

**TOWN OF RYE, NEW YORK  
FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007**

**TOWN OF RYE, NEW YORK  
TABLE OF CONTENTS  
DECEMBER 31, 2007**

<b><u>DESCRIPTION</u></b>	<b><u>PAGE(S)</u></b>
Independent Auditors' Report.....	1-2
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.....	3-4
Management's Discussion and Analysis (unaudited) For The Year Ended December 31, 2007 .....	5-11
 <b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets- December 31, 2007 .....	12
Statement of Activities- For the Year Ended December 31, 2007 .....	13
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds- December 31, 2007.....	14
Reconciliation of Governmental Funds Balance Sheet To the Statement Of Net Assets- December 31, 2007 .....	15
Statement of Revenues, Expenditures, and Changes In Fund Balances- Governmental Funds- For the Year Ended December 31, 2007.....	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances Of Governmental Funds to the Statement of Activities- For the Year Ended December 31, 2007.....	17
Statement of Net Assets Fiduciary Funds – December 31, 2007 .....	18
Notes to the Basic Financial Statements .....	19-33
 <b>REQUIRED SUPPLEMENTAL INFORMATION SECTION:</b>	
<b>Exhibit I</b>	
Budgetary Comparison Schedule- General Fund- For the Year Ended December 31, 2007 .....	34



# SEDORE & COMPANY

*Certified Public Accountants, P.C.*

Beechwood Office Park  
2678 South Road, Suite 101  
Poughkeepsie, NY 12601  
tel 845.485.5510  
fax 845.485.5547  
Fishkill 845.897.1040  
**www.sedoreco.com**

*James L. Sedore, Jr., CPA  
Mark S. O'Sullivan, CPA  
James F. Letterio, Jr., CPA  
Linda M. Hannigan, CPA  
Karen T. Hansen, CPA  
Jeffrey L. Brown, CPA  
Charles R. Rae, Jr., CPA*

## **INDEPENDENT AUDITORS' REPORT**

To the Supervisor and  
Members of the Town Board  
Town of Rye, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the Town of Rye, New York as of and for the year ended December 31, 2007, which collectively comprise the Town's basic financial statements as listed in the forgoing Table of Contents. These financial statements are the responsibility of the Town of Rye, New York's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining information for the Town of Rye, New York as of December 31, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Exhibit I, budgetary comparison information, listed in the Table of Contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2009 on our consideration of the Town of Rye, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. The report on compliance with laws and regulations and internal control over financial reporting is an integral part of an audit performed in accordance with Government Auditing Standards and, in considering the results of our audit, this report should be read in conjunction the auditor's report on the basic financial statements.

*Sedore + Company, CPAs*

Poughkeepsie, New York  
February 11, 2009



# SEDORE & COMPANY

*Certified Public Accountants, P.C.*

**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**

Beechwood Office Park  
2678 South Road, Suite 101  
Poughkeepsie, NY 12601  
tel 845.485.5510  
fax 845.485.5547  
Fishkill 845.897.1040  
[www.sedoreco.com](http://www.sedoreco.com)

*James L. Sedore, Jr., CPA  
Mark S. O'Sullivan, CPA  
James F. Letterio, Jr., CPA  
Linda M. Hannigan, CPA  
Karen T. Hansen, CPA  
Jeffrey L. Brown, CPA  
Charles R. Rae, Jr., CPA*

To the Supervisor  
and Members of the Town Board  
Town of Rye, New York

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rye, New York, as of and for the year ended December 31, 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 11, 2009. 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 Rye, 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 Rye, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Rye, New York's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a combination of different control deficiencies, that adversely affects the Town of Rye, New York's ability to initiate, authorize, record, process, or report financial data in a reliably in accordance with generally accepted accounting principles such that it is more than a remote

accordance with generally accepted accounting principles such that it is more than a remote likelihood that a misstatement of the Town of Rye, New York's financial statements that is more than inconsequential will not be prevented or detected by the Town of Rye, New York's internal control. The significant deficiency is described as follows:

The Town's internal controls failed to detect material accruals that were not recorded.

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 Rye, New York's internal controls.

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 Rye, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 others matter involving the internal control over financial reporting that we have reported to the management of the Town of Rye, New York in a separate letter dated February 11, 2009.

This report is intended for the information of the Supervisor, Town Board, Management, others within the Town and is not intended to be, and should not be, used by anyone other than these specified parties.

*Sedore & Company, CPAs*

Poughkeepsie, New York  
February 11, 2009

**Town of Rye, New York  
Management's Discussion and Analysis (MD A)  
December 31, 2007**

---

**Introduction**

As management of the Town of Rye, New York ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2007. It should be read in conjunction with the basic financial statements, which immediately follows this section, to enhance understanding of the Town's financial performance.

**Financial Highlights**

- \* On the government-wide financial statements, the assets of the Town exceeded its liabilities at the close of the current fiscal year by \$4,450,503.
- \* As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,689,407, an increase of \$1,047,306 for the year then ended.
- \* At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,679,325
- \* The Town redeemed \$140,000 in serial bonds and \$352,000 in Bond Anticipation notes during the current fiscal year. Bonds outstanding at December 31, 2007 aggregated \$680,000.

**Overview of the Financial Statements**

The Town's financial statements are composed of this Management Discussion and Analysis (MD&A) and the basic financial statements. This discussion and analysis serves as an introduction to the basic financial statements. The MD&A provides analysis and overview of the Town's financial activities. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information as listed in the table of contents.

**Government-Wide Financial Statements**

The *government-wide financial statements* are presented in a manner similar to private sector business financial statements. The statements are prepared using the accrual basis of accounting. The government-wide financial statements include two statements.

Statement of net Assets and Statement of Activities. Fiduciary activities, whose resources are not available to the Town programs, are excluded from these statements.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. 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 result in cash flows in future fiscal periods (for example, uncollected property taxes).

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government support, transportation, economic opportunity and development, culture and recreation and interest.

### **Fund Financial Statements**

A fund is an accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Government resources are allocated to and accounted for in an individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related and legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

#### **Governmental Funds**

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

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

The Town maintains three individual governmental funds: the General Fund, Debt Service Fund and the Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures and changes in fund balances for all funds. All funds are considered to be major funds.

The Town adopts annual budgets for the General and Debt Service funds. Budgetary comparison statements have been provided for the General Fund within the basic financial statements to demonstrate compliance with respective budget.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support Town programs. The Town maintains one type of fiduciary fund, the Agency Fund. Resources are held in the Agency Fund by the Town purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment, and remittance of resources to the appropriate individual, organization, or government.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

### **Notes to Financial Statements**

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

### **Other Information**

Additional statements and schedules can be found immediately following the notes to the financial statements. These include schedules of budget to actual comparisons.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the Town, assets exceeded liabilities by \$4,450,503 at the close of the most recent fiscal year.

The following table reflects the condensed Statement of Net Assets:

		<b>Net Assets</b>	
		<b>December 31,</b>	
		<u><b>2007</b></u>	<u><b>2006</b></u>
Current Assets	\$	47,179,869	\$ 50,843,458
Capital Assets, net		<u>2,478,238</u>	<u>3,094,217</u>
<b>Total Assets</b>		<u><b>49,658,107</b></u>	<u><b>53,937,675</b></u>
Current Liabilities		44,659,230	49,202,473
Long-term Liabilities		<u>548,378</u>	<u>736,161</u>
<b>Total Liabilities</b>		<u><b>45,207,608</b></u>	<u><b>49,938,634</b></u>
<b>Net Assets:</b>			
Invested in Capital Assets net of related debt		1,798,238	2,064,930
Restricted		75,270	16,961
Unrestricted		<u>2,576,995</u>	<u>1,917,150</u>
<b>Total Net Assets</b>	<u><b>\$</b></u>	<u><b>4,450,503</b></u>	<u><b>\$ 3,999,041</b></u>

The largest portion of the Town's net assets is its investment in capital assets (land, buildings and improvements, machinery and equipment and infrastructure), less any related debt outstanding that was used to acquire those assets. 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 cannot be used to liquidate the debt.

The restricted net assets of \$75,270 are for capital projects.

The remaining balance is unrestricted net assets of \$2,576,995.

**Changes in Net Assets  
Year Ended December 31.**

	<u>2007</u>	<u>2006</u>
<b>Program Revenues:</b>		
Charges for Services	\$ 183,127	\$ 431,977
Operating Grants and Contributions	62,460	29,468
<b>General Revenues:</b>		
Real Property Taxes	980,758	992,789
Other Tax Items	2,166,738	576,581
Unrestricted Use of Money and Property	798,763	672,053
Unrestricted State Aid	488,884	1,772,157
Miscellaneous	<u>273,467</u>	<u>70,653</u>
<b>Total Revenues</b>	<u><u>4,954,197</u></u>	<u><u>4,545,678</u></u>
<b>Program Expenses:</b>		
General Government Support	2,628,468	2,748,732
Public Safety	55,422	
Transportation	4,220	21,674
Economic Opportunity and Development	6,000	10,250
Culture and Recreation	1,087,670	982,132
Interest	<u>43,668</u>	<u>43,007</u>
<b>Total Expenses</b>	<u>3,825,448</u>	<u>3,805,795</u>
<b>Change in Net Assets</b>	<u>1,128,749</u>	<u>739,883</u>
<b>Nets Assets - Beginning</b>	<u>3,999,041</u>	<u>3,259,158</u>
<b>Prior Period Adjustment</b>	<u>(677,287)</u>	<u>-</u>
<b>Net Assets - Ending</b>	<u><u>\$ 4,450,503</u></u>	<u><u>\$ 3,999,041</u></u>

**Governmental Activities**

Government activities increased the Town's net assets by \$451,462. Revenues in 2007 exceeded the prior year by \$408,519. Significant variations in revenues resulted from increases in interest rates and mortgage taxes. The unrestricted use of money and property category reflects a \$126,710 increase over the prior year. Expenses for 2007 were \$3,825,448 which were \$19,653 above 2006 expenses.

## **Financial Analysis of the Town's funds**

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the Town's General Fund reported an ending fund balance of \$2,614,137, and increase of \$659,710 from the prior year amount. The Fund reflects an unreserved fund balance of \$1,679,325. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for long-term receivables (\$894,271) and prepaid expenditures (\$40,541).

### **General Fund Budgetary Highlights**

When the fiscal 2007 General Fund budget was adopted, it was anticipated that expenditures would be financed from current revenues. However, actual results of operations resulted in an increase of fund balance of \$659,710. Revenues were \$4,954,197, which was \$724,477 greater than the final budget. The major area where revenues exceeded the budget was in the use of money and property and the State aid sub-category of mortgage tax. Expenditures and other financing uses were \$4,294,487, which was \$64,767 more than the final budget.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The Town's investment in capital assets for its governmental activities as of December 31, 2007 and 2006, amount to \$2,478,238 and \$3,094,217, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, machinery and equipment and infrastructure.

**Capital Assets  
(Net of Depreciation)**

	December 31,	
	<u>2007</u>	<u>2006</u>
Land	\$ 844,850	\$ 1,522,137
Building and improvements	749,567	749,567
Machinery and equipment	115,586	37,577
Infrastructure	768,235	784,936
	\$ 2,478,238	\$ 3,094,217

Additional information on the Town's capital assets can be found in Note 3 of this report.

**Long-term Debt**

At the end of the current fiscal year, the Town had total bonded indebtedness of \$680,000. This amount is a reduction from the prior year of \$140,000. As required by New York State Law, all bonds issued by the Town are general obligation bonds, backed by the full faith and credit of the Town.

Additional information on the Town's capital assets can be found in Note F of this report.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Rye, New York's finances for all those with an interest in those finances. Question and comments concerning any of the information provided in this report should be addressed to the Town's Supervisor's Office, Town of Rye, 10 Pearl Street, Port Chester, New York 10573.

**TOWN OF RYE, NEW YORK  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,872,847
Investments	10,564
Receivables (net)	44,255,917
Prepaid expenses	40,541
Total current assets	<u>47,179,869</u>
Capital assets:	
Land	844,850
Infrastructure, net of depreciation	768,235
Buildings, machinery and equipment, net of depreciation	865,153
Total capital assets	<u>2,478,238</u>
Total assets	<u>\$ 49,658,107</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 74,925
Accrued liabilities	33,399
Due to other governments	44,383,119
Current portion of long-term liabilities	
New York State loan	3,787
Bonds payable	164,000
Total current liabilities	<u>44,659,230</u>
Non-current liabilities:	
New York State loan	32,374
Bonds payable	516,000
Total non-current liabilities	<u>548,374</u>
Total liabilities	45,207,604
<b>NET ASSETS</b>	
Invested in Capital Assets, net of related debt	1,798,238
Unrestricted	2,652,265
Total net assets	<u>4,450,503</u>
Total liabilities and net assets	<u>\$ 49,658,107</u>

The accompanying Notes to the Financial Statements  
should be read in conjunction with these Financial Statements.

**TOWN OF RYE, NEW YORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>FUNCTIONS/PROGRAMS</b>	<b>EXPENSES</b>	<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS AND CONTRIBUTIONS</b>	<b>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</b>
<b>Governmental Activities:</b>				<b>GOVERNMENTAL ACTIVITIES</b>
General government support	\$ 2,628,468	\$ 183,127	\$ -	\$ (2,445,341)
Public safety	55,422	-	-	(55,422)
Transportation	4,220	-	-	(4,220)
Economic assistance & opportunity	6,000	-	-	(6,000)
Culture and recreation	1,087,670	62,460	-	(1,025,210)
Interest on long-term debt	43,668	-	-	(43,668)
<b>Total governmental activities</b>	<b>3,825,448</b>	<b>245,587</b>	<b>-</b>	<b>(3,579,861)</b>
 <b>General revenues</b>				
<b>Taxes:</b>				
Real property taxes				980,758
Real property tax related items				487,954
Mortgage tax				1,545,771
Fines and Forfeitures				133,013
Grants and contributions not restricted to specific programs				488,884
Unrestricted investment earnings				798,763
Miscellaneous				273,467
Total general revenues, special items and transfers				4,708,610
Change in net assets				1,128,749
Net assets - beginning, as originally stated				3,999,041
Prior period adjustment				(677,287)
Net assets - beginning, as restated				3,321,754
Net assets - ending				\$ 4,450,503

The accompanying Notes to the Financial Statements  
should be read in conjunction with these Financial Statements.

**TOWN OF RYE, NEW YORK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,872,847	\$ -	\$ 2,872,847
Investments	10,564	-	10,564
Receivables:			
Taxes, net of allowance	43,137,988	-	43,137,988
Other	30,391	-	30,391
Due from other funds	-	75,270	75,270
Due from other governments	1,033,998	-	1,033,998
State and federal receivable	53,540	-	53,540
Prepaid expenses	40,541	-	40,541
	<u>47,179,869</u>	<u>75,270</u>	<u>47,255,139</u>
<b>Total assets</b>	<b>\$ 47,179,869</b>	<b>\$ 75,270</b>	<b>\$ 47,255,139</b>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 74,925	\$ -	\$ 74,925
Accrued liabilities	32,418	-	32,418
Due to other funds	75,270	-	75,270
Due to other governments	44,383,119	-	44,383,119
<b>Total liabilities</b>	<u>44,565,732</u>	<u>-</u>	<u>44,565,732</u>
 <b>FUND BALANCE</b>			
Fund balance (deficit):			
Reserved for:			
Prepaid expenses	40,541	-	40,541
Long-term receivables	894,271	-	894,271
Unreserved:			
Undesignated	1,679,325	75,270	1,754,595
<b>Total fund balance</b>	<u>2,614,137</u>	<u>75,270</u>	<u>2,689,407</u>
 <b>Total liabilities and fund balance</b>	 <u>\$ 47,179,869</u>	 <u>\$ 75,270</u>	 <u>\$ 47,255,139</u>

The accompanying Notes to the Financial Statements  
should be read in conjunction with these Financial Statements.

**TOWN OF RYE, NEW YORK**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

Total fund equity for governmental funds \$ 2,689,407

Total net assets reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds. 2,478,238

Long-term liabilities, including bonds payable  
that are not due and payable in the current period  
therefore are not reported in the funds. (716,161)

Accrued interest is not reported in the funds. (981)

Total net assets of governmental activities \$ 4,450,503

The accompanying Notes to the Financial Statements  
should be read in conjunction with these Financial Statements.

**TOWN OF RYE, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Real property taxes	\$ 980,758	\$ -	\$ -	\$ 980,758
Real property taxes items	487,954	-	-	487,954
Departmental income	245,587	-	-	245,587
Use of money and property	870,229	-	-	870,229
Fines and forfeitures	133,013	-	-	133,013
Miscellaneous local sources	202,001	-	-	202,001
State aid	2,034,655	-	-	2,034,655
<b>Total revenues</b>	<u>4,954,197</u>	<u>-</u>	<u>-</u>	<u>4,954,197</u>
<b>EXPENDITURES</b>				
General government support	2,106,075	-	61,691	2,167,766
Public safety	41,060	-	-	41,060
Transportation	2,789	-	-	2,789
Economic assistance & opportunity	6,000	-	-	6,000
Culture and recreation	965,021	-	22,713	987,734
Employee benefits	637,739	-	-	637,739
Debt service	16,755	519,048	-	535,803
<b>Total expenditures</b>	<u>3,775,439</u>	<u>519,048</u>	<u>84,404</u>	<u>4,378,891</u>
<b>Excess of revenues over expenditures</b>	1,178,758	(519,048)	(84,404)	575,306
<b>Other financing sources:</b>				
Proceeds from statutory installment bonds	-	-	120,000	120,000
BANs redeemed from appropriations	-	-	352,000	352,000
Operating transfers in	-	519,048	-	519,048
Operating transfers out	(519,048)	-	-	(519,048)
<b>Total other financing sources</b>	<u>(519,048)</u>	<u>519,048</u>	<u>472,000</u>	<u>472,000</u>
<b>Excess of revenue and other sources over expenditures and other uses</b>	659,710	-	387,596	1,047,306
<b>Fund Balance, December 31, 2006</b>	<u>1,954,427</u>	<u>-</u>	<u>(312,326)</u>	<u>1,642,101</u>
<b>Fund Balance, December 31, 2007</b>	<u>\$ 2,614,137</u>	<u>\$ -</u>	<u>\$ 75,270</u>	<u>\$ 2,689,407</u>

The accompanying Notes to the Financial Statements  
should be read in conjunction with these Financial Statements.

**TOWN OF RYE, NEW YORK**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balance - total government funds \$ 1,047,306

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. 61,308

Bond proceeds are reported on the financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued:			
Bond anticipation note redeemed		(352,000)	
Statutory Installment Bond		(120,000)	
Repayments:			
Bond anticipation note principal		352,000	
Bond principal		<u>140,000</u>	
			20,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 135

Net change in net assets of governmental activities \$ 1,128,749

The accompanying Notes to the Financial Statements  
should be read in conjunction with these Financial Statements.

**TOWN OF RYE, NEW YORK**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**DECEMBER 31, 2007**

<b>ASSETS</b>	<b><u>AGENCY FUNDS</u></b>
Cash and cash equivalents	\$ -
<b>Total assets</b>	<b><u>\$ -</u></b>
<b>LIABILITIES</b>	
Escrow funds returnable and other liabilities	\$ -
<b>Total liabilities</b>	<b><u>-</u></b>
<b>NET ASSETS</b>	<b><u>-</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ -</u></b>

The accompanying Notes to the Financial Statements  
should be read in conjunction with these Financial Statements

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies**

The Town of Rye, New York ("the Town") was established in 1813 and operates in accordance with Town Law and the various other applicable laws of the State of New York. The Town Board is the legislative body responsible for overall operation. The Supervisor serves as the Chief Executive Officer and as the Chief Fiscal Officer of the Town.

The Town provides the following services: transportation, economic opportunity and development, culture and recreation, and general and administrative support.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Town is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements in preparing its government-wide financial statements. The more significant accounting policies established by GAAP and used by the Town in preparing its government-wide and fund financial statements are discussed below. The more significant accounting policies established in GAAP and used by the Town are discussed below.

**1. The Reporting Entity**

The Town, for financial statement purposes, includes all of the funds and account groups relevant to the operations of the Town of Rye, New York. The financial statements include organizations, functions and activities that are controlled by or dependent upon the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

The Town participates in a joint venture with the City of Rye for the operation of Rye Town Park. A more detailed description is described in Note H. Complete separate financial statements for the Park may be obtained from the Town of Rye, 10 Pearl Street, Port Chester, New York 10573

**2. Basic Financial Statements – Government-Wide Statements**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type activities.

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

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies. (Cont'd.)**

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions or activities. The functions are also supported by general government revenues (property and sales taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs are normally covered by general revenue (property, sales or mortgage taxes, intergovernmental revenues, interest income, etc).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

**3. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The following fund types are used by the Town:

**A. Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the governmental funds of the Town:

1. **General fund** is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund and is presented separately.

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies (Cont'd.)**

2. **Capital projects funds** are used to account for financial resources are used to account for financial resources to be used for the acquisition and construction of major capital facilities. The Capital Projects Fund is considered a major fund and is presented separately. However, no budgetary comparison schedule is presented as required supplemental information, as the Town is not legally required to adopt an annual budget for the Capital Projects Fund.
3. **Debt Service fund** include those that are used for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**B. Fiduciary Funds**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The Town's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**4. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**A. Accrual**

The governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**B. Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that accumulated vacation, sick pay and other employee amounts are not accrued, principal and interest on general obligation long-term debt, if any, is recognized when due and inventory-type items are recognized as an expenditure at the time of purchase.

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies (Cont'd.)**

**5. Financial Statement Amounts**

**A. Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments. State statutes govern the investment policies of the Town, as well as the Town's adopted investment policy. The Town may invest its funds in banks or trust companies authorized to do business in the State of New York, as well as investing in obligations of the U. S. Treasury, U.S. Agencies, and obligations of the State of New York and its political subdivisions. Deposits not covered by Federal Deposit Insurance, must be collateralized by the banking institutions with investments governed under state statutes.

The Town has entered into an inter-municipal investment agreement in which the Town invests funds through the Cooperative Liquid Assets Securities System - New York (CLASS), a Cooperative Investment Arrangement for New York municipalities. The arrangement was developed pursuant to Article 5-6 of New York Municipal Law and may only invest in investments, which are legally permissible for all participants. Investments are subject to all the collateral agreements and safeguards required for all Town deposits.

CLASS investments consist of investments in U.S. Treasury and agency securities and repurchase agreements. The market value of the CLASS investment approximates cost. The Town has a beneficial proportionate interest in the joint value of the Cooperative Investment Arrangement. Title in the assets and underlying collateral are in the name of the Cooperative Investment Arrangement, and not in the name of the individual participants.

**TOWN OF RYE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies (Cont'd.)**

**5. Financial Statement Amounts (Cont'd.)**

The cash and investments of the Town at December 31, 2007 are as follows:

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
Interest Bearing			
Accounts	\$ 2,872,847	\$ -	\$ 2,872,847
Subtotal	2,872,847	-	2,872,847
CLASS Investments	<u>10,564</u>	<u>-</u>	<u>10,564</u>
<b>TOTALS</b>	<u>\$ 2,883,411</u>	<u>\$ -</u>	<u>\$ 2,883,411</u>

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, New York State statutes govern the Town's investment policies, as discussed previously in these Notes. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosure*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the Town or its agent in the Town's name. The Town's cash balances were fully collateralized with securities held by the Town's third party custodian and not subject to custodial credit risk.

**B. 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	20-40 years
Infrastructure	50 years
Machinery and equipment	10-20 years

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies (Cont'd.)**

**5. Financial Statement Amounts (Cont'd.)**

**C. Interfund Activity**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**D. Budgets**

The Town employs a formal budgetary accounting system as required by law. During the year, a budget was adopted and modified by the Town Board for the General Fund, and Non-Major Funds. However, for the Capital Projects Fund, budgets are established at the project level and continue until the project is completed. Any budgets, which include appropriations of fund balance, show expenditures exceeding revenues. Unused appropriations of the annually budgeted funds lapse at the end of the year.

**E. Taxes Receivable**

Real property taxes attach as an enforceable lien on real property and are levied on January 1<sup>st</sup>. The Town collects County and town taxes which are due April 1<sup>st</sup> and payable without penalty on April 30<sup>th</sup>. School district taxes are due on September 1<sup>st</sup>, with the first half payable without penalty until September 30<sup>th</sup> and the second half payable without penalty until January 31<sup>st</sup>. The Town guarantees full payment on the County and school district warrants and assumes the responsibility for uncollected taxes. The Town also has the responsibility for conducting in-rem foreclosure proceedings.

The Town functions in both a fiduciary and guarantor relationship with the County of Westchester, the various school districts and the villages located within the Town with respect to the collection and payment of real property taxes levied by such jurisdictions. Village taxes are levied and due on June 1<sup>st</sup> with the first half payable without penalty until June 30<sup>th</sup> and the second half payable without penalty until December 31<sup>st</sup>. The County charter provides for the Town to collect County and school district taxes and remit them as collected to the respective municipality. However, the Town must remit to the County 60% of the amount levied by May 25<sup>th</sup> and the balance of 40% on October 15<sup>th</sup>. With respect to school district taxes, the Charter provides the Town satisfy the warrant for each school district by April 5<sup>th</sup>. The Town has entered into agreements with the villages located in the Town with respect to the guarantee of village property taxes. The Agreements provide that the Town will satisfy the uncollected village property taxes by June 1<sup>st</sup> after the year for which such taxes were levied. The collection of school district and village taxes are deemed financing transactions until the warrants are satisfied. A fund balance reserve has been established for those other jurisdiction taxes which will not be collected within the ensuing fiscal year.

**TOWN OF RYE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies (Cont'd.)**

**5. Financial Statement Amounts (Cont'd.)**

**F. Pension Plans**

**Plan Description**

The Town of Rye 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. The New York State Retirement and Social Security Law (NYSRSSL) govern obligations of employers and employees to contribute and benefits to employees. As set forth in the NYRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

**Funding Policy**

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYRSSL, 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 Rye is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<b><u>ERS</u></b>
2007	<u>\$116,426</u>
2006	<u>\$110,960</u>
2005	<u>\$104,413</u>

The Town's contributions made to the Systems were equal to or in excess of the contributions required for each year.

**G. Post Employment Benefits**

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Town employees may become eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

During the year \$68,296 was paid on behalf of ten retirees and recorded as expenditure in the General Fund.

**TOWN OF RYE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies (Cont'd.)**

**5. Financial Statement Amounts (Cont'd.)**

**H. Property Taxes**

The Town Board holds a public hearing on or before December 10<sup>th</sup> on the preliminary budget. After the public hearing, the Town Board may further change, alter and revise the preliminary budget subject to the provisions of the law. The preliminary budget as submitted or amended shall be adopted by resolution no later than December 20<sup>th</sup>.

**I. Insurance**

The Town of Rye assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance. Judgements and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Town also purchases conventional medical and workers compensation coverage.

**J. Long-Term Obligations**

Long-Term Debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion which is expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Long-Term Liabilities.

**K. Reserves of Fund Equity**

The Town records indicate that a portion of the Fund Equity is segregated for a specific future use. The following details the description and amounts of the reserves used by the Town:

		<b>BALANCE AT</b>
		<b><u>DECEMBER 31, 2007</u></b>
<b>A. GENERAL FUND</b>		
Reserved for Prepaid Expenses	\$	40,541
Reserved for Long-term Receivables		894,271
<b>TOTAL FUND EQUITY RESERVES</b>	<b>\$</b>	<b><u>934,812</u></b>

**TOWN OF RYE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2007**

**NOTE A - Summary of Significant Accounting Policies (Cont'd.)**

**5. Financial Statement Amounts (Cont'd.)**

**L. Use of Estimates**

The preparation of basic 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 amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

**M. Prior Period Adjustment**

The Town recorded a prior period adjustment decreasing opening balance equity on the government-wide financial statements and decreasing fixed assets by \$677,287 as explained in Note D.

**NOTE B - Taxes Receivable**

Taxes Receivable at December 31, 2007 consist of the following:

	<u>BALANCE AT</u> <u>DECEMBER 31, 2007</u>
Town and County taxes- current	\$ 388,535
School district taxes- current	41,287,208
Tax Liens	<u>1,726,164</u>
	43,401,907
Less: Allowance for uncollectible taxes	<u>(263,919)</u>
	<u>\$ 43,137,988</u>

**NOTE C - Interfund Receivables and Payables**

The following is a summary of amounts due from and due to other funds as of December 31, 2007. These inter-fund balances have been eliminated as part of the aggregation of fund balances. Such balances arise through the use of a pooled cash disbursement account and the temporary funding of capital projects.

<u>FUND</u>	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General	\$ -	\$ 75,270
Capital Projects Fund	<u>75,270</u>	<u>-</u>
Total	<u>\$ 75,270</u>	<u>\$ 75,270</u>
	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General	\$ -	\$ 519,048
Debt Service Fund	<u>519,048</u>	<u>-</u>
Total	<u>\$ 519,048</u>	<u>\$ 519,048</u>

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2007**

**NOTE D – Capital Assets**

The following is a summary of changes and adjustments in the General Fixed Assets Account Group for the year ended December 31, 2007:

	BALANCE JANUARY 1, 2007	ADDITIONS	(DISPOSALS)	BALANCE DECEMBER 31, 2007
<b>Governmental activities:</b>				
Land	\$ 844,850	\$ -	\$ -	\$ 844,850
Buildings	298,000	-	-	298,000
Infrastructure	835,039	-	-	835,039
Building Improvements	1,072,609	56,600	-	1,129,209
Machinery, Equipment & Vehicles	<u>264,700</u>	<u>66,990</u>	-	<u>331,690</u>
<b>Total</b>	<u>3,315,198</u>	<u>123,590</u>	-	<u>3,438,788</u>
<b>Less accumulated depreciation</b>				
Buildings	214,261	5,320	-	219,581
Infrastructure	50,103	16,701	-	66,804
Building Improvements	406,781	33,361	-	440,142
Machinery, Equipment & Vehicles	<u>227,123</u>	<u>6,900</u>	-	<u>234,023</u>
<b>Total accumulated depreciation</b>	<u>898,268</u>	<u>62,282</u>	-	<u>960,550</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 2,416,930</u>	<u>\$ 61,308</u>	<u>\$ -</u>	<u>\$ 2,478,238</u>

\*Depreciation was charged to governmental activities as follows:

General government support	\$ 26,556
Culture & recreation	<u>35,726</u>
<b>Total depreciation expense</b>	<u>\$ 62,282</u>

The Town recorded a prior period adjustment of \$677,287 to decrease the Land asset balance and to decrease the opening fund balance for a duplication of an asset on the Town's general ledger in prior years.

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2007**

**NOTE E - Bond Anticipation Notes Payable**

Liabilities for Bond Anticipation Notes are generally accounted for in the Capital Projects Fund, since maturities cannot exceed one year. However, state law allows the notes to be renewed, up to five years for capital purposes and up to the period of probable usefulness for assessable improvements, provided that stipulated annual reductions of principal are made.

The changes in Bond Anticipation Notes in the Capital Projects Fund are as follows:

	BALANCE JANUARY 1, <u>2007</u>	NEW ISSUES	(PAYMENTS)	BALANCE DECEMBER 31, <u>2007</u>
Bond Anticipation Notes	\$ 352,000	\$ -	\$ (352,000)	\$ -

The Bond Anticipation Notes recorded in the Capital Projects Fund are as follows:

<u>PURPOSE</u>	ORIGINAL ISSUE DATE	MATURITY DATE	INTEREST RATE	ORIGINAL AMOUNT OF ISSUE	AMOUNT OUTSTANDING AT DECEMBER 31, <u>2007</u>
Otter Creek Bridge	2003	2007	4.76%	376,000	-
					<u>\$ -</u>

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2007**

**NOTE F - Long-Term Debt**

Long-Term Debt consists of Statutory Installment Bonds, Serial Bonds Payable, and a loan from New York State.

**1. Changes**

The following is a summary of changes in Long-Term Debt for the year ended December 31, 2007.

	BALANCE JANUARY 1, 2007	INCREASE	(DECREASE)	BALANCE DECEMBER 31, 2007	AMOUNT DUE WITHIN ONE YEAR
Statutory Installment Bond	\$ -	120,000	\$ -	\$ 120,000	\$ 24,000
Serial Bonds	700,000	-	(140,000)	560,000	140,000
New York State Loan	<u>36,161</u>	-	-	<u>36,161</u>	<u>3,787</u>
<b>TOTALS</b>	<b><u>\$ 736,161</u></b>	<b><u>\$ 120,000</u></b>	<b><u>\$ (140,000)</u></b>	<b><u>\$ 716,161</u></b>	<b><u>\$ 167,787</u></b>

**2. Bonds Payable**

The Town borrows money in order to acquire or construct buildings and public 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. These long-term liabilities, which are full faith and credit debt of the Town, are recorded as Long-Term Debt. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of long-term liabilities.

**a. Statutory Installment Bonds Payable**

The Town may borrow an amount in the form of a statutory bond not to exceed \$1,000,000 for any purpose, which has a period of probable usefulness. These long-term liabilities are recorded as follows:

PURPOSE	ORIGINAL ISSUE DATE	FINAL MATURITY DATE	INTEREST RATE	ORIGINAL AMOUNT OF ISSUE	AMOUNT OUTSTANDING AT DECEMBER 31, 2007
2007 Vehicles & Equipment	05/15/07	05/15/12	4.21%	<u>120,000</u>	<u>120,000</u>
<b>TOTAL STATUTORY INSTALLMENT BONDS</b>				<b><u>\$ 120,000</u></b>	<b><u>\$ 120,000</u></b>

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2007**

**NOTE F - Long-Term Debt (Cont'd.)**

**b. Serial Bonds Payable**

Serial bonds may be issued for any object or purpose for which a period of probable usefulness has been established.

<u>PURPOSE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>FINAL MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>ORIGINAL AMOUNT OF ISSUE</u>	<u>AMOUNT OUTSTANDING AT DECEMBER 31, 2007</u>
Bridge Construction	08/11/03	08/11/08	2.08%	\$ 350,000	\$ 70,000
Parkland Acquisition	12/22/04	12/22/14	4.05%	700,000	490,000
<b>TOTAL SERIAL BONDS</b>				<u>1,050,000</u>	<u>560,000</u>
<b>TOTAL BONDS PAYABLE</b>				<u>\$ 1,170,000</u>	<u>\$ 680,000</u>

**c. New York State Loan**

Chapter 260 of the Law of 2004 authorized local governments to amortize the portion of their respective contribution which exceeded 9.5% of covered payroll, over a ten year period, commencing in 2007. The amortization payment would include interest at 5% annum. The balance due at December 31, 2007 is \$36,161.

**3. Annual Amortization Requirements**

The annual requirements to amortize bonded debt as of December 31, 2007, are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>BONDS</u>		<u>NEW YORK STATE LOAN</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2008	\$ 164,000	\$ 23,887	\$ 3,787	\$ 1,801	\$ 193,475
2009	94,000	20,631	3,976	1,619	120,226
2010	94,000	16,761	4,175	1,420	116,356
2011	94,000	12,891	4,384	1,211	112,486
2012	94,000	9,022	4,603	992	108,617
2013-2014	140,000	8,505	15,236	1,548	165,289
<b>TOTALS</b>	<u>\$ 680,000</u>	<u>\$ 91,697</u>	<u>\$ 36,161</u>	<u>\$ 8,591</u>	<u>\$ 816,449</u>

**TOWN OF RYE, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
DECEMBER 31, 2007**

**NOTE G - Compliance and Accountability**

**1. Overdrawn Appropriations**

Expenditures in the following fund/categories materially exceeded appropriations:

<u>FUND/CATEGORY</u>	<u>APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>VARIANCE (UNFAVORABLE)</u>
General Fund/ Culture and Recreation	\$ 886,485	\$ 982,088	\$ (95,603)
General Fund/ Interfund Transfers Exp	\$ 186,638	\$ 519,048	\$ (332,410)

**NOTE H - Joint Venture**

The Rye Town Park Commission was created pursuant to an act of the New York State Legislature in March 1907. The act specified the governing body of the Commission would consist of the Supervisor of the Town of Rye; the Mayor of the Village of Port Chester; the Mayor of the City of Rye (formerly the Village of Rye); together with two commissioners, one appointed from the Town of Rye and one appointed from the City of Rye. Effective May 15, 1987, the Mayor of the Village of Rye Brook was also appointed to the Commission. The Commissioners of the Rye Town Park shall have exclusive charge of the acquisition of lands, and shall have full supervision of the construction, improvement and management of the Park.

The agreement also provided that any and all outstanding debts, other obligations or interest thereon of the Rye Town Park, shall be born and paid in the proportions of 47.28% from the City and 52.72% by the Town. In the event that any debts, obligations or interest thereon of the Rye Town Park are hereafter incurred or if any profits from the operation of the Rye Town Park are distributed by its Park Commission, the respective total assessed valuations of the property within the City and the remaining property within the Town shall be equalized in each year and such amounts shall be apportioned and charged or paid to the Town and the City, in the above ratios.

The following is a summary of the audited financial information at December 31, 2007, which is included in the separate financial statements issued for this joint venture:

Total Assets (Excluding Fixed Assets)	\$713,330
Total Fixed Assets	\$3,060,097
Total Liabilities	\$ 713,330
Total Venture Equity	\$-0-
Total Revenues	\$1,207,685
Total Expenditures	\$1,207,685

**TOWN OF RYE, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**DECEMBER 31, 2007**

**NOTE I - Commitments and Contingencies**

**1. Litigation**

The Town is a defendant in various lawsuits and tax certiorari cases. The outcome of these cases and lawsuits are not presently determinable, however, the Town does not believe that any future settlements will materially affect the financial position of the Town.

The Town is also a defendant in a federal civil rights action lawsuit. While the outcome of this case is not readily determinable, it is possible that the Town may be liable to pay the plaintiff up to \$650,000. The Town is vigorously defending itself and believes the lawsuit is without basis.

**NOTE J - New Reporting Standard**

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes certain new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require the reporting of liabilities pertaining to postemployment benefits earned by employees on a current basis. The Town is required to implement this standard for the year ending December 31, 2009. The Town is in the process of implementing the provisions of GASB Statement 45. The implementation of GASB Statement 45 will have a substantive effect on the Town's government wide financial position. However, the Town does not believe that it will have a significant effect on its governmental (fund) financial position, upon which the Town's budgets are based and taxes are raised.

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWN OF RYE, NEW YORK  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Real property taxes	\$ 980,720	\$ 980,720	\$ 980,758	\$ 38
Real property tax items	500,000	500,000	487,954	(12,046)
Departmental income	240,000	240,000	245,587	5,587
Use of money and property	585,000	619,000	870,229	251,229
Fines and forfeitures	155,000	155,000	133,013	(21,987)
Miscellaneous local sources	75,000	75,000	202,001	127,001
State aid	1,460,000	1,660,000	2,034,655	374,655
<b>Total revenues</b>	<b>3,995,720</b>	<b>4,229,720</b>	<b>4,954,197</b>	<b>724,477</b>
Appropriation of prior year's fund balance	-	-	-	-
<b>Total revenues and appropriation of prior year's fund balance</b>	<b>3,995,720</b>	<b>4,229,720</b>	<b>4,954,197</b>	<b>724,477</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
General Government Support	2,235,097	2,341,597	2,106,075	235,522
Public safety	31,500	34,500	41,060	(6,560)
Transportation	27,500	27,500	2,789	24,711
Economic assistance & opportunity	11,000	11,000	6,000	5,000
Culture and recreation	717,985	886,485	965,021	(78,536)
Employee benefits	742,000	742,000	637,739	104,261
Debt service	-	-	16,755	(16,755)
<b>Total expenditures and encumbrances</b>	<b>3,765,082</b>	<b>4,043,082</b>	<b>3,775,439</b>	<b>267,643</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance over (under) expenditures and encumbrances</b>	<b>230,638</b>	<b>186,638</b>	<b>1,178,758</b>	<b>992,120</b>
<b>Other financing sources (uses)</b>				
Operating transfers out	(230,638)	(186,638)	(519,048)	(332,410)
<b>Total other financing sources</b>	<b>(230,638)</b>	<b>(186,638)</b>	<b>(519,048)</b>	<b>(332,410)</b>
<b>Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 659,710</b>	<b>\$ 659,710</b>

The accompanying Notes to the Financial Statements  
should be read in conjunction with these Financial Statements.