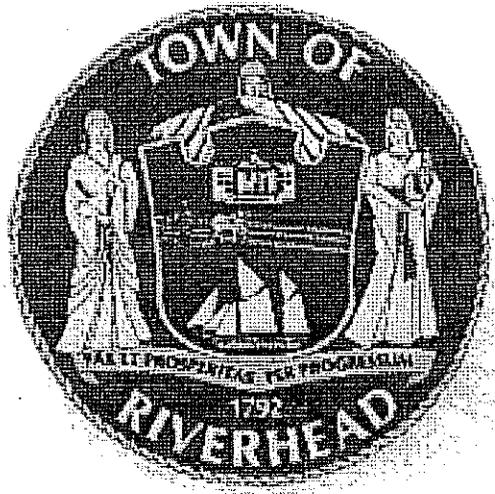


TOWN OF RIVERHEAD
SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2006



**TOWN OF RIVERHEAD
SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2006**

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TOWN OF RIVERHEAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2006

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through programs from:			
Suffolk County:			
Food Distribution - SNAP Program	10.550	SC05000009383	\$ 178,480
New York State:			
Child and Adult Care Food Program	10.558		<u>\$ 919</u>
Total pass-through programs			<u>\$ 179,399</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Pass-through programs from: Private Foundation - American Rivers - National Oceanic Atmospheric Administration - Habitat Conservation			
	11.463		\$ 21,600
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-through programs from Suffolk County Office of Community Development - Community Development Block Grants - Consortium			
	14.218		\$ 71,479
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct programs:			
Byrne Formula Grant Program	16.579	06-DEA-461672-001-A	\$ 8,657
Public Safety Partnership and Community Policing Grants	16.710	V00009913150400	<u>\$ 6,500</u>
Total direct programs			<u>\$ 15,157</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-through program from State Department of Transportation - Highway Planning and Construction Program			
	20.205	0806.62.321	\$ 2,228,927
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</u>			
Pass-through from Suffolk County Office of the Aging - Special Programs for the Aging - Title 111B (Home Chore, Home Aid & EISEP)			
	93.044		<u>\$ 36,903</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,553,465</u>

TOWN OF RIVERHEAD
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2006

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Riverhead and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Supervisor and Town Board
Town of Riverhead
Riverhead, New York

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of and for the year ended December 31, 2006, which collectively comprise the Town of Riverhead, New York's basic financial statements and have issued our report thereon dated November 30, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Riverhead, New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Riverhead, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Riverhead, New York's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Riverhead, New York's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Riverhead, New York's financial statements that is more than inconsequential will not be prevented or detected by the Town of Riverhead, New York's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Riverhead, New York's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Riverhead, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Riverhead, New York, in a separate letter dated November 30, 2007.

This report is intended solely for the information and use of the management, Town Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Markowitz, Fenelon & Bank, LLP
Riverhead, New York
November 30, 2007



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Supervisor and Town Board
Town of Riverhead
Riverhead, New York

Compliance

We have audited the compliance of the Town of Riverhead, New York with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Town of Riverhead, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Riverhead, New York's management. Our responsibility is to express an opinion on the Town of Riverhead, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Riverhead, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Riverhead, New York's compliance with those requirements.

In our opinion, the Town of Riverhead, New York, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the Town of Riverhead, New York, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we

considered the Town of Riverhead, New York's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Riverhead, New York, as of and for the year ended December 31, 2006, and have issued our report thereon dated November 30, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Riverhead, New York's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Town Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Markowitz, Fenelon & Bank, LLP
Riverhead, New York
November 30, 2007

TOWN OF RIVERHEAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Riverhead, New York.
2. No reportable conditions relating to the audit of the financial statements are reported in the **"REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS"**.
3. No instances of noncompliance material to the financial statements of the Town of Riverhead, New York were disclosed during the audit.
4. No reportable conditions in internal control over major federal award programs disclosed during the audit are reported in the **"REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133"**.
5. The auditor's report on compliance for the major federal awards programs for the Town of Riverhead, New York expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

U.S. Department of Transportation
CFDA# 20.205

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Riverhead, New York was determined to be a high-risk auditee.

TOWN OF RIVERHEAD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2006

DEPARTMENT OF JUSTICE

FINDING 4L: COPS MORE, CFDA# 16.710 – Corrective action was taken.

FINDING GP2: COPS UHP, CFDA# 16.710 – Corrective action was taken.