

**TOWN OF RIVERHEAD**  
**BASIC FINANCIAL STATEMENTS**  
December 31, 2007

**TOWN OF RIVERHEAD  
BASIC FINANCIAL STATEMENTS  
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**INTRODUCTORY SECTION**

**TOWN OF RIVERHEAD**  
**PRINCIPAL OFFICIALS**  
December 31, 2007

Philip Cardinale, Supervisor

Edward Densieski, Councilman  
George Bartunek, Councilman

Barbara Blass, Councilwoman  
John Dunleavy, Councilman

**ELECTED OFFICIALS**

Laverne Tennenberg  
Paul Leszczynski  
Mason E. Haas  
Mark Kwasna  
Maryann Wowak Heilbrunn  
Barbara Grattan  
Richard Ehlers  
Allen M. Smith

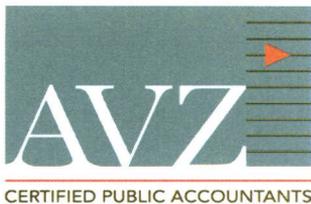
Chairwoman, Board of Assessors  
Board of Assessors  
Board of Assessors  
Highway Superintendent  
Receiver of Taxes  
Town Clerk  
Town Justice  
Town Justice

**DEPARTMENT HEADS**

Dawn Thomas  
William Rothaar  
Leroy E. Barnes, Jr.  
Andrea Lohneiss  
Ken Testa  
Richard Hanley  
Chief David Hegermiller  
Ray Coyne  
Judy Doll  
John Reeve  
Michael Reichel  
Gary Pendzick

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

**FINANCIAL SECTION**



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of December 31, 2007, and for the year then ended, which collectively comprise the Town of Riverhead's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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, the discretely presented component unit presented in the financial statements. As of December 31, 2007, the Town of Riverhead Industrial Development Agency has total assets of \$412,190, and total revenues of \$250,585 for the year then ended. 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 the Town of Riverhead Industrial Development Agency, 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 component unit presented discretely in these financial statements 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 unit, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of December 31, 2007, 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.

PERSONAL SERVICE. TRUSTED ADVICE.

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.  
245 PARK AVENUE, 24<sup>TH</sup> FLOOR 25 SUFFOLK COURT  
NEW YORK, NY 10167 HAUPPAUGE, NY 11788-3715  
T: 212.792.4075 T: 631.434.9500 F: 631.434.9518  
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INDEPENDENT MEMBER OF BKR INTERNATIONAL



In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2009, on our consideration of the Town of Riverhead'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* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the Town of Riverhead, New York's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

*Allert, Vajjinar, Zamb & Company P.C.*

Hauppauge, New York  
December 30, 2009

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **Management's Discussion and Analysis**

**TOWN OF RIVERHEAD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2007

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 fiscal year ended December 31, 2007. The Town's discussion and analysis is designed to (a) assist the reader in focusing on significant issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. Please read it in conjunction with the Town's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The combined assets of the Town exceed its liabilities at the close of 2007 by \$152,845,319 (net assets).
- The Town's combined net assets increased by \$8,626,187 (or 6.0%). The governmental net assets increased by \$3,698,004 (or 3.8%) and the business-type net assets increased by \$4,928,183 (or 10.5%).
- As of December 31, 2007, the Town's governmental funds reported combined ending fund balances of \$42,071,461. Of this total \$8,279,905 is unreserved and available to meet the Town's current and future needs.
- As of December 31, 2007, unreserved fund balances for the General Fund was \$11,012,177 (or 30.3%) of the total general fund expenditures. The unreserved, undesignated portion was \$8,235,643 (22.7%) of the total general fund expenditures.
- The Town's total bonded debt outstanding decreased by \$6,712,997 (or 5.7%).

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The reporting focus of this report is on the Town as a whole, as well as on the major individual funds. The report presents a more comprehensive view of the Town's financial activities and makes it easy to compare the performance of the Town of Riverhead's government to that of other governments.

The financial section of this annual report presents the Town's financial activities and position in four parts – (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information other than management's discussion and analysis, and (4) other supplementary information presenting combining statements.

The basic financial statements include government-wide financial statements, fund financial statements, and notes that provide more detailed information to supplement the basic financial statements.

#### **Reporting the Town as a Whole**

The government-wide financial statements are designed to present an overall picture of the financial position of the Town. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private-sector companies.

The Statement of Net Assets combines and consolidates the Towns' current financial resources with capital assets and long-term obligations. This statement includes all of the Town's assets and liabilities.

**TOWN OF RIVERHEAD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2007

**Reporting the Town as a Whole** (continued)

Net assets are the difference between the Town's assets and its liabilities, and represent one measure of the Town's fiscal health. Over time increases or decreases in the Town's net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The reader may wish to consider other nonfinancial factors, however, such as changes in the Town's property tax base, bond ratings, the condition of its infrastructure, and sources of non-tax revenue, to assess the overall health of the Town.

The Statement of Activities focuses on both the gross and net cost of various activities (governmental, business-type and component unit); these costs are paid by the Town's general tax and other revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific government services and includes all current year revenues and expenses.

The Statement of Net Assets and the Statement of activities divide the Town's activities into two types:

**Primary Government**

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services. Property taxes, mortgage taxes, sales taxes, franchise fees, user fees, and state and federal grants finance these activities. The Town also charges fees to customers to help cover the cost of certain services it provides.

**Component Unit**

Component units are legally separate organizations 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 Town of Riverhead Industrial Development Agency in its report.

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

**Reporting the Town's Most Significant Funds**

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Riverhead, like other state and local 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.** 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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**TOWN OF RIVERHEAD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2007

**Reporting the Town's Most Significant Funds** (continued)

**Governmental funds** (continued)

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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 general fund, debt service fund, community preservation fund, and capital projects, all of which are considered to be major funds. Data from the other ten (10) nonmajor 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 elsewhere in this report.

The Town of Riverhead adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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 an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses its internal service funds to account for its fleet services, risk management and employee health and disability 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer District and Water District funds since both are considered to be major funds of the Town. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. The proprietary fund financial statements can be found in the Basic Financial Statements section of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The fiduciary fund financial statement can be found in the Basic Financial Statements section of this report.

**Notes to 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.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information, in other supplementary information.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2007

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

**Government-Wide Financial Analysis**

The comparative condensed statements below focus on the net assets and changes in net assets of the Town of Riverhead's governmental and business-type activities.

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial health. In the case of the Town, total combined assets exceeded liabilities by \$152,845,319 as of December 31, 2007.

Components of net assets have been restated to provide comparability to 2006.

The largest portion of the Town's combined net assets, at December 31, 2007, (74.9%) reflects its investments in capital assets (e.g., land, building, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service 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 cannot be used to liquidate these liabilities.

**Condensed Statement of Net Assets**  
**Governmental Activities and Business-type Activities**  
as of December 31,

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and other assets	\$ 55,970,987	\$ 53,725,106	\$ 17,640,421	\$ 13,549,350	\$ 73,611,408	\$ 67,274,456
Capital assets	173,325,973	166,321,526	52,336,865	51,396,392	225,662,838	217,717,918
Total assets	<u>229,296,960</u>	<u>220,046,632</u>	<u>69,977,286</u>	<u>64,945,742</u>	<u>299,274,246</u>	<u>284,992,374</u>
<b>Liabilities</b>						
Current liabilities	17,387,703	6,500,998	3,301,347	1,907,662	20,689,050	8,408,660
Noncurrent liabilities	111,147,236	116,481,617	14,592,641	15,882,965	125,739,877	132,364,582
Total liabilities	<u>128,534,939</u>	<u>122,982,615</u>	<u>17,893,988</u>	<u>17,790,627</u>	<u>146,428,927</u>	<u>140,773,242</u>
<b>Net Assets (Deficit)</b>						
Invested in capital assets, net of related debt	77,321,403	65,621,331	37,175,536	34,636,805	114,496,939	100,258,136
Restricted	25,533,435	33,086,792	3,817,327	6,444,958	29,350,762	39,531,750
Unrestricted	(2,092,817)	(1,644,106)	11,090,435	6,073,352	8,997,618	4,429,246
Total net assets	<u>\$ 100,762,021</u>	<u>\$ 97,064,017</u>	<u>\$ 52,083,298</u>	<u>\$ 47,155,115</u>	<u>\$ 152,845,319</u>	<u>\$ 144,219,132</u>

An additional portion of the Town's net assets (19.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$8,997,618, may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current year, the Town is able to report positive balances in all three categories of net assets for its business-type activities. The deficit balance in the governmental activities (\$2,092,817) in unrestricted net assets does not necessarily indicate fiscal stress. The deficit balance of unrestricted net assets arose primarily because the Town borrowed funds only as needed. In addition, long-term liabilities which include compensated absences, claims and judgments and the landfill closure and post closure monitoring will be funded through future budgetary appropriations when they become payable in future periods.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2007

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (continued)**

The comparative condensed statements below focus on the operations of the Town of Riverhead's governmental and business-type activities.

Due to the size and complexity of the prior period adjustments it is impractical to restate the operations.

**Changes in Net Assets**

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 7,519,660	\$ 8,280,816	\$ 6,348,674	\$ 5,716,313	\$ 13,868,334	\$ 13,997,129
Operating grants and contributions	579,384	676,671	88,614		667,998	676,671
Capital grants and contributions	2,966,256	1,757,002	3,896,747	1,010,736	6,863,003	2,767,738
	<u>11,065,300</u>	<u>10,714,489</u>	<u>10,334,035</u>	<u>6,727,049</u>	<u>21,399,335</u>	<u>17,441,538</u>
<b>General Revenues:</b>						
Real property taxes	34,636,515	32,322,526	2,081,646	2,010,899	36,718,161	34,333,425
Real property tax items	322,840	349,673	399,005	399,016	721,845	748,689
Non-property tax items - sales tax	910,305	821,080	146,688	146,688	1,056,993	967,768
Community preservation fund 2% tax	4,571,973	6,101,202			4,571,973	6,101,202
Mortgage tax	2,577,647	3,132,907			2,577,647	3,132,907
Franchise tax	547,815	292,141			547,815	292,141
Investment earnings - unrestricted	2,781,772	2,171,899	1,260,544	891,484	4,042,316	3,063,383
Other compensation for loss	2,195,729	39,670			2,195,729	39,670
Federal and state aid	112,853				112,853	
Gain on sale of capital assets			192,000		192,000	
Other	244,075				244,075	
	<u>48,901,524</u>	<u>45,231,098</u>	<u>4,079,883</u>	<u>3,448,087</u>	<u>52,981,407</u>	<u>48,679,185</u>
<b>Total Revenues</b>	<u>59,966,824</u>	<u>55,945,587</u>	<u>14,413,918</u>	<u>10,175,136</u>	<u>74,380,742</u>	<u>66,120,723</u>
<b>Expenses</b>						
General government support	10,329,821	12,250,533			10,329,821	12,250,533
Public safety	17,808,445	17,036,754			17,808,445	17,036,754
Health	654,708	647,758			654,708	647,758
Transportation	6,933,577	5,700,373			6,933,577	5,700,373
Economic assistance and opportunity	6,906,346	7,282,747			6,906,346	7,282,747
Culture and recreation	3,618,596	4,445,267			3,618,596	4,445,267
Home and community services	6,797,971	11,074,335	8,875,815	7,844,721	15,673,786	18,919,056
Interest on debt	3,829,276	3,129,061			3,829,276	3,129,061
	<u>56,878,740</u>	<u>61,566,828</u>	<u>8,875,815</u>	<u>7,844,721</u>	<u>65,754,555</u>	<u>69,411,549</u>
<b>Total Expenses</b>	<u>56,878,740</u>	<u>61,566,828</u>	<u>8,875,815</u>	<u>7,844,721</u>	<u>65,754,555</u>	<u>69,411,549</u>
Change in Net Assets before transfers	3,088,084	(5,621,241)	5,538,103	2,330,415	8,626,187	(3,290,826)
Transfers	609,920	590,000	(609,920)	(590,000)	-0-	-0-
Change in Net Assets	3,698,004	(5,031,241)	4,928,183	1,740,415	8,626,187	(3,290,826)
Net Assets - Beginning, as Restated	97,064,017	41,253,135	47,155,115	36,896,220	144,219,132	78,149,355
Net Assets - Ending	100,762,021	36,221,894	52,083,298	38,636,635	152,845,319	74,858,529
Prior Period Adjustment		60,842,123		8,518,480		69,360,603
Net Assets - Ending, as Restated	<u>\$ 100,762,021</u>	<u>\$ 97,064,017</u>	<u>\$ 52,083,298</u>	<u>\$ 47,155,115</u>	<u>\$ 152,845,319</u>	<u>\$ 144,219,132</u>

The change in net assets from all combined activities was an increase of \$8,626,187. The governmental activities increased by \$3,698,004 and the business-type increased by \$4,928,183.

Key elements of the changes in governmental activities are:

- An unbudgeted \$2,000,000 LIPA settlement; \$350,000 in increased building fees; \$165,000 in increased planning department fees, \$200,000 in interest income and the balance is in various other revenues.

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

- Unbudgeted developer fees of \$2,597,794 and principal payments of approximately \$2,300,000 that were reductions in serial bond liability.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2007

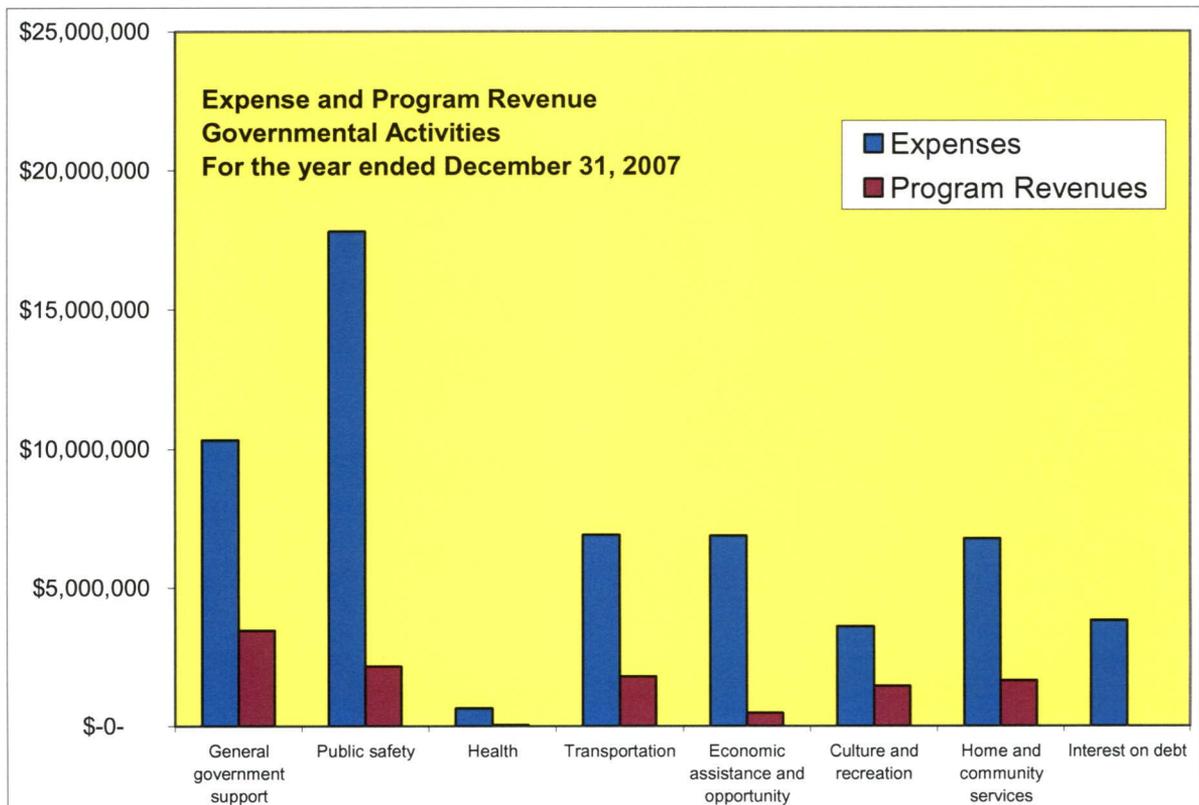
**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (continued)**

**Governmental Activities**

**Net Cost of Services  
 Governmental Activities  
 for the years ended December 31,**

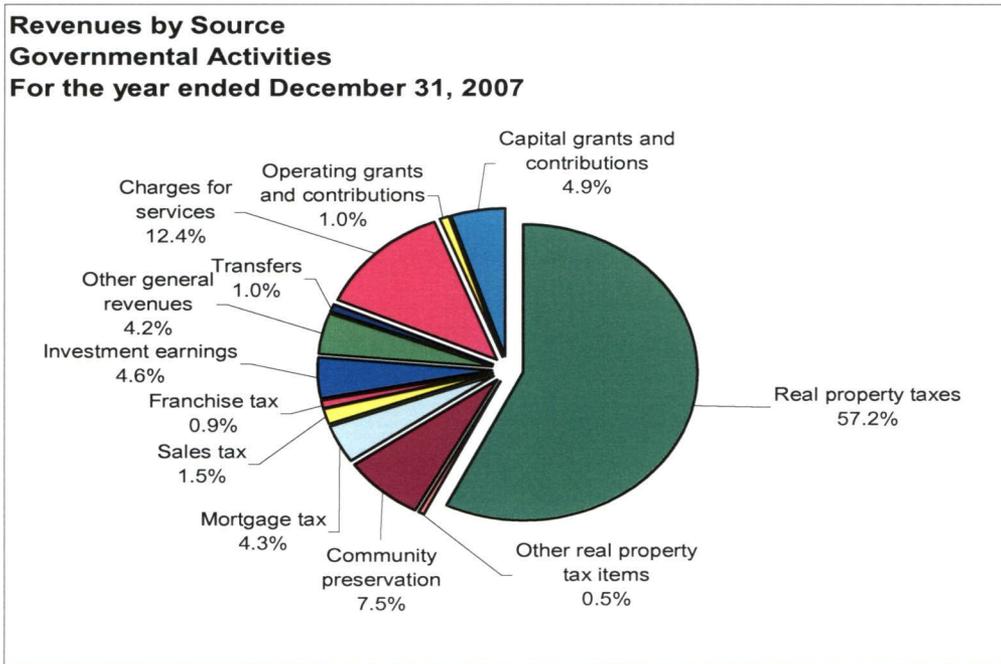
	2007	2006	2007	2006	2007	2006
	<u>Total Cost of Services (Expenses)</u>		<u>Program Revenue</u>		<u>Net Cost of Services</u>	
General government support	\$ 10,329,821	\$ 12,250,533	\$ 3,464,416	\$ 4,946,045	\$ 6,865,405	\$ 7,304,488
Public safety	17,808,445	17,036,754	2,165,727	1,970,477	15,642,718	15,066,277
Health	654,708	647,758	45,780	44,500	608,928	603,258
Transportation	6,933,577	5,700,373	1,798,966	1,220,958	5,134,611	4,479,415
Economic assistance and opportunity	6,906,346	7,282,747	477,371	424,836	6,428,975	6,857,911
Culture and recreation	3,618,596	4,445,267	1,463,683	872,779	2,154,913	3,572,488
Home and community services	6,797,971	11,074,335	1,649,357	1,234,894	5,148,614	9,839,441
Interest on debt	3,829,276	3,129,061			3,829,276	3,129,061
	<u>\$ 56,878,740</u>	<u>\$ 61,566,828</u>	<u>\$ 11,065,300</u>	<u>\$ 10,714,489</u>	<u>\$ 45,813,440</u>	<u>\$ 50,852,339</u>

The cost of the governmental activities this year was \$56,878,740. The net cost of these services after being subsidized by program revenues of \$11,065,300 was \$45,813,440.



**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2007

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (continued)**



Revenue by Source  
 years ended December 31,

	2007	2006
Real property taxes	\$ 34,636,515	\$ 32,322,526
Real property tax items	322,840	349,673
Non-property tax items - sales tax	910,305	821,080
Community preservation fund 2% tax	4,571,973	6,101,202
Mortgage tax	2,577,647	3,132,907
Franchise tax	547,815	292,141
Investment earnings - unrestricted	2,781,772	2,171,899
Other general revenues	2,552,657	39,670
Transfers	609,920	590,000
Charges for services	7,519,660	8,280,816
Operating grants and contributions	579,384	676,671
Capital grants and contributions	2,966,256	1,757,002
	<u>\$ 60,576,744</u>	<u>\$ 56,535,587</u>

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town of Riverhead 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

**TOWN OF RIVERHEAD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2007

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS** (continued)

As of the end of the current year, the Town of Riverhead's governmental funds reported combined ending fund balances of \$42,071,461. Approximately 12.1% of the total amount (\$5,088,571) constitutes unreserved, undesignated fund balance that is available to meet the Town's current and future operational and capital needs. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed: \$6,552,816 to pay for encumbrances, \$3,980,262 to pay for current and future debt service, \$ 23,938,351 for use of the Community Preservation Fund, \$620,127 reserved for prepaids, \$1,216,300 appropriated for the subsequent year's budget, and \$675,034 designated for miscellaneous designations.

**General Fund**

The General Fund is the chief operating fund of the Town. At December 31, 2007 unreserved, undesignated fund balance of the General Fund was \$8,235,643, while total fund balance of the General Fund was \$13,760,371. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance of the General Fund to total General Fund expenditures. Unreserved fund balance represents 22.7% of total General Fund expenditures, while total fund balance represents 37.8% of the same amount.

The fund balance increased by \$1,183,162 during the current year. The major components of the increase were unbudgeted revenue from a LIPA settlement of \$2,000,000 offset by increased interfund transfers out of approximately \$700,000.

**Capital Projects Fund**

The fund balance decreased by \$12,551,719 during the current year. The major reason for the decrease is spending continued and borrowing was put off until January 2008 resulting in a timing difference.

**Community Preservation Fund**

The fund balance increased by \$2,633,436. The major components of the revenue increases were \$1,319,773 in excess tax resulting from more land sales than anticipated and \$304,454 of additional interest income as a result of additional cash balances. The major component of the expenditure decrease was an approximately \$800,000 savings in debt service due to bonding being put off until January 2008.

**Nonmajor Funds**

The fund balance increased by \$311,149 spread over the ten nonmajor funds.

**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 assets of the Sewer and Water proprietary funds at the end of the year amounted to \$8,970,710 and \$2,119,725 respectively. Total growth in net assets for both funds was \$3,276,456 and \$1,651,727 respectively. See page 11, key elements of the changes in business-type activities, for more information.

**General Fund Budgetary Highlights** – During the year there was a minor \$20,008 increase in overall spending between the original and final amended budget.

This variation is covered by sufficient fund balance and are not expected to have a significant effect of future services or liquidity.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2007

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town of Riverhead's investment in capital assets for its governmental and business-type activities as of December 31, 2007 amounts to \$225,662,838 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, and construction in progress.

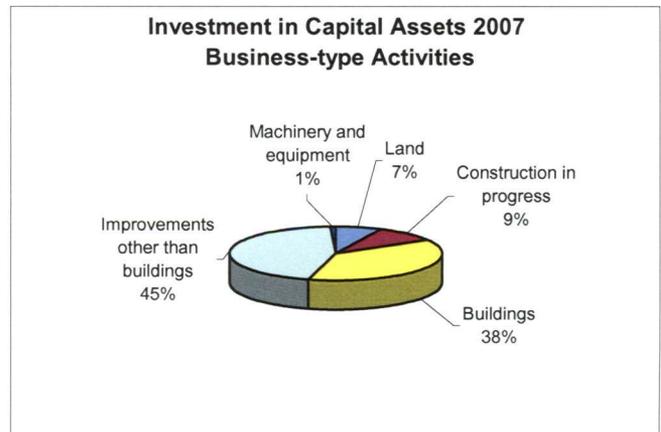
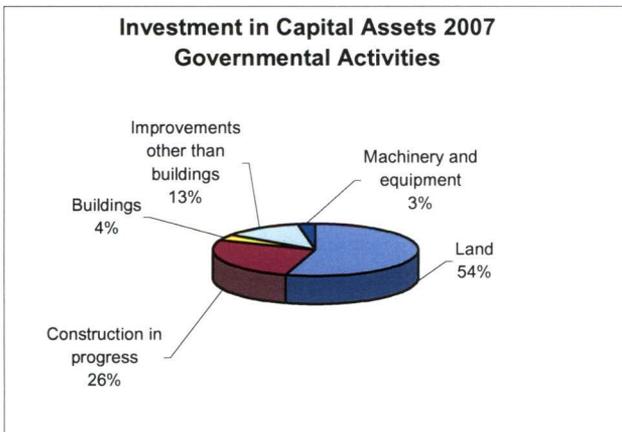
Components of capital assets have been restated for the prior period adjustment to provide comparability.

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

- The 2006 governmental activities capital assets and business-type capital assets were restated in the amount of \$59,582,113 and \$8,020,747 respectively for assets acquired in prior years.
- The purchase of development rights of farmland and acquisitions of open space in 2007 totaled approximately \$12,126,000 in governmental activities.
- The improvement to water and sewer infrastructure of \$2,543,898 in the business-type activities and deletions of \$3,421,490 that were moved to building and improvements.
- Construction of new water plants/wells of \$2,506,555. Water well rehabilitation of \$488,050.
- Improvements to water mains of \$322,671.

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 94,778,772	\$ 79,648,185	\$ 3,682,403	\$ 3,690,403	\$ 98,461,175	\$ 83,338,588
Construction in progress	46,015,848	47,677,866	4,871,462	5,749,054	50,887,310	53,426,920
Buildings	6,083,476	6,274,528	19,838,686	17,420,666	25,922,162	23,695,194
Improvements other than buildings	21,783,096	28,078,000	23,555,509	24,141,595	45,338,605	52,219,595
Machinery and equipment	4,664,781	4,642,947	388,805	394,674	5,053,586	5,037,621
<b>Total Capital Assets</b>	<b>\$ 173,325,973</b>	<b>\$ 166,321,526</b>	<b>\$ 52,336,865</b>	<b>\$ 51,396,392</b>	<b>\$ 225,662,838</b>	<b>\$ 217,717,918</b>



Additional information on the Town's capital assets can be found in Note C.3 to the financial statements.

**TOWN OF RIVERHEAD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2007

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Debit Administration**

At the end of 2007, the Town of Riverhead has total bonded debt outstanding of \$110,590,001. As of December 31, 2007 the Town's total combined debt decreased by \$6,712,997 (or 5.7%). 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	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 95,428,672	\$ 100,693,195	\$ 15,161,329	\$ 16,602,803	\$ 110,590,001	\$ 117,295,998
Bond anticipations notes		7,000				7,000
<b>Total</b>	<b>\$ 95,428,672</b>	<b>\$ 100,700,195</b>	<b>15,161,329</b>	<b>\$ 16,602,803</b>	<b>\$ 110,590,001</b>	<b>\$ 117,302,998</b>

The Town of Riverhead maintains an "AA-" rating from Standard & Poor's Corp., and 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 and the business-type activities. The current debt limitation for the Town is \$400,213,665 which is significantly in excess of the Town's outstanding general obligation debt. The percentage of debt limit exhausted is 23.84%.

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 \$100,000 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 long-term debt can be found in Note C.4 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Next year's budget will increase by \$3,675,312 or 6.46% with the majority of this increased spending for General Fund (\$2,884,305), Highway Fund (\$194,180), Water District (\$193,531), Street Lighting (\$116,600), and the Refuse & Garbage District (\$191,296).

Assessed values increased in 2008 by \$14,491,329 over 2007 or 1.9%.

The Town wide tax rate increased by \$1.01 per \$1000 of assessed value, or 2.68%, for the 2008 budget year.

**TOWN OF RIVERHEAD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2007

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES** (continued)

The Town's union contracts were set to expire on December 31, 2007. In December 2008 the Town signed contracts with all three of its labor unions. The Superior Officers Association Inc. (SOA) and Police Benevolent Association Inc. (PBA) labor contracts cover the period January 1, 2008 to December 31, 2011 and provide for a 4.0% increase for each year of the contract. . The Civil Service Employees Association (CSEA) contract is for the period January 1, 2008 to December 31, 2010 and provides for a 3.8% percent cost of living increase in each year of the contract.

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 STATEMENTS**  
**STATEMENT OF NET ASSETS**  
December 31, 2007

	Primary Government			Component Unit IDA
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 28,585,031	\$ 12,256,547	\$ 40,841,578	\$ 401,402
Cash - restricted	27,080,286		27,080,286	
Cash investments	400,000		400,000	
Accounts receivable	271,227		271,227	
Accrued interest receivable	34,552	10,367	44,919	
Billings receivable	177,314	895,027	1,072,341	
Due from other governments	2,492,533	545,693	3,038,226	
Internal balances	(3,833,929)	3,833,929	-	
Prepays	626,751	51,799	678,550	9,024
Inventory of materials and supplies	125,613	47,059	172,672	
Other assets	11,609		11,609	
<b>Total Current Assets</b>	<b>55,970,987</b>	<b>17,640,421</b>	<b>73,611,408</b>	<b>410,426</b>
<b>Non-current Assets:</b>				
Non-depreciable capital assets	140,794,620	8,553,865	149,348,485	
Capital assets, net of accumulated depreciation	32,531,353	43,783,000	76,314,353	1,764
<b>Total Non-Current Assets</b>	<b>173,325,973</b>	<b>52,336,865</b>	<b>225,662,838</b>	<b>1,764</b>
<b>Total Assets</b>	<b>229,296,960</b>	<b>69,977,286</b>	<b>299,274,246</b>	<b>412,190</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	1,268,215	783,802	2,052,017	891
Accrued interest payable	543,678	113,543	657,221	12,267
Due to other governments	2,770		2,770	
Unearned revenue/deferred revenue	8,466,395	934,199	9,400,594	
Other liabilities		12,000	12,000	
<b>Non-current Liabilities due within one year:</b>				
General obligation bonds payable	6,594,466	1,455,535	8,050,001	
Compensated absences payable	188,642	2,268	190,910	
Claims and judgments payable	323,537		323,537	2,294
<b>Total Current Liabilities</b>	<b>17,387,703</b>	<b>3,301,347</b>	<b>20,689,050</b>	<b>15,452</b>
<b>Non-Current Liabilities due in more than one year:</b>				
General obligation bonds payable	88,834,206	13,705,794	102,540,000	
Compensated absences payable	5,931,101	886,847	6,817,948	
Claims and judgments payable	631,929		631,929	
Estimated liability for landfill closure and post closure care costs	15,750,000		15,750,000	
<b>Total Non-Current Liabilities</b>	<b>111,147,236</b>	<b>14,592,641</b>	<b>125,739,877</b>	
<b>Total Liabilities</b>	<b>128,534,939</b>	<b>17,893,988</b>	<b>146,428,927</b>	<b>15,452</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	77,321,403	37,175,536	114,496,939	
Restricted for:				
Debt service fund	761,560	1,762,635	2,524,195	
Community preservation fund	23,938,351		23,938,351	
Home and community services	833,524	2,054,692	2,888,216	
Unrestricted	(2,092,817)	11,090,435	8,997,618	396,738
<b>Total Net Assets</b>	<b>\$ 100,762,021</b>	<b>\$ 52,083,298</b>	<b>\$ 152,845,319</b>	<b>\$ 396,738</b>

**TOWN OF RIVERHEAD**  
**GOVERNMENT-WIDE FINANCIAL STATEMENT**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2007

Function/ Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General government support	\$ 10,329,821	\$ 1,858,117	\$ 12,001	\$ 1,594,298
Public safety	17,808,445	2,064,960	50,783	49,984
Health	654,708	45,780		
Transportation	6,933,577	1,140,375	488	658,103
Economic assistance and opportunity	6,906,346	35,212	442,159	
Culture and recreation	3,618,596	1,096,804		366,879
Home and community services	6,797,971	1,278,412	73,953	296,992
Interest on debt	3,829,276			
<b>Total Governmental Activities</b>	<b>\$ 56,878,740</b>	<b>\$ 7,519,660</b>	<b>\$ 579,384</b>	<b>\$ 2,966,256</b>
Business-type Activities:				
Sewer	\$ 3,837,608	\$ 3,032,903	\$ 88,614	\$ 2,509,181
Water	5,038,207	3,315,771		1,387,566
<b>Total Business-type Activities</b>	<b>8,875,815</b>	<b>6,348,674</b>	<b>88,614</b>	<b>3,896,747</b>
<b>Total Primary Government</b>	<b>\$ 65,754,555</b>	<b>\$ 13,868,334</b>	<b>\$ 667,998</b>	<b>\$ 6,863,003</b>
<b>COMPONENT UNIT:</b>				
Industrial Development Agency (IDA)	\$ 132,753	\$ 250,126		
<b>Total Component Unit</b>	<b>\$ 132,753</b>	<b>\$ 250,126</b>		

**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
- Federal and state aid
- Gain on sale of capital assets
- Other

**Transfers**

Total General Revenues and Transfers

Change in Net Assets

**Net Assets - Beginning, as reported**

**Prior period adjustment**

**Net Assets - Beginning, as restated**

**Net Assets - Ending**

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Industrial Development Agency</b>
\$ (6,865,405)		\$ (6,865,405)	
(15,642,718)		(15,642,718)	
(608,928)		(608,928)	
(5,134,611)		(5,134,611)	
(6,428,975)		(6,428,975)	
(2,154,913)		(2,154,913)	
(5,148,614)		(5,148,614)	
(3,829,276)		(3,829,276)	
<u>\$ (45,813,440)</u>		<u>\$ (45,813,440)</u>	
	\$ 1,793,090	\$ 1,793,090	
	(334,870)	(334,870)	
	<u>1,458,220</u>	<u>1,458,220</u>	
<u>\$ (45,813,440)</u>	<u>\$ 1,458,220</u>	<u>\$ (44,355,220)</u>	
			\$ 117,373
			<u>\$ 117,373</u>
\$ 34,636,515	\$ 2,081,646	\$ 36,718,161	
322,840	399,005	721,845	
910,305	146,688	1,056,993	
4,571,973		4,571,973	
2,577,647		2,577,647	
547,815		547,815	
2,781,772	1,260,544	4,042,316	\$ 459
2,195,729		2,195,729	
112,853		112,853	
	192,000	192,000	
244,075		244,075	
609,920	(609,920)	-0-	
<u>49,511,444</u>	<u>3,469,963</u>	<u>52,981,407</u>	<u>459</u>
<u>3,698,004</u>	<u>4,928,183</u>	<u>8,626,187</u>	<u>117,832</u>
<u>36,221,894</u>	<u>38,636,635</u>	<u>74,858,529</u>	<u>278,906</u>
<u>60,842,123</u>	<u>8,518,480</u>	<u>69,360,603</u>	
<u>97,064,017</u>	<u>47,155,115</u>	<u>144,219,132</u>	<u>278,906</u>
<u>\$ 100,762,021</u>	<u>\$ 52,083,298</u>	<u>\$ 152,845,319</u>	<u>\$ 396,738</u>

**TOWN OF RIVERHEAD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2007**

	MAJOR FUNDS					Total Governmental Funds
	General	Debt Service	Capital Projects	Community Preservation	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 18,695,053		\$ 251,754		\$ 4,925,319	\$ 23,872,126
Cash - restricted		\$ 18,158,106		\$ 8,020,000	902,180	27,080,286
Accounts receivable	182,856		35,039		53,332	271,227
Accrued Interest receivable	3,828	17,433	63	3,935	4,508	29,767
Due from other funds	2,533,710	1,309,256	111,641	15,709,304	3,900,401	23,564,312
Due from other governments	1,016,698		1,231,660	208,932	35,243	2,492,533
Prepays	578,248		1,492		40,387	620,127
Other assets	11,609					11,609
<b>Total Assets</b>	<b>\$ 23,022,002</b>	<b>\$ 19,484,795</b>	<b>\$ 1,631,649</b>	<b>\$ 23,942,171</b>	<b>\$ 9,861,370</b>	<b>\$ 77,941,987</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 331,474		\$ 541,472	\$ 3,743	\$ 239,133	\$ 1,115,822
Due to other funds	3,301,239	\$ 18,723,235	4,024,329		236,736	26,285,539
Due to other governments			2,770			2,770
Deferred revenue	5,628,918		45,676		2,791,801	8,466,395
<b>Total Liabilities</b>	<b>9,261,631</b>	<b>18,723,235</b>	<b>4,614,247</b>	<b>3,743</b>	<b>3,267,670</b>	<b>35,870,526</b>
Fund Balances:						
Reserved for:						
Encumbrances	679,914		5,580,835	77	291,990	6,552,816
Debt service	1,490,032				1,190,230	2,680,262
Community Preservation				23,938,351		23,938,351
Prepays	578,248		1,492		40,387	620,127
Unreserved, designated for:						
Subsequent year's budget	801,500					801,500
Subsequent year's debt service	1,300,000					1,300,000
Nonmajor special revenue funds					414,800	414,800
Miscellaneous designations	675,034					675,034
Unreserved, undesignated reported in:						
General fund	8,235,643					8,235,643
Special revenue funds					4,656,293	4,656,293
Debt service funds		761,560				761,560
Capital funds			(8,564,925)			(8,564,925)
<b>Total Fund Balances</b>	<b>13,760,371</b>	<b>761,560</b>	<b>(2,982,598)</b>	<b>23,938,428</b>	<b>6,593,700</b>	<b>42,071,461</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,022,002</b>	<b>\$ 19,484,795</b>	<b>\$ 1,631,649</b>	<b>\$ 23,942,171</b>	<b>\$ 9,861,370</b>	<b>\$ 77,941,987</b>

**TOWN OF RIVERHEAD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
December 31, 2007

**Total Fund Balances - Governmental Funds** \$ 42,071,461

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

Capital assets less accumulated depreciation are included in the Statement of Net Assets:

Capital assets - non-depreciable	140,794,620	
Capital assets - depreciable	131,879,837	
Accumulated depreciation	(99,348,484)	173,325,973

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 government activities in the government wide statement of net assets (net of amount allocated to capital assets and long-term liabilities).

4,162,146

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 Assets.

General obligation bonds	(95,428,672)	
Compensated absences	(6,119,743)	
Claims and judgments	(955,466)	
Estimated liability for landfill closure and postclosure costs	(15,750,000)	(118,253,881)

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 Assets.

(543,678)

**Net Assets of Governmental Activities** **\$ 100,762,021**

**TOWN OF RIVERHEAD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year ended December 31, 2007

	MAJOR FUNDS				Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects	Community Preservation		
<b>REVENUES</b>						
Real property taxes	\$ 23,808,272				\$ 10,828,243	\$ 34,636,515
Real property tax items	322,840					322,840
Non-property tax items	1,458,120			\$ 4,571,973		6,030,093
Departmental income	3,811,402				857,985	4,669,387
Intergovernmental charges	104,651		\$ 40,834		735	146,220
Use of money and property	985,970	\$ 812,379	86,027	384,454	474,637	2,743,467
Licenses and permits	72,105					72,105
Fines and forfeitures	476,929					476,929
Sale of property and compensation for loss	2,232,672				3,694	2,236,366
Miscellaneous local sources	102,967		59,160		47,854	209,981
Interfund revenue	162,100					162,100
State aid	3,035,072		2,214,495		41,369	5,290,936
Federal aid	52,035		498,991		144,178	695,204
<b>Total Revenues</b>	<b>36,625,135</b>	<b>812,379</b>	<b>2,899,507</b>	<b>4,956,427</b>	<b>12,398,695</b>	<b>57,692,143</b>
<b>EXPENDITURES</b>						
Current:						
General government support	7,289,173				592,100	7,881,273
Public safety	12,509,896					12,509,896
Health	10,297				591,412	601,709
Transportation	338,607				3,536,111	3,874,718
Economic assistance and opportunity	907,144				83,797	990,941
Culture and recreation	1,255,552				102,354	1,357,906
Home and community services	1,400,110			116,688	4,666,036	6,182,834
Employee benefits	7,585,812			2,230	934,937	8,522,979
Capital Outlay:						
General government support			12,271,499			12,271,499
Public safety			57,914			57,914
Transportation			1,216,287			1,216,287
Economic assistance and opportunity			18,339			18,339
Culture and recreation			1,834,604			1,834,604
Home and community services			651,966			651,966
Debt Service:						
Principal		4,691,723				4,691,723
Interest		3,861,211				3,861,211
<b>Total Expenditures</b>	<b>31,296,591</b>	<b>8,552,934</b>	<b>16,050,609</b>	<b>118,918</b>	<b>10,506,747</b>	<b>66,525,799</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,328,544</b>	<b>(7,740,555)</b>	<b>(13,151,102)</b>	<b>4,837,509</b>	<b>1,891,948</b>	<b>(8,833,656)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	918,355	7,662,585	680,307	75,220	36,124	9,372,591
Operating transfers out	(5,063,737)	(44,370)	(87,924)	(2,279,293)	(1,616,923)	(9,092,247)
Debt proceeds			7,000			7,000
<b>Total Other Financing Sources (Uses)</b>	<b>(4,145,382)</b>	<b>7,618,215</b>	<b>599,383</b>	<b>(2,204,073)</b>	<b>(1,580,799)</b>	<b>287,344</b>
<b>Net Change in Fund Balance</b>	<b>1,183,162</b>	<b>(122,340)</b>	<b>(12,551,719)</b>	<b>2,633,436</b>	<b>311,149</b>	<b>(8,546,312)</b>
<b>Fund Balances at Beginning of Year, as Reported</b>	<b>9,470,950</b>	<b>20,808,328</b>	<b>7,269,998</b>	<b>5,525,715</b>	<b>5,182,469</b>	<b>48,257,460</b>
<b>Prior Period Adjustments</b>	<b>3,106,259</b>	<b>(19,924,428)</b>	<b>2,299,123</b>	<b>15,779,277</b>	<b>1,100,082</b>	<b>2,360,313</b>
<b>Fund Balances at Beginning of Year, as Restated</b>	<b>12,577,209</b>	<b>883,900</b>	<b>9,569,121</b>	<b>21,304,992</b>	<b>6,282,551</b>	<b>50,617,773</b>
<b>Fund Balances at End of Year</b>	<b>\$ 13,760,371</b>	<b>\$ 761,560</b>	<b>\$ (2,982,598)</b>	<b>\$ 23,938,428</b>	<b>\$ 6,593,700</b>	<b>\$ 42,071,461</b>

**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, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (8,546,312)

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

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

Capital outlay, inclusive of internal service fund assets	14,578,352	
Depreciation expense, inclusive of internal service fund assets	<u>(7,482,737)</u>	
		7,095,615

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

Claims and judgments payable	154,767
Other change in net assets	<u>930,419</u>

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

Repayment of debt principal	4,684,723
Compensated absences	(653,143)
Accrued interest payable	<u>31,935</u>

Change in Net Assets of Governmental Activities \$ 3,698,004

**TOWN OF RIVERHEAD**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
December 31, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 8,207,383	\$ 4,049,164	\$ 12,256,547	\$ 4,712,905
Cash investments				400,000
Accrued interest receivable	8,739	1,628	10,367	4,785
Billings receivables	45,559	849,468	895,027	177,314
Due from other funds	2,707,264	1,126,665	3,833,929	386,499
Due from other governments	545,693		545,693	
Prepays	22,034	29,765	51,799	6,624
Inventory of materials and supplies		47,059	47,059	125,613
Total Current Assets	11,536,672	6,103,749	17,640,421	5,813,740
<b>Non-current Assets:</b>				
<b>Capital assets:</b>				
Land	575,912	3,106,491	3,682,403	
CIP	2,772,756	2,098,706	4,871,462	
Buildings	21,974,319	11,016,872	32,991,191	1,466,137
Improvements other than buildings	21,532,305	36,787,969	58,320,274	479,443
Machinery and equipment	692,205	7,245,445	7,937,650	153,316
Less accumulated depreciation	(29,876,885)	(25,589,230)	(55,466,115)	(650,358)
Total capital assets (net of accumulated depreciation)	17,670,612	34,666,253	52,336,865	1,448,538
Total Non-current assets	17,670,612	34,666,253	52,336,865	1,448,538
<b>Total Assets</b>	29,207,284	40,770,002	69,977,286	7,262,278
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	99,120	684,682	783,802	152,393
Bond interest and matured bonds payable	53,637	59,906	113,543	
Customers deposits payable		12,000	12,000	
General obligation bonds payable	417,263	1,038,272	1,455,535	622,500
Claims and judgments payable				323,537
Compensated absences payable		2,268	2,268	
Due to other funds				1,499,201
Unearned revenue/deferred revenue	594,735	339,464	934,199	
Total Current Liabilities	1,164,755	2,136,592	3,301,347	2,597,631
<b>Non-current Liabilities:</b>				
General obligation bonds payable	5,544,064	8,161,730	13,705,794	1,123,100
Claims and judgments payable				631,929
Compensated absences payable	226,813	660,034	886,847	120,714
Total Non-current Liabilities	5,770,877	8,821,764	14,592,641	1,875,743
<b>Total Liabilities</b>	6,935,632	10,958,356	17,893,988	4,473,374
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,709,285	25,466,251	37,175,536	259,338
Restricted for debt service	906,408	856,227	1,762,635	
Restricted for other purposes	685,249	1,369,443	2,054,692	
Unrestricted	8,970,710	2,119,725	11,090,435	2,529,566
<b>Total Net Assets</b>	\$ 22,271,652	\$ 29,811,646	\$ 52,083,298	\$ 2,788,904

**TOWN OF RIVERHEAD**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
December 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water sales		\$ 3,285,247	\$ 3,285,247	
Sewer rents	\$ 1,928,329		1,928,329	
Sewer charges	1,046,421		1,046,421	
Departmental income		28,031	28,031	\$ 27,425
Service other departments				3,411,663
State aid	88,614		88,614	
Other services	58,153	2,493	60,646	
<b>Total Operating Revenues</b>	<u>3,121,517</u>	<u>3,315,771</u>	<u>6,437,288</u>	<u>3,439,088</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services:				
Administration	775,272	1,351,078	2,126,350	1,594,227
Insurance				515,742
Judgments and claims				458,596
Sewerage treatment disposal	1,757,751		1,757,751	
Source of supply, power and pump		1,752,523	1,752,523	
Depreciation	622,521	1,018,384	1,640,905	46,810
Employee benefits	382,303	498,666	880,969	150,190
<b>Total Operating Expenses</b>	<u>3,537,847</u>	<u>4,620,651</u>	<u>8,158,498</u>	<u>2,765,565</u>
<b>Operating Income (Loss)</b>	<u>(416,330)</u>	<u>(1,304,880)</u>	<u>(1,721,210)</u>	<u>673,523</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Investment earnings - unrestricted	570,724	262,448	833,172	172,632
Interest expense	(299,761)	(417,556)	(717,317)	(89,753)
Tower rentals		427,372	427,372	
Developer's fees	2,509,181	1,387,566	3,896,747	
Gain (Loss) on sale of property		192,000	192,000	(792)
Real property taxes and tax items	624,949	1,456,697	2,081,646	
Other real property tax items	399,005		399,005	
Non-property tax distribution by county	146,688		146,688	
<b>Total Non-Operating Revenue (Expense)</b>	<u>3,950,786</u>	<u>3,308,527</u>	<u>7,259,313</u>	<u>82,087</u>
<b>Income before transfers</b>	<u>3,534,456</u>	<u>2,003,647</u>	<u>5,538,103</u>	<u>755,610</u>
Transfers in				343,183
Transfers out	(258,000)	(351,920)	(609,920)	(13,607)
<b>Change in Net Assets</b>	<u>3,276,456</u>	<u>1,651,727</u>	<u>4,928,183</u>	<u>1,085,186</u>
Total Net Assets - beginning, as reported	10,903,939	27,732,696	38,636,635	2,804,021
Prior period adjustment	8,091,257	427,223	8,518,480	(1,100,303)
Total Net Assets - beginning, as restated	<u>18,995,196</u>	<u>28,159,919</u>	<u>47,155,115</u>	<u>1,703,718</u>
<b>Total Net Assets - Ending</b>	<u>\$ 22,271,652</u>	<u>\$ 29,811,646</u>	<u>\$ 52,083,298</u>	<u>\$ 2,788,904</u>

**TOWN OF RIVERHEAD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
December 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 3,291,763	\$ 3,776,842	\$ 7,068,605	\$ 3,265,037
Cash payments contractual expense	(1,430,124)	(1,385,747)	(2,815,871)	(2,214,960)
Cash payments employees	(1,339,955)	(1,730,539)	(3,070,494)	(535,185)
Other revenues	58,153	30,524	88,677	27,425
<b>Net cash provided by operating activities</b>	<b>579,837</b>	<b>691,080</b>	<b>1,270,917</b>	<b>542,317</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Real property taxes and tax items	1,023,954	1,456,697	2,480,651	
Non-property tax distribution by county	146,688		146,688	
Tower rentals		427,372	427,372	
Gain on sale of property		192,000	192,000	(792)
Principal paid on non-capital debt				(513,700)
Interest paid on non-capital debt				(38,791)
Transfers to/from other funds	(3,247,734)	(2,236,774)	(5,484,508)	1,153,276
<b>Net cash provided (used) by noncapital and related financing activities</b>	<b>(2,077,092)</b>	<b>(160,705)</b>	<b>(2,237,797)</b>	<b>599,993</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on capital debt	(390,052)	(1,051,422)	(1,441,474)	(66,100)
Interest paid on capital debt	(295,831)	(424,931)	(720,762)	(50,962)
Capital contributions by developer's	2,509,181	1,387,566	3,896,747	
Payments to contractors	(626,990)	(1,954,391)	(2,581,381)	44,358
<b>Net cash provided (used) by capital and related financing activities</b>	<b>1,196,308</b>	<b>(2,043,178)</b>	<b>(846,870)</b>	<b>(72,704)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments, net				(400,000)
Proceeds from sale of investments				400,000
Interest income	584,788	270,243	855,031	180,196
<b>Net cash provided (used) by investing activities</b>	<b>584,788</b>	<b>270,243</b>	<b>855,031</b>	<b>180,196</b>
Net increase (decrease) in cash and cash equivalents	283,841	(1,242,560)	(958,719)	1,249,802
Prior period adjustment				9,930
Cash and cash equivalents at January 1, 2007	7,923,542	5,291,724	13,215,266	3,853,173
<b>Cash and cash equivalents at December 31, 2007</b>	<b>\$ 8,207,383</b>	<b>\$ 4,049,164</b>	<b>\$ 12,256,547</b>	<b>\$ 5,112,905</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (416,330)	\$ (1,304,880)	\$ (1,721,210)	\$ 673,523
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	622,521	1,018,384	1,640,905	46,810
(Increase) decrease in billings receivable	(366,336)	152,131	(214,205)	(146,626)
Decrease in inventory		20,544	20,544	356
(Increase) decrease in prepaid expense	(400)	(2,995)	(3,395)	629
Increase in deferred revenue	594,735	339,464	934,199	
Increase (decrease) in compensated absences	50,986	12,547	63,533	(875)
Increase in accounts payable	90,374	455,885	546,259	123,267
(Decrease) in claims and judgments				(154,767)
Increase in accrued liabilities	4,287		4,287	
Total adjustments	996,167	1,995,960	2,992,127	(131,206)
<b>Net cash provided by operating activities</b>	<b>\$ 579,837</b>	<b>\$ 691,080</b>	<b>\$ 1,270,917</b>	<b>\$ 542,317</b>

**TOWN OF RIVERHEAD**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
December 31, 2007

		Agency Fund
<b>ASSETS</b>		
Cash		\$ 17,664,889
	<b>Total Assets</b>	<u>\$ 17,664,889</u>
<b>LIABILITIES</b>		
Due to school districts		\$ 16,117,623
Other agency liabilities		1,547,266
	<b>Total Liabilities</b>	<u>\$ 17,664,889</u>

**TOWN OF RIVERHEAD**  
**INDEX FOR NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

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**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Riverhead (the "Town"), which was established in 1792, is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor who is elected for a term of two years and four council members who are elected for terms of four years. The Town Board appoints the Town Attorney whose term is fixed by Town Law. The Town Clerk and Receiver of Taxes are elected and serve for two years and four years, respectively. 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 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 Town has elected not to apply Financial Accounting Standards Board (FASB) pronouncements developed for business enterprises after November 30, 1989.

**1. REPORTING ENTITY**

The financial reporting entity consists of (a) the primary government, which is the Town of Riverhead; (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 as set forth in GASB Statement No. 14.

The decision to include a potential component unit in the Town of Riverhead reporting entity is based on several criteria set forth in GASB Statement No. 14 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 of Riverhead's reporting entity.

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 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 Community Development Agency 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 Community Development Agency 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 Community Development Agency, all indebtedness of the Community Development Agency is a liability only of the Community Development Agency and not of the Town of Riverhead.

Inclusion of the Community Development Agency as a component unit of the Town of Riverhead reported as a special revenue fund type is required by GASB Statement No. 14 solely because the members of the Community Development Agency are the same as the members of the Town Board of the Town of Riverhead. When acting as a member of the Community Development Agency, however, a member has a fiduciary responsibility to the Community Development Agency and not to the Town of Riverhead.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**1. REPORTING ENTITY** (continued)

The Town of Riverhead Community Development Agency is blended as a governmental fund component unit into the primary government.

Complete 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

The Town of Riverhead Industrial Development Agency was created by the New York State Legislature by Article 18-A of the General Municipal law under Section 925-p. It shall have the powers and duties now and hereafter conferred by Title One of Article 18-A and provided that the exercise of the powers of this Agency with respect to the acquisition of real property whether by purchase, condemnation or otherwise shall be limited to the corporate limits of the Town of Riverhead. Its members shall be appointed by the governing body of the Town of Riverhead.

The Town of Riverhead Industrial Development Agency is a component unit of the Town and it is discretely presented.

Complete financial statements of the Town of Riverhead Industrial Development Agency can be obtained by contacting:

Town of Riverhead Industrial Development Agency  
4603 Middle Country Road  
Calverton, NY 11933

**2. BASIS OF PRESENTATION**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statement (reporting the Town's major funds).

**Government-wide Financial Statements**

The government-wide financial statements report information on the Town as a whole, as well as the discretely presented component unit, excluding fiduciary activities.

In the government-wide Statement of Net Assets, the Town's governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functional categories (general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, etc.), which are otherwise supported by general government revenues (real property tax, user fees, water sales and charges, sewer rents and charges, intergovernmental revenues, fines, permits and charges, federal and state aid, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues to produce the net cost of each program.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2. BASIS OF PRESENTATION** (continued)

**Government-wide Financial Statements** (continued)

Program revenues include (a) charges for services and (b) operating and capital grants and contributions that are directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (real property taxes, other tax items, intergovernmental revenues, interest earnings, etc.).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Eliminations have been made to prevent distortion of the direct costs and program revenues reported. Sales and purchases of goods and services for a price approximating their external value are not eliminated between the funds in the government-wide financial statements. The Town does not currently employ an indirect cost allocation system. An administrative service fee is charges by the General Fund to the other operating funds that is eliminated at year-end like a reimbursement (reducing the revenue and expense), to address General Fund services (finance, personnel, purchasing, legal, etc.) provided.

The government-wide focus is more on the sustainability of the Town as an entity and the changes in aggregate financial position resulting from the activities of the current period.

**Fund Financial Statements**

The fund financial statements are similar to the financial statements presented prior to GASB 34 implementation. Emphasis here is on the major funds in either the governmental or business-type categories. Nonmajor funds are summarized into a single column.

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 comprises its assets, liabilities, fund balances, revenues and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. 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 financial position and changes in financial position. Governmental funds are further classified as major or nonmajor funds.

The governmental funds statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Town's actual experience conforms to the budget fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2. BASIS OF PRESENTATION** (continued)

**Fund Financial Statements** (continued)

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the Town's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity (general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, etc.). When appropriate, surplus or deficits in the Internal Service Funds may be allocated back to customers at the government-wide level Statement of Activities. This creates a reconciling item between the business-type activities column and the Proprietary Fund statements.

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 obligation of the government, these funds are not incorporated into the government-wide statements.

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 all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund – is used to account for the accumulation of financial resources for the payment of debt principal, interest and related costs on general long-term debt paid primarily from taxes levied by the Town. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures. As of December 31, 2007 the amounts being held for the Community Preservation Fund (CPF) in the Debt Service Reserve have been transferred back to the Community Preservation Reserve and will be shown on the CPF balance sheet. The remaining Debt Service Fund reserve balance is made up of amounts being held for Public Parking Debt Service and the Theater Debt Service Fund.

Capital Projects Fund – is used to account for 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 the enterprise or internal service funds. It is also used to account for a few special grants received from Federal, State and/or County sources.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. Special Revenue Funds include the following:

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2. BASIS OF PRESENTATION** (continued)

**Fund Financial Statements** (continued)

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 funds:

Special Revenue Funds include the following

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

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

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

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

Highway Fund – includes all operations relating to the repair and maintenance of Town roads.

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, not commercial 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.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2. BASIS OF PRESENTATION** (continued)

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets 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 and liabilities (whether current or non-current) are included on Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets.

Under the accrual basis of accounting revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation of capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

As previously stated, the Town has elected not to apply Financial Accounting Standards Board (FASB) pronouncements developed for business enterprises after November 30, 1989.

The Town has presented 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, Debt Service Reserve, 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 Southampton. 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 projects and a Debt Service Reserve 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 and Debt Service Fund.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2. BASIS OF PRESENTATION** (continued)

**Proprietary 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, and Debt Service Fund. The Water District was converted to an Enterprise Fund in 2002.

**Internal Service Funds**

Internal Service Funds are used to account for special activities or services provided by one department to other departments on a cost-reimbursement basis. The Town has presented the following Internal Service Funds:

Municipal Garage Fund – is used to account for the repair and maintenance of all Town vehicles.

Municipal Fuel Fund – is used to account for the fueling of all Town vehicles.

Self-Insurance Fund – Worker's Compensation – is a fund that the Town uses as a self-insurance program covering worker's 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 2007, worker's compensation has a Self-Insured Retention (SIR) of \$175,000.

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 2007, Property had a \$100,000 SIR with a limit of \$10,000,000 for the building and contents. Liability had a \$150,000 SIR with a limit of \$10,000,000. This fund is accounted for as Risk Retention in the Internal Service Fund as per GASB No. 10.

Self-Insurance Fund – Unemployment Insurance – is used to account for the direct reimbursement program for Unemployment claims made on behalf of the Town by the NYS Department of Labor.

**Fiduciary Funds**

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

The Town has presented the following fiduciary funds:

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3. BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

Measurement focus refers to what is being measured; 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.

In the government-wide statements, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing or 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.

Fixed assets and long-term liabilities related to proprietary funds activities are recorded within the funds. Depreciation utilizes the straight-line method in both the Proprietary and Internal Service Funds. Inventories are valued by the first-in, first-out method with an actual physical inventory taking place at year-end.

In the funds statements, governmental fund use a current financial resources measurements focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (measurable and available to finance operations). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Town considers all revenues available if they are collected within sixty (60) days after the year end. Revenues susceptible to accrual are real property taxes, state and federal aid, and certain user charges. The Town considers property taxes as available if they are collected within 60 days after year end. All other governmental fund revenues are recognized when received. In those instances where expenditures are the prime factor for determining eligibility for federal and state grants, revenues are recognized upon receipt of the proceeds. Expenditures are recorded on the accrual basis except when that (a) expenditures for prepaid expenses are recognized when incurred; (b) principal and interest on indebtedness are recognized as expenditures when due; (c) compensated absences, such as vacation and sick leave, which vest to accumulate, are charged as expenditures when paid.

Encumbrance accounting , under which purchase orders, contracts and other commitments are recorded for budgetary control purposes in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. 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. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitment are recorded in the period in which the liability is incurred.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**4. ASSETS, LIABILITIES AND FUND EQUITY**

**CASH AND CASH EQUIVALENTS**

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit.

State statutes, Town bond ordinances and Town resolutions authorize the Town's investments. In addition, the Town has its own written 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 and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities. All demand deposits and certificates of deposit are carried at cost. The Town has no investments other than certificates of deposit.

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 and certificates of deposit 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.

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.

The Town's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at December 31, 2007.

**RESTRICTED ASSETS**

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

**RECEIVABLES**

Receivables include amounts due from federal, state and other governments or entities for services provided by the Town. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

**INVENTORY OF MATERIAL AND SUPPLIES**

Inventory in the Internal Services Funds and the Proprietary Funds is valued at cost utilizing the first-in, first-out method.

**PREPAIDS**

Prepays in the government-wide statements represent retirement benefits and a security deposit that will benefit a future period.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4. ASSETS, LIABILITIES AND FUND EQUITY (continued)**

**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.

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

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

<u>Governmental Funds:</u>	
Buildings	50 years
Improvements other than buildings	15 years
Machinery and equipment	
Equipment	5 years
Equipment - autos and pick-ups	5 years
Equipment - heavy trucks	10 years
Infrastructure/Improvements	
Drainage and sidewalks	30 years
<u>Internal Service Funds:</u>	
Municipal garage - buildings	30 years
Municipal garage - improvements other than buildings	10 years
Municipal garage - equipment	5 years
Municipal fuel - fuel tanks and pumps	20 years
Municipal fuel - equipment	5 years
<u>Proprietary Funds:</u>	
<u>Buildings:</u>	
Calverton sewer district	20 years
Riverhead sewer district	50 years
Riverhead water district	40 years
Machinery and equipment	
Equipment - autos and pick-ups	
Calverton sewer district	
Riverhead sewer district	5 years
Riverhead water district	5 years
Equipment - heavy trucks	
Calverton sewer district	
Riverhead sewer district	10 years
Riverhead water district	5 years
Infrastructure/Improvements	
Calverton sewer district	20 years
Riverhead sewer district	15 years
Riverhead water district - water pipes	50 years
Riverhead water district - improvements	15 years

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**4. ASSETS, LIABILITIES AND FUND EQUITY** (continued)

**CAPITAL ASSETS** (continued)

Infrastructure assets, consisting of certain improvements other than buildings including, Riverhead sewer and water district improvements, are capitalized along with other capital assets.

In the fund financial statements capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition.

**DEFERRED CHARGES**

Discounts and expenses related to the issuance of long-term debt and the loss on the early retirement of reduced debt are amortized on a straight-line basis over the life of the issue, and are presented net of accumulated amortization, in the government-wide financial statements. Bond issuance costs that are immaterial are charged as an operating expense to the fund servicing the debt.

In the fund financial statements bond issuance costs are recognized, during the current period, as debt service expenditures in the fund servicing the debt.

**PREMIUMS ON DEBT ISSUANCE**

Premiums related to the issuance of long-term debt are amortized on a straight-line basis over the life of the issue and are presented as part of general obligations in the changes in long-term liabilities Note C.4. Premiums that are immaterial will not be amortized.

In the fund financial statements premiums are recognized, during the current period, and reported as other financial sources.

**UNEARNED REVENUE/DEFERRED REVENUE**

Deferred revenue/unearned revenue are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met. Such amounts include collections in advance, unearned income and amounts deemed to be "measurable" but not "available" to finance current expenses pursuant to generally accepted accounting principles. Accordingly, the amount has been recorded as deferred revenue in the funds statements and unearned revenue in the government-wide statements.

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

In the fund financial statements long-term obligations are not reported as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5. REVENUES AND EXPENDITURES**

**REAL PROPERTY TAX ASSESSEMENT AND COLLECTION PROCEDURES**

In Suffolk County, the assessment and lien of real property for taxation is done by the County Department of Assessment. The County assessment rolls are used for the levy of real property taxes by the Town and the School Districts, as well as by the County for and by Special Districts of the County and Town.

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. Real property taxes are levied annually no later than December 15<sup>th</sup> and become a lien on December 1<sup>st</sup>. Taxes are collected by the Town during the period December 1<sup>st</sup> to May 31<sup>st</sup>. Taxes for county and school purposes are levied together with taxes for Town and special district purposes as a single bill. The first half is due on January 10<sup>th</sup> and the second half is due on May 31<sup>st</sup>. The Suffolk County Tax Act guarantees that the Town, Special Districts and School Districts will receive the full amount of their levies at the end of the collection period. After May 31<sup>st</sup>, the County of Suffolk assumes enforcement responsibility for all uncollected taxes.

The entire Tax Warrant is guaranteed by the County of Suffolk as outlined in the Suffolk County Tax Act. Any taxes not collected by May 31<sup>st</sup> are turned over the County to collect. 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 June.

**INTERFUND TRANSACTIONS**

Interfund transactions 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 funds, debt transfers are classified as a transfer to other funds and an expense in the Debt 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.

**COMPENSATED ABSENCES**

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5. REVENUES AND EXPENDITURES (continued)**

**COMPENSATED ABSENCES (continued)**

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.

**6. EQUITY CLASSIFICATIONS**

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt – 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.
- b) Restricts net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations other governments; or (2) law through constitutional provisions or enabling legislations.
- c) Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statement, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Portions of fund equity are segregated for future use and therefore not available for future appropriation or expenditure. Amounts reserved for encumbrances, capital projects and prepaids represent portions of fund equity, which are required to be segregated in accordance with state or local law or GAAP. Designations of fund balances in governmental funds indicate the utilization of these resources in the subsequent year’s budget or tentative plans for future use.

**7. NEW ACCOUNTING PRINCIPLES**

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

**B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. BUDGETARY DATA**

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

- a) The Town Charter establishes the fiscal year as the twelve-month period beginning January 1.
- b) On or before September 20<sup>th</sup>, each department, officer or district submits to the Financial Administrator, a detailed estimate of the budget for the amount of revenue to be received and expenditures to be made for the ensuing year.
- c) On or before September 30<sup>th</sup>, the Budget Officer, who is the Town Supervisor, files with the Town Clerk a tentative budget for the ensuing year. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**1. BUDGETARY DATA (continued)**

- d) On or before October 5<sup>th</sup>, the Town Board reviews the tentative budget and files with the Town Clerk, a preliminary budget.
- e) The Town Board conducts public hearings on the preliminary budget and on or before November 20<sup>th</sup> the Town Board meets to adopt the budget known as the "annual budget".
- f) Formal budget integration is employed during the year as a management control device for the General Fund and certain Special Revenue Funds. Budgets are prepared for Proprietary Funds to establish the estimated contributions required from other funds and to control expenditures. The Town board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval via resolution except for transfers of \$2,500 or less which can be done by the Comptroller. Appropriations for all governmental funds except the Capital Projects Fund lapse at year-end.
- g) Budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual expenditures exceed budgeted amounts, budgetary appropriations transfers are made. The Capital Projects, Special Grants and Community Development Fund budgets do not have annually adopted budgets.
- h) Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

**2. FUND BALANCES**

**DESIGNATION OF FUND BALANCE**

Portions of the unreserved balances at December 31, 2007 were designated for the subsequent year's operating budgets as follows:

Fund	Total Fund Balance Unreserved	Fund Balance Unreserved and Designated for Subsequent Year's Budget	Fund Balance Unreserved Undesignated
Nonmajor Funds:			
Special Grant	\$ 450,716		\$ 450,716
Special Trust	1,355,617		1,355,617
BID	116,293		116,293
East Creek Docking Facility	321,237		321,237
Highway	1,336,887	\$ 215,000	1,121,887
Street Lighting District	296,722	199,800	96,922
Ambulance	240,023		240,023
Refuse and Garbage	429,980		429,980
Public Parking District	140,810		140,810
Community Development	382,808		382,808
Total	<u>\$ 5,071,093</u>	<u>\$ 414,800</u>	<u>\$ 4,656,293</u>

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

**2. FUND BALANCES** (Continued)

**FUND BALANCE RESERVES AND DESIGNATIONS**

**Miscellaneous Designations**

The majority of the \$675,034 in miscellaneous reserves in the General Fund, consists of the following designated fund balances: \$183,488 is designated for various recreation programs, \$142,779 is designated for the building operations of the Stotsky Park child care building, \$120,279 is designated for the Town Board special programs, \$106,743 is designated for the Empire Zone and \$47,380 is designated for the senior day care center.

**Debt Service**

The debt service reserve in the various funds is the reallocation of the amounts that were previously held in the Debt Service Fund, prior January 1, 2007, for debt payments. The major portion of this was for community preservation debt which has been reflected in the Community Preservation Fund.

**3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2007, expenditures did not exceed appropriations in any of the Town funds.

**C. DETAILED NOTES ON ALL FUNDS**

**1. 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.

Governmental Accounting Standards Board Statement No. 40 directs that deposits 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, 2007 the Town's deposits totaled \$ 85,986,755 and the bank balances totaled \$86,717,953. The respective bank balances consisted of deposits totaling \$44,557,453 and Certificates of Deposit totaling \$42,160,500. Of the total bank balance, \$800,000 was covered by the Federal Depository Insurance Corporation (FDIC) and \$108,323,182 was covered by collateral held by the Town's agent, a third party financial institution, in the Town's name.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS (continued)**

**1. CASH AND CASH EQUIVALENTS (continued)**

Credit Risk – State law and Town law limit investments to those authorized by State statutes. The Town has a written investment policy.

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, 2007, the Town of Riverhead did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

**2. 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, 2007, individual fund interfund receivable and payable balances represent either loans, services provided, or reimbursements and 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 expenditure/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
Major Funds:		
General Fund	\$ 2,533,710	\$ 3,301,239
Debt Service Fund	1,309,256	18,723,235
Capital Projects Fund	111,641	4,024,329
Community Preservation Fund	15,709,304	
Nonmajor Funds:		
Governmental Funds	3,900,401	236,736
Business-type Activities		
Sewer	2,707,264	
Water	1,126,665	
Internal Service Funds	386,499	1,499,201
	\$ 27,784,740	\$ 27,784,740

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS (continued)**

**2. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)**

At December 31, 2007, individual fund interfund transfers balances for Governmental and Proprietary Funds represent legally authorized transfers, and are stated as follows:

	Transfer In	Transfer Out
<b>Major Funds:</b>		
General Fund	\$ 918,355	\$ 5,063,737
Debt Service Fund	7,662,585	44,370
Capital Projects Fund	680,307	87,924
Community Preservation Fund	75,220	2,279,293
<b>Nonmajor Funds:</b>		
Governmental Funds	36,124	1,616,923
<b>Business-type activities</b>		
Sewer		258,000
Water		351,920
Internal Service Funds	343,183	13,607
	\$ 9,715,774	\$ 9,715,774

**3. CAPITAL ASSETS**

The Town of Riverhead undertook a project to do a major analysis of its capital assets and capital projects which resulted in various corrections to the opening balances in the assets classes and their related accumulation depreciation. The restated balances are shown in the capital asset charts below.

	Balance 1/1/2007	Corrections	Restated Balance 1/1/2007	Additions	Deletions	Balance 12/31/2007
<b>Governmental Activities:</b>						
Capital assets not being depreciated						
Land	\$ 76,835,111	\$ 2,813,074	\$ 79,648,185	\$15,130,587		\$ 94,778,772
Construction work in progress		47,677,866	47,677,866	1,360,942	\$ 3,022,960	46,015,848
Total capital assets not being depreciated	76,835,111	50,490,940	127,326,051	16,491,529	3,022,960	140,794,620
Depreciable capital assets						
Buildings	6,247,155	2,815,552	9,062,707			9,062,707
Improvements	96,199,975	7,105,719	103,305,694	378,853		103,684,547
Machinery and equipment	18,323,640	122,371	18,446,011	1,042,169	355,597	19,132,583
Total depreciable capital assets	120,770,770	10,043,642	130,814,412	1,421,022	355,597	131,879,837
Less accumulated depreciation						
Buildings	2,703,712	84,467	2,788,179	191,052		2,979,231
Improvements	74,490,975	736,719	75,227,694	6,673,757		81,901,451
Machinery and equipment	13,671,781	131,283	13,803,064	1,017,935	353,197	14,467,802
Total accumulated depreciation	\$ 90,866,468	\$ 952,469	\$ 91,818,937	\$ 7,882,744	\$ 353,197	99,348,484
Total net depreciable capital assets						32,531,353
Total net capital assets						\$ 173,325,973

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS (continued)**

**3. CAPITAL ASSETS (continued)**

	Balance 1/1/2007	Corrections	Restated Balance 1/1/2007	Additions	Deletions	Balance 12/31/2007
<b>Business-type Activities:</b>						
Capital assets not being depreciated						
Land	\$ 3,648,751	\$ 41,652	\$ 3,690,403		\$ 8,000	\$ 3,682,403
Construction work in progress	9,662,331	(3,913,277)	5,749,054	\$ 2,543,898	3,421,490	4,871,462
Total capital assets not being depreciated	<u>13,311,082</u>	<u>(3,871,625)</u>	<u>9,439,457</u>	<u>2,543,898</u>	<u>3,429,490</u>	<u>8,553,865</u>
Depreciable capital assets						
Buildings	20,770,922	9,228,664	29,999,586	2,991,605		32,991,191
Improvements	54,985,474	3,012,129	57,997,603	322,671		58,320,274
Machinery and equipment	7,784,956		7,784,956	152,694		7,937,650
Total depreciable capital assets	<u>83,541,352</u>	<u>12,240,793</u>	<u>95,782,145</u>	<u>3,466,970</u>		<u>99,249,115</u>
Less accumulated depreciation						
Buildings	12,318,411	260,509	12,578,920	573,585		13,152,505
Improvements	33,768,096	87,912	33,856,008	908,757		34,764,765
Machinery and equipment	7,390,282		7,390,282	158,563		7,548,845
Total accumulated depreciation	<u>\$ 53,476,789</u>	<u>\$ 348,421</u>	<u>\$ 53,825,210</u>	<u>\$ 1,640,905</u>		<u>55,466,115</u>
Total net depreciable capital assets						<u>43,783,000</u>
Total net capital assets						<u>\$ 52,336,865</u>

Depreciation expense was charged to the functions of the primary government as follows:

**Governmental activities:**

General government support	\$ 238,702
Public safety	223,509
Health	51,824
Transportation	1,440,433
Economic assistance and opportunity	5,633,158
Culture and recreation	275,638
Home and community services	19,480
Total depreciation expense - governmental activities	<u>\$ 7,882,744</u>

**Business-type activities:**

Sewer	\$ 622,521
Water	1,018,384
Total depreciation expense - business-type activities	<u>\$ 1,640,905</u>

Infrastructure capital assets and related accumulated depreciation have been included in buildings and improvements other than buildings and will be shown separately in future years.

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, 2007, the Town has not recorded any such impairment losses.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS (continued)**

**4. 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, 2007 there were no outstanding BANs. BAN activity is shown below:

	Balance 1/1/2007	Issued	Redeemed	Balance 12/31/2007
<b>Governmental activities:</b>				
Capital Projects Fund	\$ 7,000		\$ 7,000	\$ -0-
Total governmental	<u>\$ 7,000</u>		<u>\$ 7,000</u>	<u>\$ -0-</u>

**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, 2007.

At December 31, 2007, bonds payable consisted of the following individual issues:

<b>Governmental activities:</b>				
Issue	Purpose	Average Rate	Amount	Final Maturity
General Obligation Serial Bonds-1984	Various	9.500%	\$ 150,000	May 1, 2009
General Obligation Serial Bonds-1991	Public Improvement	6.350%	121,000	May 1, 2011
General Obligation Serial Bonds-2000	Public Improvement	5.000%	1,910,200	May 12, 2020
General Obligation Serial Bonds-2003	Various	3.750%	26,041,700	June 1, 2022
General Obligation Serial Bonds-2003	Refunding Bond	3.000%	486,472	March 1, 2013
General Obligation Serial Bonds-2003	Public Improvement	3.625%	23,406,100	November 15, 2022
General Obligation Serial Bonds-2004	Refunding Bond	2.500%	2,010,100	June 15, 2016
General Obligation Serial Bonds-2004	Refunding Bond	1.500%	359,400	January 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%	13,758,700	August 1, 2022
General Obligation Serial Bonds-2006	Public Improvement	3.750%	27,185,000	December 1, 2027
			<u>\$ 95,428,672</u>	

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS (continued)**

**4. INDEBTEDNESS (continued)**

**Long-term Debt (continued)**

**General Obligation Bonds (continued)**

**Business type activities:**

Issue	Purpose	Average Rate	Amount	Final Maturity
General Obligation Serial Bonds-1991	Public Improvement	6.350%	\$ 579,000	May 1, 2011
General Obligation Serial Bonds-1997	Rt. 58 Sewer Extension	5.650%	2,540,000	August 15, 2018
General Obligation Serial Bonds-2000	Public Improvement	5.000%	2,964,800	May 12, 2020
General Obligation Serial Bonds-2002	Sewer Plant Upgrade	4.850%	1,420,000	October 15, 2031
General Obligation Serial Bonds-2003	Various	3.750%	408,300	June 1, 2022
General Obligation Serial Bonds-2003	Refunding Bond	3.000%	1,813,529	March 1, 2013
General Obligation Serial Bonds-2003	Public Improvement	3.625%	2,093,900	November 15, 2022
General Obligation Serial Bonds-2004	Refunding Bond	2.500%	3,114,900	June 15, 2016
General Obligation Serial Bonds-2004	Refunding Bond	1.500%	45,600	January 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%	116,300	August 1, 2022
General Obligation Serial Bonds-2006	Public Improvement	3.750%	65,000	December 1, 2027
			<u>\$ 15,161,329</u>	
Total General Obligation Bonds			<u>\$ 110,590,001</u>	

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

**Governmental activities:**

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2008	\$ 6,594,466	\$ 3,756,850	\$ 10,351,316
2009	5,697,815	3,513,320	9,211,135
2010	5,729,764	3,293,775	9,023,539
2011	5,885,215	3,073,798	8,959,013
2012	5,945,521	2,848,815	8,794,336
2013-2017	30,543,891	10,778,173	41,322,064
2018-2022	29,032,000	4,526,263	33,558,263
2023-2027	6,000,000	720,000	6,720,000
Totals	<u>\$ 95,428,672</u>	<u>\$ 32,510,994</u>	<u>\$ 127,939,666</u>

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS** (continued)

**4. INDEBTEDNESS** (continued)

**Long-term Debt** (continued)

**General Obligation Bonds** (continued)

**Business-type activities:**

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2008	\$ 1,455,535	\$ 606,162	\$ 2,061,697
2009	1,457,185	608,757	2,065,942
2010	1,450,236	547,968	1,998,204
2011	1,440,784	477,185	1,917,969
2012	1,340,679	422,885	1,763,564
2013-2017	5,191,110	1,302,567	6,493,677
2018-2022	2,248,000	376,207	2,624,207
2023-2027	317,800	124,937	442,737
2028-2031	260,000	34,586	294,586
Totals	<u>\$ 15,161,329</u>	<u>\$ 4,501,254</u>	<u>\$ 19,662,583</u>
Total General Obligation Bonds	<u>\$ 110,590,001</u>	<u>\$ 37,012,248</u>	<u>\$ 147,602,249</u>

**Bonds Authorized and Unissued**

At December 31, 2007, the Town had \$65,832,500 in General Obligation Bonds, which were authorized and unissued.

As of December 31, 2007, the total long-term outstanding indebtedness of the Town aggregated to \$110,590,001. Of this amount, \$94,143,473 was subject to the constitutional debt limit and represented approximately 23.84% of its statutory debt limit.

**Prior-Year Defeasance of Debt**

In years prior to 2007, certain general obligations and revenue bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2007, \$3,675,000 of outstanding bonds are considered defeased.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS (continued)**

**4. INDEBTEDNESS (continued)**

**Long-term Debt (continued)**

**Changes in Long-term Debt**

Long-term liability activity for the year ended December 31, 2007 is as follows:

	Balance 1/1/2007	Increases	Reductions	Balance 12/31/2007	Non-current liabilities due within one year	Non-current liabilities
<b>Primary government:</b>						
Bonds Payable						
General obligation bonds						
Governmental Funds	\$ 98,367,795		\$ 4,684,723	\$ 93,683,072	\$ 5,971,966	\$ 87,711,106
Internal Service Fund	2,325,400		579,800	1,745,600	622,500	1,123,100
Total general obligation bonds	<u>100,693,195</u>		<u>5,264,523</u>	<u>95,428,672</u>	<u>6,594,466</u>	<u>88,834,206</u>
Bond anticipation notes	<u>7,000</u>		<u>7,000</u>			
Compensated absences						
Governmental Funds	5,345,886	\$ 2,427,665	1,774,522	5,999,029	188,642	5,810,387
Internal Service Fund	121,589	36,408	37,283	120,714		120,714
Total compensated absences	<u>5,467,475</u>	<u>2,464,073</u>	<u>1,811,805</u>	<u>6,119,743</u>	<u>188,642</u>	<u>5,931,101</u>
Claims and judgments	<u>1,110,233</u>	<u>198,069</u>	<u>352,836</u>	<u>955,466</u>	<u>323,537</u>	<u>631,929</u>
Estimated liability for landfill closure and postclosure care costs	<u>15,750,000</u>			<u>15,750,000</u>		<u>15,750,000</u>
	<u>\$ 123,027,903</u>	<u>\$ 2,662,142</u>	<u>\$ 7,436,164</u>	<u>\$ 118,253,881</u>	<u>\$ 7,106,645</u>	<u>\$ 111,147,236</u>
<b>Business-type</b>						
General obligation bonds	\$ 16,602,803		\$ 1,441,474	\$ 15,161,329	\$ 1,455,535	\$ 13,705,794
Compensated absences	<u>825,582</u>	<u>\$ 259,052</u>	<u>195,519</u>	<u>889,115</u>	<u>2,268</u>	<u>886,847</u>
	<u>\$ 17,428,385</u>	<u>\$ 259,052</u>	<u>\$ 1,636,993</u>	<u>\$ 16,050,444</u>	<u>\$ 1,457,803</u>	<u>\$ 14,592,641</u>

Other long-term liabilities for compensated absences and the estimated liability for landfill closure and post closure 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 Industrial Development Agency has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities 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 IDA, 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, 2007 there were sixteen (16) Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$106,940,482.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS** (continued)

**5. 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 (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 obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Building, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, and have less than 10 years in the retirement system who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

Contributions consist of a group term life insurance portion (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2007 are as follows:

Contribution Rates

<u>Tier/Plan/Option</u>	<u>ERS Rate</u>	<u>Tier/Plan/Option</u>	<u>PRFS Rate</u>
1 75I	12.0%		
2 75I	11.0%	2 384E2	16.6%
3 A14	8.8%		
4 A15	8.8%		

The Town of Riverhead is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts and also included additional contributions to fund various early retirement incentives made available to the Town employees. The credits and miscellaneous adjustments represent modification made by the NYSERS and NYSPFRS for prior year's contributions due to differences between estimated and actual salaries for the plan year.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS** (continued)

**5. RETIREMENT SYSTEM** (continued)

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

<b>Annual Required Contribution - ERS</b>					
	<u>Amount</u>	<u>% of Covered Payroll</u>	<u>Credits &amp; Miscellaneous Adjustments</u>	<u>Prepayment Discount</u>	<u>Total Payment</u>
2007	\$1,134,593	8.15%	\$ 1,794	\$ 10,879	\$1,125,508
2006	1,199,122	9.09%	50,385	11,962	1,237,545
2005	1,180,473	9.32%	15,084	11,447	1,184,110

<b>Annual Required Contribution - PFRS</b>					
	<u>Amount</u>	<u>% of Covered Payroll</u>	<u>Credits &amp; Miscellaneous Adjustments</u>	<u>Prepayment Discount</u>	<u>Total Payment</u>
2007	\$1,589,532	17.27%	\$ 14,519	\$ 15,358	\$1,588,693
2006	1,531,282	17.55%	170,260	16,291	1,685,251
2005	1,281,383	15.00%	(41,320)	11,873	1,228,190

**6. POSTEMPLOYMENT BENEFITS**

In addition to providing pension benefits, the Town provides health insurance coverage for retired employees at 100% of premium and their dependents at 50% of premium. Substantially, all the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town.

Health care benefits are provided through the State system and the Town's two HMO programs where premiums are based on the benefits paid during the year.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as expenditure in the year paid. During 2007, the Town paid \$701,996 on behalf of 111 eligible retirees and recorded as expenditure in the operating funds. Additionally, the Town paid recorded \$66,436 in Medicare reimbursement costs.

In April of 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43 *Financial Reporting for Postemployment Benefit Plans other than Pension Plans (OPEB)*. In June of 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. OPEBs are benefits such as health insurance, dental, vision, prescription benefits, or other health benefits. OPEBs also include life insurance, disability and long term care.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**C. DETAILED NOTES ON ALL FUNDS** (continued)

**6. POSTEMPLOYMENT BENEFITS** (continued)

Traditionally, governments report their current outlays for OPEB in a given year. GASB Statement Nos. 43 and 45 will require governments to report information about their long-term financial obligations and commitments to OPEB. The theory behind this reporting is that the traditional pay as you go public disclosures do not disclose the true cost of public services as well as possibly misleading the public about the true financial position and long term health of the government.

The effective date for GASB Statement Nos. 43 and 45 is phased in dependent on the size of the government. The Town of Riverhead will address GASB Statement No. 43 and 45 for its fiscal year beginning January 1, 2008. The full impact of these GASB statements cannot be determined at this time.

**7. 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 assets. Vested vacation, personal leave and sick leave accumulated by business type employees have been recorded in proprietary funds as a liability and expense. Payment of vacation, personal leave, and sick leave recorded as long term liabilities are dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for payments of vacations, personal leave and sick leave when such payments become due. As of December 31, 2007 the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was \$6,119,743 and \$889,115 respectively for an aggregate total of \$7,008,858.

**D. COMMITMENTS AND CONTINGENCIES**

**1. RISK MANAGEMENT**

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

Liability

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

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**D. COMMITMENTS AND CONTINGENCIES (continued)**

**1. RISK MANAGEMENT (continued)**

Property

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

Miscellaneous

The Town has ancillary insurance policies for the Jamesport Marina, Calverton Airport and Stotsky Skate Park. The Jamesport Marina has a zero deductible with coverage up to \$1,000,000 per occurrence and \$2,000,000 annual aggregate. The Calverton Airport has a \$1,000 deductible with coverage up to \$5,000,000 per occurrence. The Stotsky Skate Park has a \$250 deductible with coverage of \$250,000 maximum with \$10,000 accidental death benefit.

Workers Compensation/Unemployment Benefits

The Town is self-insured for workers' compensation insurance. Estimated benefits to be paid are appropriated in the various operating funds of the Town. The Town has provided an umbrella-type policy protecting against a catastrophic loss in the workers' compensation self-insurance protection program with \$175,000 retention per occurrence. 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, 2007, the Self-Insurance Fund had assets of \$5,049,484 and liabilities of \$1,867,426. Included in this amount is \$397,116 for general liability claims and \$558,350 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.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**D. COMMITMENTS AND CONTINGENCIES** (continued)

**1. RISK MANAGEMENT** (continued)

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

	General Liability		Workers' Compensation	
	2007	2006	2007	2006
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 546,782	\$ 577,637	\$ 563,451	\$ 482,752
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	19,432	267,568	178,637	80,699
Total incurred claims and claim adjustment expenditures	566,214	845,205	742,088	563,451
Payments				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years.	169,098	298,423	183,738	-0-
Total unpaid claims and claim adjustment expenditures at the end of the year.	<u>\$ 397,116</u>	<u>\$ 546,782</u>	<u>\$ 558,350</u>	<u>\$ 563,451</u>

**2. LITIGATION**

The Town is a defendant in various lawsuits. The Town has determined that resolution of these matters will not have a material adverse effect on the financial condition of the Town.

F1, LLC and Marc Liebowitz have commenced action alleging constitutional violations surrounding, among other things, the denial of its site plan application before the Planning Board. The action is related to a pending Supreme Court case in which the plaintiffs are seeking to force an approval of their project. The federal action seeks an unspecified sum in damages against the Town of Riverhead.

Kar-McVeigh, LLC, has initiated a Supreme Court proceeding against the Town Board and the Planning Board 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.

Soundview Associates v. Town of Riverhead, et al. The plaintiffs are alleging constitutional violations in connection with their attempts to develop a 77,000 square foot "health spa" on real property in Baiting Hollow. The developer had previously transferred the development rights associated with this property to another part of the property leaving no development potential for the "health spa" project. The Supreme Court confirmed the Town's position in an earlier proceeding brought by Soundview Associates wherein the Town prevailed and the appeal was withdrawn. The damages in the federal action alleged are \$25 million. In addition to the Town Board and the Planning Board, Dawn C. Thomas, Esq., Town Attorney and Richard A. Ehlers, Esq., counsel to the Planning Board are named individually.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**D. COMMITMENTS AND CONTINGENCIES** (continued)

**2. LITIGATION** (continued)

The plaintiffs, in the Field Day event, seek damages of \$15 million based on allegations that they were unlawfully denied the right to stage a weekend-long concert in the Township of Riverhead, when the County refused to issue a Mass Gathering Permit. It is alleged that the County denied the permit because the Riverhead Police Chief required an excessive number of police officers for security at the concert. The claims against Riverhead specifically arise from a license agreement entered into between the plaintiff and the Riverhead CDA. The plaintiffs allege that Riverhead breached the agreement by failing to provide a sufficient number of police for the concert. The plaintiffs further allege that the Chief violated their rights by inflating the number of police required for the event.

With the exception of the parties' experts, discovery has been concluded. All parties have moved for summary judgment in May of 2007 and the Town is still awaiting the Court's decision. If all the motions are denied, the parties will proceed with expert disclosures for the purposes of proving and refuting damages and then to trial. A trial in this case would likely last at least a month.

It appears that the plaintiffs' most serious claim is for breach of contract. In its motion, Riverhead offers several defenses to avoid liability relating to this claim. In addition, the plaintiffs allege numerous other claims against the Town and the Chief that are also addressed in the motions. These claims include allegations of civil rights' violations.

The Town also submitted opposition papers to the plaintiffs' motion for summary judgment against the Town, which, hopefully, should defeat the motion.

As of October 26, 2009, the Court has not ruled on any of the motions.

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.

**3. LANDFILL CLOSURE AND POST CLOSURE 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 Town closed the Landfill in the fall of 1993 and operated a transfer station until December 31, 1996 when the transfer station was closed.

The Town entered into a contract with a contracting company on April 18, 2002 for a pilot reclamation project at the Town's Youngs Avenue Landfill. On May 20, 2003, the Town contracted with the same contracting company to complete the landfill reclamation project. The project was expected to cost a total of approximately \$40,000,000 to complete based on estimates provided by an engineering firm hired by the Town. However, as of July 2006 the Town had expended approximately \$40,000,000 but the landfill reclamation project was not complete. According to a subsequent engineering firm hired by the Town, the landfill reclamation project was only one-third complete. On July 19, 2006, the Town sent a letter to the contracting company terminating their contract.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**D. COMMITMENTS AND CONTINGENCIES (continued)**

**3. LANDFILL CLOSURE AND POST CLOSURE CARE COSTS (continued)**

The Town halted the project and requested cost estimates to cap the remaining landfill as compared to recycling and/or removing the remaining waste. The Town is in the process of bidding out the capping of the remaining landfill.

In 2008, the Town started the capping project. As of December, 2009 the project is almost complete and awaiting approval from the Department of Environmental Conservation. .

The Town has recorded a liability of \$15,750,000 in the government-wide financial statements. Actual costs for capping may be higher or lower due to inflation, changes in technology, changes in regulations or conditions on the ground. Actual costs for completing the closure of the landfill may also be materially higher or lower than the \$15,750,000 should the Town choose an alternative option.

**4. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS**

Construction in progress and other capital commitments for governmental activities capital projects are \$546,746 while sewer and water proprietary funds are \$411,221 and \$1,042,677 respectively, aggregating to \$2,000,644.

**5. 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.

**E. 2% TRANSFER TAX**

In November 1998, the voters of the Town of Riverhead approved a referendum for a 2% transfer tax which became effective on April 1, 1999. The transfer tax expiration date was originally December 31, 2010 but has been extended by local law until December 31, 2030. The transfer tax receipts are recorded in the Community Preservation Fund and are primarily used for purchase and/or preservation of open space, including agricultural land, park improvements and acquisition of land development rights.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**F. PRIOR PERIOD ADJUSTMENTS**

**1. COMMUNITY PRESERVATION FUND DEBT SERVICE RESERVE**

In 2007, the Town of Riverhead moved the Community Preservation Fund Debt Service reserve, and the remaining monies from the 2001 and 2002 sale of the core property of the Calverton Facility from the Debt Service Fund to the funds listed below. This results in a change to the opening fund balances on the fund financial statements in funds listed below but there is no overall change to the opening net assets. As a result of this adjustment reserves were established in the individual funds to account for these monies.

Fund	Prior Period Adjustment
<b>Governmental effect on fund balance:</b>	
General	\$ 3,025,745
Debt Service	(20,012,796)
Capital Projects	199,222
Community Preservation	15,779,277
Special Trust	404,059
Highway Fund	499,760
Street Lighting	115,343
Refuse and Garbage	(20,540)
 <b>Internal Service effect on net assets:</b>	
Municipal Garage	(316,542)
Risk Retention	326,472
Total	\$ -0-

**2. FEDERAL AND STATE AID**

In 2007, the Town of Riverhead increased the opening fund balance in the following funds to account for the Federal and State Aid expended in 2006 and received in 2007. This resulted in an increase to opening net assets.

Fund	Prior Period Adjustment
<b>Governmental effect on fund balance:</b>	
General	\$ 80,514
Debt Service	88,368
Capital Projects	2,099,901
Special Grant	101,460
Total	\$ 2,370,243

**3. CLAIMS AND JUDGMENTS**

In 2007, the Town of Riverhead recorded the liability for claims and judgments, relating to both worker's compensation and general liability, in the Internal Service Fund. This resulted in an increase to the opening liabilities and a decrease in opening net assets of \$1,110,233.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**F. PRIOR PERIOD ADJUSTMENTS** (continued)

**4. WATER RENTS**

In 2007, The Town of Riverhead recorded an increase to the opening Enterprise Water Fund net assets for billed and unbilled waters rents receivable in the amount of \$497,733.

**5. CAPITAL ASSETS**

The Town of Riverhead undertook a project to do a major analysis of its capital assets and capital projects which resulted in various corrections to the opening balances in the assets classes and their related accumulation depreciation. The restated balances are shown in the capital asset charts found on page 49 of this report.

In 2007, the Town recorded the following prior period adjustments to net assets and capital assets:

	Prior Period Adjustment Amount
<b>Government-Wide Statements</b>	
Governmental activities	\$ 59,582,113
<b>Business-type activities:</b>	
Sewer	8,091,257
Water	(70,510)
Total	\$ 67,602,860

**G. SUBSEQUENT EVENTS**

On January 15, 2008 the Town of Riverhead's Community Development Agency entered into an agreement of sale with Riverhead Resorts LLC for a parcel of land in Calverton for a purchase price of \$155,000,000. The Town has received deposits of \$2,000,000 in 2008, \$1,000,000 in 2009 and escrow of \$4,500,000 is being held by the attorney for the Town. The Town will be paid \$3,000,000 of the \$4,500,000 held in escrow on January 15, 2010. Upon closing the Town will receive the remaining escrow of \$1,500,000 and the remainder of the purchase price, \$150,500,000, from Riverhead Resorts, LLC. Actual closing is dependent on other issues outlined in the agreement and is not assured.

On February 1, 2008 the Town issued \$35,349,000 of public improvement serial bond at interest rates ranging from 3.10% to 4.00% maturing in installments from 2009 through 2030.

On May 15, 2008 the Town issued \$3,885,000 in public improvement refunding serial bonds at interest rates ranging from 2.625% to 4.25% maturing in installments from 2008 through 2020.

In December 2008 the Town signed contracts with all three of its labor unions. The Superior Officers Association Inc. (SOA) and Police Benevolent Association Inc. (PBA) labor contracts cover the period January 1, 2008 to December 31, 2011 and provide for a 4.0% increase for each year of the contract. The Civil Service Employees Association (CSEA) contract is for the period January 1, 2008 to December 31, 2010 and provides for a 3.80% percent cost of living increase in each year of the contract.

**TOWN OF RIVERHEAD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**G. SUBSEQUENT EVENTS** (continued)

The Town will be the recipient of a \$2.4 million, Restore New York grant, to be spent on a series of projects aimed to revitalize East Main Street in Riverhead. The grant was announced on September 1, 2009. The grant application was prepared and submitted in July 2008 by the Town of Riverhead Community Development Agency and Atlantis Marine World.

In October 2009 the Town was issued two enforcement proceedings filed by the DEC. One is alleged illegal sand mining by the Town of Riverhead Highway Department. The second is a demand for full disclosure over a historic gas facility in Riverhead.

**H. NEW LAWS AND PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*, which provides guidance on all aspects of Other Post Employment Benefits (OPEB) reporting by employers. The requirements of this statement are effective for fiscal periods beginning after December 15, 2006, for governments with annual revenues of \$100 or more; for fiscal periods beginning after December 15, 2007, for governments with annual revenues of \$10 million or more but less than \$100 million; and for fiscal periods beginning after December 15, 2008, for governments with total annual revenues of less than \$10 million.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 47, *“Accounting for Termination Benefits”*, which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2005 (except for those provisions involving other postemployment benefits, which only took effect upon the implementation of GASB Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*).

The Governmental Accounting Standards Board (GASB) has issued Statement No. 49 *“Accounting and Financial Reporting for Pollution Remediation Obligations”* which provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of the new statements become effective for fiscal periods beginning after December 15, 2007.

The New York State laws of 2008 Chapter 373 S. 8111-A Peconic Bay Community Preservation Fund approved and effective July 21, 2008 amends Town law and provides that the Town have an annual audit of the Community Preservation Fund performed by a Certified Public Accountant or Independent Public Accountant other than the one that performs the general audit of the Town’s finances.

New pronouncements are implemented when effective.

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

<p><b>Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Major Governmental Funds and Schedules</b></p>
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### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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**TOWN OF RIVERHEAD**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
Year ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Real property taxes	\$ 23,808,272	\$ 23,808,272	\$ 23,808,272	\$ -0-
Real property tax items	332,400	332,400	322,840	(9,560)
Non-property tax items	1,360,000	1,360,000	1,458,120	98,120
Departmental income	3,249,325	3,259,325	3,811,402	552,077
Intergovernmental charges	76,000	76,000	104,651	28,651
Use of money and property	839,350	839,350	985,970	146,620
Licenses and permits	69,400	69,400	72,105	2,705
Fines and forfeitures	400,000	400,000	476,929	76,929
Sale of property and compensation for loss	105,075	1,000,100	2,232,672	1,232,572
Miscellaneous revenue	101,700	101,700	102,967	1,267
Interfund revenues	162,000	162,000	162,100	100
State aid	3,213,950	3,216,435	3,035,072	(181,363)
Federal aid	10,000	10,000	52,035	42,035
Total Revenues	<u>33,727,472</u>	<u>34,634,982</u>	<u>36,625,135</u>	<u>1,990,153</u>
<b>EXPENDITURES</b>				
Current:				
General government support	6,263,446	7,289,216	7,289,173	43
Public safety	12,571,400	12,509,975	12,509,896	79
Health	10,500	10,500	10,297	203
Transportation	338,800	345,845	338,607	7,238
Economic assistance and opportunity	926,576	934,926	907,144	27,782
Culture and recreation	1,282,025	1,321,293	1,255,552	65,741
Home and community services	1,314,425	1,400,135	1,400,110	25
Employee benefits	8,451,900	7,586,700	7,585,812	888
Total Expenditures	<u>31,159,072</u>	<u>31,398,590</u>	<u>31,296,591</u>	<u>101,999</u>
<b>Excess of Revenues Over Expenditures</b>	<u>2,568,400</u>	<u>3,236,392</u>	<u>5,328,544</u>	<u>2,092,152</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	908,000	908,000	918,355	10,355
Transfers out	<u>(4,376,400)</u>	<u>(5,064,400)</u>	<u>(5,063,737)</u>	663
Total Other Financing Sources (Uses)	<u>(3,468,400)</u>	<u>(4,156,400)</u>	<u>(4,145,382)</u>	<u>11,018</u>
<b>Net change in Fund Balances</b>	<u>\$ (900,000)</u>	<u>\$ (920,008)</u>	<u>1,183,162</u>	<u>\$ 2,103,170</u>
<b>Fund Balances at Beginning of Year, as Reported</b>			9,470,950	
Prior Period Adjustments			<u>3,106,259</u>	
<b>Fund Balances at Beginning of Year, as Restated</b>			<u>12,577,209</u>	
<b>Fund Balances at End of Year</b>			<u>\$ 13,760,371</u>	

**TOWN OF RIVERHEAD**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
Year ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 500,000	\$ 500,000	\$ 812,379	\$ 312,379
Total Revenues	<u>500,000</u>	<u>500,000</u>	<u>812,379</u>	<u>312,379</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	5,228,221	5,228,221	4,691,723	536,498
Interest	4,250,960	4,206,590	3,861,211	345,379
Total Expenditures	<u>9,479,181</u>	<u>9,434,811</u>	<u>8,552,934</u>	<u>881,877</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(8,979,181)</u>	<u>(8,934,811)</u>	<u>(7,740,555)</u>	<u>1,194,256</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	6,464,920	6,464,920	7,662,585	1,197,665
Transfers out		(44,370)	(44,370)	
Total Other Financing Sources (Uses)	<u>6,464,920</u>	<u>6,420,550</u>	<u>7,618,215</u>	<u>1,197,665</u>
<b>Net Change in Fund Balances</b>	<u>\$ (2,514,261)</u>	<u>\$ (2,514,261)</u>	<u>(122,340)</u>	<u>\$ 2,391,921</u>
<b>Fund Balances at Beginning of Year, as Reported</b>			20,808,328	
Prior Period Adjustments			<u>(19,924,428)</u>	
<b>Fund Balances at Beginning of Year, as Restated</b>			<u>883,900</u>	
<b>Fund Balances at End of Year</b>			<u>\$ 761,560</u>	

**TOWN OF RIVERHEAD**  
**COMMUNITY PRESERVATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**Year ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Non-property tax items	\$ 3,252,200	\$ 3,252,200	\$ 4,571,973	\$ 1,319,773
Use of money and property	80,000	80,000	384,454	304,454
Total Revenues	<u>3,332,200</u>	<u>3,332,200</u>	<u>4,956,427</u>	<u>1,624,227</u>
<b>EXPENDITURES</b>				
Current:				
Home and community services	141,400	141,400	116,688	24,712
Employee benefits	16,700	16,700	2,230	14,470
Total Expenditures	<u>158,100</u>	<u>158,100</u>	<u>118,918</u>	<u>39,182</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>3,174,100</u>	<u>3,174,100</u>	<u>4,837,509</u>	<u>1,663,409</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in			75,220	75,220
Transfers out	(3,174,100)	(3,174,100)	(2,279,293)	894,807
Total Other Financing Sources (Uses)	<u>(3,174,100)</u>	<u>(3,174,100)</u>	<u>(2,204,073)</u>	<u>970,027</u>
<b>Net Change in Fund Balances</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>2,633,436</u>	<u>\$ 2,633,436</u>
<b>Fund Balances at Beginning of Year, as Reported</b>			5,525,715	
Prior Period Adjustments			<u>15,779,277</u>	
<b>Fund Balances at Beginning of Year, as Restated</b>			<u>21,304,992</u>	
<b>Fund Balances at End of Year</b>			<u>\$ 23,938,428</u>	

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## **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, 2007

	Special Revenue Funds				
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility	Highway
<b>ASSETS</b>					
Cash and cash equivalents		\$ 1,296,798	\$ 117,756	\$ 345,809	\$ 1,672,299
Cash - restricted	\$ 414,223				
Accounts receivable	52,675				
Accrued interest receivable	170	564	18		2,415
Due from other funds		479,683	34,407		1,766,217
Due from other governments	35,243				
Prepays					34,111
Total Assets	<u>\$ 502,311</u>	<u>\$ 1,777,045</u>	<u>\$ 152,181</u>	<u>\$ 345,809</u>	<u>\$ 3,475,042</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities			\$ 914		\$ 137,439
Due to other funds	\$ 45,050			\$ 500	
Due to other governments					
Deferred revenue			30,225		1,258,827
Total Liabilities	<u>45,050</u>		<u>31,139</u>	<u>500</u>	<u>1,396,266</u>
<b>FUND BALANCES</b>					
Reserved:					
Encumbrances	6,545		4,749	24,072	136,556
Debt service		\$ 421,428			571,222
Prepays					34,111
Unreserved, designated for:					
Subsequent years' budget					215,000
Unreserved, undesignated	450,716	1,355,617	116,293	321,237	1,121,887
Total Fund Balances	<u>457,261</u>	<u>1,777,045</u>	<u>121,042</u>	<u>345,309</u>	<u>2,078,776</u>
Total Liabilities and Fund Balances	<u>\$ 502,311</u>	<u>\$ 1,777,045</u>	<u>\$ 152,181</u>	<u>\$ 345,809</u>	<u>\$ 3,475,042</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 505,087	\$ 366,297	\$ 450,132	\$ 171,141	\$ 487,957	\$ 4,925,319
657					902,180
715	358	89	125	54	53,332
293,876	97,908	1,113,848	114,462		4,508
					3,900,401
3,687		2,589			35,243
					40,387
<u>\$ 804,022</u>	<u>\$ 464,563</u>	<u>\$ 1,566,658</u>	<u>\$ 285,728</u>	<u>\$ 488,011</u>	<u>\$ 9,861,370</u>
\$ 45,736	\$ 7,834	\$ 11,662		\$ 35,548	\$ 239,133
119,505		47,523	\$ 20,150	4,008	236,736
184,066	202,500	1,074,744	41,439		2,791,801
<u>349,307</u>	<u>210,334</u>	<u>1,133,929</u>	<u>61,589</u>	<u>39,556</u>	<u>3,267,670</u>
29,749	14,206	160	10,306	65,647	291,990
124,557			73,023		1,190,230
3,687		2,589			40,387
199,800					414,800
96,922	240,023	429,980	140,810	382,808	4,656,293
<u>454,715</u>	<u>254,229</u>	<u>432,729</u>	<u>224,139</u>	<u>448,455</u>	<u>6,593,700</u>
<u>\$ 804,022</u>	<u>\$ 464,563</u>	<u>\$ 1,566,658</u>	<u>\$ 285,728</u>	<u>\$ 488,011</u>	<u>\$ 9,861,370</u>

**TOWN OF RIVERHEAD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year ended December 31, 2007

	Special Revenue Funds				
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility	Highway
<b>REVENUES</b>					
Real property taxes			\$ 135,554		\$ 4,792,620
Departmental income	\$ 565	\$ 467,000		\$ 140,420	
Intergovernmental charges					735
Use of money and property	17,305	57,118	7,220	8,479	164,934
Sale of property and compensation for loss					512
Miscellaneous local sources	9,595				38,259
State aid	41,250				
Federal aid	143,809				
Total Revenues	<u>212,524</u>	<u>524,118</u>	<u>142,774</u>	<u>148,899</u>	<u>4,997,060</u>
<b>EXPENDITURES</b>					
General governmental support			1,700		241,000
Health					
Transportation					2,766,903
Economic assistance and opportunity			83,797		
Culture and recreation				102,354	
Home and community services	161,892				
Employee benefits	778			849	749,381
Total Expenditures	<u>162,670</u>	<u>524,118</u>	<u>85,497</u>	<u>103,203</u>	<u>3,757,284</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>49,854</u>	<u>524,118</u>	<u>57,277</u>	<u>45,696</u>	<u>1,239,776</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in		17,369			317
Operating transfers out		(466,292)			(840,062)
Total Other Financing Sources (Uses)		<u>(448,923)</u>			<u>(839,745)</u>
<b>Net Change in Fund Balances</b>	<u>49,854</u>	<u>75,195</u>	<u>57,277</u>	<u>45,696</u>	<u>400,031</u>
<b>Fund Balances at Beginning of Year, as Reported</b>	305,947	1,297,791	63,765	299,613	1,178,985
<b>Prior Period Adjustment</b>	<u>101,460</u>	<u>404,059</u>			<u>499,760</u>
<b>Fund Balances at Beginning of Year, as Restated</b>	<u>407,407</u>	<u>1,701,850</u>	<u>63,765</u>	<u>299,613</u>	<u>1,678,745</u>
<b>Fund Balances at End of Year</b>	<u>\$ 457,261</u>	<u>\$ 1,777,045</u>	<u>\$ 121,042</u>	<u>\$ 345,309</u>	<u>\$ 2,078,776</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 753,300	\$ 718,750	\$ 4,243,684	\$ 184,335	\$ 250,000	\$ 10,828,243
					857,985
					735
38,439	24,883	75,672	13,090	67,497	474,637
		3,182			3,694
					47,854
119					41,369
369					144,178
<u>792,227</u>	<u>743,633</u>	<u>4,322,538</u>	<u>197,425</u>	<u>317,497</u>	<u>12,398,695</u>
74,300	115,700	74,300	24,000	61,100	592,100
	591,412				591,412
703,835			65,373		3,536,111
					83,797
					102,354
		4,075,830		428,314	4,666,036
71,380	1,250	85,488	25,811		934,937
<u>849,515</u>	<u>708,362</u>	<u>4,235,618</u>	<u>115,184</u>	<u>489,414</u>	<u>10,506,747</u>
(57,288)	35,271	86,920	82,241	(171,917)	1,891,948
			18,438		36,124
(9,686)		(883)		(300,000)	(1,616,923)
(9,686)		(883)	18,438	(300,000)	(1,580,799)
(66,974)	35,271	86,037	100,679	(471,917)	311,149
406,346	218,958	367,232	123,460	920,372	5,182,469
115,343		(20,540)			1,100,082
<u>521,689</u>	<u>218,958</u>	<u>346,692</u>	<u>123,460</u>	<u>920,372</u>	<u>6,282,551</u>
<u>\$ 454,715</u>	<u>\$ 254,229</u>	<u>\$ 432,729</u>	<u>\$ 224,139</u>	<u>\$ 448,455</u>	<u>\$ 6,593,700</u>