

TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
December 31, 2011

**TOWN OF RIVERHEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
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FINANCIAL STATEMENTS
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INTRODUCTORY SECTION

TOWN OF RIVERHEAD
PRINCIPAL OFFICIALS
December 31, 2011

Sean M. Walter, Supervisor

John Dunleavy, Councilman
George Gabrielsen, Councilman

James Wooten, Councilman
Jodi Giglio, Councilwoman

ELECTED OFFICIALS

Laverne Tennenberg
Paul Leszczynski
Mason E. Haas
George Woodson
Maryann Wowak Heilbrunn
Diane M. Wilhelm
Richard Ehlers
Allen M. Smith

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

DEPARTMENT HEADS

Robert Kozakiewicz
William Rothaar
Vacant.
Christina Kempner
Ken Testa
Meg Ferris
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
Personnel Officer
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 and for the year ended December 31, 2011, 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, 2011, the Town of Riverhead Industrial Development Agency has assets, net assets and revenues of \$86,993, \$51,177 and \$93,805 respectively, for the year then ended. Those financial statements were audited by another auditor whose report 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of December 31, 2011, 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.

As described in Note 1.H to the basic financial statements, the Town adopted the provisions of Governmental Accounting standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" as of and for the year ended December 31, 2011.

PERSONAL SERVICE. TRUSTED ADVICE. 

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

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NEW YORK, NY 10167
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25 SUFFOLK COURT
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In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012, on our consideration of the Town of Riverhead, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Riverhead, New York's basic financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is 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 do not express an opinion or provide any assurance on it.

Albert Vajzovic, Zuck & Company P.C.

Hauppauge, New York
September 20, 2012

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2011

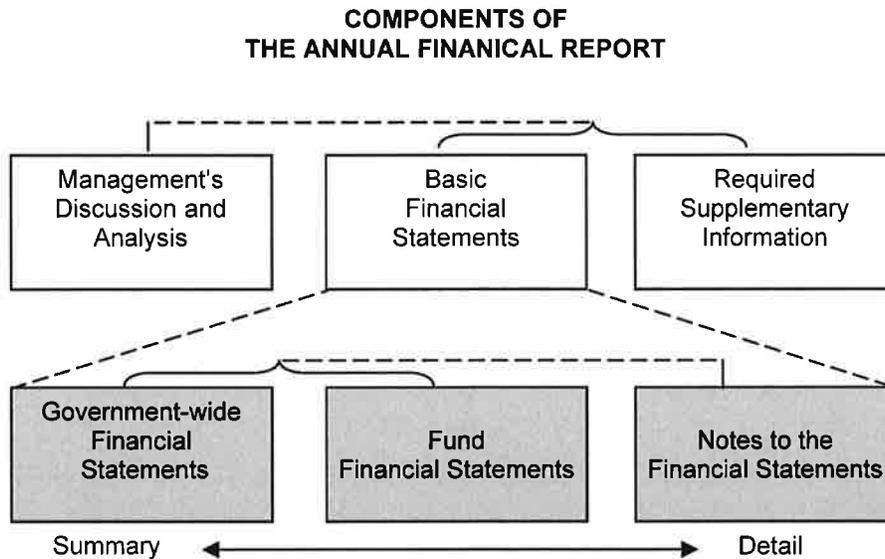
As management of the Town of Riverhead (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2011. Please read it in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The combined assets of the Town exceed its liabilities at the close of 2011 by \$150,953,337 (net assets).
- The Town's total combined net assets decreased by \$4,500,042 or 2.9%. The governmental net assets decreased by \$3,824,392 and the business-type net assets decreased by \$675,650.
- As of December 31, 2011, the Town's governmental funds reported combined ending fund balances of \$41,567,492. Of this amount, \$1,537,936 is not in spendable form or is required to remain intact. The remaining \$40,029,556 or approximately 96.3% of total fund balances is in spendable form with various levels of spending constraint: restricted, assigned, or unassigned making them available for spending at the Town's discretion in compliance with *Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions* see Note 2.B.
- At the end of December 31, 2011, the Town's total fund balance for the General Fund was \$11,480,294, a decrease of 10.3% from the prior year. The assigned and unassigned (GASB Statement No. 54) fund balance for the General Fund was \$10,331,853, or 23.2% of total General Fund expenditures and other uses.
- The Town's total bonded debt outstanding increased by \$13,221,001 or 10.9%. The Town's governmental funds increased by \$9,244,675 and the Town's business-type funds increased by \$3,976,326. This was the first serial bond issue since 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

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

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

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

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

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Governmental Activities

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

Component Units

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 1.A to the financial statements.

Fund Financial Statements

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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Town's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

Proprietary funds

The Town maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water district funds. Internal service funds are used to accumulate and allocate costs internally among the Town's various functions. The Town uses its internal service funds to account for 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, but are included in a single column in the proprietary funds statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary 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. 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. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Fiduciary Fund financial statement can be found in the "Basic Financial Statements" section of this report.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the financial statements.

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

Other information.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$150,953,337 at the close of the most recent year.

Our analysis below focuses on the net assets and changes in net assets of the Town's governmental and business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 58,707,027	\$ 51,486,336	\$ 8,420,409	\$ 9,793,269	\$ 67,127,436	\$ 61,279,605
Capital assets	205,021,437	202,554,644	59,812,023	54,616,489	264,833,460	257,171,133
Total assets	263,728,464	254,040,980	68,232,432	64,409,758	331,960,896	318,450,738
Liabilities						
Current liabilities	22,605,884	24,073,147	3,851,374	3,950,585	26,457,258	28,023,732
Non-current liabilities	138,771,772	123,792,633	15,778,529	11,180,994	154,550,301	134,973,627
Total liabilities	161,377,656	147,865,780	19,629,903	15,131,579	181,007,559	162,997,359
Net Assets (Deficit)						
Invested in capital assets, net of related debt	86,135,423	95,910,050	44,575,487	42,712,027	130,710,910	138,622,077
Restricted	25,187,494	20,169,214	626,381	2,051,483	25,813,875	22,220,697
Unrestricted	(8,972,109)	(9,904,064)	3,400,661	4,514,669	(5,571,448)	(5,389,395)
Total net assets	\$ 102,350,808	\$ 106,175,200	\$ 48,602,529	\$ 49,278,179	\$ 150,953,337	\$ 155,453,379

By far the largest portion of the Town's net assets, \$130,710,910, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$25,813,875, or 17.1% represents resources that are subject to external restrictions on how they may be used. The \$5,571,448 deficit balance in unrestricted net assets does not necessarily indicate fiscal stress. Long-term liabilities which include compensated absences, claims and judgments, landfill closure and postclosure care costs, and other postemployment benefits (OPEB) will be funded through future budgetary appropriations when they become payable in future periods. Total net assets decreased in the current year and will continue to decrease in subsequent years due to the ongoing recognition of Governmental Accounting Standards Board Statement (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). The unfunded liability for OPEB increased by \$5,149,326, in 2011, bringing the unfunded liability at to \$18,131,298 at year-end. Additional information on Postemployment Benefits Healthcare Costs can be found in Note 3.F to the financial statements.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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

Changes in Net Assets

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 5,041,278	\$ 5,205,530	\$ 6,059,451	\$ 6,457,482	\$ 11,100,729	\$ 11,663,012
Operating grants and contributions	2,648,042	1,775,231			2,648,042	1,775,231
Capital grants and contributions	2,403,533	5,723,965	949,747	138,457	3,353,280	5,862,422
	<u>10,092,853</u>	<u>12,704,726</u>	<u>7,009,198</u>	<u>6,595,939</u>	<u>17,102,051</u>	<u>19,300,665</u>
General revenues:						
Real property taxes	43,585,796	41,684,475	1,933,701	2,013,400	45,519,497	43,697,875
Real property tax items	487,195	435,944	451,043	428,252	938,238	864,196
Non-property tax items - sales tax	1,178,655	1,178,655	146,688	146,688	1,325,343	1,325,343
Community preservation fund 2% tax	1,937,325	2,288,395			1,937,325	2,288,395
Mortgage tax	778,491	1,120,206			778,491	1,120,206
Franchise tax	702,146	675,409			702,146	675,409
Investment earnings - unrestricted	146,417	321,569	633,427	519,115	779,844	840,684
Other compensation for loss	893,129	344,798			893,129	344,798
Federal and state aid	107,028	109,212			107,028	109,212
Other	547,681	605,404			547,681	605,404
	<u>50,363,863</u>	<u>48,764,067</u>	<u>3,164,859</u>	<u>3,107,455</u>	<u>53,528,722</u>	<u>51,871,522</u>
Total revenues	<u>60,456,716</u>	<u>61,468,793</u>	<u>10,174,057</u>	<u>9,703,394</u>	<u>70,630,773</u>	<u>71,172,187</u>
Expenses						
General government support	17,423,141	18,885,194			17,423,141	18,885,194
Public safety	24,158,416	22,664,706			24,158,416	22,664,706
Health	893,997	725,984			893,997	725,984
Transportation	6,724,114	5,563,156			6,724,114	5,563,156
Economic assistance and opportunity	2,355,332	1,808,681			2,355,332	1,808,681
Culture and recreation	2,564,197	2,410,108			2,564,197	2,410,108
Home and community services	7,028,754	4,130,066	9,684,807	9,382,320	16,713,561	13,512,386
Interest on debt	4,298,057	4,519,201			4,298,057	4,519,201
	<u>65,446,008</u>	<u>60,707,096</u>	<u>9,684,807</u>	<u>9,382,320</u>	<u>75,130,815</u>	<u>70,089,416</u>
Total expenses	<u>65,446,008</u>	<u>60,707,096</u>	<u>9,684,807</u>	<u>9,382,320</u>	<u>75,130,815</u>	<u>70,089,416</u>
Change in net assets before transfers	(4,989,292)	761,697	489,250	321,074	(4,500,042)	1,082,771
Transfers	1,164,900	1,008,600	(1,164,900)	(1,008,600)	-0-	-0-
Change in net assets	(3,824,392)	1,770,297	(675,650)	(687,526)	(4,500,042)	1,082,771
Net assets - beginning	106,175,200	104,404,903	49,278,179	49,965,705	155,453,379	154,370,608
Net Assets - ending	<u>\$ 102,350,808</u>	<u>\$ 106,175,200</u>	<u>\$ 48,602,529</u>	<u>\$ 49,278,179</u>	<u>\$ 150,953,337</u>	<u>\$ 155,453,379</u>

The change in net assets from all combined activities was a decrease of \$4,500,042. The governmental activities decreased by \$3,824,392 and the business-type decreased by \$675,650.

Key elements of the changes in governmental activities were:

- The recognition of OPEB costs of \$4,742,945 across various functions.
- The Town received \$250,000 from a penalty clause relating to Repcal, LLC who terminated its contract to purchase property at EPCAL, an \$800,000 court settlement related to the landfill, and a \$650,000 insurance recovery.
- The Town paid \$375,000 for an EPCAL study related to planning and developing the EPCAL property at Calverton.
- The disallowance of \$279,606 in due from other governments.

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

- The recognition of OPEB costs of \$406,381.
- Water rents realized were \$450,000 less than anticipated. Water rates have not kept pace with costs. This was addressed in 2012.
- Bonds issued late in the year (November 2011) resulted in a savings of \$175,000 as interest was budgeted for 2011 in anticipation of an earlier issuance.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2011

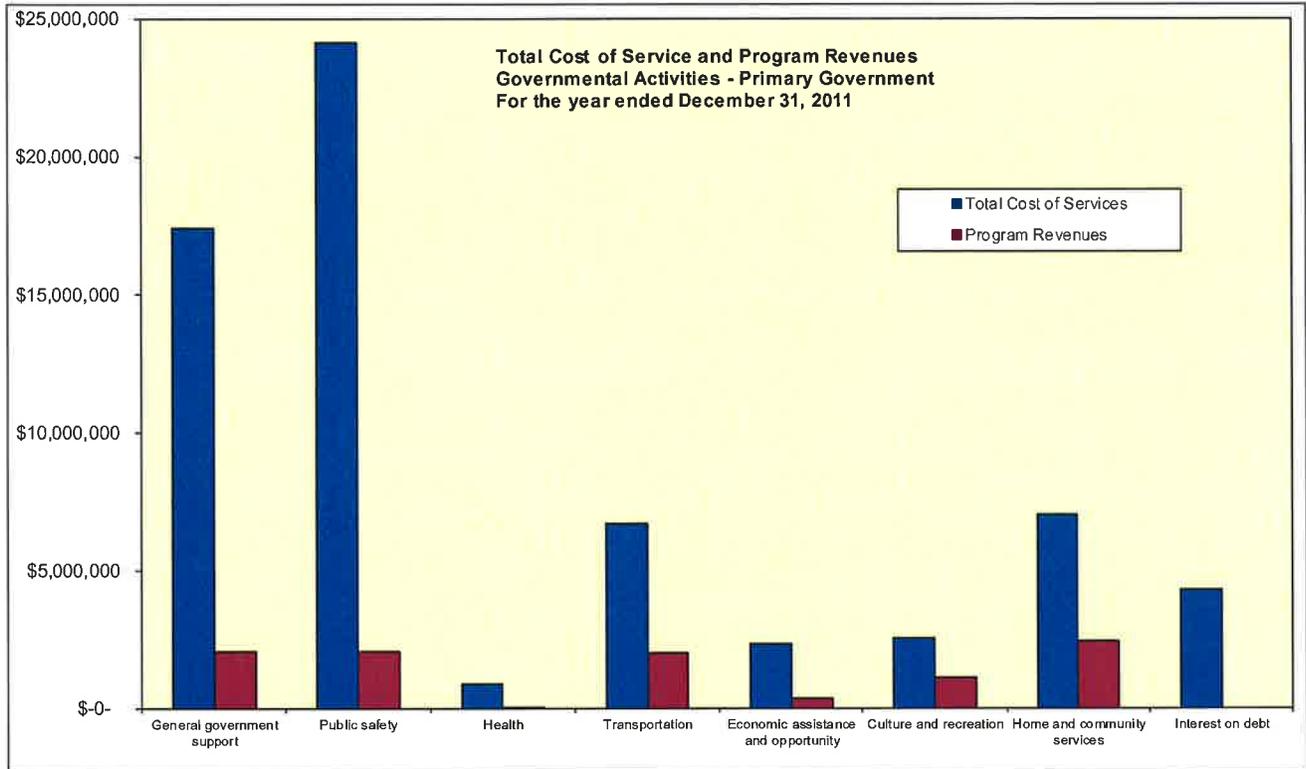
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities

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

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

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2011	2010	2011	2010	2011	2010
General government support	\$ 17,423,141	\$ 18,885,194	\$ 2,067,947	\$ 1,393,823	\$ 15,355,194	\$ 17,491,371
Public safety	24,158,416	22,664,706	2,049,733	2,034,113	22,108,683	20,630,593
Health	893,997	725,984	44,280	42,610	849,717	683,374
Transportation	6,724,114	5,563,156	2,000,246	4,280,455	4,723,868	1,282,701
Economic assistance and opportunity	2,355,332	1,808,681	349,869	394,524	2,005,463	1,414,157
Culture and recreation	2,564,197	2,410,108	1,130,123	2,406,628	1,434,074	3,480
Home and community services	7,028,754	4,130,066	2,450,655	2,152,573	4,578,099	1,977,493
Interest on debt	4,298,057	4,519,201			4,298,057	4,519,201
	<u>\$ 65,446,008</u>	<u>\$ 60,707,096</u>	<u>\$ 10,092,853</u>	<u>\$ 12,704,726</u>	<u>\$ 55,353,155</u>	<u>\$ 48,002,370</u>



The cost of the governmental activities this year was \$65,446,008. The cost of these services after being partially subsidized by program revenues of \$10,092,853 was \$55,353,155.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2011

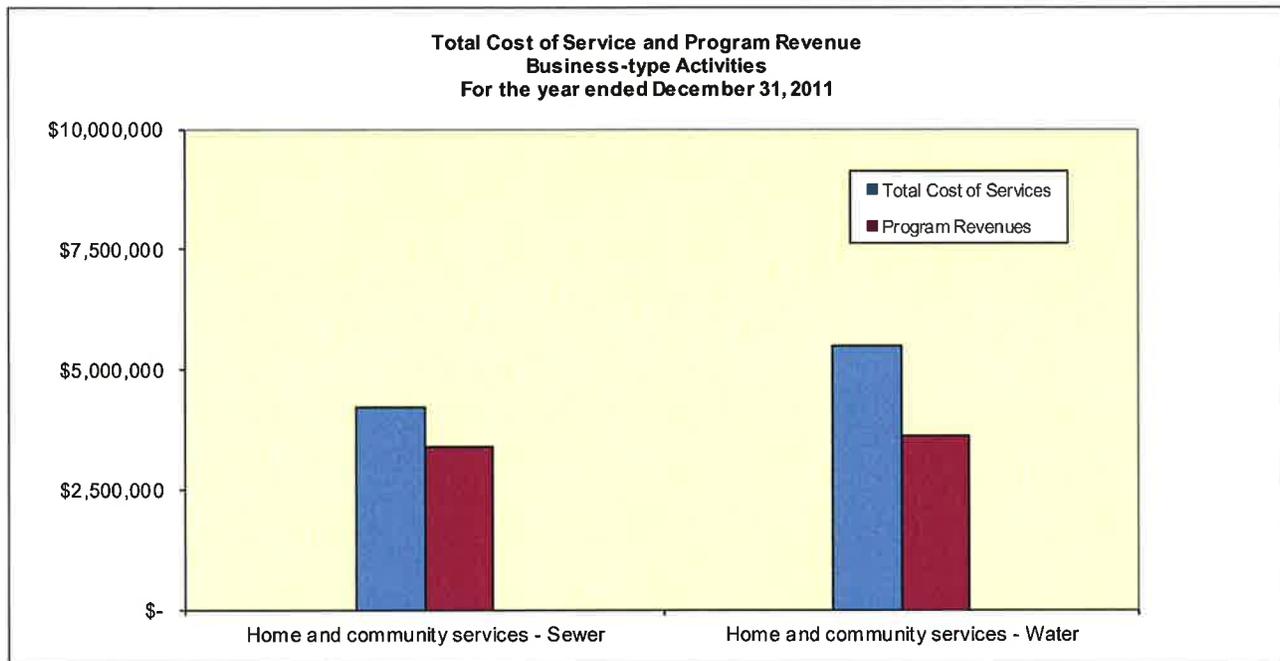
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-type Activities

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

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

	2011	2010	2011	2010	2011	2010
	<u>Total Cost of Services (Expenses)</u>		<u>Program Revenue</u>		<u>Net Cost of Services</u>	
Home and community services - Sewer	\$ 4,201,713	\$ 4,116,045	\$ 3,399,426	\$ 3,350,261	\$ 802,287	\$ 765,784
Home and community services - Water	5,483,094	5,266,275	3,609,772	3,245,678	1,873,322	2,020,597
	<u>\$ 9,684,807</u>	<u>\$ 9,382,320</u>	<u>\$ 7,009,198</u>	<u>\$ 6,595,939</u>	<u>\$ 2,675,609</u>	<u>\$ 2,786,381</u>

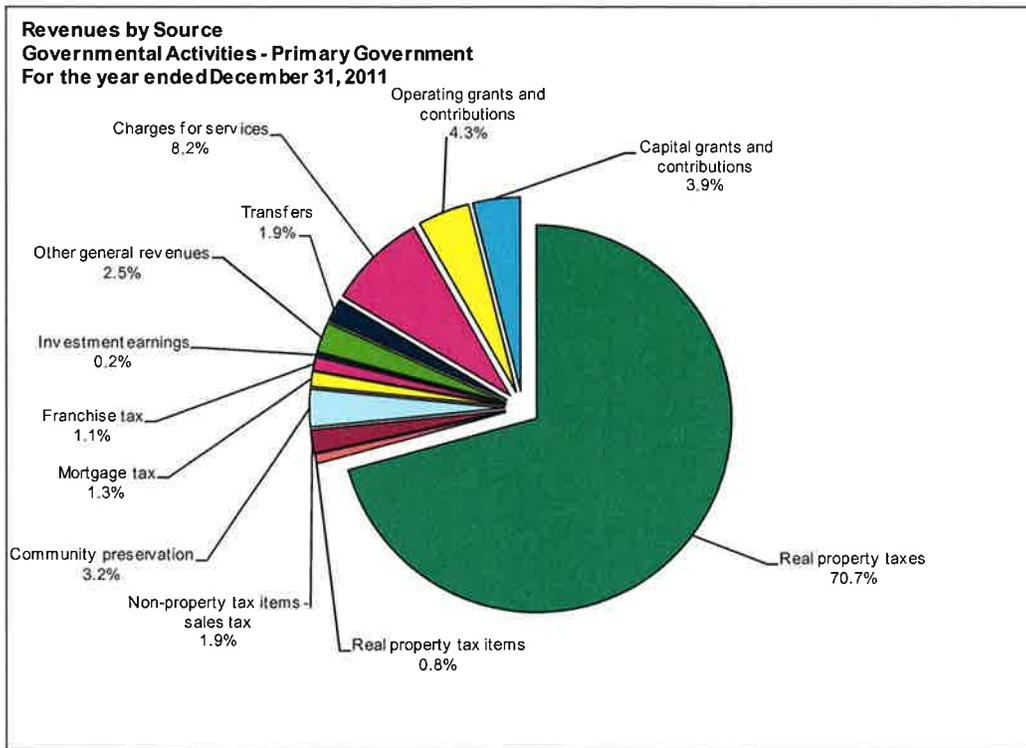


The cost of the business-type activities this year was \$9,684,807. The cost of these services after being partially subsidized by program revenues of \$7,009,198 was \$2,675,609.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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



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

	2011	2010
Real property taxes	\$ 43,585,796	\$ 41,684,475
Real property tax items	487,195	435,944
Non-property tax items - sales tax	1,178,655	1,178,655
Community preservation fund 2% tax	1,937,325	2,288,395
Mortgage tax	778,491	1,120,206
Franchise tax	702,146	675,409
Investment earnings - unrestricted	146,417	321,569
Other general revenues	1,547,838	1,059,414
Transfers	1,164,900	1,008,600
Charges for services	5,041,278	5,205,530
Operating grants and contributions	2,648,042	1,775,231
Capital grants and contributions	2,403,533	5,723,965
	<u>\$ 61,621,616</u>	<u>\$ 62,477,393</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

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

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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

The Town has implemented Governmental Accounting standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. As a result of this implementation, the fund balance section of the balance sheets of the governmental funds has been modified. The change has been made in order for the Town's new fund balance components to focus on "the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent". Previously, the fund balance section focused on whether these resources were available for appropriation. It also distinguished the unreserved fund balance from the reserved fund balance. In order to show compliance with GASB Statement No. 54 the components of the new fund balance include the following line items:

- **Nonspendable fund balance** - \$1,537,936 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$24,882,257 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$8,240,279 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$6,907,020 (residual net resources) is the total fund balance in the General Fund in excess of nonspendable, restricted and assigned fund balance.

The implementation of these new components is intended to increase clarity and help service the need of the financial statement users. See Note 2.B for more information.

At December 31, 2011, the Town's governmental funds reported total ending fund balances of \$41,567,492, an increase of \$8,934,884 or 27.4% in comparison with the prior year.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$11,480,294, decreasing \$1,322,868, or 10.3%, from the prior year. Of this amount, \$1,148,441 is not in spendable form (prepaid items and inventory). The remaining \$10,331,853 of the fund balance is in spendable form as follows: \$2,600,000 has been assigned by the Town Board for the subsequent year's budget and \$654,569 has been assigned for other miscellaneous designations; \$170,264 has been assigned for purchase orders by the Town Finance Administrator, and the remaining \$6,907,020 represents spendable, unassigned fund balance.

The major components of the fund balance decrease of \$1,322,868 were:

- There was a budgeted reduction in fund balance of \$2,625,100.
- Fines and forfeitures came in higher by \$800,000 due to a settlement related to the landfill.
- Insurance recovery for the 2010 building department fire was \$387,000.
- Use of money and property came in \$200,000 lower, from wireless contracts, as a result of the delay in tower construction.
- Bonds issued late in the year (November 2011) resulted in a savings of \$374,700, as interest was budgeted for 2011 in anticipation of an earlier issuance.

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$2,295,264, decreasing \$566,646, or 19.8%, from the prior year. Of this amount, \$70,189 is not in spendable form (prepaid items). The remaining \$2,225,075 of the fund balance is in spendable form as follows \$99,635 has been assigned for purchase orders by the Town Finance Administrator and the remaining \$2,125,440 is assigned for highway purposes.

The main reasons for the fund balance decrease of \$556,646 were:

- Equipment purchases made from fund balance of \$815,945.
- Received state and federal emergency aid of \$123,341 and insurance recoveries of approximately \$80,000, both of which were unanticipated and related to Hurricane Irene.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Capital Projects Fund

At the end of the current year, the Capital Projects Fund had a total fund balance of \$858,826. Of this amount \$305,237 was not in spendable form (long-term receivable), \$176,627 was restricted for capital purposes and \$376,962 was restricted for purchase orders.

- Fund balanced increased, by \$7,624,442 primarily due to the November 2011 bond issuance, subsequent projects payments and the disallowance of \$279,606 in due from other governments.

Community Preservation Fund

At the end of the current year, the Community Preservation Fund had a total fund balance of \$23,630,760. Of this amount \$4,237,400 was restricted for debt service and the remaining \$19,393,360 is restricted for Community Preservation purposes.

The major components of the fund balance increase of \$4,971,723 were:

- There was a budgeted reduction in fund balance of \$4,578,500.
- There was a transfer of \$8,775,444 from the Capital Projects Fund for unspent projects for which there is no debt service remaining.

Nonmajor Governmental Funds

The net change in fund balances was a decrease of \$632,794 over the nine nonmajor funds, the most notable as follows:

- The largest decrease was in the Special Trust Fund, of \$258,588; for park improvement projects.
- The East Creek Docking Facility decrease of \$239,290 was for bulk heading at East Creek Dock in excess of bonding.
- The Business Improvement District decrease of \$111,927 was due to the use of fund balance to attract businesses to the downtown area.
- The Community Development decrease of \$102,562 was from the \$375,000 spent for the EPCAL study offset by the \$250,000 sale of property.

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 (deficit) of the sewer and water proprietary funds at the end of the year amounted to \$5,146,444 and (\$1,745,783) respectively. The total net assets change was a decrease of \$675,650, a decrease of \$119,539 in the Sewer Fund and \$556,111 in the Water Fund.

- The key elements of the changes in business-type activities was the recognition of 2011 OPEB costs of \$191,439 and \$214,942 in the Sewer and Water Funds respectively.
- In the Water Fund, water sales came in \$450,000 less than anticipated because water rates have not kept pace with costs. This was addressed in 2012.
- Bond interest expense was lower than anticipated in the Sewer and Water Proprietary Funds by \$118,000 and \$57,000 respectively, as a result from the bond not being issued until November 2011.

General Fund Budgetary Highlights

During the year, there was a \$3,667,353 or 8.6% increase in overall spending between the original and final amended budget, inclusive of transfers. There are no variances that are expected to have a significant effect on future services or liquidity. Please see the "General Fund" section for more details on the comparison of final budgets and actual amounts. The following are the main components of the increase in appropriations:

- Home and community services increased by \$1,762,946 for the Atlantis Marine World pass-through grant which also increased revenues by an equal amount.
- Budgeted \$580,848 for equipment purchases from fund balance.
- Transfers of \$120,000 for fuel and \$204,900 for the building fire in general government support.
- Wading River dredging in culture and recreation was \$91,800.
- Prior year encumbrances, included in the final budget, that were spent in 2011 of \$465,822.

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

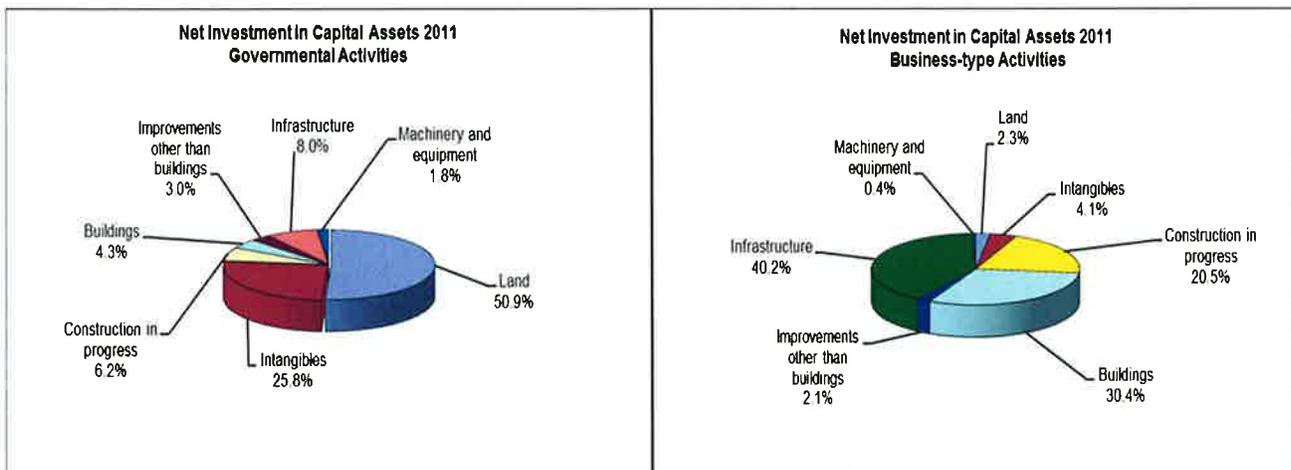
The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$264,833,460 (net of accumulated depreciation). This investment in capital assets includes land, non-depreciable intangible assets, equipment, improvements, infrastructure, depreciable intangible assets and construction in progress.

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

- Highway road improvements throughout the Town were completed for \$1,388,847 in governmental activities. In addition, construction of highway salt barns were \$746,760.
- The Town purchased the North Fork Preserve for \$491,946. This was in conjunction with an additional share from Suffolk County of \$9,490,925.
- Improvements of \$322,820 were made to Stotzky Park.
- There were no major completed improvements in business-type activities in 2011.

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 104,463,231	\$ 103,953,785	\$ 1,353,928	\$ 1,303,645	\$ 105,817,159	\$ 105,257,430
Intangible development rights and easements	52,966,917	52,841,114	2,378,757	2,378,757	55,345,674	55,219,871
Construction in progress	12,657,145	11,284,412	12,246,854	5,258,255	24,903,999	16,542,667
Buildings	8,791,574	8,311,883	18,187,900	18,798,704	26,979,474	27,110,587
Improvements other than buildings	6,126,620	6,294,714	1,276,077	1,394,845	7,402,697	7,689,559
Infrastructure	16,329,407	15,904,843	24,072,319	25,115,311	40,401,726	41,020,154
Machinery and equipment	3,654,035	3,915,205	227,255	280,439	3,881,290	4,195,644
Intangibles - software	32,508	48,688	68,933	86,533	101,441	135,221
Total capital assets	\$ 205,021,437	\$ 202,554,644	\$ 59,812,023	\$ 54,616,489	\$ 264,833,460	\$ 257,171,133



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

TOWN OF RIVERHEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

At the end of 2011 the Town had total bonded debt outstanding of \$134,016,001. For the year ended December 31, 2011 the Town's total combined debt increased by \$13,221,001 or 10.9%. The entire debt is backed by the full faith and credit of the Town of Riverhead. This was the first serial bond issued since 2008.

**Outstanding Debt
as of December 31,**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 119,199,412	\$ 109,954,737	\$ 14,816,589	\$ 10,840,263	\$ 134,016,001	\$ 120,795,000
Total	\$ 119,199,412	\$ 109,954,737	\$ 14,816,589	\$ 10,840,263	\$ 134,016,001	\$ 120,795,000

The Town maintains an "AA-" rating from Standard & Poor's Corp., and an "Aa2" rating from Moody's Investors Service.

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average full valuation. The debt limit excludes water debt and sewer debt and the business-type activities. The current debt limitation for the Town is \$464,110,719 which is significantly in excess of the Town's outstanding general obligation debt. The percentage of debt limit exhausted is 25.68%.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Next year's budget will increase by \$1,804,558 (or 2.64%) with the majority of this increase spending for the General Fund, \$1,482,800, Highway, \$175,580, Riverhead Scavenger Waste, \$171,300 and Refuse and Garbage, \$76,000. Spending decreases will be in Riverhead Sewer, \$83,900, Riverhead Water, \$42,350 and Calverton Sewer, \$29,400. Several other districts had minor increases or decreases.

Assessed values increased in 2011 by \$4,011,739 over 2010 or 0.50%.

The Town wide tax rate increased by \$2.36 per \$1,000 of assessed value.

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

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.

BASIC FINANCIAL STATEMENTS

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TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government			Component Unit IDA
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 21,788,411	\$ 8,578,148	\$ 30,366,559	\$ 69,194
Cash - restricted	26,568,305		26,568,305	
Accounts receivable	357,908	50,000	407,908	401
Billings receivable		848,272	848,272	
Due from other governments	6,244,957	1,015,936	7,260,893	
Internal balances	2,206,510	(2,206,510)	-	
Prepays	1,094,882	90,186	1,185,068	
Inventory of materials and supplies	137,817	44,377	182,194	
Other assets	3,000		3,000	
Total current assets	<u>58,401,790</u>	<u>8,420,409</u>	<u>66,822,199</u>	<u>69,595</u>
Non-current assets:				
Long-term receivable	305,237		305,237	
Non-depreciable capital assets	170,087,293	15,979,539	186,066,832	
Capital assets, net of accumulated depreciation	34,934,144	43,832,484	78,766,628	17,398
Total non-current assets	<u>205,326,674</u>	<u>59,812,023</u>	<u>265,138,697</u>	<u>17,398</u>
Total assets	<u>263,728,464</u>	<u>68,232,432</u>	<u>331,960,896</u>	<u>86,993</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	3,687,466	1,317,012	5,004,478	33,653
Retainage payable	128,810	170,970	299,780	
Accrued interest payable	554,948	61,255	616,203	
Due to other governments	330	1,886	2,216	
Unearned revenue/deferred revenue	9,003,681	831,058	9,834,739	
Other liabilities		36,388	36,388	
Non-current liabilities due within one year:				
General obligation bonds payable	7,376,321	1,328,679	8,705,000	
Compensated absences payable	843,295	104,126	947,421	
Claims and judgments payable	920,133		920,133	
Estimated liability for landfill closure and postclosure care costs	90,900		90,900	
Total current liabilities	<u>22,605,884</u>	<u>3,851,374</u>	<u>26,457,258</u>	<u>33,653</u>
Non-current liabilities due in more than one year:				
General obligation bonds payable	111,823,091	13,487,910	125,311,001	
Compensated absences payable	7,203,418	889,443	8,092,861	2,163
Claims and judgments payable	1,703,844		1,703,844	
Estimated liability for landfill closure and postclosure care costs	1,311,297		1,311,297	
Postemployment benefits healthcare costs	16,730,122	1,401,176	18,131,298	
Total non-current liabilities	<u>138,771,772</u>	<u>15,778,529</u>	<u>154,550,301</u>	<u>2,163</u>
Total liabilities	<u>161,377,656</u>	<u>19,629,903</u>	<u>181,007,559</u>	<u>35,816</u>
NET ASSETS				
Invested in capital assets, net of related debt	86,135,423	44,575,487	130,710,910	
Restricted for:				
Debt service fund		153,370	153,370	
Capital projects	858,826		858,826	
Community preservation fund	23,630,760		23,630,760	
Home and community services	697,908	473,011	1,170,919	
Unrestricted	(8,972,109)	3,400,661	(5,571,448)	51,177
Total net assets	<u>\$ 102,350,808</u>	<u>\$ 48,602,529</u>	<u>\$ 150,953,337</u>	<u>\$ 51,177</u>

TOWN OF RIVERHEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year ended December 31, 2011

Function/ Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government support	\$ 17,423,141	\$ 1,914,505	\$ 80,710	\$ 72,732
Public safety	24,158,416	1,668,543	227,316	153,874
Health	893,997	44,280		
Transportation	6,724,114	51,587	123,341	1,825,318
Economic assistance and opportunity	2,355,332	99,833	250,036	
Culture and recreation	2,564,197	922,774	36,689	170,660
Home and community services	7,028,754	339,756	1,929,950	180,949
Interest on debt	4,298,057			
Total governmental activities	\$ 65,446,008	\$ 5,041,278	\$ 2,648,042	\$ 2,403,533
Business-type Activities:				
Home and community services - Sewer	\$ 4,201,713	\$ 3,207,588		\$ 191,838
Home and community services - Water	5,483,094	2,851,863		757,909
Total business-type activities	9,684,807	6,059,451		949,747
Total Primary Government	\$ 75,130,815	\$ 11,100,729	\$ 2,648,042	\$ 3,353,280
COMPONENT UNIT:				
Industrial Development Agency (IDA)	\$ 175,612	\$ 93,715		
Total component unit	\$ 175,612	\$ 93,715		

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
- Other

Transfers

Total general revenues and transfers

Change in net assets

Net Assets - beginning

Net assets - ending

See notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Agency
\$ (15,355,194)		\$ (15,355,194)	
(22,108,683)		(22,108,683)	
(849,717)		(849,717)	
(4,723,868)		(4,723,868)	
(2,005,463)		(2,005,463)	
(1,434,074)		(1,434,074)	
(4,578,099)		(4,578,099)	
(4,298,057)		(4,298,057)	
<u>\$ (55,353,155)</u>		<u>\$ (55,353,155)</u>	
	\$ (802,287)	\$ (802,287)	
	(1,873,322)	(1,873,322)	
	(2,675,609)	(2,675,609)	
<u>\$ (55,353,155)</u>	<u>\$ (2,675,609)</u>	<u>\$ (58,028,764)</u>	
			\$ (81,897)
			<u>\$ (81,897)</u>
\$ 43,585,796	\$ 1,933,701	\$ 45,519,497	
487,195	451,043	938,238	
1,178,655	146,688	1,325,343	
1,937,325		1,937,325	
778,491		778,491	
702,146		702,146	
146,417	633,427	779,844	\$ 90
893,129		893,129	
107,028		107,028	
547,681		547,681	
1,164,900	(1,164,900)	-0-	
<u>51,528,763</u>	<u>1,999,959</u>	<u>53,528,722</u>	<u>90</u>
(3,824,392)	(675,650)	(4,500,042)	(81,807)
106,175,200	49,278,179	155,453,379	132,984
<u>\$ 102,350,808</u>	<u>\$ 48,602,529</u>	<u>\$ 150,953,337</u>	<u>\$ 51,177</u>

**TOWN OF RIVERHEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011**

MAJOR FUNDS				
	General	Highway	Debt Service	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 10,492,390	\$ 3,012,036		
Cash - restricted				\$ 2,695,449
Accounts receivable	304,890			19,851
Due from other funds	6,122,247	740,166		1,073,438
Due from other governments	1,633,721	124,384		2,417,891
Prepays	1,010,624	70,189		
Inventory	137,817			
Other assets	3,000			
Total assets	\$ 19,704,689	\$ 3,946,775	\$ -0-	\$ 6,206,629
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,954,804	\$ 248,816		\$ 661,909
Retainage payable				28,818
Due to other funds		19,753		4,648,842
Due to other governments				330
Deferred revenue	6,269,591	1,382,942		7,904
Total liabilities	8,224,395	1,651,511		5,347,803
FUND BALANCES				
Nonspendable	1,148,441	70,189		305,237
Restricted				553,589
Assigned	3,424,833	2,225,075		
Unassigned	6,907,020			
Total fund balances	11,480,294	2,295,264		858,826
Total liabilities and fund balances	\$ 19,704,689	\$ 3,946,775	\$ -0-	\$ 6,206,629

See notes to the financial statements

Community Preservation	Other Governmental Funds	Total Governmental Funds
	\$ 3,982,478	\$ 17,486,904
\$ 23,317,590	555,266	26,568,305
	33,167	357,908
	29,604	7,965,455
313,170	1,825,523	6,314,689
	14,069	1,094,882
		137,817
		3,000
<u>\$ 23,630,760</u>	<u>\$ 6,440,107</u>	<u>\$ 59,928,960</u>
	\$ 604,173	\$ 3,469,702
	99,992	128,810
	1,090,350	5,758,945
		330
	1,343,244	9,003,681
	<u>3,137,759</u>	<u>18,361,468</u>
	14,069	1,537,936
\$ 23,630,760	697,908	24,882,257
	2,590,371	8,240,279
		6,907,020
<u>23,630,760</u>	<u>3,302,348</u>	<u>41,567,492</u>
<u>\$ 23,630,760</u>	<u>\$ 6,440,107</u>	<u>\$ 59,928,960</u>

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TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
December 31, 2011

Total fund balances - governmental funds \$ 41,567,492

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	\$ 170,087,293	
Capital assets - depreciable	151,070,786	
Accumulated depreciation	<u>(116,136,642)</u>	205,021,437

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). 4,083,743

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	(119,199,412)	
Compensated absences	(8,046,713)	
Claims and judgments	(2,623,977)	
Estimated liability for landfill closure and postclosure care costs	(1,402,197)	
Other postemployment benefits	<u>(16,730,122)</u>	(148,002,421)

Due from other governments applicable to the Town's governmental activities not due and receivable in the current period, and accordingly, are not reported in the funds. However, these assets are included in the Statement of Net Assets. 235,505

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. (554,948)

Net assets of governmental activities \$ 102,350,808

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2011

	MAJOR FUNDS			
	General	Highway	Debt Service	Capital Projects
REVENUES				
Real property taxes	\$ 29,250,528	\$ 6,521,126		
Real property tax items	487,195			
Non-property tax items	1,880,801			
Departmental income	2,269,505			
Intergovernmental charges	32,597	1,390		
Use of money and property	188,101	15,181	\$ 16,279	\$ 3,063
Licenses and permits	76,928	17,600		
Fines and forfeitures	1,309,276			
Sale of property and compensation for loss	671,093	81,140		
Miscellaneous local sources	77,292			49,775
Interfund revenues	2,562,746			
State and local aid	3,033,209	30,835		746,748
Federal aid	234,509	92,506		183,896
Total revenues	<u>42,073,780</u>	<u>6,759,778</u>	<u>16,279</u>	<u>983,482</u>
EXPENDITURES				
Current:				
General government support	9,302,360	981,077		
Public safety	14,987,913			
Health	11,440			
Transportation	385,736	3,625,907		
Economic assistance and opportunity	1,033,555			
Culture and recreation	1,667,543			
Home and community services	2,960,836			
Employee benefits	9,568,939	1,017,290		
Capital Outlay:				3,756,200
Debt Service:				
Principal			7,320,325	
Interest			4,282,391	
Bond issuance costs	37,411	9,524		
Total expenditures	<u>39,955,733</u>	<u>5,633,798</u>	<u>11,602,716</u>	<u>3,756,200</u>
Excess (deficiency) of revenues over expenditures	<u>2,118,047</u>	<u>1,125,980</u>	<u>(11,586,437)</u>	<u>(2,772,718)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,182,331		10,447,795	2,608,841
Transfers out	(4,623,246)	(1,692,626)	(331)	(8,776,681)
Debt proceeds				16,565,000
Total other financing sources (uses)	<u>(3,440,915)</u>	<u>(1,692,626)</u>	<u>10,447,464</u>	<u>10,397,160</u>
Net change in fund balance	(1,322,868)	(566,646)	(1,138,973)	7,624,442
Fund balances (deficits) at beginning of year	12,803,162	2,861,910	1,138,973	(6,765,616)
Fund balances at end of year	<u>\$ 11,480,294</u>	<u>\$ 2,295,264</u>	<u>\$ -0-</u>	<u>\$ 858,826</u>

See notes to the financial statements

Community Preservation	Other Governmental Funds	Total Governmental Funds
	\$ 7,814,142	\$ 43,585,796
		487,195
\$ 1,937,325	310,815	3,818,126
		2,580,320
	77,744	33,987
24,529		324,897
		94,528
		1,309,276
	250,000	1,002,233
		127,067
		2,562,746
	135,269	3,946,061
	1,455,385	1,966,296
<u>1,961,854</u>	<u>10,043,355</u>	<u>61,838,528</u>
	1,012,955	11,296,392
		14,987,913
	1,054,361	1,065,801
	2,140,769	6,152,412
	598,598	1,632,153
	36,109	1,703,652
	4,673,897	7,634,733
	160,196	10,746,425
		3,756,200
		7,320,325
		4,282,391
	8,212	55,147
	<u>9,685,097</u>	<u>70,633,544</u>
<u>1,961,854</u>	<u>358,258</u>	<u>(8,795,016)</u>
8,775,444	331	23,014,742
(5,765,575)	(991,383)	(21,849,842)
		16,565,000
<u>3,009,869</u>	<u>(991,052)</u>	<u>17,729,900</u>
4,971,723	(632,794)	8,934,884
18,659,037	3,935,142	32,632,608
<u>\$ 23,630,760</u>	<u>\$ 3,302,348</u>	<u>\$ 41,567,492</u>

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TOWN OF RIVERHEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
Year ended December 31, 2011

Net change in fund balances - total governmental funds \$ 8,934,884

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

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

Capital outlay	\$ 5,401,369	
Depreciation expense	(2,877,864)	
Loss on disposition	(56,712)	
	2,466,793	2,466,793

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Mortgage tax		17,193
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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	(342,033)	
Other change in net assets	(109,801)	
	(451,834)	(451,834)

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

Debt issued	(16,565,000)	
Repayment of debt principal	7,320,325	
Compensated absences	(726,058)	
Estimated liability for landfill closure and postclosure care costs	(62,084)	
Other postemployment benefits	(4,742,945)	
Accrued interest payable	(15,666)	
	(14,791,428)	(14,791,428)

Change in net assets of governmental activities		\$ (3,824,392)
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TOWN OF RIVERHEAD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,418,111	\$ 2,160,037	\$ 8,578,148	\$ 4,301,507
Accounts receivable		50,000	50,000	
Billings receivables, net of allowance of \$18,077 in Sewer	59,752	788,520	848,272	
Due from other funds	1,571	180,784	182,355	
Due from other governments	599,913	416,023	1,015,936	
Prepays	39,953	50,233	90,186	
Inventory		44,377	44,377	
Total current assets	<u>7,119,300</u>	<u>3,689,974</u>	<u>10,809,274</u>	<u>4,301,507</u>
Non-current assets:				
Capital assets:				
Land	575,912	778,017	1,353,929	
Intangibles - non-depreciable easements		2,378,757	2,378,757	
Construction work in progress	5,908,158	6,338,695	12,246,853	
Buildings	22,766,748	11,016,872	33,783,620	
Improvements other than buildings	1,836,917	134,711	1,971,628	
Machinery and equipment	933,514	7,305,058	8,238,572	
Infrastructure	21,024,792	41,399,661	62,424,453	
Intangibles - depreciable		88,000	88,000	
Less accumulated depreciation/amortization	(32,476,996)	(30,196,793)	(62,673,789)	
Total capital assets (net of accumulated depreciation/amortization)	<u>20,569,045</u>	<u>39,242,978</u>	<u>59,812,023</u>	
Total non-current assets	<u>20,569,045</u>	<u>39,242,978</u>	<u>59,812,023</u>	
Total assets	<u>27,688,345</u>	<u>42,932,952</u>	<u>70,621,297</u>	<u>4,301,507</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	710,698	606,314	1,317,012	217,764
Retainage payable		170,970	170,970	
Due to other governments		1,886	1,886	
Bond interest and matured bonds payable	19,419	41,836	61,255	
Customers deposits payable		36,388	36,388	
General obligation bonds payable	418,532	910,147	1,328,679	
Claims and judgments payable				920,133
Compensated absences payable	28,251	75,875	104,126	
Due to other funds		2,388,865	2,388,865	
Unearned revenue/deferred revenue	563,590	267,468	831,058	
Total current liabilities	<u>1,740,490</u>	<u>4,499,749</u>	<u>6,240,239</u>	<u>1,137,897</u>
Non-current liabilities:				
General obligation bonds payable	3,870,740	9,617,170	13,487,910	
Claims and judgments payable				1,703,844
Compensated absences payable	241,319	648,124	889,443	
Postemployment benefits healthcare costs	687,306	713,870	1,401,176	
Total non-current liabilities	<u>4,799,365</u>	<u>10,979,164</u>	<u>15,778,529</u>	<u>1,703,844</u>
Total liabilities	<u>6,539,855</u>	<u>15,478,913</u>	<u>22,018,768</u>	<u>2,841,741</u>
NET ASSETS				
Invested in capital assets, net of related debt	15,865,939	28,709,548	44,575,487	
Restricted - expendable				
Restricted for debt service		153,370	153,370	
Restricted for other purposes	136,107	336,904	473,011	
Unrestricted	5,146,444	(1,745,783)	3,400,661	1,459,766
Total net assets	<u>\$ 21,148,490</u>	<u>\$ 27,454,039</u>	<u>\$ 48,602,529</u>	<u>\$ 1,459,766</u>

TOWN OF RIVERHEAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year ended December 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
OPERATING REVENUES				
Charges for sales and services:				
Water sales		\$ 2,747,400	\$ 2,747,400	
Sewer rents	\$ 2,171,760		2,171,760	
Sewer charges	968,247		968,247	
Departmental income		24,903	24,903	
Water service charges		79,560	79,560	
Service other departments				\$ 1,270,400
Other services	67,581		67,581	
Total operating revenues	<u>3,207,588</u>	<u>2,851,863</u>	<u>6,059,451</u>	<u>1,270,400</u>
OPERATING EXPENSES				
Cost of sales and services:				
Administration	1,143,189	1,527,637	2,670,826	374,683
Insurance				55,994
Judgments and claims				1,309,379
Sewerage treatment disposal	1,555,417		1,555,417	
Source of supply, power and pump		1,656,566	1,656,566	
Depreciation/amortization	686,613	1,216,222	1,902,835	
Employee benefits	707,155	822,403	1,529,558	
Total operating expenses	<u>4,092,374</u>	<u>5,222,828</u>	<u>9,315,202</u>	<u>1,740,056</u>
Operating income (loss)	<u>(884,786)</u>	<u>(2,370,965)</u>	<u>(3,255,751)</u>	<u>(469,656)</u>
NON-OPERATING REVENUE (EXPENSE)				
Investment earnings - unrestricted	29,617	3,039	32,656	17,822
Interest expense	(109,339)	(246,972)	(356,311)	
Bond issuance costs not being amortized		(13,294)	(13,294)	
Tower rentals and miscellaneous		600,771	600,771	
Developers' fees	191,838	757,909	949,747	
Real property taxes and tax items	567,500	1,366,201	1,933,701	
Other real property tax items	451,043		451,043	
Non-property tax distribution by county	146,688		146,688	
Total non-operating revenue (expense)	<u>1,277,347</u>	<u>2,467,654</u>	<u>3,745,001</u>	<u>17,822</u>
Income (loss) before transfers	392,561	96,689	489,250	(451,834)
Transfers out	(512,100)	(652,800)	(1,164,900)	
Change in net assets	<u>(119,539)</u>	<u>(556,111)</u>	<u>(675,650)</u>	<u>(451,834)</u>
Total net assets - beginning	21,268,029	28,010,150	49,278,179	1,911,600
Total net assets - ending	<u>\$ 21,148,490</u>	<u>\$ 27,454,039</u>	<u>\$ 48,602,529</u>	<u>\$ 1,459,766</u>

TOWN OF RIVERHEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended December 31, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Sewer	Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 3,068,122	\$ 2,765,215	\$ 5,833,337	\$ 1,270,400
Cash payments contractual expense	(1,387,905)	(1,904,213)	(3,292,118)	(1,486,969)
Cash payments employees	(1,622,560)	(1,932,821)	(3,555,381)	159,393
Other revenues	67,581	24,903	92,484	
Net cash provided (used) by operating activities	<u>125,238</u>	<u>(1,046,916)</u>	<u>(921,678)</u>	<u>(57,176)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Real property taxes and tax items	1,018,543	1,366,201	2,384,744	
Non-property tax distribution by county	146,688		146,688	
Tower rentals		600,771	600,771	
Developer refunds and other miscellaneous expenses		(75,611)	(75,611)	
Transfers to/from other funds	(497,246)	(903,575)	(1,400,821)	(339,701)
Net cash provided (used) by noncapital and related financing activities	<u>667,985</u>	<u>987,786</u>	<u>1,655,771</u>	<u>(339,701)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	(428,384)	4,404,710	3,976,326	
Interest paid on capital debt	(127,492)	(237,335)	(364,827)	
Bond issuance costs not being amortized		(13,294)	(13,294)	
Capital contributions by developer's	191,838	833,520	1,025,358	
Payments to contractors	(3,144,698)	(3,953,671)	(7,098,369)	
Net cash provided (used) by capital and related financing activities	<u>(3,508,736)</u>	<u>1,033,930</u>	<u>(2,474,806)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	30,916	3,090	34,006	18,277
Net cash provided by investing activities	<u>30,916</u>	<u>3,090</u>	<u>34,006</u>	<u>18,277</u>
Net increase (decrease) in cash and cash equivalents	(2,684,597)	977,890	(1,706,707)	(378,600)
Cash and cash equivalents at January 1, 2011	9,102,708	1,182,147	10,284,855	4,680,107
Cash and cash equivalents at December 31, 2011	<u>\$ 6,418,111</u>	<u>\$ 2,160,037</u>	<u>\$ 8,578,148</u>	<u>\$ 4,301,507</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (884,786)	\$ (2,370,965)	\$ (3,255,751)	\$ (469,656)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	686,613	1,216,222	1,902,835	
(Increase) decrease in due from other governments		(410,122)	(410,122)	
(Increase) decrease in accounts receivable		(50,000)	(50,000)	
(Increase) decrease in billings receivable	(45,683)	435,370	389,687	
(Increase) decrease in inventory		397	397	
(Increase) decrease in prepaid expense	(11,328)	(17,910)	(29,238)	
Increase (decrease) in deferred revenue	(26,202)	(36,993)	(63,195)	
Increase (decrease) in compensated absences	(8,980)	50,178	41,198	
Increase (decrease) in postemployment healthcare benefits	191,439	214,942	406,381	
Increase (decrease) in accounts payable/accrued liabilities	242,691	(225,675)	17,016	70,447
Increase (decrease) in retainage payable	(15,183)	147,461	132,278	
Increase (decrease) in claims and judgments				342,033
Increase (decrease) in accrued liabilities	(3,343)	179	(3,164)	
Total adjustments	<u>1,010,024</u>	<u>1,324,049</u>	<u>2,334,073</u>	<u>412,480</u>
Net cash provided (used) by operating activities	<u>\$ 125,238</u>	<u>\$ (1,046,916)</u>	<u>\$ (921,678)</u>	<u>\$ (57,176)</u>

TOWN OF RIVERHEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2011

		Agency Fund
ASSETS		
Cash		\$ 15,114,726
	Total assets	\$ 15,114,726
 LIABILITIES		
Due to school districts		\$ 13,385,285
Other agency liabilities		1,729,441
	Total liabilities	\$ 15,114,726

TOWN OF RIVERHEAD
INDEX FOR NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Riverhead (the "Town"), which was established in 1792, is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor who is elected for a term of two years and four council members who are elected for terms of four years. The Town Board appoints the Town Attorney whose term is fixed by Town Law. The Town Clerk and Receiver of Taxes are elected and serve for 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 basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals. The Town has elected not to apply Financial Accounting Standards Board (FASB) pronouncements developed for business enterprises after November 30, 1989.

A. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, which is the Town; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14, as amended by GASB Statement No. 39.

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, as amended by GASB Statement No. 39, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a summary of certain entities considered in determining the Town's reporting entity.

The Town of Riverhead Community Development Agency was created by Chapter 480 of the Laws of 1982, a special act of the New York State Legislature. The Community Development Agency (CDA) is an independent governmental agency and instrumentality of the State of New York and is a corporate governmental agency constituting a public benefit corporation of the State of New York. The 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, as amended by GASB Statement No. 39, 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.

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

The Riverhead Industrial Development Agency (RIDA) is a public benefit corporation 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 Riverhead IDA Economic Job Development Corporation (LDC) is considered a component unit of the RIDA. The LDC is a non-profit organization formed by the Town. It shares its' membership and purpose with the IDA. The LDC was incorporated on February 3, 2011 and was not active during 2011.

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

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

Riverhead Industrial Development Agency
200 Howell Avenue
Riverhead, NY 11901

B. GOVERNMENT-WIDE AND FUND FINANCIALS STATEMENTS

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town as a whole. For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provide and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

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

The Town reports the following major governmental funds:

General Fund – is the principal operating fund and includes all operations not accounted for and reported in another fund.

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

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

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

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

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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Additionally, the Town reports the following nonmajor funds:

Special Revenue Funds include the following:

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.

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

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

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

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

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

Proprietary Fund Financial Statements

Proprietary Funds – are used to account for ongoing activities which are similar to those often found in the private sector. Proprietary fund financial statements include a Statement of Net 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.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Fund Financial Statements (continued)

The Town reports the following major proprietary funds:

The Sewer District Fund, which is comprised of:

Riverhead Sewer District Fund – includes all operations relating to public sanitary sewers within the hamlet of Riverhead. This fund also includes its own capital projects, 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.

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.

Additionally, the Town reports the following fund type:

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

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

Self-Insurance Fund – Worker's Compensation – is a fund that the Town uses as a self-insurance program covering workers' compensation costs for all employees and this fund is used to report this activity. The Town obtained catastrophic loss coverage beginning with the fourth quarter of 1993. For 2011, workers' compensation has a Self-Insured Retention (SIR) of \$175,000.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Fund Financial Statements (continued)

Internal Service Funds (continued)

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 2011, property had a \$50,000 - \$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.

Private-sector standards of accounting and financial reporting issued prior to June 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standard Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. As previously stated, the Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund has been eliminated from the government-wide financial statements. Exceptions to this general rule are internal service fund charges and charges between the Town’s Sewer and Water Enterprise Funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function, and 3) interest earned on grants or capital projects that is required to be used to support a particular program or project. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes the Town has the authority to impose.

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 personnel 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.

Fiduciary Funds

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

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

The Town has presented the following fiduciary funds:

Agency 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, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. CASH AND INVESTMENTS

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

State statutes, 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, special time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities. All demand deposits, special time deposit accounts and certificates of deposit are carried at cost. The Town has no investments at December 31, 2011.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)

1. CASH AND INVESTMENTS (continued)

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.

The Town's deposits were fully insured or collateralized as required by the state statutes at December 31, 2011.

2. RESTRICTED ASSETS

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

3. RECEIVABLES AND PAYABLES

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

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

a) Interfund Revenues

Interfund revenues and interfund services provided and used, in the General Fund represent amounts charged for services or facilities provided by the General Fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure in that fund. Transfers to the insurance reserve are classified as insurance expense in the 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. Other transactions between funds include residual equity transfers to close out completed capital projects as well as transfers to fund certain capital projects.

4. INVENTORY AND PREPAID ITEMS

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)

5. CAPITAL ASSETS

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

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

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

Governmental Funds:

Buildings	50 years
Buildings - highway salt barn	25 years
Buildings - municipal garage	30 years
Improvements other than buildings	15 years
Improvements other than buildings - municipal garage	10 years
Improvements other than buildings - fuel tanks and pumps	20 years
Intangibles	5 years
Machinery and equipment:	
Equipment	5 years
Equipment - autos and pick-ups	5 years
Equipment - heavy trucks	10 years
Equipment - boat	10 years
Equipment - traffic lights	15 years
Infrastructure/Improvements:	
Drainage and sidewalks	30 years
Parking lots	15 years
Roads	20 years

Proprietary Funds:

Buildings:	
Calverton sewer district	20 years
Riverhead sewer district	50 years
Riverhead water district	40 years
Intangibles:	
Riverhead water district	5 years
Machinery and equipment:	
Equipment - autos and pick-ups:	
Riverhead sewer district	5 years
Riverhead water district	5 years
Equipment - heavy trucks:	
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, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

5. 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. No depreciation has been recorded on governmental fixed assets in the fund financial statements, nor has interest on governmental fixed assets and construction in progress been capitalized.

6. UNEARNED REVENUE/DEFERRED REVENUE

Unearned revenue/deferred 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.

7. LONG-TERM OBLIGATIONS

In the government-wide financial statements and in the proprietary fund types of the fund financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences, judgments and claims, liability for landfill closure and postclosure care costs, pollution remediation, and other postemployment benefits are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Bond issuance costs that are immaterial are charged as an operating expense. Premiums that are immaterial will not be amortized.

8. NET ASSETS AND FUND EQUITY CLASSIFICATIONS

In the government-wide financial statements, net assets are reported in three categories:

- 1) 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. Accounts payable in the Capital Projects Fund are capital related debt and are used in the calculation of invested in capital assets, net of related debt.
- 2) Restricted 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 of other governments; or (2) law through constitutional provisions or enabling legislation
- 3) Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

8. NET ASSETS AND FUND EQUITY CLASSIFICATIONS (continued)

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions* (GASB 54) has been implemented. GASB 54 changed the terminology and classification of fund balance to reflect spending constraints on resources rather than availability for appropriation. The fund balance section of the governmental funds balance sheets have been modified accordingly. Not all of the Town's funds will necessarily have all of the components of fund balance available to that fund. The implementation of these new components is intended to increase clarity and help serve the needs of the financial statements users.

In the fund financials statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are 1) nonspendable, 2) restricted 3) committed, 4) assigned, or 5) unassigned.

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

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

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES

1. 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 15th and become a lien on December 1st. Taxes are collected by the Town during the period December 1st to May 31st. 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 10th and the second half is due on May 31st, the Suffolk County Tax Act guarantees that the Town, Special Districts and School Districts will receive the full amount of their levies at the end of the collection period. After May 31st, the County of Suffolk assumes enforcement responsibility for all uncollected taxes.

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 31st are turned over to 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.

2. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

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

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

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

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

3. 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.

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

F. ENCUMBRANCES

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

G. USE OF ESTIMATES

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

H. NEW ACCOUNTING PRONOUNCEMENTS

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2011, the Town adopted:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

I. SUBSEQUENT EVENTS

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

- a) The Town Charter establishes the fiscal year as the twelve-month period beginning January 1.
- b) On or before September 20th, each department, officer or district submits to the Financial Administrator, a detailed estimate of the budget for the amount of revenue to be received and expenditures to be made for the ensuing year.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

- c) On or before September 30th, the Budget Officer, who is the Town Supervisor, files with the Town Clerk a tentative budget for the ensuing year. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- d) On or before October 5th, the Town Board reviews the tentative budget and files with the Town Clerk, a preliminary budget.
- e) The Town Board conducts public hearings on the preliminary budget and on or before November 20th the Town Board meets to adopt the budget known as the "annual budget".
- f) Formal budget integration is employed during the year as a management control device for the General Fund and certain Special Revenue Funds. Budgets are prepared for Proprietary Funds to establish the estimated contributions required from other funds and to control expenditures. The Town board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval via resolution except for transfers of \$2,500 or less which can be done by the Finance Administrator. Appropriations for all governmental funds except the Capital Projects Fund lapse at year-end.
- g) Budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual expenditures exceed budgeted amounts, budgetary appropriations transfers are made. The Capital Projects, Special Grants and Community Development Funds do not have annually adopted budgets, but are budgeted on a project or grant basis.
- h) Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

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

B. FUND EQUITY

FUND BALANCE

In order to comply with the Governmental Accounting Standard Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the fund balance section of the balance sheets of the governmental funds has been modified. The change has been made in order for the Town's new fund balance components to focus on "the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent" (GASB-54 paragraph 54). Previously, the fund balance section focused on whether these resources were available for appropriation. It also distinguished the unreserved fund balance from the reserved fund balance. In order to show compliance with GASB-54 however, the components of the new fund balance include the following items, as needed: 1) nonspendable, 2) restricted 3) committed, 4) assigned, or 5) unassigned.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY (continued)

FUND BALANCE (continued)

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

	General Fund	Highway Fund	Debt Service Fund	Capital Projects Funds	Community Preservation Fund	Other Governmental Funds	Total
Fund Balances:							
Nonspendable:							
Long-term receivables				\$ 305,237			\$ 305,237
Inventory	\$ 137,817						137,817
Prepaid items	1,010,624	\$ 70,189				\$ 14,069	1,094,882
Total Nonspendable	<u>1,148,441</u>	<u>70,189</u>		<u>305,237</u>		<u>14,069</u>	<u>1,537,936</u>
Restricted for:							
Debt service					\$ 4,237,400		4,237,400
Community preservation - 2% tax					19,393,360		19,393,360
Capital projects				176,627			176,627
Subsequent year's budget						48,600	48,600
Purchases on order and/or contractual obligations				376,962		52,086	429,048
Home and community services						597,222	597,222
Total Restricted				<u>553,589</u>	<u>23,630,760</u>	<u>697,908</u>	<u>24,882,257</u>
Assigned to:							
Subsequent year's budget	2,600,000					55,200	2,655,200
Purchases on order and/or contractual obligations	170,264	99,635				4,658	274,557
Miscellaneous designations	654,569						654,569
Special revenue funds		2,125,440				2,530,513	4,655,953
Total Assigned	<u>3,424,833</u>	<u>2,225,075</u>				<u>2,590,371</u>	<u>8,240,279</u>
Unassigned, reported in							
General fund	6,907,020						6,907,020
Total Unassigned	<u>6,907,020</u>						<u>6,907,020</u>
Total Fund Balances	<u>\$ 11,480,294</u>	<u>\$ 2,295,264</u>	<u>\$ -0-</u>	<u>\$ 858,826</u>	<u>\$ 23,630,760</u>	<u>\$ 3,302,348</u>	<u>\$ 41,567,492</u>

FUND BALANCE RESERVES AND DESIGNATIONS

Miscellaneous Designations

The majority of the \$654,569 in miscellaneous reserves in the General Fund, consists of the following designated fund balances: \$47,195 is designated for various recreation programs, \$277,810 is designated for the building operations of the Stotzky Park child care building, \$130,976 is designated for the Town Board special programs, \$91,765 is designated for the Empire Zone and \$47,739 is designated for the Senior Day Care Center.

Debt Service

The debt service reserve in the various funds are the amounts that are being held specifically for the debt service payments.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS

A. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party.

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, 2011 the Town's deposits totaled \$72,049,590 and the bank balances totaled \$83,891,099. The respective bank balances consisted solely of deposits. Of the total bank balance, \$47,926,936 was covered by the Federal Depository Insurance Corporation (FDIC) and \$43,100,176 was covered by collateral held by the Town's agent, a third party financial institution, in the Town's name.

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, 2011, the Town of Riverhead did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

At December 31, 2011, individual fund interfund receivable and payable balances represent either loans, services provided, or reimbursements which are expected to be paid currently. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and 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:

	<u>Receivable</u>	<u>Payable</u>
Governmental Activities:		
Major Funds:		
General Fund	\$ 6,122,247	
Highway Fund	740,166	\$ 19,753
Capital Projects Fund	1,073,438	4,648,842
Nonmajor Funds:		
Other Governmental Funds	<u>29,604</u>	<u>1,090,350</u>
Total Governmental Funds	<u>7,965,455</u>	<u>5,758,945</u>
Business-type Activities:		
Sewer District Funds	1,571	
Water District Funds	<u>180,784</u>	<u>2,388,865</u>
Total Business-Type Activities	<u>182,355</u>	<u>2,388,865</u>
Total	<u>\$ 8,147,810</u>	<u>\$ 8,147,810</u>

At December 31, 2011, individual fund interfund transfers balances for Governmental and Proprietary Funds representing legally authorized transfers, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
Major Funds:		
General Fund	\$ 1,182,331	\$ 4,623,246
Highway Fund		1,692,626
Debt Service Fund	10,447,795	331
Capital Projects Fund	2,608,841	8,776,681
Community Preservation Fund	8,775,444	5,765,575
Nonmajor Funds:		
Other Governmental Funds	<u>331</u>	<u>991,383</u>
Total Governmental Funds	<u>23,014,742</u>	<u>21,849,842</u>
Business-type activities:		
Sewer District Funds		512,100
Water District Funds		<u>652,800</u>
Total Business-Type Activities	<u>-0-</u>	<u>1,164,900</u>
	<u>\$ 23,014,742</u>	<u>\$ 23,014,742</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 were as follows:

Primary Government

	Balance 1/1/2011	Additions	Deletions/ Transfers	Balance 12/31/2011
<u>Governmental Activities:</u>				
Capital assets not being depreciated/amortized				
Land	\$ 103,953,785	\$ 509,446		\$ 104,463,231
Intangibles - development rights/easements	52,841,114	125,803		52,966,917
Construction work in progress	11,284,412	4,592,922	\$ 3,220,189	12,657,145
Total capital assets not being depreciated	<u>168,079,311</u>	<u>5,228,171</u>	<u>3,220,189</u>	<u>170,087,293</u>
Depreciable/amortizable capital assets				
Buildings	11,970,578	746,760		12,717,338
Improvements	10,532,053	428,661		10,960,714
Infrastructure	104,857,519	1,567,897		106,425,416
Machinery and equipment	20,370,290	650,069	158,134	20,862,225
Intangibles - software	105,093			105,093
Total depreciable capital assets	<u>147,835,533</u>	<u>3,393,387</u>	<u>158,134</u>	<u>151,070,786</u>
Less accumulated depreciation/amortization				
Buildings	3,658,695	267,069		3,925,764
Improvements	4,237,339	596,755		4,834,094
Infrastructure	88,952,676	1,143,333		90,096,009
Machinery and equipment	16,455,085	854,527	101,422	17,208,190
Intangibles - software	56,405	16,180		72,585
Total accumulated depreciation	<u>\$ 113,360,200</u>	<u>\$ 2,877,864</u>	<u>\$ 101,422</u>	<u>\$ 116,136,642</u>
Total net depreciable capital assets				<u>34,934,144</u>
Total net capital assets				<u>\$ 205,021,437</u>

Included within capital outlay in the combining statement of revenues, expenditure, and changes in fund balances is the disallowance of \$279,606 in reimbursements for other governments that was an infrequent occurrence, not within the control of management.

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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

	Balance 1/1/2011	Additions	Transfers/Reclasses and Deletions	Balance 12/31/2011
<u>Business-type Activities:</u>				
Capital assets not being depreciated/amortized				
Land	\$ 1,303,645	\$ 50,283		\$ 1,353,928
Intangibles - development rights/easements	2,378,757			2,378,757
Construction work in progress	5,258,255	7,039,278	\$ 50,679	12,246,854
Total capital assets not being depreciated	<u>8,940,657</u>	<u>7,089,561</u>	<u>50,679</u>	<u>15,979,539</u>
Depreciable/amortizable capital assets				
Buildings	33,783,620			33,783,620
Improvements	1,946,650		(24,578)	1,971,228
Infrastructure	62,449,431		24,578	62,424,853
Machinery and equipment	8,200,536	59,487	21,451	8,238,572
Intangibles - software	88,000			88,000
Total depreciable capital assets	<u>106,468,237</u>	<u>59,487</u>	<u>21,451</u>	<u>106,506,273</u>
Less accumulated depreciation/amortization				
Buildings	14,984,916	610,804		15,595,720
Improvements	551,805	125,807	(17,539)	695,151
Infrastructure	37,334,120	1,035,953	17,539	38,352,534
Machinery and equipment	7,920,097	112,671	21,451	8,011,317
Intangibles - software	1,467	17,600		19,067
Total accumulated depreciation	<u>\$ 60,792,405</u>	<u>\$ 1,902,835</u>	<u>\$ 21,451</u>	<u>\$ 62,673,789</u>
Total net depreciable capital assets				<u>43,832,484</u>
Total net capital assets				<u>\$ 59,812,023</u>

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

Governmental Activities:	
General government support	\$ 626,925
Public safety	180,853
Health	45,650
Transportation	1,249,068
Economic assistance and opportunity	280,064
Culture and recreation	406,599
Home and community services	88,705
Total depreciation expense - governmental activities	<u>\$ 2,877,864</u>
Business-type Activities:	
Home and community services - Sewer	\$ 686,613
Home and community services - Water	1,216,222
Total depreciation expense - business-type activities	<u>\$ 1,902,835</u>

The Town of Riverhead evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2011, the Town has not recorded any such impairment losses.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS

Short-term Debt

Bond Anticipation Notes (BANs) – Bond anticipation notes (BANs) are generally used as a temporary means of financing capital expenditures in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. BANs issued for assessable improvement projects, as found in the Water and/or Sewer Districts, may be renewed for periods equivalent to maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. Liabilities for BANs are generally accounted for in the Capital Projects Fund and Proprietary Funds. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes or by the stipulated annual reductions of principal. Payments of this short-term debt are made through the debt service fund. At December 31, 2011 there were no outstanding BANs.

Long-term Debt

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

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Town to rebate excess arbitrage earnings from bond proceeds to the federal government. There were no excess arbitrage earnings for the year ended December 31, 2011.

The long-term liabilities, which are backed by the full faith and credit of the Town bear interest at various rates from 1.014% to 5.000% and have maturity dates from 2012 through 2031.

Primary Government

	Balance 1/1/2011	Issued	Redeemed	Balance 12/31/2011
Governmental Activities:				
Capital Projects Fund:				
General	\$ 40,441,340	\$ 11,745,000	\$ 3,020,940	\$ 49,165,400
Highway	5,958,020	3,067,000	754,750	8,270,270
Community Preservation	62,892,335		3,433,511	59,458,824
Nonmajor	663,042	1,753,000	111,124	2,304,918
Total government activities	<u>109,954,737</u>	<u>16,565,000</u>	<u>7,320,325</u>	<u>119,199,412</u>
Business-type Activities:				
Sewer Districts	4,717,656		428,384	4,289,272
Water Districts	6,122,607	5,476,000	1,071,290	10,527,317
Total business-type activities	<u>10,840,263</u>	<u>5,476,000</u>	<u>1,499,674</u>	<u>14,816,589</u>
Total general obligation bonds	<u>\$ 120,795,000</u>	<u>\$ 22,041,000</u>	<u>\$ 8,819,999</u>	<u>\$ 134,016,001</u>

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

General Obligation Bonds (continued)

At December 31, 2011, bonds payable consisted of the following individual issues:

Primary Government

Governmental activities:

Issue	Purpose	Average Rate	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-2003	Various	3.750%-4.500%	\$ 19,361,600	June 1, 2022
General Obligation Serial Bonds-2003	Refunding Bond	2.250%-4.000%	70,312	March 1, 2013
General Obligation Serial Bonds-2003B	Public Improvement	3.625%-4.250%	17,178,500	November 15, 2022
General Obligation Serial Bonds-2004B	Refunding Bond	2.500%-5.000%	1,088,200	June 15, 2016
General Obligation Serial Bonds-2004A	Refunding Bond	1.500%-3.500%	80,000	January 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	10,416,300	August 1, 2022
General Obligation Serial Bonds-2006	Public Improvement	3.750%-4.000%	22,200,000	December 1, 2027
General Obligation Serial Bonds-2008	Public Improvement	3.250%-4.000%	31,100,000	December 2, 2030
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	1,139,500	May 15, 2020
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	16,565,000	November 15, 2031
			<u>\$ 119,199,412</u>	

Business-type activities:

Issue	Purpose	Average Rate	Amount	Final Maturity
General Obligation Serial Bonds-2003	Various	3.750%-4.500%	\$ 313,400	June 1, 2022
General Obligation Serial Bonds-2003	Refunding Bond	2.250%-4.000%	499,689	March 1, 2013
General Obligation Serial Bonds-2003B	Public Improvement	3.625%-4.250%	1,596,500	November 15, 2022
General Obligation Serial Bonds-2004B	Refunding Bond	2.500%-5.000%	1,766,800	June 15, 2016
General Obligation Serial Bonds-2004A	Refunding Bond	1.500%-3.500%	25,000	January 15, 2016
General Obligation Serial Bonds-2005	Public Improvement	3.750%-4.000%	83,700	August 1, 2022
General Obligation Serial Bonds-2008	Refunding Bond	3.000%-5.000%	2,145,500	May 15, 2020
General Obligation Serial Bonds-2011A	Refunding Bond	1.014%-3.301%	1,710,000	February 15, 2018
General Obligation Serial Bonds-2011C	Refunding Bond	0.785%-4.665%	1,200,000	October 15, 1931
General Obligation Serial Bonds-2011	Public Improvement	2.500%-3.750%	5,476,000	November 15, 2031
			<u>\$ 14,816,589</u>	
Total General Obligation Bonds			<u>\$ 134,016,001</u>	

The New York State Environmental Facilities Corporation (EFC) completed a refinancing, of the EFC's bonds, which will reduce the Town's future interest cost for the Clean Water and Drinking Water State Revolving Funds (SRF). The EFC refunded the 1997A Series and 2002G Series with the 2011A and 2011B Series, respectively. The net present value of the saving is \$207,223. There was no change to the principal amounts of the bonds.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

General Obligation Bonds (continued)

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

Primary Government

Governmental activities:	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 2012	\$ 7,376,321	\$ 4,452,765	\$ 11,829,086
2013	8,618,491	4,210,549	12,829,040
2014	8,696,500	3,897,888	12,594,388
2015	8,781,900	3,583,507	12,365,407
2016	8,964,000	3,260,205	12,224,205
2017-2021	43,204,000	11,310,483	54,514,483
2022-2026	24,558,200	4,235,435	28,793,635
2027-2031	9,000,000	763,000	9,763,000
Totals	<u>\$ 119,199,412</u>	<u>\$ 35,713,832</u>	<u>\$ 154,913,244</u>
Business-type activities:	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 2012	\$ 1,328,679	\$ 448,807	\$ 1,777,486
2013	1,527,510	418,831	1,946,341
2014	1,348,500	371,796	1,720,296
2015	1,383,100	326,659	1,709,759
2016	1,331,000	282,920	1,613,920
2017-2021	4,106,000	958,136	5,064,136
2022-2026	1,891,800	492,482	2,384,282
2027-2031	1,900,000	198,243	2,098,243
Totals	<u>\$ 14,816,589</u>	<u>\$ 3,497,874</u>	<u>\$ 18,314,463</u>
Total general obligation bonds	<u>\$ 134,016,001</u>	<u>\$ 39,211,706</u>	<u>\$ 173,227,707</u>

Bonds Authorized and Unissued

At December 31, 2011 the Town had \$41,067,000 in general obligation bonds, which were authorized and unissued.

As of December 31, 2011 the total long-term outstanding indebtedness of the Town aggregated to \$134,016,001. Of this amount, \$119,199,412 was subject to the constitutional debt limit and represented approximately 25.68% of its statutory debt limit.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

Changes in Long-term Debt

Long-term liability activities for the year ended December 31, 2011 are as follows:

Primary Government

	Balance 1/1/2011	Increases	Reductions	Balance 12/31/2011	Non-current liabilities due within one year	Non-current liabilities
Governmental funds:						
General obligation bonds	\$ 109,954,737	\$ 16,565,000	\$ 7,320,325	\$ 119,199,412	\$ 7,376,321	\$ 111,823,091
Compensated absences	7,320,655	2,890,599	2,164,541	8,046,713	843,295	7,203,418
Claims and judgments	2,281,944	2,229,364	1,887,331	2,623,977	920,133	1,703,844
Estimated liability for landfill closure and postclosure care costs	1,340,113	62,084		1,402,197	90,900	1,311,297
Postemployment benefits healthcare costs	11,987,177	5,773,403	1,030,458	16,730,122		16,730,122
	<u>\$ 132,884,626</u>	<u>\$ 27,520,450</u>	<u>\$ 12,402,655</u>	<u>\$ 148,002,421</u>	<u>\$ 9,230,649</u>	<u>\$ 138,771,772</u>
Business-type activities:						
General obligation bonds	\$ 10,840,263	\$ 5,476,000	\$ 1,499,674	\$ 14,816,589	\$ 1,328,679	\$ 13,487,910
Compensated absences	952,371	305,008	263,810	993,569	104,126	889,443
Other postemployment benefits	994,795	510,776	104,395	1,401,176		1,401,176
	<u>\$ 12,787,429</u>	<u>\$ 6,291,784</u>	<u>\$ 1,867,879</u>	<u>\$ 17,211,334</u>	<u>\$ 1,432,805</u>	<u>\$ 15,778,529</u>

Other long-term liabilities for compensated absences, postemployment benefits healthcare costs 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, 2011 there were fourteen (14) Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$92,304,989.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM

Plan Description

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

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

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first 10 years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determines rates expressed as proportions of payroll members, used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Contributions consist of a group term life insurance portion (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2011 are as follows:

<u>Contribution Rates</u>					
<u>Tier</u>	<u>Plan/Option</u>	<u>ERS Rate</u>	<u>Tier</u>	<u>Plan/Option</u>	<u>PRFS Rate</u>
1	75I	15.2%			
2	75I	13.9%	2	375I	12.5%
			2	384E2	18.4%
3	A14	11.2%			
4	A15	11.2%			
5	A15	9.0%			

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to 100 percent of the actuarially required amounts. There are no contributions related to an early retirement incentive for Town employees. The credits and miscellaneous adjustments represent modification made by the NYSERS to the prior year's contributions due to differences between estimated and actual salaries for the plan year.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Funding Policy (continued)

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

Annual Required Contribution - ERS					
	<u>Amount</u>	<u>% of Covered Payroll</u>	<u>Credits & Miscellaneous Adjustments</u>	<u>Prepayment Discount</u>	<u>Total Payment</u>
2011	\$2,236,582	15.18%	\$ (9,474)	\$ (20,033)	\$2,207,075
2010	1,631,045	10.48%	(738)	(15,610)	1,614,697
2009	966,531	6.49%	2,172	(9,275)	959,428

Annual Required Contribution - PFRS					
	<u>Amount</u>	<u>% of Covered Payroll</u>	<u>Credits & Miscellaneous Adjustments</u>	<u>Prepayment Discount</u>	<u>Total Payment</u>
2011	\$2,399,166	20.62%	\$ 123,710	\$ (22,779)	\$2,500,097
2010	1,903,677	16.83%	105,278	(19,235)	1,989,720
2009	1,519,198	14.56%	(20,154)	(14,353)	1,484,691

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

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

The law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. Town of Riverhead did not participate in this program and therefore has no outstanding liability at December 31, 2011.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

Plan Description

For Civil Service Employees Association employees the Town, as a single-employer defined benefit plan will pay 75% of the full premium costs for the medical benefits for employees with less than 10 years of service and 100% for employees with over 10 years of service; currently provided by the New York State Health Insurance Program (NYSHIP) (Empire Plan) or HIP Prime HMO. Employees hired prior to October 7, 2008 only need 8 years of service to receive 100% employer paid benefits. For all other employees the Town provides 100% of these costs. Active employees of the Town have either the Empire PPO Plan (Core Plus Enhancements) or HIP Prime HMO but retirees only have the option of NYSHIP. The Empire Plan has separate pre-Medicare and Medicare rates. Since the plans are community rated, the retiree claim costs are based on the actual rates without adjustment for age.

Benefits are provided as explained in the section entitled "Postemployment Benefits Healthcare Costs" located in the "Summary of Significant Accounting Policies". The retiree and their spouse are also eligible for Medicare Part B reimbursement in the amount of \$1,157 per year for those who were Medicare enrollees prior to January 1, 2010, \$1,326 per year for those enrolling on January 1, 2010 through December 31, 2010, and \$1,385 per year for those who will enroll January 1, 2011 and after, if they are over the age of sixty-five. The Medicare Part B premium that is charged varies by income level.

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

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

GASB 45 allows plan sponsors to utilize the results of an actuarial valuation for multiple years if no significant changes have occurred since the prior valuation was performed. Accordingly, the Town's OPEB valuation for the fiscal year ending December 31, 2011 is based on the employee data, plan provisions, methods and assumptions described in the actuarial valuation for the year ending December 31, 2010 with the exception of an adjustment to reflect an increase in the NYSHIP premiums as of January 1, 2011.

The number of participants as of January 1, 2010, the effective date of the OPEB valuation, follows. For active members it is assumed that 65% will have covered spouses at retirement. There have been no significant changes in the number or the type of coverage since that date.

	Primary Government	Governmental Activities	Business-Type Activities
Active employees	327	295	32
Retired employees and spouses	128	116	12
Surviving spouse of deceased retirees	14	14	
Total	469	425	44

Funding Policy

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2011, the Town's annual other postemployment benefits cost (expenses) of \$6,284,179 is not equal to the Annual Required Contribution (ARC), which is \$6,261,000. Considering the annual expense as well as the payment of current health insurance premiums and medicare reimbursements, which totaled \$1,134,853 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$5,149,326 for the year ended December 31, 2011. The Town's IDA, a component unit, does not have a policy to pay for postemployment benefits.

Benefit Obligations and Normal Cost

	Medical Dental and Medicare B		
	Primary Government	Governmental Activities	Business-Type Activities
Actuarial Accrued Liability (AAL)			
Active employees	\$ 53,294,000	\$ 47,879,000	\$ 5,415,000
Retired employees	22,339,000	21,074,000	1,265,000
Total Actuarial Accrued Liability (AAL)	<u>75,633,000</u>	<u>68,953,000</u>	<u>6,680,000</u>
Actuarial value of plan assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 75,633,000</u>	<u>\$ 68,953,000</u>	<u>\$ 6,680,000</u>
Funded ratio	0%	0%	0%
Normal cost at the beginning of the year	\$ 3,241,000	\$ 2,997,000	\$ 244,000
Amortization cost at the beginning of the year	\$ 2,698,000	\$ 2,458,000	\$ 240,000
Annual covered payroll	\$ 26,875,823	\$ 24,341,499	\$ 2,534,324
UAAL as a percentage of covered payroll	281.4%	283.3%	263.6%

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the Town as of the January 1, 2011 valuation roll forward amounted to \$75,633,000.

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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

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

Level Percentage of Payroll Amortization

Calculation of ARC under the Projected Unit Credit Cost Method

	Primary Government	Governmental Activities	Business-Type Activities
Normal cost	\$ 3,371,000	\$ 3,117,000	\$ 254,000
Amortization of unfunded actuarial liability (UAAL) over 30 years	2,890,000	2,635,000	255,000
Annual required contribution (ARC)	6,261,000	5,752,000	509,000
Interest on net OPEB obligation	519,279	479,486	39,793
Adjustment to ARC	(496,100)	(458,083)	(38,017)
Annual OPEB Cost	6,284,179	5,773,403	510,776
Less: Contribution for year ended December 31, 2011	1,134,853	1,030,458	104,395
Increase in other postemployment benefits liability	5,149,326	4,742,945	406,381
Other postemployment benefits liability at December 31, 2010	12,981,972	11,987,177	994,795
Other postemployment benefits liability at December 31, 2011	<u>\$ 18,131,298</u>	<u>\$ 16,730,122</u>	<u>\$ 1,401,176</u>
Percentage of annual OPEB cost contributed	18.1%	17.8%	20.4%

Funded Status and Funding Progress

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

	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2011	\$ 6,284,179	\$ 1,134,853	18.1%	\$ 18,131,298
2010	5,810,886	1,036,061	17.8%	12,981,972
2009	5,200,495	983,212	18.9%	8,207,147

The primary government's funded status of the plan as of January 1, 2011 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability - (AAL) Projected Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2011	\$ -0-	\$ 75,633,000	\$ 75,633,000 *	0%	\$ 26,875,823	281.4%

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Funded Status and Funding Progress (continued)

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

Actuarial Methods and Assumptions

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

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

In the January 1, 2010 actuarial valuation, the liabilities were computed using the projected unit credit method, the level percentage of payroll amortization method, and an open 30 year amortization period to amortize the initial unfunded liability. The actuarial assumptions utilized a 4.0% discount rate, a 3.0% payroll growth rate and assume that the benefits are not prefunded. The valuation assumes a 13.7% initial rate; 11.3% for post-65 costs enrollees, for NYSHIP for the year ended 2010. The NYSHIP healthcare cost trend decreases in decrements to a rate of 6.2% after four years. The valuation assumes a 0.0% initial rate and 5.0% cost trend for medicare part B benefits for the year ended 2010.

A copy of the Town of Riverhead's Retiree Medical Program, January 1, 2010 Valuation is available by contacting the Town of Riverhead, Office of the Financial Administrator, 1295 Pulaski Street, Riverhead, New York 11901.

G. COMPENSATED ABSENCES

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

Vested vacation, personal leave and sick leave accumulated by governmental fund type employees have been recorded in the statement of net 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, 2011 the value of the accumulated vacation, personal leave and sick leave for governmental and business-type activities was \$8,046,713 and \$993,569, respectively, for an aggregate total of \$9,040,282.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

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

Liability

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

Property

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

Miscellaneous

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

Workers Compensation/Unemployment Benefits

The Town is self-insured for workers' compensation insurance. Estimated benefits to be paid are appropriated in the various operating funds of the Town. The Town has provided an umbrella-type policy protecting against a catastrophic loss in the workers' compensation self-insurance protection program with \$175,000 retention per occurrence for non-police personnel and \$225,000 retention per occurrence for police personnel. The Town is also self-insured for unemployment benefits paid.

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

Self-Insurance Fund

The Town uses a Self-Insurance Fund to account for its potential liability. As of December 31, 2011, the Self-Insurance Fund had assets of \$4,301,507 and liabilities of \$2,841,741. Included in this amount is \$1,514,728 for general liability claims and \$1,109,249 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, 2011

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

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

	General Liability		Workers' Compensation	
	2011	2010	2011	2010
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 1,332,088	\$ 698,797	\$ 949,856	\$ 968,606
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	1,457,295	1,382,983	772,069	738,008
Total incurred claims and claim adjustment expenditures	2,789,383	2,081,780	1,721,925	1,706,614
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	1,274,655	749,692	612,676	756,758
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 1,514,728</u>	<u>\$ 1,332,088</u>	<u>\$ 1,109,249</u>	<u>\$ 949,856</u>

B. LITIGATION

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

F1 Long Island, LLC and Marc Liebowitz: The Plaintiffs have commenced two actions alleging constitutional and other violations surrounding, among other things, the denial of their site plan application before the Planning Board. In the Supreme Court proceeding, the plaintiffs are seeking to force an approval of their project. The Town moved to dismiss the proceeding and the motion was marked submitted on or about August 23, 2010. By order of the court dated June 26, 2012, the state court proceeding in the Supreme Court was dismissed in its entirety.

In the federal action plaintiffs seek an unspecified sum in damages, and attorney fees, against the Town of Riverhead based on the allegation that they were treated differently from the Hampton Jitney. The Town successfully moved to dismiss the federal complaint but the Court permitted plaintiffs the opportunity to file an amended complaint solely with respect to their equal protection claim. On April 23, 2010, plaintiffs filed an amended complaint repleading only their equal protection claim. On June 16, 2010, the Town moved to dismiss the amended complaint. The Court denied the Town's motion to dismiss the amended complaint. Discovery has commenced and is expected to proceed through December 31, 2012.

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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

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

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 sought in the federal action are \$25 million, plus attorney fees. 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. Discovery has concluded and the Town moved for summary judgment.

Field Day v Riverhead, et al.: 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 motions for summary judgment have been denied. The parties are proceeding with expert disclosures for the purposes of proving and refuting damages and a trial is scheduled to commence on January 22, 2013. A trial in this case would likely last at least a month. Recently, the parties participated in mediation as suggested by the Judge without final result or settlement attained.

Csorny, et al., v. Town of Riverhead, et al., CV 10 3996: The case was settled by stipulation of settlement filed in January 2012 without any payment to the plaintiffs.

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TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

Riverhead Park Corp., et al v. Town of Riverhead, et al.: The plaintiffs commenced a federal case alleging violations of federal rights in connection with the charges filed against them by the Town for violations of Town Code. Plaintiffs owned a 13-acre vacant parcel of land in the Town of Riverhead and cleared the land without benefit of a Town permit. The plaintiffs also destroyed the protected wetlands on the property. Plaintiffs allege their conduct was permitted because it is an agricultural use. In addition to the Town, plaintiffs sued numerous Town officials in their individual capacities. Plaintiffs further allege that the conduct of these Town officials was motivated by personal animus, bad faith, and malice. Plaintiffs seek \$10 million dollars in damages but will have a difficult time proving damages. The Town could be liable for plaintiffs' attorney fees in the event plaintiffs prevail. The case is on the trial calendar but a date has not yet been set by the Court. The Plaintiff moved to amend its complaint to add a cause of action for malicious prosecution due to dismissal of the State court case brought by the Town. That motion has been denied by the court.

Hobson. ct. al. v. Town of Riverhead: This case involves eight separate Notices of Claim filed against the Town of Riverhead in connection with flooding that occurred on Horton Avenue on or about March 31, 2010. The named claimants include Louise Hobson, Joyce Anderson, Ivory Brown, Earlene Trent, Mary Hatcher, Esaw Langhorne and Juanita Langhorne, Sherman Trent, Porter Trent and Marie Trent. Each Notice of Claim alleges that in March, 2010, severe flooding occurring along Horton Avenue "due to the catch basins and drainage systems of said property." The Notices of Claim further contend that damage was sustained to the homes of each claimant during and after rainfall due to the defective and unrepaired condition of the street, storm drains, drain systems, drain sewers, sump, catch basins, pools, and pipes." Please note that a ninth flooding claim was recently rejected as untimely.

As of this report, several of the claimants have appeared for a municipal hearing. Given the facts developed thus far, outside counsel believes that the collective claims are of questionable liability against the Town, as it is well-settled that a municipality may not be subject to liability for the "negligent design" of a draining system. Moreover, to the extent that the claimants have asserted that the Town improperly maintained the drainage system in the area, to be held liable, the Town must have received prior written notice of the allegedly defective condition, as opposed to having mere actual knowledge of the problem.

The claimants collectively filed a Summons and Complaint against the Town and the County of Suffolk; an Answer was interposed on behalf of the Town on August 3, 2011. The Answer raises several affirmative defenses as to several of the individual plaintiffs, in that they failed to serve a Notice of Claim and/or failed to appear for a Municipal Hearing. We have also raised affirmative defenses asserting that the Town is entitled to qualified and/or absolute immunity from suit, and that the Town did not receive prior written notice of the allegedly defective condition(s).

Regarding the Town's the potential exposure, the hearings have revealed that the damage to the claimants' homes was substantial and, in some cases, catastrophic. It bears note, however, that FEMA funds in the sum of \$2.99 million have been awarded with respect to potential disaster relief payouts. The Town has set aside \$900,000 from Community Preservation Funds as the Town share if the payouts occur.

Town of Riverhead v. Sophie Wilson:

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

As of December 31, 2011 the Town recorded no liability in these matters in excess of the SIR amounts disclosed in Note B.

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

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

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. COMMITMENTS AND CONTINGENCIES (continued)

C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal Laws and Regulations require the Town to place a final cover on its Youngs Avenue Landfill Site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill site stopped receiving waste on December 31, 1996. The Town reports a portion of these closure and postclosure care costs as a liability in each period based on landfill capacity used as of each balance sheet date. As the liability is based on 100% capacity there are no estimated costs for closure and postclosure remaining to be recognized. Postclosure care costs and monitoring activities for the site are estimated to be approximately \$91,000 for the first five years and \$30,000 for the remaining twenty-five years, with an inflation factor built in.

Accordingly as of December 31, 2011, the Town has recorded an estimated liability of \$1,402,197, in the government-wide financial statements, which represents the provision to be made in future budgets for unfunded postclosure care costs and monitoring activities. Actual costs for postclosure monitoring and maintenance are recorded in the General fund and may be higher or lower due to inflation, changes in technology, or changes in regulations or conditions on the ground.

D. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress and other capital commitments for governmental activities capital projects are \$379,230 while Sewer and Water Proprietary Funds are \$343,912 and \$178,840 respectively, aggregating to \$901,982.

E. GRANTS

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

5. 2% TRANSFER TAX

In November 1998, the voters of the Town of Riverhead approved a referendum for a 2% transfer tax which became effective on April 1, 1999. The transfer tax expiration date 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.

6. SUBSEQUENT EVENTS

The Police Benevolent Association (PBA) and Superior Officers Association (SOA) contracts expired on December 31, 2011. They are currently in negotiations.

In April of 2012 the Town issued refunded \$36,030,000 of Public Improvement Refunding Serial Bonds – 2012, with a premium of \$3,811,986 and a final maturity date of June 1, 2022. The interest rate ranges from 2.00% to 5.00% with a net interest cost of 2.028% generating a total savings of \$4,322,499 and a present value savings of \$3,807,658. The bonds were issued to refund \$38,450,000 of Public Improvement Serial Bonds; \$19,675,000 on the outstanding principal of the Town's 2003 bonds and \$18,775,000 in outstanding principal on the Town's 2003 Series B bonds.

The Town of Riverhead offered its own retirement incentive on August 21, 2012 to the Police Benevolent Association (PBA) for its members. The incentive calls for the Town to pay the employee's health insurance, for family coverage or pay the employee the difference between the family coverage and individual coverage for five years. The incentive also will pay the employee \$1,000 for each year of completed service up to \$25,000. In order for the incentive to be activated a minimum number of unit members (at the Town's discretion) must opt for the incentive. Employees wishing to participate must deliver an irrevocable letter of resignation for retirement purposes no later than October 11, 2012. The purpose of the incentive is to bridge budget deficits and improve employee morale by reducing or eliminating the need for involuntary layoffs.

TOWN OF RIVERHEAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

7. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 61 "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*". This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2012.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement is for presentation purposes only. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2011.

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

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Schedules of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Major Governmental Funds and Schedules

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

TOWN OF RIVERHEAD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 29,250,500	\$ 29,250,500	\$ 29,250,528	\$ 28
Real property tax items	439,900	439,900	487,195	47,295
Non-property tax items	1,818,650	1,818,650	1,880,801	62,151
Departmental income	2,120,300	2,139,105	2,269,505	130,400
Intergovernmental charges	25,000	25,000	32,597	7,597
Use of money and property	479,025	479,025	188,101	(290,924)
Licenses and permits	92,200	92,200	76,928	(15,272)
Fines and forfeitures	503,000	503,000	1,309,276	806,276
Sale of property and compensation for loss	118,300	352,883	671,093	318,210
Miscellaneous revenue	25,500	27,075	77,292	50,217
Interfund revenues	2,885,100	3,005,100	2,562,746	(442,354)
State and local aid	1,409,550	3,235,139	3,033,209	(201,930)
Federal aid		128,371	234,509	106,138
Total revenues	<u>39,167,025</u>	<u>41,495,948</u>	<u>42,073,780</u>	<u>577,832</u>
EXPENDITURES				
Current:				
General government support	9,207,675	10,037,563	9,302,360	735,203
Public safety	14,662,500	15,029,226	14,987,913	41,313
Health	8,800	11,800	11,440	360
Transportation	373,450	386,690	385,736	954
Economic assistance and opportunity	968,750	1,034,541	1,033,555	986
Culture and recreation	1,545,500	1,807,967	1,667,543	140,424
Home and community services	1,330,450	3,099,944	2,960,836	139,108
Employee benefits	9,969,800	9,908,218	9,568,939	339,279
Debt service:				
Bond issuance costs		38,000	37,411	589
Total expenditures	<u>38,066,925</u>	<u>41,353,949</u>	<u>39,955,733</u>	<u>1,398,216</u>
Excess of revenues over expenditures	<u>1,100,100</u>	<u>141,999</u>	<u>2,118,047</u>	<u>1,976,048</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,164,900	1,181,094	1,182,331	1,237
Transfers out	(4,890,100)	(5,280,429)	(4,623,246)	657,183
Total other financing sources (uses)	<u>(3,725,200)</u>	<u>(4,099,335)</u>	<u>(3,440,915)</u>	<u>658,420</u>
Net change in fund balances	<u>\$ (2,625,100)</u>	<u>\$ (3,957,336)</u>	<u>(1,322,868)</u>	<u>\$ 2,634,468</u>
Fund balances at beginning of year			12,803,162	
Fund balances at end of year			<u>\$ 11,480,294</u>	

TOWN OF RIVERHEAD
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 6,521,120	\$ 6,521,120	\$ 6,521,126	\$ 6
Intergovernmental charges			1,390	1,390
Use of money and property	15,000	15,000	15,181	181
Licenses and permits	20,000	20,000	17,600	(2,400)
Sale of property and compensation for loss	1,500	1,500	81,140	79,640
State and local aid			30,835	30,835
Federal aid			92,506	92,506
Total revenues	<u>6,557,620</u>	<u>6,557,620</u>	<u>6,759,778</u>	<u>202,158</u>
EXPENDITURES				
Current:				
General government support	979,700	981,100	981,077	23
Transportation	3,452,300	3,828,704	3,625,907	202,797
Employee benefits	1,094,520	1,084,996	1,017,290	67,706
Debt service:				
Bond issuance costs		9,524	9,524	-0-
Total expenditures	<u>5,526,520</u>	<u>5,904,324</u>	<u>5,633,798</u>	<u>270,526</u>
Excess of revenues over expenditures	<u>1,031,100</u>	<u>653,296</u>	<u>1,125,980</u>	<u>472,684</u>
OTHER FINANCING (USES)				
Transfers out	(1,031,100)	(1,750,051)	(1,692,626)	57,425
Total other financing (uses)	<u>(1,031,100)</u>	<u>(1,750,051)</u>	<u>(1,692,626)</u>	<u>57,425</u>
Net change in fund balances	<u>\$ -0-</u>	<u>\$ (1,096,755)</u>	<u>(566,646)</u>	<u>\$ 530,109</u>
Fund balances at beginning of year			<u>2,861,910</u>	
Fund balances at end of year			<u>\$ 2,295,264</u>	

TOWN OF RIVERHEAD
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property			\$ 16,279	\$ 16,279
Total revenues	-0-	-0-	16,279	16,279
EXPENDITURES				
Debt service:				
Principal	\$ 7,320,400	\$ 7,320,400	7,320,325	75
Interest	4,764,400	4,764,400	4,282,391	482,009
Total expenditures	12,084,800	12,084,800	11,602,716	482,084
Excess (deficiency) of revenues over (under) expenditures	(12,084,800)	(12,084,800)	(11,586,437)	498,363
OTHER FINANCING SOURCES (USES)				
Transfers in	12,084,800	12,084,800	10,447,795	(1,637,005)
Transfers out		(331)	(331)	-0-
Total other financing sources (uses)	12,084,800	12,084,469	10,447,464	(1,637,005)
Net change in fund balances	\$ -0-	\$ (331)	(1,138,973)	\$ (1,138,642)
Fund balances at beginning of year			1,138,973	
Fund balances at end of year			\$ -0-	

TOWN OF RIVERHEAD
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Non-property tax items	\$ 1,500,000	\$ 1,500,000	\$ 1,937,325	\$ 437,325
Use of money and property	20,000	20,000	24,529	4,529
Total revenues	<u>1,520,000</u>	<u>1,520,000</u>	<u>1,961,854</u>	<u>441,854</u>
EXPENDITURES				
Current:				
Home and community services	125,000	125,000		125,000
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>-0-</u>	<u>125,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,395,000</u>	<u>1,395,000</u>	<u>1,961,854</u>	<u>566,854</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			8,775,444	8,775,444
Transfers out	(5,973,500)	(5,973,500)	(5,765,575)	207,925
Total other financing sources (uses)	<u>(5,973,500)</u>	<u>(5,973,500)</u>	<u>3,009,869</u>	<u>8,983,369</u>
Net change in fund balances	<u>\$ (4,578,500)</u>	<u>\$ (4,578,500)</u>	<u>4,971,723</u>	<u>\$ 9,550,223</u>
Fund balances at beginning of year			<u>18,659,037</u>	
Fund balances at end of year			<u>\$ 23,630,760</u>	

TOWN OF RIVERHEAD
TOWN OF RIVERHEAD RETIREE MEDICAL PROGRAM
POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS
SCHEDULE OF FUNDING PROGRESS

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

*Roll-forward

OTHER SUPPLEMENTARY INFORMATION

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

TOWN OF RIVERHEAD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
ASSETS				
Cash and cash equivalents		\$ 675,363	\$ 49,329	\$ 134,178
Cash - restricted	\$ 383,460			
Accounts receivable	33,167			
Due from other funds		20,159		9,445
Due from other governments	79,868			
Prepays				
Total assets	<u>\$ 496,495</u>	<u>\$ 695,522</u>	<u>\$ 49,329</u>	<u>\$ 143,623</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 30,253			\$ 9,220
Retainage payable				
Due to other funds	57,987			
Deferred revenue	35,000		\$ 21,487	
Total liabilities	<u>123,240</u>	<u></u>	<u>21,487</u>	<u>9,220</u>
FUND BALANCES				
Nonspendable				
Restricted	373,255			
Assigned		\$ 695,522	27,842	134,403
Total fund balances	<u>373,255</u>	<u>695,522</u>	<u>27,842</u>	<u>134,403</u>
Total liabilities and fund balances	<u>\$ 496,495</u>	<u>\$ 695,522</u>	<u>\$ 49,329</u>	<u>\$ 143,623</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 789,606	\$ 897,258	\$ 1,235,584	\$ 201,160	\$ 171,806	\$ 3,982,478
					555,266
					33,167
					29,604
				1,745,655	1,825,523
6,048		5,420	2,601		14,069
<u>\$ 795,654</u>	<u>\$ 897,258</u>	<u>\$ 1,241,004</u>	<u>\$ 203,761</u>	<u>\$ 1,917,461</u>	<u>\$ 6,440,107</u>
\$ 65,457	\$ 27,658	\$ 8,076	\$ 3,056	\$ 460,453	\$ 604,173
				99,992	99,992
				1,032,363	1,090,350
209,558	277,257	764,303	35,639		1,343,244
<u>275,015</u>	<u>304,915</u>	<u>772,379</u>	<u>38,695</u>	<u>1,592,808</u>	<u>3,137,759</u>
6,048		5,420	2,601		14,069
				324,653	697,908
514,591	592,343	463,205	162,465		2,590,371
<u>520,639</u>	<u>592,343</u>	<u>468,625</u>	<u>165,066</u>	<u>324,653</u>	<u>3,302,348</u>
<u>\$ 795,654</u>	<u>\$ 897,258</u>	<u>\$ 1,241,004</u>	<u>\$ 203,761</u>	<u>\$ 1,917,461</u>	<u>\$ 6,440,107</u>

TOWN OF RIVERHEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended December 31, 2011

	Special Revenue Funds			
	Special Grant	Special Trust	Business Improvement District	East Creek Docking Facility
REVENUES				
Real property taxes			\$ 101,540	
Departmental income	\$ 10	\$ 135,000		\$ 175,805
Use of money and property	2,066	1,253	356	1,313
Sale of property and compensation for loss				
State and local aid	129,089			
Federal aid	161,128			
Total revenues	<u>292,293</u>	<u>136,253</u>	<u>101,896</u>	<u>177,118</u>
EXPENDITURES				
Current:				
General governmental support			8,046	29,000
Health				
Transportation				
Economic assistance and opportunity			205,777	
Culture and recreation				36,109
Home and community services	232,349			
Employee benefits				544
Debt Service:				
Bond issuance costs				8,212
Total expenditures	<u>232,349</u>	<u> </u>	<u>213,823</u>	<u>73,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,944</u>	<u>136,253</u>	<u>(111,927)</u>	<u>103,253</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				331
Operating transfers out	(58,112)	(394,841)		(342,874)
Total other financing sources (uses)	<u>(58,112)</u>	<u>(394,841)</u>	<u> </u>	<u>(342,543)</u>
Net change in fund balance	1,832	(258,588)	(111,927)	(239,290)
Fund balances at beginning of year	371,423	954,110	139,769	373,693
Fund balances at end of year	<u>\$ 373,255</u>	<u>\$ 695,522</u>	<u>\$ 27,842</u>	<u>\$ 134,403</u>

Street Lighting District	Ambulance	Refuse and Garbage	Public Parking	Community Development	Total Nonmajor Governmental Funds
\$ 1,008,301	\$ 1,309,508	\$ 5,221,193	\$ 173,600		\$ 7,814,142
3,362	4,012	7,378	737	\$ 57,267	310,815
				250,000	77,744
				6,180	250,000
				1,294,257	135,269
<u>1,011,663</u>	<u>1,313,520</u>	<u>5,228,571</u>	<u>174,337</u>	<u>1,607,704</u>	<u>10,043,355</u>
124,476	128,131	691,836	30,411	1,055	1,012,955
787,365	1,054,361		53,208	1,300,196	1,054,361
				392,821	2,140,769
		4,441,548			598,598
90,244		62,174	7,234		36,109
					4,673,897
					160,196
					8,212
<u>1,002,085</u>	<u>1,182,492</u>	<u>5,195,558</u>	<u>90,853</u>	<u>1,694,072</u>	<u>9,685,097</u>
9,578	131,028	33,013	83,484	(86,368)	358,258
(13,303)	(65,711)	(7,803)	(92,545)	(16,194)	331
(13,303)	(65,711)	(7,803)	(92,545)	(16,194)	(991,383)
(3,725)	65,317	25,210	(9,061)	(102,562)	(991,052)
524,364	527,026	443,415	174,127	427,215	(632,794)
<u>\$ 520,639</u>	<u>\$ 592,343</u>	<u>\$ 468,625</u>	<u>\$ 165,066</u>	<u>\$ 324,653</u>	<u>\$ 3,302,348</u>