decreased by $1,335,885.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

COMPONENTS OF
THE ANNUAL FINANCIAL REPORT



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.

Governmental Activities

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

Component Units

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

The Town maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Sewer and Water District Funds. Internal Service funds are used to accumulate and allocate costs internally among the Town's various functions. The Town uses its Internal Service Funds to account for general liability 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.

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 $135,669,053 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.

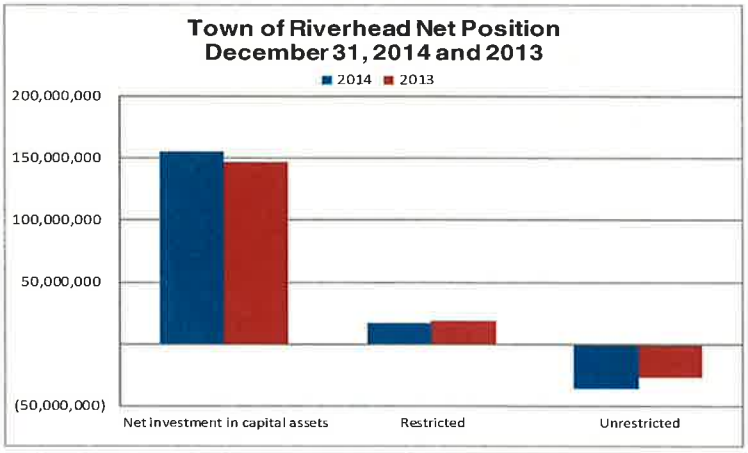
Condensed Statement of Net Position
Governmental Activities and Business-type Activities - Primary Government
As of December 31,

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	$ 42,468,878	$ 50,349,738	$ 7,618,496	$ 8,415,334	$ 50,087,374	$ 58,765,072
Capital assets	201,722,127	203,270,195	65,195,978	58,016,531	266,918,105	261,286,726
Total assets	244,191,005	253,619,933	72,814,474	66,431,865	317,005,479	320,051,798
Liabilities						
Current liabilities	15,022,489	14,071,252	8,576,514	2,451,616	23,599,003	16,522,868
Non-current liabilities	131,993,134	135,585,733	13,254,150	13,987,812	145,247,284	149,573,545
Total liabilities	147,015,623	149,656,985	21,830,664	16,439,428	168,846,287	166,096,413
Deferred Inflows of Resources	11,385,817	13,794,228	1,104,322	1,312,285	12,490,139	15,106,513
Net Position						
Net investment in capital assets	106,838,198	100,523,985	48,509,759	46,269,140	155,347,957	146,793,125
Restricted	15,371,571	17,654,466	1,135,082	1,050,208	16,506,653	18,704,674
Unrestricted	(36,420,204)	(28,009,731)	234,647	1,360,804	(36,185,557)	(26,648,927)
Total net position	$ 85,789,565	$ 90,168,720	$ 49,879,488	$ 48,680,152	$ 135,669,053	$ 138,848,872

By far the largest portion of the Town's net position ($155,347,957) 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The deficit fund 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.



The total net position of the Town as of December 31, 2014 was $135,669,053, a decrease of $3,179,819 from the prior year. Of this amount $155,347,957 was the net investment in capital assets, while $16,506,653 was restricted by statute or other specific purpose leaving a $36,185,557 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 2014 by $6,780,221 bringing the unfunded liability at year-end to $38,152,846. 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	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	$ 4,682,546	$ 6,590,071	$ 7,717,180	$ 7,762,142	$ 12,399,726	$ 14,352,213
Operating grants and contributions	1,411,118	1,030,386	27,126		1,438,244	1,030,386
Capital grants and contributions	1,135,833	1,780,850	2,230,759	1,618,322	3,366,592	3,399,172
	7,229,497	9,401,307	9,975,065	9,380,464	17,204,562	18,781,771
General revenues:						
Real property taxes	44,480,212	43,343,030	1,716,400	1,845,200	46,196,612	45,188,230
Real property tax items	464,527	491,736	354,181	327,101	818,708	818,837
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	3,450,432	2,825,445			3,450,432	2,825,445
Mortgage tax	938,716	1,182,233			938,716	1,182,233
Franchise tax	849,369	778,945			849,369	778,945
Investment earnings - unrestricted	563,092	424,108	3,006	8,654	566,098	432,762
Other compensation for loss	9,045	179,668			9,045	179,668
State aid	107,028	107,028			107,028	107,028
Other	70,809	159,751	630,966	659,943	701,775	819,694
	52,111,885	50,670,599	2,851,241	2,987,586	54,963,126	53,658,185
Total revenues	59,341,382	60,071,906	12,826,306	12,368,050	72,167,688	72,439,956
Expenses						
General government support	14,147,605	15,865,430			14,147,605	15,865,430
Public safety	27,566,981	27,975,161			27,566,981	27,975,161
Health	927,287	843,274			927,287	843,274
Transportation	8,061,238	7,831,401			8,061,238	7,831,401
Economic assistance and opportunity	2,198,410	2,301,961			2,198,410	2,301,961
Culture and recreation	3,011,977	3,415,384			3,011,977	3,415,384
Home and community services	5,260,048	4,588,907	10,429,070	10,357,095	15,689,118	14,946,002
Interest on debt	3,744,891	3,501,294			3,744,891	3,501,294
Total expenses	64,918,437	66,322,812	10,429,070	10,357,095	75,347,507	76,679,907
Change in net position before transfers	(5,577,055)	(6,250,906)	2,397,236	2,010,955	(3,179,819)	(4,239,951)
Transfers	1,197,900	1,185,730	(1,197,900)	(1,185,730)	-0-	-0-
Change in net position	(4,379,155)	(5,065,176)	1,199,336	825,225	(3,179,819)	(4,239,951)
Net position - beginning	90,168,720	95,233,896	48,680,152	47,854,927	138,848,872	143,088,823
Net position - ending	$ 85,789,565	$ 90,168,720	$ 49,879,488	$ 48,680,152	$ 135,669,053	$ 138,848,872

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The change in net position from all combined activities was a decrease of $3,179,819. The governmental activities decreased by $4,379,155 and the business-type increased by $1,199,336.

Key elements of the changes in governmental activities were:

- Charges for services decreased by $1,907,525 compared to the prior year due to the following: building inspection fees decreased by $225,807 primarily due to a reduction in the new commercial developments in the Town as compared to prior year; rental income decreased by $1,421,352 a result of the lease of the runways at Enterprise Park at Calverton (EPCAL) expiring in the beginning of 2014; and park and recreation fees decreased in the amount of $208,520 due to the Town receiving fees from the Stoneleigh Woods Development in the prior year.
- Operating grants and contributions increased by $380,732 from the prior year, primarily due to additional revenues recognized in the current year for the emergency disaster assistance grant to reimburse the Town for costs related to Hurricane Sandy damage in the amount of $226,056, as well additional revenues recognized for the NYS Homes and Community Renewal program and the HOME Investment Partnership grant in the amounts of $118,644 and $45,000, respectively.
- Capital grants and contributions decreased by $645,017. Capital grants and contributions fluctuate due to the timing of certain project 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 Horton Avenue Hazard Mitigation Grant Program coming to a close in the prior year in the amount of $715,249 and a reduction in the amount of emergency disaster assistance grants recognized for capital projects related to the damages from Hurricane Sandy of $244,628. These reductions were offset by an increase in capital contributions related to various roads donated by the County in the amount of $164,100 and increases in the Community Development Block Grant Program funds and County aid for public safety in the amounts of $44,267 and $73,557, respectively.
- General revenues increased by $1,441,286 from the prior year, primarily due to an increase in real property taxes and the community preservation fund 2% tax in the amounts of $1,137,182 and $624,987, respectively, which was offset by a decrease in mortgage tax recognized in the amount of $243,517.
- Overall, governmental expenses decreased by $1,404,375 compared to prior year. This is primarily a result of a higher number of capital items purchased in the prior year that did not meet the capitalization threshold and therefore were expensed instead of being reported as capital assets. This included numerous energy efficient lightbulbs in the amount of approximately $222,000 and various small equipment items in the amount of approximately $485,000. In addition, there was a reduction in the amount of police overtime paid compared to the prior year, $227,019 as well as less costs incurred related to dredging work, $120,067. Also, the Town experienced an overall reduction in electricity costs in the current year, a result of the purchase of energy efficient lightbulbs.

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

- Developer fees in the Water District Fund decreased by $842,053 in the current year.
- Developer fees in the Sewer District Fund decreased by $401,805 in the current year.
- Capital grant revenue increased by $1,885,725 due to recognition of a New York State Department of Conservation grant to assist in the funding for the sewer treatment upgrade project.
- Real property taxes assessed were reduced by $128,800 compared to the prior year.

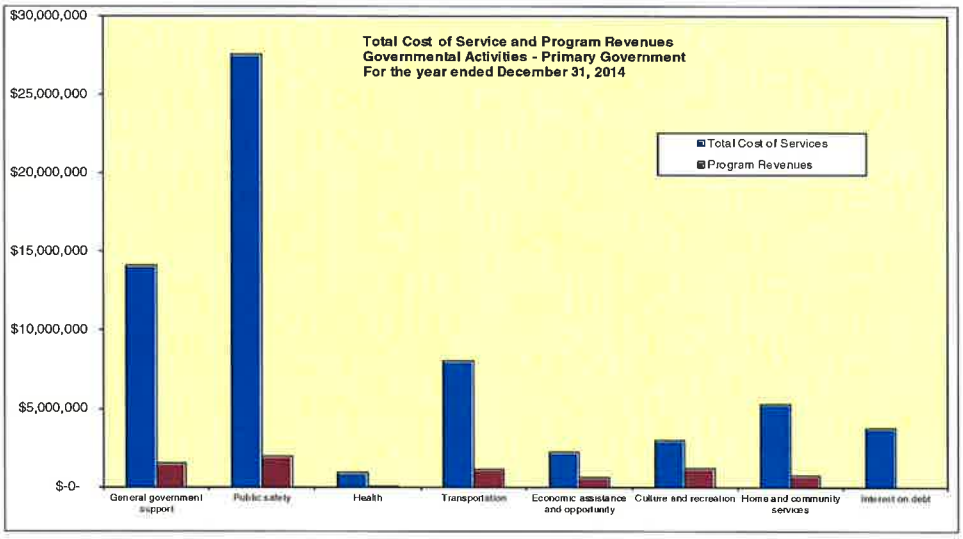
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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

Governmental Activities

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

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2014	2013	2014	2013	2014	2013
General government support	$ 14,147,605	$ 15,865,430	$ 1,506,685	$ 3,787,097	$ 12,640,920	$ 12,078,333
Public safety	27,566,981	27,975,161	1,937,608	2,186,394	25,629,373	25,788,767
Health	927,287	843,274	38,618	42,174	888,669	801,100
Transportation	8,061,238	7,831,401	1,155,830	764,251	6,905,408	7,067,150
Economic assistance and opportunity	2,198,410	2,301,961	608,560	650,404	1,589,850	1,651,557
Culture and recreation	3,011,977	3,415,384	1,209,648	1,228,560	1,802,329	2,186,824
Home and community services	5,260,048	4,588,907	772,548	742,427	4,487,500	3,846,480
Interest on debt	3,744,891	3,501,294			3,744,891	3,501,294
	$ 64,918,437	$ 66,322,812	$ 7,229,497	$ 9,401,307	$ 57,688,940	$ 56,921,505



The cost of the governmental activities this year was $64,918,437. The cost of these services after being partially subsidized by program revenues of $7,229,497 was $57,688,940.

Business-type Activities

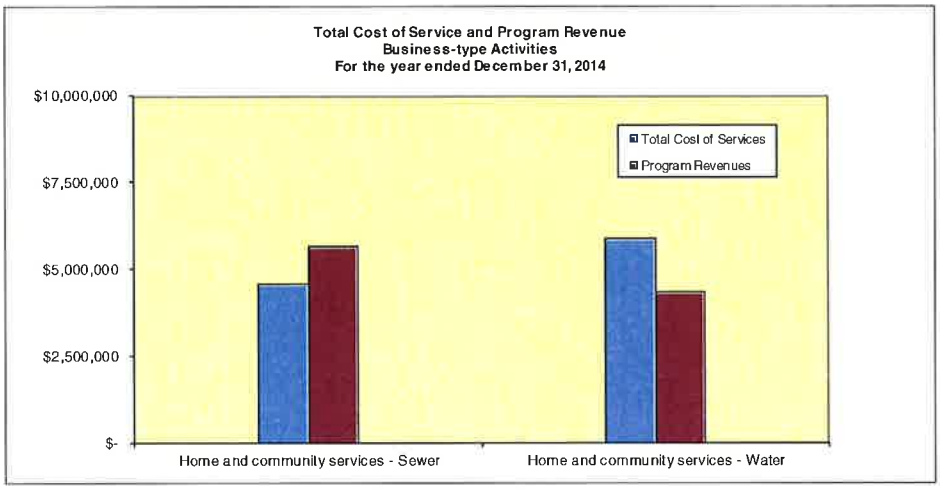
The following chart illustrates the total net cost of services for the Town's business-type activities.

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

	2014	2013	2014	2013	2014	2013
	Total Cost of Services		Program Revenue		Net Cost (Revenue) of Services	
Home and community services - Sewer	$ 4,568,176	$ 4,566,640	$ 5,648,946	$ 3,947,438	$ (1,080,770)	$ 619,202
Home and community services - Water	5,860,894	5,790,455	4,326,119	5,433,026	1,534,775	357,429
	$ 10,429,070	$ 10,357,095	$ 9,975,065	$ 9,380,464	$ 454,005	$ 976,631

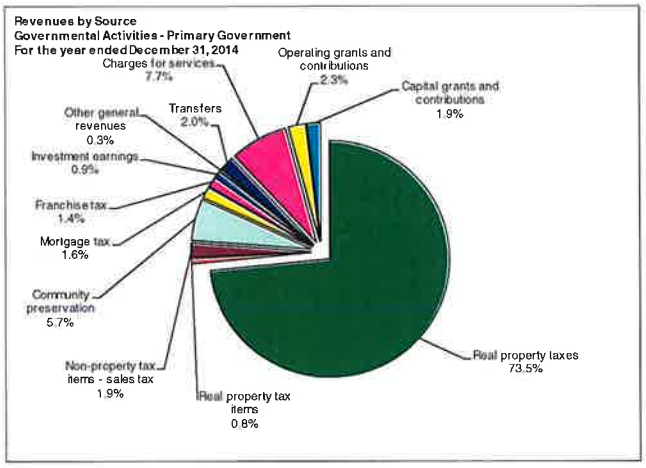
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

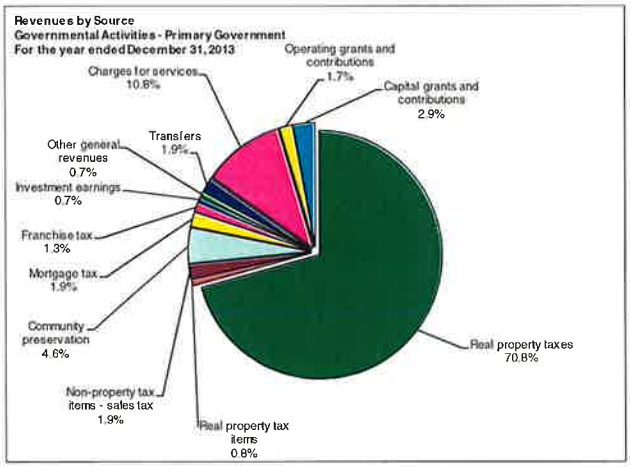
Business-type Activities (continued)



The cost of the water business-type activity this year was $5,860,894. The cost of this service after being partially subsidized by program revenues of $4,326,119 was $1,534,775. The cost of the sewer business-type activity was $4,568,176, which was funded with program revenues of $5,648,946. Program revenues include a capital grant in the amount of $1,885,725, which was utilized to finance capital projects for the sewer upgrade in 2014.

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





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

	2014	2013
Real property taxes	$ 44,480,212	$ 43,343,030
Real property tax items	464,527	491,736
Non-property tax items - sales tax	1,178,655	1,178,655
Community preservation fund 2% tax	3,450,432	2,825,445
Mortgage tax	938,716	1,182,233
Franchise tax	849,369	778,945
Investment earnings - unrestricted	563,092	424,108
Other general revenues	186,882	446,447
Transfers	1,197,900	1,185,730
Charges for services	4,682,546	6,590,071
Operating grants and contributions	1,411,118	1,030,386
Capital grants and contributions	1,135,833	1,780,850
	$ 60,539,282	$ 61,257,636

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

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

At December 31, 2014, the Town's governmental funds reported total ending fund balances of $23,572,330, a decrease of $6,023,466 or 20.4% in comparison with the prior year. The category breakdown is as follows:

- **Nonspendable fund balance** - $1,508,063 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - $15,371,571 (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** - $6,352,997 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - $339,699 (residual net resources) is the total fund balance in the General Fund of $391,978 and the negative unassigned deficits in the Street Lighting District and Public Parking Funds in the amounts of $46,340 and $5,939, respectively, 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 $2,714,292, decreasing $3,125,143, or 53.5%, from the prior year. Of this amount, $1,399,775 is not in spendable form (prepaid items and inventory). The remaining $1,314,517 of the fund balance is in spendable form as follows: $12,772 is restricted for specific purposes by grantors, $597,386 has been assigned for other miscellaneous designations; $312,381 has been assigned for purchase orders by the Town Financial Administrator, and the remaining $391,978 represents spendable, unassigned fund balance.

The fund balance of the Town's General Fund decreased by $3,125,143. The major components of the fund balance decrease were as follows:

- There was a budgeted use of prior year fund balance of $3,570,500, as well as the prior year encumbrances carried forward in the amount of $146,501.
- Overall revenues did not meet budgeted expectations by $634,181, primarily due to lower than expected mortgage tax collections of $477,193 and interfund revenues related to fuel which were eliminated in the amount of $339,168. This was offset by Federal aid received related to Hurricane Sandy that was not budgeted for in the amount of $246,756.
- Actual revenues decreased by $181,312 compared to the prior year, primarily due to the decrease of interfund revenues in the amount of $971,011 which was offset by the increase in real property taxes assessed in the amount of $779,501.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

- Overall expenditures were under budget by $1,215,084, a result of lower than expected costs for fuel contractual expenditures due to the elimination of fuel costs ($339,168) related to the Town's general government support expenditures, lower salary costs for the police department than originally expected ($268,824) as well as lower costs incurred for public safety equipment ($103,600) and a grant expenditure in home and community services that was budgeted ($467,930), which did not materialize in 2014.
- Actual expenditures decreased by $561,431 compared to the prior year, primarily a result of a reduction in police overtime costs ($227,019), and a significant reduction in employees benefits ($391,404).

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was $3,072,908, increasing $525,147, or 20.6%, from the prior year. Of this amount, $89,934 is not in spendable form (prepaid items). The remaining $2,982,974 of the fund balance is in spendable form as follows: $505,487 has been assigned for purchase orders by the Town Financial Administrator and the remaining $2,477,487 is assigned for general highway purposes.

The major components of the fund balance increase of $525,147 were as follows:

- During the year, $644,825 of fund balance was appropriated for additional expenditures as well as the prior year encumbrances carried forward in the amount of $29,142.
- Federal Emergency Management Aid (FEMA) of $266,745 related to Hurricane Sandy was recognized but not included in the budget. Overall actual revenues were higher than prior year by $310,692 which is primarily a result of a minimal increase in real property taxes as well as additional revenues recognized for the reimbursement of expenditures related to Hurricane Sandy.
- Transportation expenditures for the purchase and repair of equipment as well as various road improvement costs were lower than budgeted expectations by $712,352. Overall actual expenditures were consistent with prior year.

Capital Projects Fund

The fund balance decreased in the Capital Projects Fund by $14,911 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 $68,602 which was entirely restricted.

Community Preservation Fund

At the end of the current year, the Community Preservation Fund had a total fund balance of $15,049,895, decreasing by $2,260,111 from the prior year. This fund balance is restricted for Community Preservation purposes.

The major components of the fund balance decrease of $2,260,111 were as follows:

- There was an originally planned decrease of $3,479,900 resulting from the appropriation of fund balance for the 2014 budget.
- Total land transfer tax revenues exceeded the budget by $1,200,432 and actual revenues were higher than prior year in the amount of $624,987 a direct result of the increase in transfer tax revenues.
- Overall actual expenditures and operating transfers out were consistent with the prior year.
- In the prior year, there was an operating transfer into the Community Preservation Fund in the amount of $245,931, a result of $204,117 from unspent bonds proceeds and $41,814 from residual equity transfers from closed capital projects. These were one time transactions and did not recur in the current year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Nonmajor Governmental Funds

The net change in fund balances was a decrease of $1,148,448 over the nine nonmajor funds, the most notable changes are as follows:

- The Community Development Fund had a decrease of $709,804 in fund balance due to the following: an appropriation of prior years' fund balance in the amount of $550,000, an overall decrease in actual revenues compared to the prior year in the amount of $1,453,910, primarily a result of the rental of the runway at EPCAL for vehicles damaged during Hurricane Sandy coming to an end in early 2014 and an operating transfer out to the General Fund in the amount of $550,000. The Community Development Fund revenues did not meet budgeted expectations primarily due to unrecognized grant revenues and related expenditures in the amount of $331,092.
- The Public Parking Fund had a decrease in fund balance of $148,621, primarily a result of the purchase of land in the downtown business district ($178,636) offset by an increase in off street parking space fees collected ($24,000), and a reduction in the amount of contractual expenditures related to repair work ($37,859).
- The Special Trust Fund had a decrease of $208,520 in fund balance, a result of a decrease in park and recreation fees in the amount of $192,000 due to the Town receiving fees from the Stoneleigh Woods Development in the prior year, and an increase in the amount transferred to the Capital Projects Fund ($94,317) for various park improvement projects.

Proprietary Funds

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

Unrestricted net position (deficit) of the Sewer and Water proprietary Funds at the end of the year amounted to $2,094,245 and ($1,859,598) respectively. The total net position change was an increase of $1,199,336; an increase of $1,189,953 in the Sewer District Funds and an increase of $9,383 in the Water District Funds:

- The Sewer Fund's operating loss decreased compared to the prior year primarily the result from an increase in the sewer rents ($158,597). The total non-operating revenues increased by $1,523,809, a result of the fund recognizing a New York State Department of Conservation grant in the amount of $1,885,725 to fund the costs of the sewer treatment upgrade project which was offset by the decrease in developers' fees received ($405,188) in the current year. Transfers out to the General Fund for interfund chargebacks increased by $258,320, a result of the Town implementing a new methodology for the allocation of administrative charges.
- In the Water Fund, water sales decreased by $249,794 compared to the prior year.
- Water Fund developer fees were down by $863,671, resulting from a reduction of new water capital projects and repair and maintenance fees related to new developments in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there were budget amendments that increased estimated revenues and transfers by $921,011 and budgeted appropriations by $1,067,512, inclusive of transfers. Please see the "General Fund" section for more details on the comparison of final budgets to actual amounts. The following are the main components of the increase in appropriations:

- Estimated revenues increased by $624,636 for federal, state and local aid. The aid was for affordable housing, FEMA reimbursement, a revitalization study and E-911 aid. Also, additional fund balance was applied for workers compensation charges and intergovernmental revenue increased for fuel charges by $100,000.
- The appropriations for public safety, culture and recreation and home and community services increased as a result of the increase in federal, state and local aid. Appropriations for fuel increased by $100,000 to offset the increase in intergovernmental revenues.
- Prior year encumbrances in the amount of $146,501 were included in the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

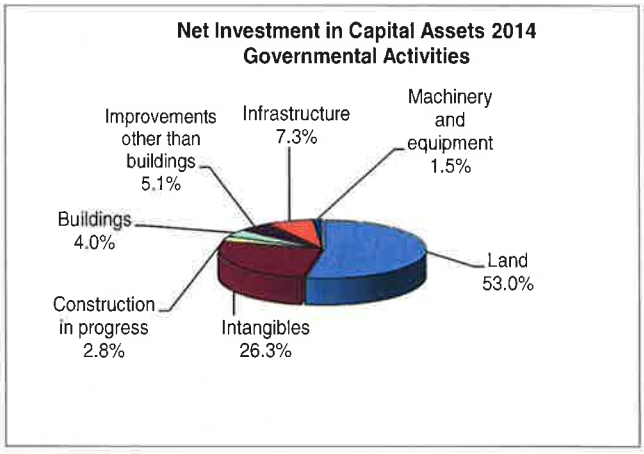
The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounts to $266,918,105 (net of accumulated depreciation). This investment in capital assets includes land, non-depreciable intangible assets, equipment, improvements, infrastructure, depreciable intangible assets and construction in progress.

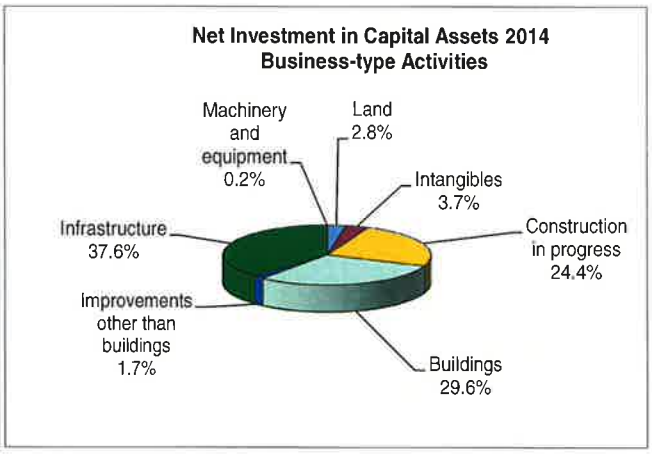
Major capital asset events during the current year included the following:

- The Sewer District Fund invested $8,744,647 for a sewer treatment plant upgrade project and $182,848 for roof replacements
- Resurfacing of various Town roads for $465,000
- Land purchases of $178,636
- Water improvements of $145,306 were made to the Stoneleigh Retirement Community

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 107,062,989	$ 106,884,353	$ 1,829,300	$ 1,668,290	$ 108,892,289	$ 108,552,643
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	5,648,411	5,530,122	15,892,857	9,409,181	21,541,268	14,939,303
Buildings	7,969,332	8,243,320	19,333,482	20,006,327	27,302,814	28,249,647
Improvements other than buildings	10,261,158	11,238,886	1,102,303	1,034,643	11,363,461	12,273,529
Infrastructure	14,765,409	15,252,724	24,515,690	23,351,718	39,281,099	38,604,442
Machinery and equipment	3,028,266	3,120,609	109,856	116,282	3,138,122	3,236,891
Intangibles - software	19,645	33,264	33,733	51,333	53,378	84,597
Total capital assets	$ 201,722,127	$ 203,270,195	$ 65,195,978	$ 58,016,531	$ 266,918,105	$ 261,286,726





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

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

At the end of 2014 the Town had total bonded debt outstanding of $102,699,999. For the year ended December 31, 2014 the Town's total combined bonded debt decreased by $9,780,000 or 8.7%. 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	$ 92,201,919	$ 100,646,034	$ 10,498,080	$ 11,833,965	$ 102,699,999	$ 112,479,999
Total	$ 92,201,919	$ 100,646,034	$ 10,498,080	$ 11,833,965	$ 102,699,999	$ 112,479,999

As of September 2015, the Town had an "Aa3" rating from Moody's Investors Service.

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average full valuation. The debt limit excludes water debt and sewer debt of the business-type activities. The current debt limitation for the Town is $385,792,602 which is significantly in excess of the Town's outstanding general obligation debt. The percentage of debt limit exhausted is 23.90%.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Next year's budget will decrease by $491,150 (.53%) with decreases in spending for the General Fund of $658,550, Debt Service Fund of $229,300 and increases in Insurance Reserves of $300,000. Several other funds had minor increases or decreases.

Assessed values increased in 2015 by $12,360,063 over 2014 or 1.25%.

The Town-wide tax rate increased by $0.28 per $1,000 of assessed value.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The Town did not exceed the 2% cap, inclusive of allowable exclusions, in 2015.

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, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Nonmajor Component Units
ASSETS				
Current assets:				
Cash and cash equivalents	$ 16,980,543	$ 6,113,361	$ 23,093,904	$ 118,766
Cash - restricted	17,728,928		17,728,928	
Accounts receivable	687,347	6,104	693,451	9,625
Billings receivable		1,059,332	1,059,332	
Due from other governments	3,779,695	2,059,539	5,839,234	
Internal balances	1,784,302	(1,784,302)	-0-	
Prepaids	1,383,552	117,907	1,501,459	17,993
Inventory of materials and supplies	124,511	46,555	171,066	
Total current assets	42,468,878	7,618,496	50,087,374	146,384
Non-current assets:				
Non-depreciable capital assets	165,678,317	20,100,914	185,779,231	
Capital assets, net of accumulated depreciation	36,043,810	45,095,064	81,138,874	1,100
Total non-current assets	201,722,127	65,195,978	266,918,105	1,100
Total assets	244,191,005	72,814,474	317,005,479	147,484
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,627,481	6,442,395	9,069,876	57,125
Retainage payable		475,029	475,029	
Accrued interest payable	412,188	43,994	456,182	
Due to other governments	20,052		20,052	
Unearned revenue	360,676	102,134	462,810	
Other liabilities		51,551	51,551	
Non-current liabilities due within one year:				
General obligation bonds payable	8,853,870	1,370,413	10,224,283	
Compensated absences payable	852,199	90,998	943,197	10,539
Claims and judgments payable	1,766,023		1,766,023	
Estimated liability for landfill closure and postclosure care costs	130,000		130,000	
Total current liabilities	15,022,489	8,576,514	23,599,003	67,664
Non-current liabilities due in more than one year:				
General obligation bonds payable	85,982,312	9,127,667	95,109,979	
Compensated absences payable	8,943,198	954,959	9,898,157	
Claims and judgments payable	1,061,569		1,061,569	
Estimated liability for landfill closure and postclosure care costs	1,024,733		1,024,733	
Postemployment benefits healthcare costs	34,981,322	3,171,524	38,152,846	
Total non-current liabilities	131,993,134	13,254,150	145,247,284	-0-
Total liabilities	147,015,623	21,830,664	168,846,287	67,664
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	11,385,817	1,104,322	12,490,139	
Total deferred inflows of resources	11,385,817	1,104,322	12,490,139	-0-
NET POSITION				
Net investment in capital assets	106,838,198	48,509,759	155,347,957	
Restricted for:				
Debt service fund		116,269	116,269	
Capital projects	68,602		68,602	
Community preservation fund	15,049,895		15,049,895	
Home and community services	240,302	1,018,813	1,259,115	
Other purposes	12,772		12,772	
Unrestricted	(36,420,204)	234,647	(36,185,557)	79,820
Total net position	$ 85,789,565	$ 49,879,488	$ 135,669,053	$ 79,820

See notes to the financial statements

TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year ended December 31, 2014

Function/ Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government support	$ 14,147,605	$ 1,457,450	$ 49,235	
Public safety	27,566,981	1,607,024	184,921	$ 145,663
Health	927,287	38,618		
Transportation	8,061,238	185,432	331,987	638,411
Economic assistance and opportunity	2,198,410	98,162	510,398	
Culture and recreation	3,011,977	976,305	61,034	172,309
Home and community services	5,260,048	319,555	273,543	179,450
Interest on debt	3,744,891			
Total governmental activities	64,918,437	4,682,546	1,411,118	1,135,833
Business-type Activities:				
Home and community services - Sewer	4,568,176	3,724,318	6,113	1,918,515
Home and community services - Water	5,860,894	3,992,862	21,013	312,244
Total business-type activities	10,429,070	7,717,180	27,126	2,230,759
Total primary government	$ 75,347,507	$ 12,399,726	$ 1,438,244	$ 3,366,592
NONMAJOR COMPONENT UNITS:				
Economic assistance and opportunity	$ 445,331	$ 331,874		
Total nonmajor component units	$ 445,331	$ 331,874		

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	
$ (12,640,920)		$ (12,640,920)		
(25,629,373)		(25,629,373)		
(888,669)		(888,669)		
(6,905,408)		(6,905,408)		
(1,589,850)		(1,589,850)		
(1,802,329)		(1,802,329)		
(4,487,500)		(4,487,500)		
(3,744,891)		(3,744,891)		
(57,688,940)		(57,688,940)		
	$ 1,080,770	1,080,770		
	(1,534,775)	(1,534,775)		
	(454,005)	(454,005)		
$ (57,688,940)	$ (454,005)	$ (58,142,945)		
			$ (113,457)	
			$ (113,457)	
$ 44,480,212	$ 1,716,400	$ 46,196,612		
464,527	354,181	818,708		
1,178,655	146,688	1,325,343		
3,450,432		3,450,432		
938,716		938,716		
849,369		849,369		
563,092	3,006	566,098	$ 144	
9,045		9,045		
107,028		107,028		
70,809	630,966	701,775		
1,197,900	(1,197,900)	-0-		
53,309,785	1,653,341	54,963,126	144	
(4,379,155)	1,199,336	(3,179,819)	(113,313)	
90,168,720	48,680,152	138,848,872	193,133	
$ 85,789,565	$ 49,879,488	$ 135,669,053	$ 79,820	

TOWN OF RIVERHEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	MAJOR FUNDS			
	General	Highway	Debt Service	Capital Projects
ASSETS				
Cash and cash equivalents	$ 5,680,887	$ 4,365,410		
Cash - restricted				$ 1,121,850
Accounts receivable	644,576			12,953
Due from other funds	3,174,875	466,010		83,988
Due from other governments	1,999,701	266,745		825,490
Prepaids	1,275,264	89,934		
Inventory	124,511			
Total assets	$ 12,899,814	$ 5,188,099	$ -0-	$ 2,044,281
LIABILITIES				
Accounts payable and accrued liabilities	$ 1,827,172	$ 357,931		$ 159,052
Due to other funds	22,705			1,816,297
Due to other governments	19,722			330
Unearned revenue	91,739			
Total liabilities	1,961,338	357,931	$ -0-	1,975,679
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	8,224,184	1,757,260		
Total deferred inflows of resources	8,224,184	1,757,260	-0-	-0-
FUND BALANCES (DEFICITS)				
Nonspendable	1,399,775	89,934		
Restricted	12,772			68,602
Assigned	909,767	2,982,974		
Unassigned	391,978			
Total fund balances (deficits)	2,714,292	3,072,908	-0-	68,602
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 12,899,814	$ 5,188,099	$ -0-	$ 2,044,281

See notes to the financial statements

Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
	$ 2,712,601	$ 12,758,898
$ 14,777,166	1,729,912	17,628,928
	29,818	687,347
	76,557	3,801,430
272,729	234,153	3,598,818
	18,354	1,383,552
		124,511
$ 15,049,895	$ 4,801,395	$ 39,983,484
	$ 283,326	$ 2,627,481
	178,126	2,017,128
		20,052
	268,937	360,676
$ -0-	730,389	5,025,337
	1,404,373	11,385,817
-0-	1,404,373	11,385,817
	18,354	1,508,063
15,049,895	240,302	15,371,571
	2,460,256	6,352,997
	(52,279)	339,699
15,049,895	2,666,633	23,572,330
$ 15,049,895	$ 4,801,395	$ 39,983,484

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TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2014

Total fund balances - governmental funds		$ 23,572,330
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	$ 165,678,317	
Capital assets - depreciable	161,082,702	
Accumulated depreciation	(125,038,892)	
		201,722,127
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).		4,321,645
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	(94,836,182)	
Compensated absences payable	(9,795,397)	
Claims and judgments payable	(2,827,592)	
Estimated liability for landfill closure and postclosure care costs	(1,154,733)	
Postemployment benefits healthcare costs	(34,981,322)	
		(143,595,226)
Amounts due from other governments, applicable to the Town's governmental activities, not due and receivable in the current period accordingly are not reported in the funds. However, these assets are included in the Statement of Net Position.		180,877
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.		(412,188)
Net position of governmental activities		$ 85,789,565

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2014

	MAJOR FUNDS			
	General	Highway	Debt Service	Capital Projects
REVENUES				
Real property taxes	$ 31,833,401	$ 7,036,000		
Real property tax items	464,527			
Non-property tax items	2,028,024			
Departmental income	2,609,813			
Intergovernmental charges	111,198			
Use of money and property	343,258	7,226		$ 12
Licenses and permits	88,751	44,834		
Fines and forfeitures	505,405			
Sale of property and compensation for loss	18,359	1,944		
Miscellaneous local sources	222,911	2,192		133
Interfund revenues	1,199,453			
State and local aid	1,790,141			543,193
Federal aid	535,187	266,745		24,660
Total revenues	41,750,428	7,358,941	$ -0-	567,998
EXPENDITURES				
Current:				
General government support	9,190,581	117,029		
Public safety	16,001,635			
Health	8,800			
Transportation	393,444	4,040,243		
Economic assistance and opportunity	1,098,679			
Culture and recreation	1,437,389			
Home and community services	1,416,113			
Employee benefits	11,989,424	1,612,750		
Capital Outlay				963,860
Debt Service:				
Principal			8,444,115	
Interest			3,763,980	
Total expenditures	41,536,065	5,770,022	12,208,095	963,860
Excess (deficiency) of revenues over (under) expenditures	214,363	1,588,919	(12,208,095)	(395,862)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,844,626		12,208,095	463,845
Transfers out	(5,184,132)	(1,063,772)		(82,894)
Total other financing sources (uses)	(3,339,506)	(1,063,772)	12,208,095	380,951
Net change in fund balance	(3,125,143)	525,147		(14,911)
Fund balances at beginning of year	5,839,435	2,547,761	-0-	83,513
Fund balances at end of year	$ 2,714,292	$ 3,072,908	$ -0-	$ 68,602

See notes to the financial statements.

Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
	$ 5,610,811	$ 44,480,212
		464,527
$ 3,450,432		5,478,456
	275,267	2,885,080
		111,198
35,500	67,854	453,850
	185	133,770
		505,405
	3,395	23,698
	11,074	236,310
		1,199,453
	131,644	2,464,978
	211,403	1,037,995
3,485,932	6,311,633	59,474,932
	499,046	9,806,656
		16,001,635
	1,190,572	1,199,372
	937,519	5,371,206
	308,868	1,407,547
	80,338	1,517,727
2,199	2,950,957	4,369,269
	248,757	13,850,931
		963,860
		8,444,115
		3,763,980
2,199	6,216,057	66,696,298
3,483,733	95,576	(7,221,366)
		14,516,566
(5,743,844)	(1,244,024)	(13,318,666)
(5,743,844)	(1,244,024)	1,197,900
(2,260,111)	(1,148,448)	(6,023,466)
17,310,006	3,815,081	29,595,796
$ 15,049,895	$ 2,666,633	$ 23,572,330

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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, 2014

Net change in fund balances - total governmental funds		$ (6,023,466)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation expense exceeds capital outlay in the current period is:		
Capital outlay	$ 1,705,274	
Depreciation expense	(3,253,342)	
		(1,548,068)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(84,111)
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	561,347	
Other change in net position	284,242	
		845,589
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	8,444,115	
Compensated absences	(212,490)	
Estimated liability for landfill closure and postclosure care costs	222	
Postemployment benefits healthcare costs	(6,149,318)	
		2,082,529
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.		19,089
Change in net position of governmental activities		$ (4,379,155)

See notes to the financial statements

TOWN OF RIVERHEAD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,253,415	$ 2,859,946	$ 6,113,361	$ 4,221,645
Cash - restricted				100,000
Accounts receivable		6,104	6,104	
Billings receivables, net of allowance of $20,213 in Sewer	65,535	993,797	1,059,332	
Due from other governments	2,038,526	21,013	2,059,539	
Prepaids	48,960	68,947	117,907	
Inventory		46,555	46,555	
Total current assets	5,406,436	3,996,362	9,402,798	4,321,645
Non-current assets:				
Capital assets:				
Land	890,273	939,027	1,829,300	
Intangibles - non-depreciable easements		2,378,757	2,378,757	
Construction work in progress	11,740,929	4,151,928	15,892,857	
Buildings	25,868,825	11,016,872	36,885,697	
Improvements other than buildings	2,042,525	134,711	2,177,236	
Machinery and equipment	990,031	7,305,528	8,295,559	
Infrastructure	21,123,705	44,749,808	65,873,513	
Intangibles - depreciable		88,000	88,000	
Less accumulated depreciation/amortization	(34,432,155)	(33,792,786)	(68,224,941)	
Total non-current assets	28,224,133	36,971,845	65,195,978	-0-
Total assets	33,630,569	40,968,207	74,598,776	4,321,645
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	5,921,434	520,961	6,442,395	
Retainage payable	389,205	85,824	475,029	
Accrued interest payable	14,079	29,915	43,994	
Due to other funds		1,784,302	1,784,302	
Unearned revenue		102,134	102,134	
Customers deposits payable		51,551	51,551	
Non-current liabilities due within one year:				
General obligation bonds payable	419,293	951,120	1,370,413	
Claims and judgments payable				1,766,023
Compensated absences payable	26,465	64,533	90,998	
Total current liabilities	6,770,476	3,590,340	10,360,816	1,766,023
Non-current liabilities due in more than one year:				
General obligation bonds payable	2,543,657	6,584,010	9,127,667	
Claims and judgments payable				1,061,569
Compensated absences payable	277,734	677,225	954,959	
Postemployment benefits healthcare costs	1,454,545	1,716,979	3,171,524	
Total non-current liabilities	4,275,936	8,978,214	13,254,150	1,061,569
Total liabilities	11,046,412	12,568,554	23,614,966	2,827,592
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	801,493	302,829	1,104,322	
Total deferred inflows of resources	801,493	302,829	1,104,322	-0-
NET POSITION				
Net investment in capital assets	19,318,309	29,191,450	48,509,759	
Restricted for debt service		116,269	116,269	
Restricted for other purposes	370,110	648,703	1,018,813	
Unrestricted	2,094,245	(1,859,598)	234,647	1,494,053
Total net position	$ 21,782,664	$ 28,096,824	$ 49,879,488	$ 1,494,053

See notes to the financial statements

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Totals	
OPERATING REVENUES				
Charges for sales and services:				
Water sales		$ 3,865,681	$ 3,865,681	
Sewer rents	$ 2,515,129		2,515,129	
Sewer charges	1,204,918		1,204,918	
Departmental income		52,052	52,052	
Water service charges		75,129	75,129	
Service other departments				$ 1,506,476
Other services	4,271		4,271	
Total operating revenues	3,724,318	3,992,862	7,717,180	1,506,476
OPERATING EXPENSES				
Cost of sales and services:				
Administration	1,215,349	1,509,759	2,725,108	
Claims and judgments				664,235
Sewerage treatment disposal	1,725,243		1,725,243	
Source of supply, power and pump		1,634,911	1,634,911	
Depreciation/amortization	640,530	1,211,773	1,852,303	
Employee benefits	908,350	1,217,212	2,125,562	
Total operating expenses	4,489,472	5,573,655	10,063,127	664,235
Operating income (loss)	(765,154)	(1,580,793)	(2,345,947)	842,241
NON-OPERATING REVENUE (EXPENSE)				
Investment earnings - unrestricted	2,831	175	3,006	3,348
Interest expense	(78,704)	(287,239)	(365,943)	
Tower rentals and miscellaneous		629,283	629,283	
Developers' fees	32,790	312,244	345,034	
Gain on sale of property	1,683		1,683	
Real property taxes	429,400	1,287,000	1,716,400	
Other real property tax items	354,181		354,181	
Non-property tax distribution by county	146,688		146,688	
State and local aid	1,885,725		1,885,725	
Federal aid	6,113	21,013	27,126	
Total non-operating revenue	2,780,707	1,962,476	4,743,183	3,348
Income before transfers	2,015,553	381,683	2,397,236	845,589
Transfers out	(825,600)	(372,300)	(1,197,900)	
Change in net position	1,189,953	9,383	1,199,336	845,589
Total net position - beginning	20,592,711	28,087,441	48,680,152	648,464
Total net position - ending	$ 21,782,664	$ 28,096,824	$ 49,879,488	$ 1,494,053

See notes to the financial statements

TOWN OF RIVERHEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
December 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	$ 3,714,384	$ 3,918,385	$ 7,632,769	$ 1,506,476
Cash payments contractual expense	(1,642,270)	(1,658,423)	(3,300,693)	(1,077,426)
Cash payments employees	(1,811,207)	(2,397,356)	(4,208,563)	(148,156)
Other revenues	4,271	52,052	56,323	
Net cash provided (used) by operating activities	265,178	(85,342)	179,836	280,894
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Real property taxes and tax items	671,914	1,214,117	1,886,031	
Non-property tax distribution by county	146,688		146,688	
Tower rentals and miscellaneous		629,283	629,283	
Transfers to/from other funds	(842,806)	(896,664)	(1,739,470)	512,751
Net cash provided (used) by noncapital and related financing activities	(24,204)	946,736	922,532	512,751
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	(407,902)	(927,983)	(1,335,885)	
Interest paid on capital debt	(79,413)	(290,306)	(369,719)	
Capital contributions by developers	32,790	312,244	345,034	
Payments to contractors	(2,793,807)	(247,498)	(3,041,305)	
Proceeds from the sale of assets	1,683		1,683	
Net cash used by capital and related financing activities	(3,246,649)	(1,153,543)	(4,400,192)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	2,831	175	3,006	3,348
Net cash provided by investing activities	2,831	175	3,006	3,348
Net increase (decrease) in cash and cash equivalents	(3,002,844)	(291,974)	(3,294,818)	796,993
Cash and cash equivalents at January 1, 2014	6,256,259	3,151,920	9,408,179	3,524,652
Cash and cash equivalents at December 31, 2014 (including $100,000 for the Internal Service Fund's restricted cash)	$ 3,253,415	$ 2,859,946	$ 6,113,361	$ 4,321,645
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (765,154)	$ (1,580,793)	$ (2,345,947)	$ 842,241
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	640,530	1,211,773	1,852,303	
(Increase) decrease in accounts receivable	85	14,833	14,918	
(Increase) decrease in billings receivable	(5,748)	(37,258)	(43,006)	
(Increase) decrease in inventory		(19,019)	(19,019)	
(Increase) decrease in prepaid expense	767	2,781	3,548	
Increase (decrease) in compensated absences	20,803	(13,147)	7,656	
Increase (decrease) in postemployment healthcare benefits	290,922	339,981	630,903	
Increase (decrease) in customer deposits		7,751	7,751	
Increase (decrease) in accounts payable/accrued liabilities	82,973	(12,244)	70,729	
Increase (decrease) in claims and judgments				(561,347)
Total adjustments	1,030,332	1,495,451	2,525,783	(561,347)
Net cash provided (used) by operating activities	$ 265,178	$ (85,342)	$ 179,836	$ 280,894

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Sewer Fund's payments to contractors in the amount of $2,793,807 is reported net of the change in accounts payable and retainage payable totaling $5,939,385.

The Water Fund's payments to contractors in the amount of $247,498 is reported net of the change in accounts payable and retainage payable totaling $51,060.

See notes to the financial statements

TOWN OF RIVERHEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
December 31, 2014

		Agency Fund
ASSETS		
Cash		$ 16,494,895
	Total assets	$ 16,494,895
LIABILITIES		
Due to school districts		$ 14,953,955
Other agency liabilities		1,540,940
	Total liabilities	$ 16,494,895

See notes to the financial statements

TOWN OF RIVERHEAD
INDEX FOR NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. REPORTING ENTITY

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

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

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

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

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

a) The Riverhead Industrial Development Agency (RIDA) is a public benefit corporation created by the New York State Legislature Article 18-A of the General Municipal law under Section 925-p. The RIDA's mission is to attract new businesses to the Town and to help existing Riverhead businesses expand their operations and remain in the Town. Its members shall be appointed by the governing body of the Town of Riverhead. The governing body of the Town of Riverhead appoints the RIDA's Board of Directors which results in interdependency with the Town. However the RIDA's Board of Directors has complete responsibility for approval and adoption of policies of the RIDA and accountability for fiscal matters. Accordingly, the RIDA has been determined to be a discretely presented component unit of the Town of Riverhead.

b) The Riverhead IDA Economic Job Development Corporation (LDC) was created as a New York State not-for-profit public benefit corporation. The LDC was established on February 3, 2011 pursuant to Sections 402 and 1411 of the not-for-profit corporation law as defined in section 102(a)(5). The LDC is a government instrumental tax-exempt corporation that was created to sustain and promote industry and commerce in the Town of Riverhead, improve economic opportunities for businesses and residents, maintain and create jobs, improve the quality of life, and promote a healthier community, complementing the objective of the RIDA. The governing body of the Town of Riverhead appoints the LDC's Board of Directors which results in interdependency with the Town. However the LDC's Board of Directors has complete responsibility for approval and adoption of policies and accountability for fiscal matters. Accordingly, the LDC has been determined to be a discretely presented component unit of the Town of Riverhead.

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

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

Riverhead Industrial Development Agency
200 Howell Avenue
Riverhead, NY 11901

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

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.

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 $5,000 per parcel by Town Board Resolution on September 19, 2000.

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.

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.

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. This fund 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 2014, workers' compensation has a Self-Insured Retention (SIR) of $400,000 for all personnel.

Self-Insurance Fund – Risk Retention Fund – is used to account for the Town's self-insurance program 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 2014, property had a $100,000 SIR with a limit of $69,000,000 per occurrence. 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 or Water Enterprise Funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

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

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

The Town has presented the following fiduciary fund:

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

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 maybe considered available if received within one year after the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure and postclosure care costs, 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.

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, 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, 2014.

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, 2014.

2. RESTRICTED ASSETS

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

3. RECEIVABLES, PAYABLES AND TRANSFERS

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

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

A. Interfund Revenues

Interfund revenues and interfund services provided and used 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. DUE FROM/TO OTHER FUNDS

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

5. INVENTORY AND PREPAID ITEMS

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

Certain payments to vendors 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.

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, 2014.

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 2015 real property taxes, were approximately $12,490,000, of which approximately $11,386,000 relates to governmental activities and $1,104,000 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.

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 related to capital projects are considered capital related debt and are used in the calculation of net investment in capital assets.

2) Restricted - Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3) Unrestricted - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

In the fund 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 Financial Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

5) Unassigned fund balance reflects the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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 POLICY

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, 2014.

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.

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 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.

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, 2014:

1) GASB Statement No. 69 *"Governmental Combinations and Disposals of Governmental Operations,"* which 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. This Statement had no effect on the Town's financial statements.

2) GASB Statement No. 70 *"Accounting and Reporting for Nonexchange Financial Guarantees,"* was established to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. 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:

1) The Town Charter establishes the fiscal year as the twelve-month period beginning January 1st.

2) On or before September 20th, each department, officer or district submits to the Financial Administrator, a detailed estimate of the budget for the amount of revenue to be received and expenditures to be made for the ensuing year.

3) On or before September 30th, the Budget Officer, who is the Town Supervisor, files with the Town Clerk a tentative budget for the ensuing year. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

4) On or before October 5th, the Town Board reviews the tentative budget and files with the Town Clerk, a preliminary budget.

5) The Town Board conducts public hearings on the preliminary budget and on or before November 20th the Town Board meets to adopt the budget known as the "annual budget."

6) Formal budget integration is employed during the year as a management control device for the General Fund and certain Special Revenue Funds. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures. The Town Board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval via resolution except for transfers of $2,500 or less which can be done by the Finance Administrator. Appropriations for all governmental funds except the Capital Projects Fund lapse at year end.

7) Budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual expenditures exceed budgeted amounts, budgetary appropriations transfers are made. The Capital Projects, Special Grants and Community Development Funds do not have annually adopted budgets, but are budgeted on a project or grant basis.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

8) Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Town did not exceed the 2% property tax cap for 2014.

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	$ 124,511					$ 124,511
Prepaid items	1,275,264	$ 89,934			$ 18,354	1,383,552
Total Nonspendable	1,399,775	89,934			18,354	1,508,063
Restricted for:						
Community preservation - 2% tax				$15,049,895		15,049,895
Capital projects			$ 62,453			62,453
Purchases on order and/or contractual obligations			6,149			6,149
Grantors and donors restrictions	12,772					12,772
Home and community services					240,302	240,302
Total Restricted	12,772		68,602	15,049,895	240,302	15,371,571
Assigned to:						
Subsequent year's budget					751,500	751,500
Purchases on order and/or contractual obligations	312,381	505,487			30,187	848,055
Miscellaneous designations	597,386					597,386
Special revenue funds		2,477,487			1,678,569	4,156,056
Total Assigned	909,767	2,982,974			2,460,256	6,352,997
Unassigned, reported in						
General Fund	391,978					391,978
Street Lighting District Fund					(46,340)	(46,340)
Public Parking Fund					(5,939)	(5,939)
Total Unassigned	391,978				(52,279)	339,699
Total Fund Balances	$ 2,714,292	$ 3,072,908	$ 68,602	$15,049,895	$ 2,666,633	$23,572,330

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY (continued)

2. DEFICIT FUND BALANCES

The Recreation Program Fund and the Police Athletic League Fund, which are included in the General Fund for reporting purposes, had fund deficits of $87,460 and $8,012, respectively at December 31, 2014. The deficits in these funds are expected to be eliminated in 2015 by reducing the expenditures and increasing the program revenues.

The Public Parking and Street Lighting District nonmajor funds reported fund deficits of $3,249 and $38,106, respectively at December 31, 2014. The deficits in these funds are expected to be eliminated in 2015 by an increase in property taxes.

3. FUND BALANCE RESERVES AND DESIGNATIONS

Miscellaneous Designations

The majority of the $597,386 in miscellaneous designations in the General Fund consists of the following designated fund balances: $342,916 is designated for the building operations of the Stotzky Park child care building, $131,688 is designated for the Town Board special programs, $34,878 is designated for the Economic Development Zone and $47,990 is designated for the Senior Day Care Center.

Debt Service

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

3. DETAILED NOTES ON ALL FUNDS

A. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party. The Town had no investments as of December 31, 2014.

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, 2014 the Town's cash book balance was $57,311,552. This amount is inclusive of Fiduciary fund deposits of $16,494,895, restricted cash of $17,728,928 but exclusive of petty cash of $6,175 and the nonmajor discretely presented component units cash of $118,766. The available bank balance was $66,274,855. Of the available bank balance, $1,498,486 was covered by Federal deposit insurance, and $64,776,369 was covered by collateral held by the Town's agents, third-party financial institutions, in the Town's name.

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND CASH EQUIVALENTS (continued)

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

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

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

As of December 31, 2014, 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, 2014, 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:

	Receivable	Payable
Governmental Funds:		
Major Funds:		
General Fund	$ 3,174,875	$ 22,705
Highway Fund	466,010	
Capital Projects Fund	83,988	1,816,297
Community Preservation Fund		
Nonmajor Funds:		
Other Governmental Funds	76,557	178,126
Total Governmental Funds	3,801,430	2,017,128
Proprietary Funds:		
Water District Funds		1,784,302
Total Proprietary Funds	-0-	1,784,302
Total	$ 3,801,430	$ 3,801,430

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

For year ended December 31, 2014, individual fund interfund transfers balances for governmental and proprietary funds representing legally authorized transfers, were as follows:

	Transfer In	Transfer Out
Governmental Funds:		
Major Funds:		
General Fund	$ 1,844,626	$ 5,184,132
Highway Fund		1,063,772
Debt Service Fund	12,208,095	
Capital Projects Fund	463,845	82,894
Community Preservation Fund		5,743,844
Nonmajor Funds:		
Other Governmental Funds		1,244,024
Total Governmental Funds	14,516,566	13,318,666
Proprietary Funds:		
Sewer District Funds		825,600
Water District Funds		372,300
Total Proprietary Funds	-0-	1,197,900
	$ 14,516,566	$ 14,516,566

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2014 was as follows:

Primary Government

Governmental Activities:	Balance 1/1/2014	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2014
Capital assets not being depreciated/amortized				
Land and landfills	$ 106,884,353	$ 178,636		$ 107,062,989
Intangibles - development rights/easements	52,966,917			52,966,917
Construction work in progress	5,530,122	832,892	$ 714,603	5,648,411
Total capital assets not being depreciated	165,381,392	1,011,528	714,603	165,678,317
Depreciable/amortizable capital assets				
Buildings	12,717,338			12,717,338
Improvements	17,835,863	47,584		17,883,447
Infrastructure	107,728,941	730,040		108,458,981
Machinery and equipment	21,268,134	630,725	12,015	21,886,844
Intangibles - software	136,092			136,092
Total depreciable capital assets	159,686,368	1,408,349	12,015	161,082,702
Less accumulated depreciation/amortization				
Buildings	4,474,018	273,988		4,748,006
Improvements	6,596,977	1,025,312		7,622,289
Infrastructure	92,476,217	1,217,355		93,693,572
Machinery and equipment	18,147,525	723,068	12,015	18,858,578
Intangibles - software	102,828	13,619		116,447
Total accumulated depreciation	$ 121,797,565	$ 3,253,342	$ 12,015	$ 125,038,892
Total net depreciable capital assets				36,043,810
Total net capital assets				$ 201,722,127

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance 1/1/2014	Additions	Transfers/ Disposals/ Reclass	Balance 12/31/2014
Business-type Activities:				
Capital assets not being depreciated/amortized				
Land	$ 1,668,290	$ 161,010		$ 1,829,300
Intangibles - development rights/easements	2,378,757			2,378,757
Construction work in progress	9,409,181	9,029,674	$ 2,545,998	15,892,857
Total capital assets not being depreciated	13,456,228	9,190,684	2,545,998	20,100,914
Depreciable/amortizable capital assets				
Buildings	36,885,697			36,885,697
Improvements	1,982,558	194,678		2,177,236
Machinery and equipment	8,267,277	28,282		8,295,559
Infrastructure	63,709,409	2,164,104		65,873,513
Intangibles - software	88,000			88,000
Total depreciable capital assets	110,932,941	2,387,064		113,320,005
Less accumulated depreciation/amortization				
Buildings	16,879,370	672,845		17,552,215
Improvements	947,915	127,018		1,074,933
Infrastructure	40,357,691	1,000,132		41,357,823
Machinery and equipment	8,150,995	34,708		8,185,703
Intangibles - software	36,667	17,600		54,267
Total accumulated depreciation	$ 66,372,638	$ 1,852,303	$ -0-	$ 68,224,941
Total net depreciable capital assets				45,095,064
Total net capital assets				$ 65,195,978

Depreciation was charged to the functions and programs as follows:

Governmental Activities:	
General government support	$ 629,685
Public safety	147,040
Health	62,025
Transportation	1,249,091
Economic assistance and opportunity	274,001
Culture and recreation	771,756
Home and community services	119,744
Total depreciation expense - governmental activities	$ 3,253,342
Business-type Activities:	
Home and community services - Sewer	$ 640,530
Home and community services - Water	1,211,773
Total depreciation expense - business-type activities	$ 1,852,303

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, 2014, the Town has not recorded any such impairment losses.

3. DETAILED NOTES ON ALL FUNDS (continued)

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, 2014 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, 2014.

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 2015 through 2031.

Primary Government

	Balance 1/1/2014	Issued	Redeemed	Balance 12/31/2014
Governmental Activities:				
General Fund	$ 38,343,511		$ 3,800,789	$ 34,542,722
Highway Fund	6,631,955		839,255	5,792,700
Community Preservation Fund	53,667,464		3,645,844	50,021,620
Nonmajor Funds	2,003,104		158,227	1,844,877
Total governmental activities	100,646,034		8,444,115	92,201,919
Business-type Activities:				
Sewer Districts Funds	3,370,852		927,983	2,442,869
Water Districts Funds	8,463,113		407,902	8,055,211
Total business-type activities	11,833,965		1,335,885	10,498,080
Total general obligation bonds	$ 112,479,999	$ -0-	$ 9,780,000	$ 102,699,999

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

General Obligation Bonds

At December 31, 2014, 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%	$ 10,000	June 15, 2016
General Obligation Serial Bonds-2004B	Refunding Bond	2.500%-5.000%	444,300	January 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	7,593,000	August 1, 2022
General Obligation Serial Bonds-2006	Public Improvement	3.750%-4.000%	18,050,000	December 1, 2027
General Obligation Serial Bonds-2008	Public Improvement	3.250%-4.000%	26,700,000	December 2, 2030
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	612,600	May 15, 2020
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	14,510,000	November 15, 2031
General Obligation Serial Bonds-2012	Refunding Bond	2.000%-5.000%	24,282,019	June 1, 2022
			$ 92,201,919	

Business-type activities:

Issue	Purpose	Average Rate	Amount	Final Maturity
General Obligation Serial Bonds-2004A	Refunding Bond	1.500%-3.500%	$ 10,000	January 15, 2016
General Obligation Serial Bonds-2004B	Refunding Bond	2.500%-5.000%	690,700	June 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	57,000	August 1, 2022
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	1,452,400	May 15, 2020
General Obligation Serial Bonds-2011A	Refunding Bond	1.014%-3.301%	1,015,000	February 15, 2018
General Obligation Serial Bonds-2011C	Refunding Bond	0.785%-4.665%	1,035,000	October 15, 2031
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	4,915,000	November 15, 2031
General Obligation Serial Bonds-2012	Refunding Bond	2.000%-5.000%	1,322,980	June 1, 2022
			$ 10,498,080	
Total General Obligation Bonds			$ 102,699,999	

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

Governmental activities:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 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	8,441,677	2,187,362	10,629,039
2020-2024	32,682,096	6,386,342	39,068,438
2025-2029	15,525,000	1,876,813	17,401,813
2030-2031	1,700,000	68,000	1,768,000
Totals	$ 92,201,919	$ 22,442,107	$ 114,644,026

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

General Obligation Bonds (continued)

Business-type activities:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 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	753,323	183,905	937,228
2020-2024	2,442,903	615,315	3,058,218
2025-2029	1,840,000	323,507	2,163,507
2030-2031	755,000	39,329	794,329
Totals	10,498,080	2,214,233	12,712,313
Total general obligation bonds	$ 102,699,999	$ 24,656,340	$ 127,356,339

Bonds Authorized and Unissued

At December 31, 2014 the Town had $35,702,000 in general obligation bonds, which were authorized but unissued.

As of December 31, 2014 the total long-term outstanding indebtedness of the Town aggregated to $102,699,999. Of this amount, $92,201,919 was subject to the constitutional debt limit and represented approximately 23.90% of its statutory debt limit.

Changes in Long-term Debt

Long-term liability activities for the year ended December 31, 2014 are as follows:

Primary Government

	Balance 1/1/2014	Increases	Reductions	Balance 12/31/2014	Non-current liabilities due within one year	Non-current liabilities
Governmental activities:						
General obligation bonds	$ 100,646,034		$ 8,444,115	$ 92,201,919	$ 8,524,587	$ 83,677,332
Plus deferred amounts:						
Premiums on issuance	2,963,546		329,283	2,634,263	329,283	2,304,980
Total bonds payable	103,609,580		8,773,398	94,836,182	8,853,870	85,982,312
Compensated absences	9,582,907	$ 3,097,493	2,885,003	9,795,397	852,199	8,943,198
Claims and judgments	3,388,939	819,135	1,380,482	2,827,592	1,766,023	1,061,569
Estimated liability for landfill closure and postclosure care costs	1,154,955	64,085	64,307	1,154,733	130,000	1,024,733
Postemployment benefits healthcare costs	28,832,004	7,453,183	1,303,865	34,981,322		34,981,322
	$ 146,568,385	$ 11,433,896	$ 14,407,055	$ 143,595,226	$ 11,602,092	$ 131,993,134
Business-type activities:						
General obligation bonds	$ 11,833,965		$ 1,335,885	$ 10,498,080	$ 1,370,413	$ 9,127,667
Compensated absences	1,038,301	$ 403,837	396,181	1,045,957	90,998	954,959
Postemployment benefits healthcare costs	2,540,621	762,019	131,116	3,171,524		3,171,524
	$ 15,412,887	$ 1,165,856	$ 1,863,182	$ 14,715,561	$ 1,461,411	$ 13,254,150

4. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Changes in Long-term Debt (continued)

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, 2014 the RIDA had ten (10) industrial revenue bonds outstanding and the LDC had two (2) industrial revenue bonds outstanding with aggregate principal amounts payable of $64,064,933 and $21,105,000, respectively.

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 Systems are 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.

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Funding Policy (continued)

Contributions consist of a group term life insurance portion (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2014 are as follows:

Contribution Rates

Tier	Plan/Option	ERS Rate	Tier	Plan/Option	PFRS Rate
1	75I	28.5%			
2	75I	26.0%	2	384E2	28.8%
3	A14	20.8%			
4	A15	20.8%			
5	A15	16.7%	5	384E	27.5%
6	A15	11.3%	6	384E	24.4%

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.

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

Annual Required Contribution - ERS

	Amount	% of Covered Payroll	Credits & Miscellaneous Adjustments	Prepayment Discount	Total Payment
2014	$2,838,317	19.52%	$ 35,769	$ (25,863)	$2,848,223
2013	2,906,492	20.41%	69,273	(26,156)	2,949,609
2012	2,531,099	18.35%	(77,622)	(22,778)	2,430,699

Annual Required Contribution - PFRS

	Amount	% of Covered Payroll	Credits & Miscellaneous Adjustments	Prepayment Discount	Total Payment
2014	$3,185,369	26.95%	$ (51,260)	$ (28,305)	$3,105,804
2013	3,292,598	28.44%	(41,370)	(29,631)	3,221,597
2012	2,883,873	25.36%	(11,403)	(25,953)	2,846,517

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 Systems' average rate and the previous graded rate.

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Funding Policy (continued)

- For subsequent State fiscal years in which the Systems' 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 Systems' 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, 2014.

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 2014 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.

The January 1, 2014 valuation is based on the number of participants on the census data as of January 1, 2015, 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.

	Primary Government	Governmental Activities	Business-Type Activities
Active employees	302	271	31
Retired employees and spouses	150	136	14
Surviving spouses of deceased retirees	14	13	1
Total	466	420	46

Funding Policy

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

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2014, the Town's annual other postemployment benefits cost (expenses) of $8,215,202 is not equal to the Annual Required Contribution (ARC), which is $8,519,631. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled $1,434,981 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of $6,780,221 for the year ended December 31, 2014. The Town's nonmajor discretely presented component units do not have a policy to pay for postemployment benefits.

Benefit Obligations and Normal Cost

	Primary Government	Governmental Activities	Business-Type Activities
Actuarial Accrued Liability (AAL)			
Active employees	$ 54,736,339	$ 49,116,066	$ 5,620,273
Retired employees	33,234,709	30,451,705	2,783,004
Total Actuarial Accrued Liability (AAL)	87,971,048	79,567,771	8,403,277
Actuarial value of plan assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	$ 87,971,048	$ 79,567,771	$ 8,403,277
Funded ratio	0%	0%	0%
Annual covered payroll	$ 27,601,923	$ 25,054,316	$ 2,547,607
UAAL as a percentage of covered payroll	318.7%	317.6%	329.8%

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, 2014, based on the January 1, 2014 valuation amounted to $87,971,048.

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

Level Percentage of Payroll Amortization
Calculation of ARC under the Projected Unit Credit Cost Method

	Primary Government	Governmental Activities	Business-Type Activities
Normal cost	$ 4,015,734	$ 3,655,452	$ 360,282
Amortization of unfunded actuarial liability (UAAL) over 30 years	4,204,310	3,805,467	398,843
Interest	299,587	272,040	27,547
Annual required contribution (ARC)	8,519,631	7,732,959	786,672
Interest on net OPEB obligation	1,254,905	1,153,280	101,625
Adjustment to ARC	(1,559,334)	(1,433,056)	(126,278)
Annual OPEB Cost	8,215,202	7,453,183	762,019
Less: Contribution for year ended December 31, 2014	1,434,981	1,303,865	131,116
Increase in other postemployment benefits liability	6,780,221	6,149,318	630,903
Other postemployment benefits liability at December 31, 2013	31,372,625	28,832,004	2,540,621
Other postemployment benefits liability at December 31, 2014	$ 38,152,846	$ 34,981,322	$ 3,171,524
Percentage of annual OPEB cost contributed	17.5%	17.5%	17.2%

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
2014	$ 8,215,202	$ 1,434,981	17.5%	$ 38,152,846
2013	7,977,225	1,153,920	14.5%	31,372,625
2012	7,578,868	1,160,846	15.3%	24,549,320

The primary government's funded status of the plan as of January 1, 2014 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)
1/1/2014	$ -0-	$ 87,971,048	$ 87,971,048	0%	$ 27,601,923	318.7%

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, 2014 actuarial valuation, the liabilities were computed using the projected unit credit method and level percentage of payroll amortization method on a closed basis. The actuarial assumptions utilized a 4.0% interest rate, a 4.0% discount rate, a 2.5% payroll growth rate. The valuation assumes an 8.5% health care trend rate for the year ended 2014 and reduced decrements to a rate of 5.9% after eight years. The remaining amortization period at December 31, 2014 was twenty-three years.

A copy of the Town of Riverhead's Retiree Medical Program, January 1, 2014 Valuation is available by contacting the Town of Riverhead, Office of the Financial Administrator, 1295 Pulaski Street, Riverhead, New York 11901.

3. DETAILED NOTES ON ALL FUNDS (continued)

G. COMPENSATED ABSENCES

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

Vested vacation, personal leave and sick leave accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Vested vacation, personal leave and sick leave accumulated by business type employees have been recorded in proprietary funds as a liability and expense. Payment of vacation, personal leave, and sick leave recorded as non-current liabilities are dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for payments of vacations, personal leave and sick leave when such payments become due. As of December 31, 2014 the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was $9,795,397 and $1,045,957, respectively, for an aggregate total of $10,841,354.

4. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

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

Liability

From 1987 until September 22, 1993, the Town of Riverhead was a self-insurer against personal injury liability. On September 22, 1993, the Town of Riverhead obtained catastrophic loss coverage for comprehensive general liability, automobile liability, public official's errors and omissions and employee benefits liability. This catastrophic loss coverage has a self-insured retention of $250,000 per occurrence. Claims paid under these 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 $50,000 per loss and $69,000,000 (based on the most recent value of the Town's various properties) per occurrence with no annual aggregate. Terrorism is excluded from property coverage. The Town has flood and earthquake coverage of $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.

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

Workers' Compensation/Unemployment Benefits

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

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

Self-Insurance Fund

The Town uses a Self-Insurance Fund to account for its potential liability. As of December 31, 2014, the Self-Insurance Fund had assets of $4,321,645 and liabilities of $2,827,592. Included in this amount is $1,644,883 for general liability claims and $1,182,709 for worker's compensation claims. This amount includes litigation but not administration expenses.

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

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

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

	General Liability		Workers' Compensation	
	2014	2013	2014	2013
Unpaid claims and claim adjustment expenditures at the beginning of the year	$ 1,849,380	$ 2,158,350	$ 1,539,559	$ 1,391,403
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	91,019	471,513	728,116	872,968
Total incurred claims and claim adjustment expenditures	1,940,399	2,629,863	2,267,675	2,264,371
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	295,516	780,483	1,084,966	724,812
Total unpaid claims and claim adjustment expenditures at the end of the year	$ 1,644,883	$ 1,849,380	$ 1,182,709	$ 1,539,559

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.

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.

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.

In addition to the litigation noted above, two recent claims filed with the Office of the Town Clerk require mention:

1) On June 1, 2015, Ksenia DeCarle filed a Notice of Claim in connection with a motorcycle accident that occurred on March 16, 2015 and resulted in the death of her husband, David DeCarle. The Deceased was operating a 2012 Kawasaki motorcycle eastbound on Reeves Avenue, Riverhead on that date and apparently lost control of the motorcycle. As there were no witnesses to the accident, it is suspected that he may have struck a pothole at the time. As there was no prior written notice, any recovery is remote and the matter will be vigorously defended.

2) The second claim was filed on September 18, 2015 by Patricia Koch. Ms. Koch sustained injuries on June 18, 2015. Ms. Koch was stopped at the railroad crossing facing northbound on Mill Road, Riverhead when her car was struck by a second operator travelling northbound. Any liability appears to be solely due to the negligence of the second operator. There is no evidence of recent repairs or other road work on Mill Road by the Town of Riverhead or any other acts by the Town that would have contributed to this accident and accordingly, the Town will vigorously defend this claim.

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

As of December 31, 2014 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 during 2015 and range between approximately $30,000 to $54,000 for the remaining twenty-four years, with an inflation factor built in.

Accordingly as of December 31, 2014, the Town has recorded an estimated liability of $1,154,733, 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 $6,149 while Sewer and Water District Funds are $15,607,086 and $303,740 respectively, aggregating to $15,910,826.

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.

6. SUBSEQUENT EVENTS

The RIDA, a discretely presented component unit of the Town, analyzed the results for the year ended December 31, 2014 which was a decrease in net position, which significantly diminished the RIDA's net position at the end of the year. As of April 3, 2015, the date of the separately issued financial statements, the RIDA had commitments for two projects closing in the year ending December 31, 2015 of approximately $142,000, which exceeded the December 31, 2014 charges for services of $78,958. Based upon a prudent budget for the year ending December 31, 2015, and a period of time thereafter, the RIDA believed it will continue as a going concern. The Town does not expect this will have any impact on the operations or finances of the Town. As of the date of this report, the RIDA is operational, meeting its budgeted expectations, and anticipates closing on a project next month in the amount of $100,000.

7. 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, 2014.

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.

Statement No. 72 *"Fair Value Measurement and Application*" includes requirements that will enhance the comparability of financial statements among governments by requiring the measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68*" the objective is to clarify the existing guidance as well as establishes new requirements for pensions not covered by Statement No. 67 and No. 68. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions",* which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,"* the objective of which is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

Statement No. 77, *"Tax Abatement Disclosures,"* the objective of which is to improve financial reporting by providing the users of financial statements with information about the nature and magnitude of tax abatements, and helping the users understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations, as well as the impact on the government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

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, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Real property taxes	$ 31,833,400	$ 31,874,900	$ 31,833,401	$ (41,499)
Real property tax items	446,000	446,000	464,527	18,527
Non-property tax items	1,903,650	1,903,650	2,028,024	124,374
Departmental income	2,415,550	2,483,492	2,609,813	126,321
Intergovernmental charges	21,000	121,000	111,198	(9,802)
Use of money and property	243,900	243,900	343,258	99,358
Licenses and permits	75,400	75,400	88,751	13,351
Fines and forfeitures	525,000	537,000	505,405	(31,595)
Sale of property and compensation for loss	139,000	139,000	18,359	(120,641)
Miscellaneous local sources	74,000	73,031	222,911	149,880
Interfund revenues	1,625,600	1,625,600	1,199,453	(426,147)
State and local aid	2,231,000	2,684,366	1,790,141	(894,225)
Federal aid	6,000	177,270	535,187	357,917
Total revenues	41,539,500	42,384,609	41,750,428	(634,181)
EXPENDITURES				
Current:				
General government support	9,433,800	9,620,491	9,190,581	429,910
Public safety	16,367,300	16,496,586	16,001,635	494,951
Health	7,800	8,800	8,800	-0-
Transportation	340,800	396,617	393,444	3,173
Economic assistance and opportunity	889,400	1,301,263	1,098,679	202,584
Culture and recreation	1,353,300	1,437,873	1,437,389	484
Home and community services	1,358,400	1,464,544	1,416,113	48,431
Employee benefits	11,952,900	12,024,975	11,989,424	35,551
Total expenditures	41,703,700	42,751,149	41,536,065	1,215,084
Excess (deficiency) of revenues over (under) expenditures	(164,200)	(366,540)	214,363	580,903
OTHER FINANCING SOURCES (USES)				
Transfers in	1,777,900	1,853,802	1,844,626	(9,176)
Transfers out	(5,184,200)	(5,204,263)	(5,184,132)	20,131
Total other financing sources (uses)	(3,406,300)	(3,350,461)	(3,339,506)	10,955
Net change in fund balances	$ (3,570,500)	$ (3,717,001)	(3,125,143)	$ 591,858
Fund balances at beginning of year			5,839,435	
Fund balances at end of year			$ 2,714,292	

TOWN OF RIVERHEAD
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Real property taxes	$ 7,036,000	$ 7,036,000	$ 7,036,000	$ -0-
Use of money and property	7,000	7,000	7,226	226
Licenses and permits	20,000	20,000	44,834	24,834
Sale of property and compensation for loss	1,500	1,500	1,944	444
Miscellaneous revenue	12,000	12,000	2,192	(9,808)
Federal aid			266,745	266,745
Total revenues	7,076,500	7,076,500	7,358,941	282,441
EXPENDITURES				
Current:				
General government support	117,700	117,700	117,029	671
Transportation	4,368,000	4,909,500	4,040,243	869,257
Employee benefits	1,528,800	1,635,160	1,612,750	22,410
Total expenditures	6,014,500	6,662,360	5,770,022	892,338
Excess (deficiency) of revenues over (under) expenditures	1,062,000	414,140	1,588,919	1,174,779
OTHER FINANCING USES				
Transfers out	(1,062,000)	(1,088,107)	(1,063,772)	24,335
Total other financing uses	(1,062,000)	(1,088,107)	(1,063,772)	24,335
Net change in fund balances	$ -0-	$ (673,967)	525,147	$ 1,199,114
Fund balances at beginning of year			2,547,761	
Fund balances at end of year			$ 3,072,908	

TOWN OF RIVERHEAD
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES				
Debt service:				
Principal	$ 8,444,200	$ 8,444,200	$ 8,444,115	$ 85
Interest	3,764,200	3,764,200	3,763,980	220
Total expenditures	12,208,400	12,208,400	12,208,095	305
Excess (deficiency) of revenues over (under) expenditures	(12,208,400)	(12,208,400)	(12,208,095)	305
OTHER FINANCING SOURCES				
Transfers in	12,208,400	12,208,400	12,208,095	(305)
Total other financing sources	12,208,400	12,208,400	12,208,095	(305)
Net change in fund balances	$ -0-	$ -0-	-0-	$ -0-
Fund balances at beginning of year			-0-	
Fund balances at end of year			$ -0-	

TOWN OF RIVERHEAD
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Non-property tax items	$ 2,250,000	$ 2,250,000	$ 3,450,432	$ 1,200,432
Use of money and property	20,000	20,000	35,500	15,500
Total revenues	2,270,000	2,270,000	3,485,932	1,215,932
EXPENDITURES				
Current:				
Home and community services	6,000	6,000	2,199	3,801
Total expenditures	6,000	6,000	2,199	3,801
Excess (deficiency) of revenues over (under) expenditures	2,264,000	2,264,000	3,483,733	1,219,733
OTHER FINANCING USES				
Transfers out	(5,743,900)	(5,743,900)	(5,743,844)	56
Total other financing uses	(5,743,900)	(5,743,900)	(5,743,844)	56
Net change in fund balances	$ (3,479,900)	$ (3,479,900)	(2,260,111)	$ 1,219,789
Fund balances at beginning of year			17,310,006	
Fund balances at end of year			$ 15,049,895	

TOWN OF RIVERHEAD

TOWN OF RIVERHEAD RETIREE MEDICAL PROGRAM
POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS
SCHEDULE OF FUNDING PROGRESS
December 31, 2014

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)
1/1/2014	$ -0-	$ 87,971,048	$ 87,971,048		0%	$ 27,601,923	318.7%
1/1/2013	-0-	85,451,765	85,451,765	*	0%	27,601,923	309.6%
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, 2014

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
ASSETS				
Cash and cash equivalents		$ 31,343	$ 32,312	$ 228,390
Cash - restricted	$ 221,854			
Accounts receivable	24,670			3,400
Due from other funds	20,844			
Due from other governments	229,010			
Prepaids				
Total assets	$ 496,378	$ 31,343	$ 32,312	$ 231,790
LIABILITIES				
Accounts payable and accrued liabilities	$ 113,592			$ 1,919
Due to other funds	142,484			35,642
Unearned revenue				16,744
Total liabilities	256,076	$ -0-	$ -0-	54,305
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes			27,946	
Total deferred inflows of resources	-0-	-0-	27,946	-0-
FUND BALANCES (DEFICITS)				
Nonspendable				
Restricted	240,302			
Assigned		31,343	4,366	177,485
Unassigned				
Total fund balances (deficits)	240,302	31,343	4,366	177,485
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 496,378	$ 31,343	$ 32,312	$ 231,790

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
$ 238,203	$ 1,255,696	$ 862,034	$ 64,623		$ 2,712,601
				$ 1,508,058	1,729,912
		1,748			29,818
55,713					76,557
		5,143			234,153
8,234		7,430	2,690		18,354
$ 302,150	$ 1,255,696	$ 876,355	$ 67,313	$ 1,508,058	$ 4,801,395
$ 72,416	$ 6,328	$ 7,796	$ 22,514	$ 58,761	$ 283,326
					178,126
			7,324	244,869	268,937
72,416	6,328	7,796	29,838	303,630	730,389
267,840	347,352	720,511	40,724		1,404,373
267,840	347,352	720,511	40,724	-0-	1,404,373
8,234		7,430	2,690		18,354
					240,302
	902,016	140,618		1,204,428	2,460,256
(46,340)			(5,939)		(52,279)
(38,106)	902,016	148,048	(3,249)	1,204,428	2,666,633
$ 302,150	$ 1,255,696	$ 876,355	$ 67,313	$ 1,508,058	$ 4,801,395

TOWN OF RIVERHEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended December 31, 2014

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
REVENUES				
Real property taxes			$ 109,100	
Departmental income		$ 9,000		$ 242,267
Use of money and property	$ 327	115	1,534	229
Licenses and permits				
Sale of property and compensation for loss				
Miscellaneous local sources				
State and local aid	131,644			
Federal aid	161,607			36,154
Total revenues	293,578	9,115	110,634	278,650
EXPENDITURES				
Current:				
General governmental support			7,992	72,937
Health				
Transportation				
Economic assistance and opportunity			96,500	
Culture and recreation				80,338
Home and community services	234,606			
Employee benefits				29,215
Total expenditures	234,606	-0-	104,492	182,490
Excess (deficiency) of revenues over (under) expenditures	58,972	9,115	6,142	96,160
OTHER FINANCING USES				
Operating transfers out	(79,617)	(217,635)		(114,000)
Total other financing uses	(79,617)	(217,635)	-0-	(114,000)
Net change in fund balance	(20,645)	(208,520)	6,142	(17,840)
Fund balances at beginning of year	260,947	239,863	(1,776)	195,325
Fund balances at end of year	$ 240,302	$ 31,343	$ 4,366	$ 177,485

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
$ 1,044,900	$ 1,355,100	$ 2,942,811	$ 158,900		$ 5,610,811
			24,000		275,267
350	2,002	1,341	936	$ 61,020	67,854
		185			185
2,656			739		3,395
3,568		6,918	88	500	11,074
					131,644
		5,143	8,499		211,403
1,051,474	1,357,102	2,956,398	193,162	61,520	6,311,633
156,012	160,091	90,556	10,103	1,355	499,046
	1,190,572				1,190,572
820,682			109,236	7,601	937,519
				212,368	308,868
					80,338
		2,716,351			2,950,957
109,209		110,333			248,757
1,085,903	1,350,663	2,917,240	119,339	221,324	6,216,057
(34,429)	6,439	39,158	73,823	(159,804)	95,576
(12,670)	(39,588)	(8,070)	(222,444)	(550,000)	(1,244,024)
(12,670)	(39,588)	(8,070)	(222,444)	(550,000)	(1,244,024)
(47,099)	(33,149)	31,088	(148,621)	(709,804)	(1,148,448)
8,993	935,165	116,960	145,372	1,914,232	3,815,081
$ (38,106)	$ 902,016	$ 148,048	$ (3,249)	$ 1,204,428	$ 2,666,633