

**TOWN OF RYE, NEW YORK
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2011**

TOWN OF RYE, NEW YORK
TABLE OF CONTENTS
DECEMBER 31, 2011

<u>DESCRIPTION</u>	<u>PAGE(S)</u>
Independent Auditors' Report	1-1.1
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets – December 31, 2011	2
Statement of Activities – For the Year Ended December 31, 2011	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds – December 31, 2011	4
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets – December 31, 2011	5
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – For the Year Ended December 31, 2011	6
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, 2011	7
Notes to the Financial Statements	8-24



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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, 2011, 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. 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, 2011, 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 has not presented the Management's Discussion and Analysis, Budgetary Comparison Schedule, and Other Post-Employment Benefits Plan Schedule of Funding Progress, that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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In accordance with *Government Auditing Standards*, we are to issue a report 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 with the independent auditors' report on the basic financial statements. The aforementioned report has not been issued as of the date of the independent auditors' report.

Sedore & Company, CPAs

Poughkeepsie, New York

August 22, 2012

**TOWN OF RYE, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,054,989
Investments	10,825
Receivables (net)	51,557,785
Prepaid expenses	43,631
Total Current Assets	<u>54,667,230</u>
Capital assets:	
Land	844,850
Infrastructure, net of depreciation	701,431
Buildings, machinery and equipment, net of depreciation	770,062
Construction in progress	9,997
Total Capital Assets	<u>2,326,340</u>
Total Assets	<u><u>\$ 56,993,570</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 181,673
Accrued liabilities	140,500
Due to other governments	51,851,139
Current portion of long-term liabilities	
Compensated absence liability	20,402
New York State loan	4,833
Bonds payable	149,000
Total Current Liabilities	<u>52,347,547</u>
Non-current liabilities:	
Compensated absence liability	183,615
New York State loan	10,403
Bonds payable	690,000
Postemployment benefits obligation	480,000
Total Non-Current Liabilities	<u>1,364,018</u>
Total Liabilities	53,711,565
NET ASSETS	
Invested in Capital Assets, net of related debt	1,487,340
Restricted for:	
Capital Projects	111,688
Unrestricted	1,682,977
Total Net Assets	<u>3,282,005</u>
Total Liabilities and Net Assets	<u><u>\$ 56,993,570</u></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, 2011

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
Governmental Activities:				GOVERNMENTAL ACTIVITIES
General government support	\$ (3,007,538)	\$ 205,113	\$ -	\$ (2,802,426)
Public safety	(4,535)	-	-	(4,535)
Transportation	(122,318)	-	-	(122,318)
Economic assistance & opportunity	(8,776)	-	-	(8,776)
Culture and recreation	(519,025)	77,420	-	(441,605)
Interest on long-term debt	(21,067)	-	-	(21,067)
Total Governmental Activities	<u>(3,683,259)</u>	<u>282,533</u>	<u>-</u>	<u>(3,400,727)</u>
General revenues				
Taxes:				
Real property taxes				399,326
Real property tax related items				803,770
Mortgage tax				535,588
Fines and Forfeitures				125,628
Special item - Gail on sale of property and compensation for loss				61,000
Grants and contributions not restricted to specific programs				387,345
Unrestricted investment earnings				28,004
Miscellaneous				72,244
Total General Revenues, Special Items and Transfers				<u>2,412,906</u>
Change in Net Assets				<u>(987,821)</u>
Net Assets - Beginning				<u>4,269,826</u>
Net Assets - Ending				<u>\$ 3,282,005</u>

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, 2011**

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 3,054,989	\$ -	\$ -	\$ 3,054,989
Investments	10,825	-	-	10,825
Receivables:				
Taxes, net of allowance	51,016,870	-	-	51,016,870
Other	21,285	-	-	21,285
Due from other funds	-	111,688	-	111,688
Due from other governments	519,630	-	-	519,630
Prepaid expenses	43,631	-	-	43,631
	<u>\$ 54,667,230</u>	<u>\$ 111,688</u>	<u>\$ -</u>	<u>\$ 54,778,918</u>
Total Assets				
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 181,674	\$ -	\$ -	\$ 181,674
Accrued liabilities	140,500	-	-	140,500
Due to other funds	111,688	-	-	111,688
Due to other governments	51,851,139	-	-	51,851,139
Total Liabilities	<u>52,285,001</u>	<u>-</u>	<u>-</u>	<u>52,285,001</u>
FUND BALANCE				
Fund balance:				
Unrestricted	318,511	111,688	-	430,199
Nonspendable:				
Prepaid expenses	43,631	-	-	43,631
Long-term receivables	1,330,088	-	-	1,330,088
Assigned:				
Subsequent year's expenditure	690,000	-	-	690,000
Total Fund Balance	<u>2,382,230</u>	<u>111,688</u>	<u>-</u>	<u>2,493,918</u>
	<u>\$ 54,667,230</u>	<u>\$ 111,688</u>	<u>\$ -</u>	<u>\$ 54,778,918</u>
Total Liabilities and Fund Balance				

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, 2011

Total fund equity for governmental funds	\$ 2,493,918
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.	2,326,340
Long-term liabilities, including bonds payable and postemployment benefits that are not due and payable in the current period therefore are not reported in the funds.	(1,538,254)
Accrued interest is not reported in the funds.	<hr/>
Total net assets of governmental activities	<u><u>\$ 3,282,004</u></u>

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

TOWN OF RYE, NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Real property taxes	\$ 399,326	\$ -	\$ -	\$ 399,326
Real property taxes items	803,770	-	-	803,770
Departmental income	282,533	-	-	282,533
Use of money and property	30,700	-	-	30,700
Sale of property and compensation for loss	61,000	-	-	61,000
Fines and forfeitures	125,628	-	-	125,628
Miscellaneous local sources	69,548	-	-	69,548
State aid	922,933	-	-	922,933
Total Revenues	<u>2,695,438</u>	<u>-</u>	<u>-</u>	<u>2,695,438</u>
EXPENDITURES				
General government support	2,138,571	-	-	2,138,571
Public safety	4,535	-	-	4,535
Transportation	122,318	-	-	122,318
Economic assistance & opportunity	8,776	-	-	8,776
Culture and recreation	368,189	10,632	-	378,821
Employee benefits	686,432	-	-	686,432
Debt service	-	-	175,220	175,220
Total Expenditures	<u>3,328,821</u>	<u>10,632</u>	<u>175,220</u>	<u>3,514,673</u>
Excess of Revenues Over Expenditures	(633,383)	(10,632)	(175,220)	(819,235)
Other financing sources:				
Proceeds from serial bonds	-	-	-	-
Operating transfers in	-	-	175,220	175,220
Operating transfers out	(175,220)	-	-	(175,220)
Total Other Financing Sources	<u>(175,220)</u>	<u>-</u>	<u>175,220</u>	<u>-</u>
Excess of Revenue and Other Sources Over Expenditures and Other Uses	(808,603)	(10,632)	-	(819,235)
Fund Balance, December 31, 2010	<u>3,190,833</u>	<u>122,320</u>	<u>-</u>	<u>3,313,153</u>
Fund Balance, December 31, 2011	<u>\$ 2,382,230</u>	<u>\$ 111,688</u>	<u>\$ -</u>	<u>\$ 2,493,918</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, 2011

Net change in fund balance - total government funds \$ (819,235)

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

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.

Repayments:

NYS loan principal	\$ 4,603	
Bond principal	147,000	
		151,603

Some expenses reported in the statement of activities, such as compensated absences and postemployment benefits do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (320,189)

Net Change in Net Assets of Governmental Activities \$ (987,821)

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, 2011

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.

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 detailed in Note F. 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, 2011

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 (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, 2011

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

2. **Capital Projects funds** 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.
3. **Non-Major funds** include those funds 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, 2011

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.

The cash and investments of the Town at December 31, 2011 are as follows:

	GENERAL		
	<u>FUND</u>	<u>TOTAL</u>	
Interest Bearing			
Accounts	\$ 3,054,989	\$3,054,989	
Subtotal	3,054,989	3,054,989	
CLASS Investments	10,825	10,825	
TOTALS	\$ 3,065,814	\$3,065,814	

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

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

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

C. Accumulated Compensated Absences

It is the Town's new policy to permit employees to accumulate a limited amount of earned but unused sick and vacation leave, which will be paid to employees upon separation from the Town's service. The Town calculates its liability based on the assumption that most employees would continue to be employed by the Town until retirement. In the governmental and fiduciary funds, the cost of sick and vacation leave is generally recognized when payments are made to employees. In the statement of net assets the liability of \$204,017 for accrued sick and vacation leave is recognized according to an estimate of payments in the following year and all future years.

Current portion	\$ 20,402
Long-term liability	<u>183,615</u>
TOTAL	<u>\$204,017</u>

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

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

D. 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.

E. 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.

F. Taxes Receivable

Real property taxes attach as an enforceable lien on real property and are levied on January 1st. The Town collects County and town taxes which are due April 1st and payable without penalty on April 30th. School district taxes are due on September 1st, with the first half payable without penalty until September 30th and the second half payable without penalty until January 31st. 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.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

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

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 1st with the first half payable without penalty until June 30th and the second half payable without penalty until December 31st. 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 25th and the balance of 40% on October 15th. With respect to school district taxes, the Charter provides the Town satisfy the warrant for each school district by April 5th. 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 1st 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.

G. 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 NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State 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 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.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

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

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:

	<u>ERS</u>
2011	<u>\$174,523</u>
2010	<u>\$140,742</u>
2009	<u>\$ 95,888</u>

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

H. Post Employment Benefits

The cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid, which is the accrual accounting perspective. In adopting of the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended December 31, 2009 on a prospective basis, the Town recognizes the cost of post employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years. The Postemployment Benefits Liability as of December 31, 2011 is \$480,000.

Plan Description

The Town provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the Town. This plan is a single employer plan, established by authority of the Town Board and administered by the Town. Currently, there are approximately 23 retirees receiving postemployment benefits. Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for the life of the retiree based on the retiree's years of service at retirement. A copy of the report on these benefits can be requested at Town Hall. A summary of benefits for retirees is that the Town will generally contribute 85% of the medical premium amounts for both individual coverage and family (dependent) coverage.

**TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011**

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

Funding Policy

The Town provides funding on the pay-as-you-go method by payment of current insurance premiums.

Annual Other Postemployment Benefit Cost

The Town's OPEB cost (expense) amounted to \$350,000 for the year ended December 31, 2011. The Town's OPEB cost was equal to the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The Town made contributions of \$160,000 that off-set the OPEB cost for a net increase in the Town's OPEB liability of \$190,000. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs plus a past service cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

Unit Credit Amortization

Past Service Costs	\$	215,000
Normal Costs		135,000
Annual Required Contribution (ARC)	\$	350,000
 Percent of annual OPEB cost Contributed		45.7%

Benefit Obligation Accrued to Date

Actuarial Accrued Liability (AAL)		
Retired employees	\$	2,370,000
Active employees - Fully Eligible		2,480,000
Unfunded actuarial accrued liability (UAAL)	\$	4,850,000

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

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

Annual Other Postemployment Benefit Cost

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the required contributions of the Town are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value for plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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 volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2011, actuarial valuation, the liabilities were computed using the projected unit credit cost method. The actuarial assumptions utilized a 4.5% baseline discount rate.

I. Property Taxes

The Town Board holds a public hearing on or before December 10th 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 20th.

J. 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. Judgments 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.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

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

K. 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.

L. 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

	<u>BALANCE AT</u> <u>DECEMBER 31, 2011</u>
GENERAL FUND	
Reserved for Long-term Receivables	\$ 1,330,088

M. 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.

NOTE B – Taxes Receivable

Taxes Receivable at December 31, 2011 consisted of the following:

	<u>Amount</u>
Town and County taxes- current	\$ 431,961
School district taxes- current	48,167,528
Tax Liens	2,553,478
Property in Rem	188,903
	<u>51,341,870</u>
Less: Allowance for uncollectible tax	<u>(325,000)</u>
	<u>\$ 51,016,870</u>

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

NOTE C - Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds as of December 31, 2011. 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.

FUND	RECEIVABLE	PAYABLE
General	\$ -	\$ 111,688
Capital Projects	111,688	-
Non-Major	-	-
Total	\$ 111,688	\$ 111,688
	TRANSFERS IN	TRANSFERS OUT
General	\$ -	\$ 175,220
Non-Major	175,220	-
Total	\$ 175,220	\$ 175,220

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

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, 2011:

	BALANCE		(DISPOSALS)	BALANCE	
	JANUARY 1, 2011	ADDITIONS		DECEMBER 31, 2011	
Governmental activities:					
Land	\$ 844,850	\$ -	\$ -	\$ 844,850	
Buildings	298,000	-	-	298,000	
Infrastructure	835,039	-	-	835,039	
Building Improvements	1,233,648	-	-	1,233,648	
Machinery, Equipment & Vehicles	369,279	-	-	369,279	
Construction in Progress	9,997	-	-	9,997	
Total	<u>3,590,813</u>	<u>-</u>	<u>-</u>	<u>3,590,813</u>	
Less accumulated depreciation					
Buildings	235,541	5,320	-	240,861	
Infrastructure	116,907	16,701	-	133,608	
Building Improvements	552,695	41,413	-	594,108	
Machinery, Equipment & Vehicles	277,180	18,717	-	295,897	
Total accumulated depreciation	<u>1,182,323</u>	<u>82,150</u>	<u>-</u>	<u>1,264,473</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 2,408,490</u>	<u>\$ 82,150</u>	<u>\$ -</u>	<u>\$ 2,326,340</u>	

*Depreciation was charged to governmental activities as follows:

General government support	\$ 35,029
Culture & recreation	47,121
Total Depreciation Expense	<u>\$ 82,150</u>

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

NOTE E - 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, 2011.

	BALANCE JANUARY 1, 2011	INCREASE	(DECREASE)	BALANCE DECEMBER 31, 2011	AMOUNT DUE WITHIN ONE YEAR
Statutory Installment Bond	\$ 48,000	\$ -	\$ (24,000)	\$ 24,000	\$ 24,000
Compensated Absence Liability	153,428	50,589	-	204,017	20,402
Serial Bonds	1,008,000	-	(193,000)	815,000	125,000
New York State Loan	19,839	-	(4,603)	15,236	4,833
Totals	\$ 1,229,267	\$ 50,589	\$ (221,603)	\$ 1,058,253	\$ 174,235

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, 2011
2007 Vehicles & Equipment	05/15/07	05/15/12	4.21%	\$ 120,000	\$ 24,000
TOTAL STATUTORY INSTALLMENT BONDS				120,000	24,000

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

NOTE E - 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, 2011</u>
Parkland Acquisition	12/22/04	12/22/14	4.05%	700,000	210,000
Rye Town Park Roof Renovations	02/01/10	02/01/20	4.25%	658,000	605,000
TOTAL SERIAL BONDS				<u>1,358,000</u>	<u>815,000</u>
TOTAL BONDS PAYABLE				<u>\$ 1,478,000</u>	<u>\$ 839,000</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 2005. The amortization payment would include interest at 5% annum. The balance due at December 31, 2011 is \$15,236.

3. Annual Amortization Requirements

The annual requirements to amortize bonded debt as of December 31, 2011, 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>	
2012	\$ 149,000	\$ 24,904	\$ 4,833	\$ 762	\$ 179,499
2013	130,000	20,583	5,075	520	156,178
2014	130,000	17,173	5,328	267	152,768
2015	65,000	13,832	-	-	78,832
2016	70,000	12,744	-	-	82,744
2017-2020	295,000	24,088	-	-	319,088
TOTALS	<u>\$ 839,000</u>	<u>\$ 113,324</u>	<u>\$ 15,236</u>	<u>\$ 1,549</u>	<u>\$ 969,109</u>

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

NOTE F - 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 48.84% from the City and 51.16% 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, 2011, which is included in the separate financial statements issued for this joint venture:

Total Assets (Excluding Fixed Assets)	\$ 336,225
Total Fixed Assets	\$ 3,960,010
Total Liabilities	\$ 336,225
Total Venture Net Assets	\$ 3,960,010
Total Revenues	\$ 957,249
Total Expenditures	\$ 1,166,793

NOTE G - Commitments and Contingencies

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.

NOTE H – Fund Balance

In fiscal 2011, the District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is now broken down into five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2011

NOTE H – Fund Balance (Cont'd.)

Nonspendable consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

Unassigned represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the Town spends funds in the following order: restricted, committed, assigned, unassigned.