

**FISHERS ISLAND FERRY DISTRICT
A COMPONENT UNIT OF
THE TOWN OF SOUTHOLD
FINANCIAL STATEMENTS**

DECEMBER 31, 2009

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THE TOWN OF SOUTHOLD
FINANCIAL STATEMENTS**

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Fishers Island Ferry District
Fishers Island, NY 06390

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Fishers Island Ferry District, (a component unit of The Town of Southold) as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fishers Island Ferry District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fishers Island Ferry District as of December 31, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.


DOHERTY, BEALS & BANKS, P.C.

June 24, 2010

**FISHERS ISLAND FERRY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

The following is a discussion and analysis of the Fishers Island Ferry District's financial performance, providing an overview of the Fishers Island Ferry District's financial activities for the year ended December 31, 2009. Use this section in conjunction with the Fishers Island Ferry District's basic financial statements.

FINANCIAL ANALYSIS OF THE FISHERS ISLAND FERRY DISTRICT

Our analysis below focuses on the net assets and changes in net assets of the Fishers Island Ferry District's activities.

Condensed Statement of Net Assets
Primary Activities
December 31, 2009 and 2008

Assets	2009	2008
Current and other assets	\$ 487,557	\$ 563,419
Capital assets	14,863,899	15,606,173
Total assets	<u>15,351,456</u>	<u>16,169,592</u>
Liabilities		
Current and other liabilities	1,358,968	1,749,142
Long-term liabilities	2,369,996	2,557,840
Total liabilities	<u>3,728,964</u>	<u>4,306,982</u>
Net Assets		
Invested in capital assets	11,763,899	12,006,173
Unrestricted (deficit)	(141,408)	(143,563)
Total net assets	<u>\$ 11,622,491</u>	<u>\$ 11,862,610</u>

Changes in Net Assets
Fishers Island Ferry District
For the years ended December 31, 2009 and 2008

Program Revenues	2009	2008
Charges for services	\$2,267,212	\$2,497,801
Capital grants	229,121	324,086
	<u>2,496,333</u>	<u>2,821,887</u>
General Revenues		
Property taxes	590,000	590,000
Interest earnings	1,093	9,545
Other	81,940	57,383
	<u>673,033</u>	<u>656,928</u>
Total Revenues	<u>3,169,366</u>	<u>3,478,815</u>
Program Expenses		
Operating expenses	3,407,999	3,857,801
Interest on debt	1,486	5,713
Total Expenses	<u>3,409,485</u>	<u>3,863,514</u>
Increase (decrease) in Net Assets	<u>(\$240,119)</u>	<u>(\$384,699)</u>

**FISHERS ISLAND FERRY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

FINANCIAL ANALYSIS OF THE FISHERS ISLAND FERRY DISTRICT (continued)

The following schedule presents a summary of Fishers Island Ferry District revenues and expenses for the year ended December 31, 2009 and the amount of change and percentage of total in relation to the prior year.

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Revenues				
Charges for services	\$ 2,267,212	\$ 2,497,801	\$ (230,589)	-10.17%
Capital grants	229,121	324,086	(94,965)	-41.44%
Property taxes	590,000	590,000	-	0%
Interest earnings	1,093	9,545	(8,452)	-773.28%
Other	81,940	57,383	24,557	29.96%
Total Revenues	<u>\$ 3,169,366</u>	<u>\$ 3,478,815</u>	<u>\$ (309,449)</u>	<u>-9.76%</u>
Program Expenses				
Operating expenses	\$ 3,407,999	\$ 3,857,801	\$ (449,802)	-13.20%
Interest on debt	1,486	5,713	(4,227)	-284.45%
Total Expenses	<u>\$ 3,409,485</u>	<u>\$ 3,863,514</u>	<u>\$ (454,029)</u>	<u>-13.32%</u>

BUDGETARY HIGHLIGHTS

Over the course of the year, the Fishers Island Ferry District revises the budget as needed so that expenditures do not exceed appropriations. Various transfers between appropriations were approved for this purpose.

CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Mr. Thomas Doherty
Manager
Fishers Island Ferry District
Fishers Island, NY 06390

**FISHERS ISLAND FERRY DISTRICT
 COMPONENT UNIT OF TOWN OF SOUTHOLD
 STATEMENT OF NET ASSETS
 AS OF DECEMBER 31, 2009**

ASSETS

Current assets:

Cash and investments	\$ 250,196
Other receivables	8,230
Due from grants	2,649
Due from primary government	207,573
Prepaid expenses	18,908
Total current assets	<u>487,556</u>

Noncurrent assets

Nondepreciable capital assets	41,717
Buildings	19,387,118
Machinery and equipment	2,871,691
Less: accumulated depreciation	<u>(7,436,627)</u>
Total noncurrent assets	<u>14,863,899</u>

Total assets	<u><u>\$ 15,351,455</u></u>
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LIABILITIES

Current liabilities

Accounts payable	\$ 103,662
Accrued interest payable	28,831
Bond anticipation notes	850,000
Non-current liabilities due within one year	
General obligation bonds payable	175,000
Claims and judgments payable	47,664
Unearned revenue	178,811
Total current liabilities	<u>1,383,968</u>

Noncurrent liabilities

Wages payable	172,896
Postemployment benefits payable	97,100
General obligations bonds payable	<u>2,075,000</u>
Total noncurrent liabilities	<u>2,344,996</u>

Total liabilities	<u>3,728,964</u>
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NET ASSETS

Investments in fixed assets, net of related debt	11,763,899
Unrestricted (deficit)	<u>(141,408)</u>

Total net assets	<u>11,622,491</u>
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Total Liabilities and net assets	<u><u>\$ 15,351,455</u></u>
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See notes to financial statements.

**FISHERS ISLAND FERRY DISTRICT
 COMPONENT UNIT OF TOWN OF SOUTHDOLD
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating revenues:	
Operations	\$ 2,214,662
Charters	19,966
Mail	23,350
Theater	9,234
Other revenues	81,940
Total operating revenues	<u>2,349,152</u>
Operating expenses:	
Personnel	1,271,916
Employee benefits	325,336
Equipment maintenance	242,262
Contractual services	414,507
Depreciation	753,433
Airport	95,692
Theater	18,748
Mail	7,200
Insurance	68,343
Property tax	46,493
Repairs - docks	23,362
Bond payments	100,707
Administration	38,230
Insurance claims	3,256
Total operating expenses	<u>3,409,485</u>
Operating Income (loss)	(1,060,333)
General revenues and expenses:	
Interest income	1,093
Capital grants	229,121
Property taxes	590,000
Total nonoperating revenues	<u>820,214</u>
Change in net assets	(240,119)
Net assets- beginning of the year	<u>11,862,610</u>
Net assets- end of the year	<u><u>\$ 11,622,491</u></u>

See notes to financial statements.

**FISHERS ISLAND FERRY DISTRICT
 COMPONENT UNIT OF TOWN OF SOUTHOLD
 BALANCE SHEET- GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2009**

ASSETS	<u>General</u>	<u>Special Aid</u>	<u>Total Governmental Fund</u>
Cash and investments	\$ 250,196	\$ -	\$ 250,196
Accounts receivables	8,231	-	8,231
State and federal aid receivable	2,649	-	2,649
Due from other governments	207,573	-	207,573
Due from other funds	0	-	0
Prepaid expenses	18,908	-	18,908
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 487,557</u>	<u>\$ -</u>	<u>\$ 487,557</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 103,662	\$ -	\$ 103,662
Bond anticipation notes payable	-	850,000	850,000
Deferred revenues	178,811	-	178,811
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	282,473	850,000	1,132,473
FUND BALANCES			
Reserve for			
Bond anticipation notes	-		-
Unrestricted (deficit)- Undesignated	205,084	(850,000)	(644,916)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	205,084	(850,000)	(644,916)
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 487,557</u>	<u>\$ -</u>	<u>\$ 487,557</u>

See notes to financial statements.

**FISHERS ISLAND FERRY DISTRICT
 COMPONENT UNIT OF TOWN OF SOUTHOLD
 RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 AS OF DECEMBER 31, 2009**

Total Governmental Fund Balances	<u>\$ (644,916)</u>
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Amounts reported for governmental activities in the
 Statement of Net Assets are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Assets includes those capital assets among the assets of the District as a whole, and their original costs are expensed over their useful lives.

Original cost of capital assets	22,300,526
Accumulated depreciation	<u>(7,436,627)</u>
	<u>14,863,899</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	(2,250,000)
Accrued interest payable	(28,832)
Compensated absences	(172,896)
Postemployment benefits payable	(97,100)
Judgment and claims payable	<u>(47,664)</u>
	<u>(2,596,492)</u>

Total net assets	<u><u>\$ 11,622,491</u></u>
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See notes to financial statements.

**FISHERS ISLAND FERRY DISTRICT
 COMPONENT UNIT OF TOWN OF SOUTHBOLD
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

REVENUES	General	Special Aid	Total Governmental Fund
Departmental income	\$ 2,203,782	\$ -	\$ 2,203,782
Capital grants	79,236	149,885	229,121
Real property taxes	590,000	-	590,000
Real property tax items	120	-	120
Intergovernmental charges	59,592	-	59,592
Sale of property and compensation for loss	-	-	-
State aid	4,043	-	4,043
Federal aid	75,193	-	75,193
Miscellaneous local sources	167	-	167
Use of money and property	7,195	152	7,347
	<hr/>	<hr/>	<hr/>
Total revenues	3,019,328	150,037	3,169,365
 EXPENDITURES			
General government support	190,460	-	190,460
Transportation	2,062,098	-	2,062,098
Culture and recreation	18,749	-	18,749
Employee benefits	319,657	-	319,657
Capital outlay	11,159	-	11,159
Debt Service			
Principal	150,000	-	150,000
Interest	115,540	1,486	117,026
	<hr/>	<hr/>	<hr/>
Total expenditures	2,867,663	1,486	2,869,149
 Excess (Deficiency) of Revenues over Expenditures	151,665	148,551	300,216
 Other Financing Sources (Uses)			
Operating transfers in	-	3,716	3,716
Operating transfers out	(3,716)	-	(3,716)
	<hr/>	<hr/>	<hr/>
Fund balances- beginning of the year	57,135	(1,002,267)	(945,132)
	<hr/>	<hr/>	<hr/>
Fund balances- end of the year	\$ 205,084	\$ (850,000)	\$ (644,916)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

**FISHERS ISLAND FERRY DISTRICT
 COMPONENT UNIT OF TOWN OF SOUTHOLD
 RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENT REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
 ACTIVITIES
 AS OF DECEMBER 31, 2009**

Net Change in Fund Balances \$ 300,216

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

Long-term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses are measured
 by the amounts earned during the year. In the governmental funds,
 however, expenditures for these items are measured by the amount of
 financial resources used (essentially, the amounts paid)

Compensated absences	\$ (7,818)
Postemployment benefits	(2,001)
Accrued interest	16,320
Judgment and claims	<u>45,438</u>
	<u>51,939</u>

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds
 as expenditures. However, for governmental activities those costs are capitalized and
 shown in the statement of net assets and allocated over their useful lives as annual
 depreciation expenses in the Statement of activities

Capital outlays	11,159
Depreciation expense	<u>(753,433)</u>
	<u>(742,274)</u>

Long-term Debt Transaction Differences

Repayment of bond principal is an expenditure in the governmental funds, but it reduces
 the long-term liabilities in the Statement of Net Assets and does not affect the Statement
 of Activities

150,000

Total change in net assets \$ (240,119)

See notes to financial statements.

**FISHERS ISLAND FERRY DISTRICT
COMPONENT UNIT OF TOWN OF SOUTHOLD
STATEMENT OF FIDUCIARY NET ASSETS-
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2009**

ASSETS	<u>Agency</u>
Cash	<u>\$ 28,762</u>
Total assets	<u><u>\$ 28,762</u></u>
LIABILITIES	
Due to other funds	<u>\$ 28,762</u>
Total liabilities	<u><u>\$ 28,762</u></u>

See notes to financial statements.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fishers Island Ferry District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Commissioners consisting of five members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations are Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is a component unit of The Town of Southold, another reporting entity.

B. Basis of Presentation

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds as defined by GASB, each displayed in a separate column. The District's financial statements reflect the following fund categories:

Governmental Funds:

General Fund – is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid Fund – is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Fiduciary Funds – are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

C. Basis of Accounting and Measurement Focus

The statement of activities and the statement of net assets and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from ferry operations and grants are recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Real Property Taxes

Calendar

Real property taxes are levied annually by the Town of Southold no later than October 1st and become a lien on December 1st. Taxes were collected by the Town of Southold and remitted to the District from December to June.

Enforcement

Uncollected real property taxes are subsequently enforced by the County of Suffolk in June.

E. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

F. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

F. Interfund Transactions (Continued)

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

H. Cash and Cash Equivalents/Investments

Cash and cash equivalents consist of cash on hand and bank deposits with a maturity date of three months or less from date of acquisition.

I. Receivables

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

J. Prepaid Items

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

K. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10-40 years
Improvements and other	20 years
Machinery and equipment	5-10 years
Infrastructure	20-30 years

Infrastructure assets, consisting of certain improvements other than buildings including roads, curbs, sidewalks, bridges and street lighting 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.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

L. Deferred Revenue

Deferred revenue arises when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

M. Vested Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the payrates in effect at year-end.

N. Retirement System

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State Employees' Retirement System.

In addition to providing pension benefits, the District provides post employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid.

O. Short-Term Debt

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law required that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

P. Accrued Liabilities and Long-Term Obligations

In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Assets.

Q. Equity Classifications

In the Government-wide Statements, equity is classified as net assets and displayed in three components:

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.
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.”

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

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basis financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the Statement of Activities, compared with the current financial resource measurement focus of the governmental funds.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS (Continued)

A. Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities

Total fund balances of the District's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Assets. In addition, both interest and principal payments are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Commissions for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

A. Budgets (Continued)

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Commissions as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approved them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end.

**FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2009 were as follows:

	<u>Balance 1/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/09</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 41,717	\$ -	\$ -	\$ 41,717
Total capital assets not being depreciated	<u>41,717</u>	<u>-</u>	<u>-</u>	<u>41,717</u>
Capital assets being depreciated				
Buildings and improvements	19,485,811	-	(11,159)	19,474,652
Furniture and equipment	2,761,839	109,853	-	2,871,692
Total capital assets being depreciated	<u>22,247,650</u>	<u>109,853</u>	<u>(11,159)</u>	<u>22,346,344</u>
Less accumulated depreciation for:				
Buildings and improvements	4,553,827	657,024	-	5,210,851
Furniture and equipment	2,129,367	96,409	-	2,225,776
Total accumulated depreciation	<u>6,683,194</u>	<u>753,433</u>	<u>-</u>	<u>7,436,627</u>
Total capital assets, being depreciated, net	<u>15,564,456</u>	<u>(643,580)</u>	<u>(11,159)</u>	<u>14,909,717</u>
Capital assets, net	<u>\$ 15,606,173</u>	<u>\$ (643,580)</u>	<u>\$ (11,159)</u>	<u>\$14,951,434</u>

6. INDEBTEDNESS

A. Short-Term Debt

Bond anticipation Notes (BANs) – Bond anticipation notes (BANs) are 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. Liabilities for BANs are generally accounted for in the capital projects fund. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes. These BANs bear interest at various rates from 2.20% to 2.75%.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

A. Short-Term Debt (Continued)

When BANs are not redeemed with the proceeds of bond issues, but instead paid from budgetary appropriations, the principal amount paid is recorded as an expenditure in the operating fund and a financing source is recorded in the capital projects fund.

These notes are summarized as follows:

Description	Amount	Interest Rate
New London Wharf	\$ 850,000	2.20%

A summary of changes in BANs for the year ended December 31, 2008 is as follows:

	Balance 1/1/2009	Increases	Reductions	Balance 12/31/09
New London Wharf	\$ 1,200,000	\$ -	\$ 350,000	\$ 850,000

B. Long-Term Debt

Summary of changes in long-term debt transactions for the year ended December 31, 2009 is as follows:

	Balance 1/1/2009	Increases	Reductions	Balance 12/31/09	Non-current liabilities due within one year	Non-current liabilities
General obligation bonds	\$2,400,000	\$ -	\$ 150,000	\$2,250,000	\$ 175,000	\$2,075,000

General Obligation Bonds – The District borrows money in order to acquire land, equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. This long-term liability which is backed by the full faith and credit of the District, bears interest at 3.78% and matures in 2021.

Future principal and interest payments are as follows:

Year Ending	Principal	Interest
2010	\$ 175,000	\$ 85,075
2011	175,000	78,513
2012	175,000	71,950
2013	175,000	65,387
2014	175,000	58,825
2015	175,000	52,263
2016	200,000	45,700
2017	200,000	38,200
2018-2021	800,000	77,500
Totals	<u>\$ 2,250,000</u>	<u>\$ 573,413</u>

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

C. Long-Term Debt (Continued)

Interest on long-term debt for the year was comprised of:

Total interest expense on long-term debt \$ 115,540

Other long-term liabilities for claims and judgments, compensated absences, retirement system and the estimated liability for landfill closure and post closure costs are to be paid by the fund that gave rise to the liability.

7. OTHER POST-EMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)

In the component unit financial statements, the cost of post employment healthcare benefits, like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB 45, during the year ended December 31, 2008, the District recognizes the cost of post employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years and provide information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

A. Plan Description

The District, as a single-employer defined benefit OPEB plan, per its contracts with employees, will pay full premium costs for medical (currently provided by Empire Core Plan plus Enhancements or HIP) insurance coverage at retirement. For participants, the District provides continuation of medical insurance to employees who are 55 years old and have 30 years of service under the NYS Retirement System or who are 62 years old and have 10 years of service with the District. The retiree is eligible for full Medicare reimbursement in the amount of \$1,209 per year. Healthcare benefits for non-union employees are similar to those of union employees. Surviving spouses of deceased employees may continue coverage by paying the premium equivalent for participants. They are also entitled to Medicare part B premium reimbursement.

The number of participants as of January 1, 2009, the effective date of the OPEB valuation is as follows. There have been no significant changes in the number or type of coverage since that date.

Active employees	17
Retirees	3
Spouses of retired employees	0
Total	20

B. Funding Policy

The District currently pays for post employment health care benefits on a pay-as-you-go basis.

C. Annual Other Post-Employment Benefits Cost and Net Obligation

For the year ended December 31, 2009, the District's annual other post-employment benefits cost (expenses) were \$114,335. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$17,235 for retirees and their beneficiaries, the result was an increase in the other post-employment benefits liability of \$97,100 for the year ended December 31, 2009.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

C. Annual Other Post-Employment Benefits Cost and Net Obligation (Continued)

	Benefit Obligations and Normal
Cost	
Retirees	\$ 286,305
Active employees	860,040
Unfunded actuarial accrued liability (UAAL)	\$ 1,146,345

The District's annual other post-employment benefit cost is calculated based on the annual required contribution (ARC) of the employer, 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 District's annual other post-employment benefits cost, the amount actually paid and changes to the District's net other post-employment benefits obligation to the Plan for the year ended December 31, 2009 are as follows:

Normal Cost	\$ 43,561
Amortization of unfunded actuarial liability (UAAL) over 30 years	67,345
Interest	4,991
Annual required contribution (ARC)	115,897
Interest on net other post-employment benefits obligation	4,289
Adjustment to ARC	(5,851)
Annual OPEB cost (expense)	114,335
Less: contribution for year ended December 31, 2008	17,235
Increase in net OPEB obligation	97,100
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	\$ 97,100

Percent of annual OPEB cost contributed
30.56%

D. Funded Status and Funding Progress

Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation				
\$ 114,335	14.59%	\$	97,100			
Actuarial Percentage Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Actuarial Unfunded (UAAL)	UAAL as a Funded Ratio	Covered Payroll	Of Payroll
1/1/09	\$ 0	\$1,146,345	\$1,146,345	0%	\$ 974,567	117.63%

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

E. 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, 2008 actuarial valuation, the liabilities were computed using the projected unit credit cost method. The actuarial assumptions utilized a 4.5% discount rate. The valuation assumes a 10-12% healthcare cost trend increase for the year, reduced by decrements down to 5% in fiscal year 2015. The remaining amortization period at December 31, 2009 was twenty nine years.

8. Pension Plans

A. Plan Description

The Fishers Island Ferry District, a component unit of the Town of Southold, participates in the New York Employee's Retirement System, the New York State Policemen's and Firemen's Retirement System and the Public Employee's Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefit as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) govern obligations of employers to contribute and benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

B. 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. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Town of Southold is required to contribute at an actuarially determined rate.

The Town's contributions made to the Systems were equal to 100% of the contributions required for each year. The districts portion of the contribution was \$79,210 in 2009.

FISHERS ISLAND FERRY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

B. Funding Policy (Continued)

Since 1989, the Systems' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the Systems' fiscal years ending March 31, 1988, and 1989, (which otherwise were to have been paid on June 30, 1989, and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The Town elected to make the full payment on December 15, 1993, by issuing serial bonds to replace this debt.

**FISHERS ISLAND FERRY DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS- BUDGET AND ACTUAL**

	Original Budget	Final Budget	2009	Variance with Final Budget Positive/(Negative)
Revenues				
Charges for services	\$2,705,000	\$ 2,214,662	\$ 2,267,212	\$ 52,550
Capital grants	43,875	79,236	229,121	149,885
Property taxes	590,000	590,000	590,000	0
Interest earnings	13,000	1,228	1,093	(135)
Other	104,000	134,202	81,940	(52,262)
Total Revenues	<u>\$3,455,875</u>	<u>\$ 3,019,328</u>	<u>\$ 3,169,366</u>	<u>\$ 150,038</u>
Program Expenses				
Operating expenses	3,459,875	2,871,379	2,869,149	2,230
Total Expenses	<u>\$ 3,459,875</u>	<u>\$ 2,871,379</u>	<u>\$ 2,869,149</u>	<u>\$ 2,230</u>