



***CITY OF RYE, NEW YORK
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005***



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***Prepared by the
Department of Finance
Michael A. Genito, Assistant City Manager/ City Comptroller***



CITY SEAL

The official City Seal displays the three significant dates in Rye history:

1660 - when the community was first settled, illustrated by a peace pipe,
1904 - the year Rye became a village, showing a torch of progress, and
1942 - the date Rye became a City.

The ship in the center is copied from the seal of Rye, England.

CITY OF RYE, NEW YORK
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2005
TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Principal Officials	i
Organization Chart	ii
Letter of Transmittal	iii
Certificate of Achievement for Excellence in Financial Reporting	x

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	21
Reconciliation of Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets - Governmental Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	27
Statement of Net Assets - Proprietary Funds	33
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	37
Statement of Cash Flows - Proprietary Funds	39
Statement of Fiduciary Assets and Liabilities	43
Notes to the Financial Statements	44
Capital Projects Fund - Project Length Schedule	68
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	72

CITY OF RYE, NEW YORK
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2005
 TABLE OF CONTENTS (Continued)

	<u>Page</u>
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Cable TV Fund	74
Nature Center Fund	76
K.T. Woods Permanent Fund	78
Debt Service Fund	80
Combining Statement of Net Assets - Internal Service Funds	82
Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds	86
Combining Statement of Cash Flows - Internal Service Funds	88
Statement of Changes in Assets and Liabilities - Fiduciary Fund	92
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source	93
Schedule by Function and Activity	94
Schedule of Changes by Function and Activity	96

**STATISTICAL SECTION
 (Unaudited)**

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reveals about the City's overall financial health.

This section includes the following schedules:

Financial Trends:

Net Assets by Component – Last Four Fiscal Years	98
Changes in Net Assets – Last Four Fiscal Years	99
Fund Balances, Governmental Funds – Last Four Fiscal Years	101
Changes in Fund Balances, Governmental Funds – Last Four Fiscal Years	102
Tax Revenues by Source, Governmental Funds – Last Four Fiscal Years	103

Revenue Capacity:

Assessed Valuation, State Equalization Rate, and Estimated Full Value of Real Property – Last Ten Fiscal Years	104
Property Tax Rates per \$1,000 Assessed Valuation – All Direct and Overlapping Governments – Last Ten Fiscal Years	106
Principal Taxpayers	108
Property Tax Levies and Collections – Last Ten Fiscal Years	109

Debt Capacity:

Ratios of Outstanding Debt by Type – Last Three Fiscal Years	110
Direct and Overlapping Governmental Activities Debt – Last Three Fiscal Years	111
Computation of Legal Debt Margin	112
Calculation of Charter Bonded Debt Limits	113

CITY OF RYE, NEW YORK
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2005

TABLE OF CONTENTS (Concluded)

	<u>Page</u>
Demographic and Economic Information - Demographic and Economic Statistics – Last Ten Fiscal Years	114
Operating Information:	
Full-Time Equivalent Employees by Program – Last Ten Fiscal Years	115
Operating Indicators by Program – Last Ten Fiscal Years	116
Capital Asset Statistics by Program – Last Ten Fiscal Years	118

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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INTRODUCTORY SECTION

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City of Rye, New York
List of Elected and Appointed Officials
December 31, 2005

Elected Officials

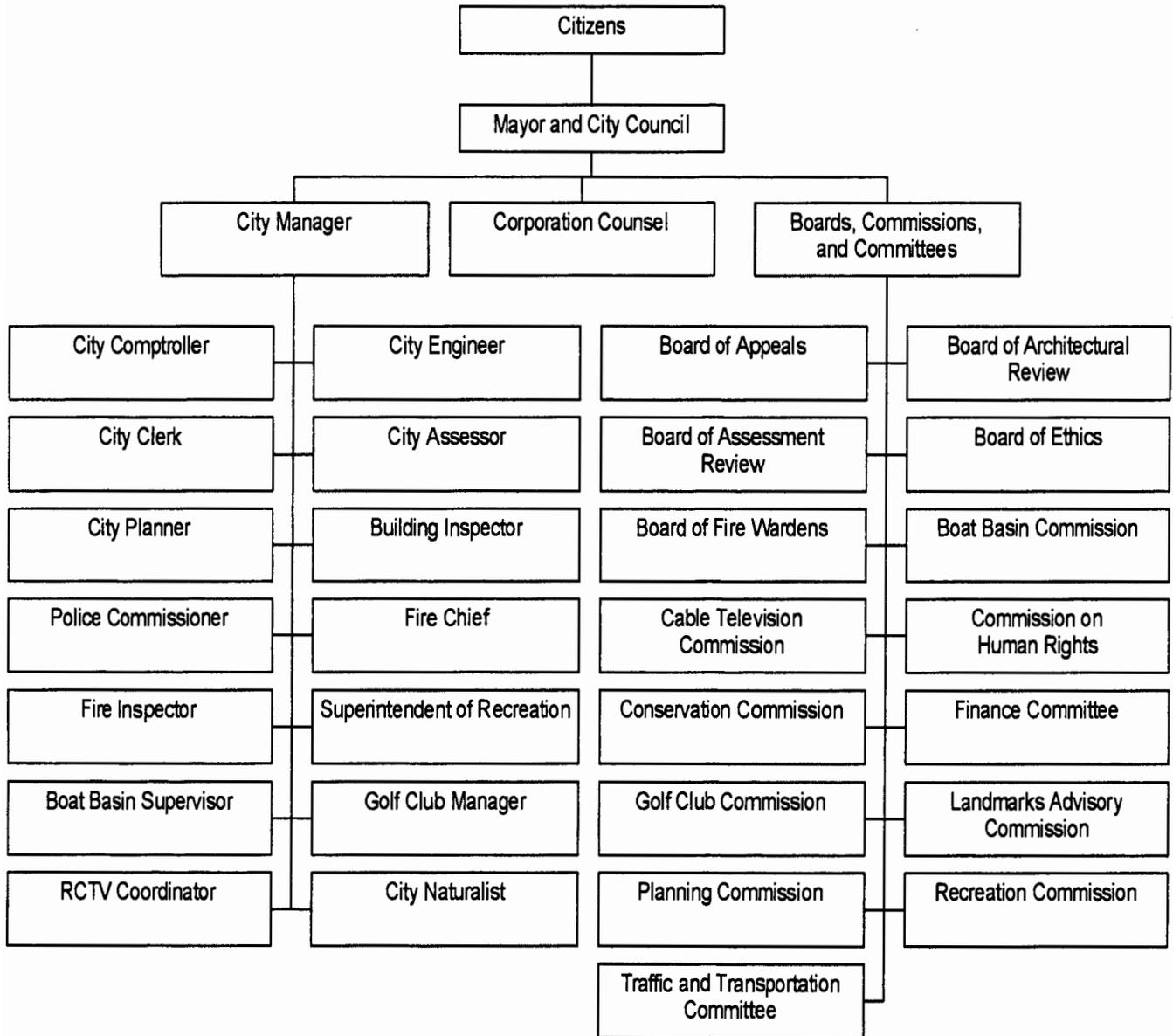
Steven Otis, Mayor

Franklin J. Chu, Council Member
Robert S. Cypher, Council Member
Matthew B. Fahey, Council Member
Duncan P. Hennes, Council Member
Rosamond W. Larr, Council Member
H. Gerry Seitz, Council Member

Appointed Officials

O. Paul Shew, City Manager
Michael A. Genito, Assistant City Manager/City Comptroller
Scott D. Pickup, Assistant City Manager
Kevin J. Plunkett, Corporation Counsel
George J. Mottarella, City Engineer
Susan Morison, City Clerk
Noreen Whitty, City Assessor
Christian Miller, City Planner
Vincenzo Tamburro, Building Inspector
William R. Connors, Police Commissioner
Peter J. Cotter, Fire Chief
James Dianni, Fire Inspector
William T. Rodriguez, Superintendent of Recreation
Peter Fox, Boat Basin Supervisor
Scott Yandrasevich, Golf Club Manager
Nicole Levitsky, Acting RCTV Coordinator
Chantal Detlefs, City Naturalist

City of Rye, New York Organizational Chart





Michael A. Genito
Assistant City Manager
City Comptroller
1051 Boston Post Road
Rye, New York 10580-2945

CITY OF RYE
Department of Finance

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<http://www.ryeny.gov>

April 30, 2006

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Rye, New York:

Submitted herewith is the comprehensive annual financial report of the City of Rye, New York ("City") as of and for the year ended December 31, 2005.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this comprehensive annual financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Bennett Kielson Storch DeSantis, The Government Services Division of O'Connor Davies Munns & Dobbins LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2005, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

Profile of the City of Rye, New York

The City of Rye is located in Westchester County, New York, on the Long Island Sound, approximately twenty-five miles north of New York City. Founded in 1660, it became a village in 1904, and was incorporated as a city in 1942. The City's gentle and sophisticated country setting, conveniently located near a major metropolis, has earned it the reputation of being a highly desirable place to live. The City consistently makes the list of *Worth Magazine's* "250 Richest Towns", and its amenities have been featured in *The New York Times*.

The City maintains 71 miles of streets and roads, 53 miles of sanitary sewer lines; six pump stations, and 30 miles of storm drains within the borders of its six square miles. City-owned buildings include city hall, a police station, two firehouses, recreation facilities including a recreation center and other buildings, public works facilities consisting of offices, garages, and material storage buildings, a museum, a nature center, an arts center, marina offices and garages, and several buildings belonging to our golf club, including a historic "castle" (circa 1858) overlooking the golf course and Long Island Sound. The City prides itself in its maintenance and preservation of open space, with several parks and playgrounds for both passive and active recreation.

The United States Census Bureau's *Census 2000* reports that the City has a per capita income of \$76,566 and a median household income of \$110,894. The median family income is \$133,231, with 37% of families having an income of \$200,000 or more. The *Census 2000* population count was 14,955, and the most recent (July 1, 2004) Census Bureau estimate of the City's population is 15,067.

On November 3, 1959 an amendment to the City Charter was approved by public referendum to create the position of City Manager. Since that time, the City has operated under the Council-Manager form of government. Policy-making and legislative authority are vested in the City Council, which consists of the Mayor and six other members. The City Council appoints the City Manager and the Corporation Counsel; supervises the work of all boards, commissions and officers appointed by the City Council, and awards all contracts for public works requiring competitive bidding. The Mayor serves as head of the City government; appoints City judges subject to approval by the City Council; designates chairpersons of boards and commissions, and unless otherwise provided by law or the City Council, executes deeds, contracts and other documents. City Council members, including the Mayor, each serve a four-year term of office, and are elected to office by registered voters authorized to vote in City elections.

The City Manager is the chief administrative officer of the City, and is responsible for all City affairs placed in his or her charge. The City Manager appoints all department heads and their subordinates, with the exception of the Corporation Counsel and police officers. With the advice and assistance of the City Comptroller, the City Manager prepares and submits to the City Council the annual tentative budget. The City Manager has control and supervision over purchasing, except for competitive bidding as required

by law. The City Manager serves at the pleasure of the City Council for an indefinite term.

The City Comptroller serves at the pleasure of the City Manager for an indefinite term. All other department heads and employees serve terms subject to various laws, employment contracts, labor agreements and/or the provisions of Civil Service Law.

The City provides a full range of services. General government services include vital statistics (birth and death certificates); business and occupational licenses, and a variety of other permits and licenses required under state or local law. Public safety is provided through a full-time police department; a fire department comprised of paid and volunteer firefighters, and ambulance/EMS services contracted through a local volunteer ambulance corps. Community environment services include community planning, engineering, building inspection, conservation, emergency disaster, street maintenance, snow removal, street lighting, off-street parking, maintenance of sewers and drains, street cleaning, solid waste and recycling, community beautification and shade tree maintenance. Recreational services include recreation activities (camps, athletics, tennis, youth and adult activities), parks and playgrounds, marina services, a golf course, a municipal pool, and a nature center. Cultural services include library services contracted through a local library, an art center owned by the City but operated by an independent not-for-profit organization, and two government access cable television channels operated by the City.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriations, revenue estimates for the forthcoming year, and a forecast of current year revenues and expenditures to the City Comptroller, on or before August 31 of each year. The City Comptroller reviews these submissions with the departments to ensure that the current forecasts are reasonable, and that the forthcoming year's appropriation requests and revenue estimates are clearly understood. The finance department, under the direction of the City Comptroller, completes the forecasts, appropriations, and revenue estimates for those items not specifically associated with a department, such as general revenues, internal service fund charges, interfund charges, and debt service requirements. When all of this information has been compiled and reviewed, the City Comptroller submits the entire set of requests and estimates to the City Manager, usually within the second week of September. The City Manager will meet with departments and the City Comptroller throughout the months of September and October to review the submissions, making adjustments as required or desired to meet the objectives that may have been expressed or implied by the City Council. In accordance with §C21-2 of the City Charter, the City Manager must present a tentative budget to the City Council on or before November 7th. Prior to a public hearing on the tentative budget, the City Council may make any changes to the tentative budget by a vote of at least four council members. After considering the tentative budget, the City Council publishes a notice of public hearing on the tentative budget to be held no later than the first Wednesday in December of the current year, and with at least ten days' notice. After the public hearing, the City Council may adopt the budget without amendment, or, may continue to

amend the budget, except for those items required by law or for debt service. Amendments that would increase the estimated revenues or total appropriations require five affirmative votes of the City Council. The City Council must adopt the budget and set the property tax rate for the forthcoming year on or before December 31st of the current year. If the City Council fails to adopt the budget by December 31st, the tentative budget as amended by the City Council becomes the adopted budget. If no amendments to the tentative budget had been made by the City Council, the tentative budget as submitted by the City Manager becomes the adopted budget. Throughout the year, the City Manager is authorized to make amendments between any accounts within a fund, provided that the amendments do not increase total estimated revenues or total appropriations. Amendments between funds or those that would increase total estimated revenues or appropriations must be made by resolution of the City Council. The original budget; the budget as amended by fiscal year end; actual results, and variances between the amended budget and actual results for the governmental funds are presented in the governmental funds subsection of this report. It should be noted that multi-year, rather than annual budgets, are adopted for the Capital Projects Fund. This report includes a project-length schedule for all projects within the Capital Projects Fund, including project budget, current year revenues and expenditures, project inception-to-date revenues and expenditures, and available project balances remaining at the end of the current fiscal year.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered in light of the specific environment in which the City operates.

Local Economy

The City remained economically strong throughout 2005. Moody's Investors Service assigned its highest debt rating (Aaa) to the City's Series 2005 General Obligation Serial bonds and reaffirmed that rating to all outstanding debt of the City. Taxable assessments remained relatively the same, rising 1% (from \$134,574,950 to \$135,880,847), and our tax base is not dependent upon any single industry or taxpayer. The top ten principal taxpayers of the City represent less than 9% of the tax roll, with public utilities representing 3%, commercial establishments 1%, and residential properties representing the remaining 5%.

Residential home sales reflect the upscale nature of our community. The City Assessor reported that 158 homes in the City were sold in 2005. Of these, 59% sold for \$1 million or more and 23% sold for \$2 million or more. The median home sales price increased from \$1,070,000 in 2004 to \$1,235,000 in 2005 (15.4%), and the average home sales price increased from \$1,364,146 to \$1,523,300 (11.7%) during the same period. The highest 2005 sales price reported for a single-family home was \$10.6 million.

Major employers with facilities located in the City enhance its economic strength by providing a wide variety of industries, including business services, electric and gas

utilities, social services, primary metal industries, educational services, insurance services, investment banking and miscellaneous retail operations. The distribution of the assessment roll for the current fiscal year, five years' previous, and ten years' previous demonstrates a relative economic stability of the City over time:

Assessment Roll Classification			
Class	2005	2000	1996
Residential	70.50%	68.35%	66.57%
Business	13.37%	14.62%	16.92%
Other	16.13%	17.03%	16.51%
Total	100.00%	100.00%	100.00%

Note: Residential includes one to three-family homes, condominiums, cooperative apartments, and apartments. Business includes commercial, industrial, and recreational facilities. Other includes agriculture, vacant land, community service, utility, wetland and parkland, most of which is exempt from property taxes.

Access to employment in New York City is readily available by car or mass transit (train or bus), with Interstate Route 95, Interstate Route 287, U.S. Route 1, and the Metro-North commuter train line intersecting in the City. Westchester County Airport is a short drive from the City; two major international airports (John F. Kennedy and LaGuardia) are located within 30 miles of the City, and Newark International Airport lies within 45 miles.

Economic data for the City from the *Census 2000* compares quite favorably against the Westchester County, New York State, and national figures:

Data Item	City of Rye	Westchester County	New York State	United States
Per Capita	\$76,566	\$36,726	\$23,389	\$21,587
Median Household	\$110,894	\$63,582	\$43,393	\$41,994
Median Family	\$133,231	\$79,881	\$51,691	\$50,046
Unemployment Rate	1.1%	2.8%	4.3%	3.7%

While the 2005 unemployment rate is not available for the City as a unit, the 2005 Westchester County rate of 4% continues to remain favorable against the 2005 rates for New York State (5%) and the United States (5.1%).

Long-term Financial Planning

The City publishes documents that assist in its long-term financial planning, including the *Financial Trends Report* (a ten-year historical trend analysis report of key financial indicators and ratios) and a five-year *Capital Improvement Plan*. These documents are

available for review in City Hall, in the Rye Free Reading Room, and on the City's website (<http://www.ryeny.gov>).

It is anticipated that moderate tax increases; relatively stable increases in debt, and various revenues will be sufficient to provide for the long-term needs of the City, including capital asset needs.

Relevant Financial Policies

The City has adopted a *Comprehensive Financial Policy Document*, which is available in City Hall, the Rye Free Reading Room, and on the City's website. This document contains all of the City's adopted financial policies, including budget, cash management and investment, capital assets, debt management, revenues and expenditures, operating position, and procurement/purchasing. This document is reviewed at least annually, and as needed to incorporate applicable recommended practices.

The City prepares its budgets, capital improvement plans, and forecasts with the various financial policies in mind, and operates in compliance with the policies. The City does not foresee any issues with its ability to comply with the current policies in the implementation of its near and long-term initiatives.

Major Initiatives

In fiscal 2005, the City undertook and completed many significant capital improvements. The City spent \$8,000 on geographic information system enhancements; \$411,614 on street and sidewalk improvements, and \$175,477 on sewer and drainage systems improvements. The reconstruction of the Locust Avenue firehouse and the Damiano Recreation Center were initiated and underway at the close of 2005. At the City's marina, older sections of the dock structure were replaced and water lines installed on other areas of the main dock. City golf club improvements included renovations to four tees, four greens, and four bunkers; drainage and grading around the swimming pool; relocation of the playground to the kiddie pool area; installation of a new sand volleyball court at the pool, and a paved area for basketball and other activities.

A review of the project-length schedule of the Capital Projects Fund found elsewhere in this report reveals many infrastructure projects currently in progress. In addition to these improvements, the City takes pride in ensuring that its buildings and facilities are operated and maintained in good condition, and that the average age and condition of its fleet of vehicles is within the standards necessary to ensure that services can be delivered efficiently, effectively, and safely.

It is anticipated that some of these initiatives will impact future operating budgets to provide for the operation and maintenance of the facilities and grounds. Additional information detailing these anticipated costs can be found in the City's *Capital Improvement Plan* and the *Annual Budget Document*, both of which are available in City Hall, the Rye Free Reading Room, and on the City's website.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was the ninth consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an efficiently organized CAFR satisfying both generally accepted accounting principles and legal requirements, and that meets or exceeds reporting standards established by the GFOA.

The City also received the GFOA's *Distinguished Budget Presentation Award* for its fiscal 2006 annual budget document, making it the fifth consecutive year that the City received the award. In order to qualify for this award, a government's budget document must be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The City was proud to also receive the GFOA's *Award for Outstanding Achievement in Popular Annual Financial Reporting* for its popular annual financial report (PAFR) for the fiscal year ended December 31, 2004. This was the second consecutive year that the City received the award. To qualify for this award, the City must publish a document that supplements the CAFR, but instead of the traditional reporting based on generally accepted accounting principles, offers the same basic financial information presented in a format that is more readily accessible to a broader audience.

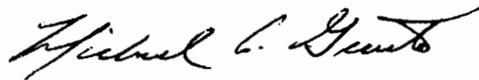
The preparation of this report would not have been possible without the dedicated services of the entire finance department staff and the assistance of all City departments concerning information specific to their operations. We thank our City manager for his support and guidance in helping us achieve the goals and objectives of the City. Our gratitude is extended to our Mayor and City Council, who continuously strive to enhance the quality of life for our citizens. The input from our independent auditors, Bennett Kielson Storch DeSantis, The Government Services Division of O'Connor Davies Munns & Dobbins, LLP, was invaluable, and we commend them on their timely and professional completion of our audit.

Most importantly, our heartfelt thanks goes to the citizens and residents of the City of Rye, for giving us the opportunity to serve our fine City.

Respectfully submitted,



O. Paul Shew
City Manager



Michael A. Genito
Assistant City Manager
City Comptroller

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rye,
New York

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

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FINANCIAL SECTION

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O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
of the City of Rye, New York:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rye, New York as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. The prior year's comparative information has been derived from the City's 2004 financial statements and, in our report dated March 11, 2005 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rye, New York as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bennett Kielson Storch DeSantis Division

One Barker Avenue, White Plains, New York 10601 . 914.421.5600 tel . 914.421.5099 fax . www.odmd.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rye, New York's basic financial statements. The accompanying financial information listed as combining and individual fund financial statements and schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Rye, New York. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information listed in the statistical section has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on it.

Bennett Kielson Storck DeSantis
The Government Services Division of
O'Connor Davies Munns & Dobbins, LLP
March 3, 2006

Management's Discussion and Analysis ("MD&A")

As management of the City of Rye, New York ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

Financial Highlights

- ❖ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$35,905,853. Of this amount, \$12,344,795 may be used to meet the City's ongoing obligations to citizens and creditors.
- ❖ The City's total net assets increased by \$3,880,059.
- ❖ Excluding the Capital Projects Fund, the City's governmental funds reported combined ending fund balances of \$11,445,310, of which \$8,821,301 is available for spending at the City's discretion.
- ❖ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$8,568,860 or 36.5% of total General Fund expenditures.
- ❖ The City's total bonded debt increased 32.8% from \$16,683,013 to \$22,151,013 during the current fiscal year, representing \$960,000 in principal payments made and \$6,428,000 issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: government-wide financial statements; fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City'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 of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City'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 only result in cash flows in future fiscal periods (for example, uncollected taxes, and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are governmental activities (those principally supported by taxes and revenues from other governments) and functions of the City that are business-type activities (those that are intended to recover all or a significant portion of their costs through user fees and charges). The governmental activities of the City include general government, public safety, community environment, and culture and recreation. The business-type activities of the City include the DePauw Municipal Boat Basin and the Rye Golf Club. The government-wide financial statements can be found on the pages immediately following this MD&A.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual governmental funds: the General Fund, the Cable TV Special Revenue Fund, the K.T. Woods Permanent Fund, the Debt Service Fund, and the Capital Projects Fund. It should be noted that prior to fiscal 2005 the City maintained another special revenue fund, the Nature Center Fund. At the conclusion of fiscal 2004 the City consolidated the operations of the Nature Center Special Revenue Fund into the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and

changes in fund balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds. Information from the other nonmajor governmental funds is combined into a single aggregated presentation. Individual information on each of these funds is provided in the form of combining statements and schedules found elsewhere in this report. The City adopts annual budgets for the General Fund, Cable TV Fund, K.T. Woods Permanent Fund, and Debt Service Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets. Multi-year budgets are adopted for the Capital Projects Fund, and a project-length schedule that provides information concerning these projects and their budgets is included elsewhere in this report.

Proprietary Funds

The City maintains two types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its marina (the DePauw Municipal Boat Basin) and golf course (the Rye Golf Club) operations. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its general liability insurance coverage (the Risk Retention Fund), and the acquisition, operation, maintenance, and disposition of its buildings and vehicles (the Building and Vehicle Maintenance Fund). These services have been classified as governmental activities in the government-wide financial statements because they predominantly benefit governmental, rather than business-type, functions.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Boat Basin Fund and the Golf Club Fund, both of which are considered to be major funds of the City. Conversely, both internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements are presented in this report.

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 those funds are not available to support City programs. The City maintains only one type of fiduciary fund that is known as an agency fund. The City holds resources in this fund 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 agency fund financial statements are presented in this report.

Notes to the Financial Statements

The notes to the basic financial statements are an integral part of those statements and provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

The combining statements referred to earlier in connection with the nonmajor governmental funds and the two internal service funds are presented immediately following the basic financial statements. Combining and individual fund statements and schedules can be found elsewhere in this report.

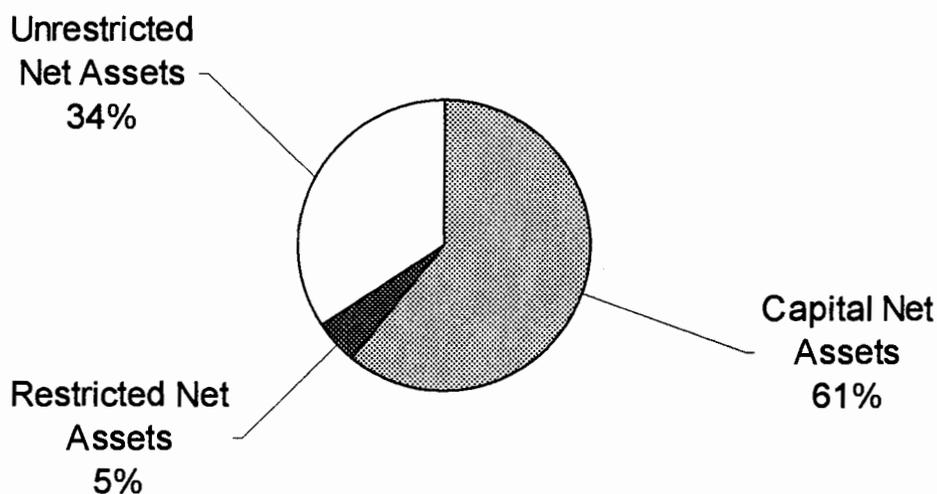
Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$35,905,853 at the close of the most recent fiscal year. Of this amount, 61% (\$21,798,355) reflects the City's investment in capital assets (land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure), net of depreciation and any related outstanding debt. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investments 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.

	Net Assets					
	December 31, 2005			December 31, 2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current Assets	\$ 24,415,241	\$ 3,721,635	\$ 28,136,876	\$ 17,607,586	\$ 3,173,296	\$ 20,780,882
Capital Assets	22,574,655	12,425,054	34,999,709	19,294,763	12,613,111	31,907,874
Total Assets	<u>46,989,896</u>	<u>16,146,689</u>	<u>63,136,585</u>	<u>36,902,349</u>	<u>15,786,407</u>	<u>52,688,756</u>
Current Liabilities	2,886,630	150,664	3,037,294	2,004,371	200,041	2,204,412
Long-term Liabilities	19,912,992	4,280,446	24,193,438	13,774,734	4,683,816	18,458,550
Total Liabilities	<u>22,799,622</u>	<u>4,431,110</u>	<u>27,230,732</u>	<u>15,779,105</u>	<u>4,883,857</u>	<u>20,662,962</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	13,348,301	8,450,054	21,798,355	9,480,762	8,403,111	17,883,873
Restricted	1,762,703	-	1,762,703	1,560,265	-	1,560,265
Unrestricted	9,079,270	3,265,525	12,344,795	10,082,217	2,499,439	12,581,656
Total Net Assets	<u>\$ 24,190,274</u>	<u>\$ 11,715,579</u>	<u>\$ 35,905,853</u>	<u>\$ 21,123,244</u>	<u>\$ 10,902,550</u>	<u>\$ 32,025,794</u>

An additional portion of the City's net assets (\$1,762,703) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12,344,795) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive net asset balances in all three categories of net assets: the government as a whole, governmental activities, and business-type activities.

Net Assets Distribution December 31, 2005

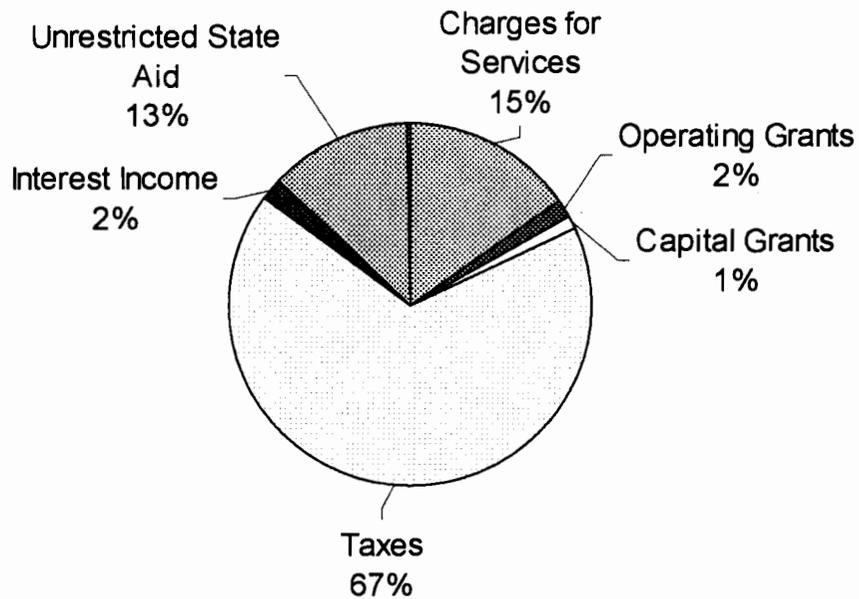


Governmental Activities

Governmental activities increased the City's net assets by \$3,067,030 accounting for 79% of the total growth in the net assets of the City. Major revenues received included:

- ❖ \$ 16,141,660 in real property taxes
- ❖ \$ 1,908,845 in sales and use taxes
- ❖ \$ 358,077 in utilities gross receipts taxes,
- ❖ \$ 565,843 of unrestricted interest and investment income, and
- ❖ \$ 3,451,841 in state aid not restricted to specific programs.

Revenues by Source - Governmental Activities



Revenues from charges for services were \$4,164,100. Governmental programs received \$455,106 in operating grants, and \$314,854 in capital grants, as follows:

- ❖ \$220,405 in New York State aid awarded to our Department of Public Works for capital improvements to our streets under the State's Consolidated Highway Improvements Program,
- ❖ \$80,151 in federal aid awarded to our Department of Public Works for improvements to our sewer system and,
- ❖ \$14,298 in capital interest.

Changes in Net Assets

	Year Ended December 31, 2005			Year Ended December 31, 2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,164,100	\$ 5,265,770	\$ 9,429,870	\$ 3,825,009	\$ 4,865,050	\$ 8,690,059
Operating Grants and Contributions	455,106	-	455,106	253,947	-	253,947
Capital Grants and Contributions	314,854	-	314,854	588,967	-	588,967
General Revenues:						
Taxes	16,141,660	-	16,141,660	15,528,286	-	15,528,286
Interest and Investment Income	565,843	109,352	675,195	220,459	32,633	253,092
Unrestricted State Aid	3,451,841	-	3,451,841	3,003,658	-	3,003,658
Miscellaneous	101,010	-	101,010	112,143	7,000	119,143
Total revenues	<u>25,194,414</u>	<u>5,375,122</u>	<u>30,569,536</u>	<u>23,532,469</u>	<u>4,904,683</u>	<u>28,437,152</u>
Expenses:						
General Government	3,285,497	-	3,285,497	3,218,750	-	3,218,750
Public Safety	10,379,989	-	10,379,989	9,941,889	-	9,941,889
Community Environment	6,836,952	-	6,836,952	6,058,126	-	6,058,126
Culture and Recreation	3,558,305	-	3,558,305	3,452,925	-	3,452,925
Interest	333,563	-	333,563	159,129	-	159,129
Boat Basin	-	446,916	446,916	-	454,340	454,340
Golf Club	-	4,115,177	4,115,177	-	3,819,458	3,819,458
Total Expenses	<u>24,394,306</u>	<u>4,562,093</u>	<u>28,956,399</u>	<u>22,830,819</u>	<u>4,273,798</u>	<u>27,104,617</u>
Change in Net Assets	800,108	813,029	1,613,137	701,650	630,885	1,332,535
Net Assets - Beginning	<u>21,123,244</u>	<u>10,902,550</u>	<u>32,025,794</u>	<u>18,277,756</u>	<u>10,271,665</u>	<u>28,549,421</u>
Net Assets - Ending	<u>\$ 21,923,352</u>	<u>\$ 11,715,579</u>	<u>\$ 33,638,931</u>	<u>\$ 18,979,406</u>	<u>\$ 10,902,550</u>	<u>\$ 29,881,956</u>

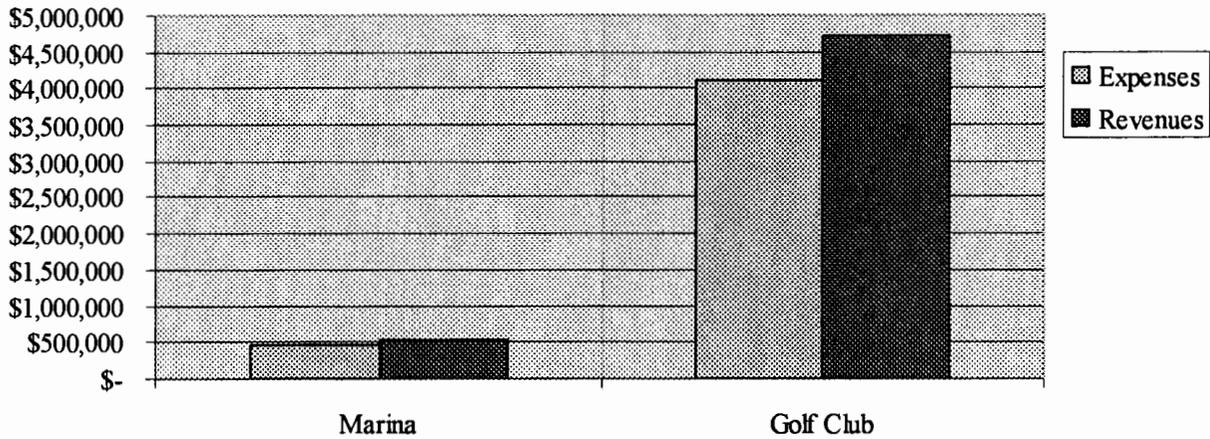
Business-type Activities

Business-type activities increased the City's net assets by \$813,029, representing 21% of the total growth in the City's net assets.

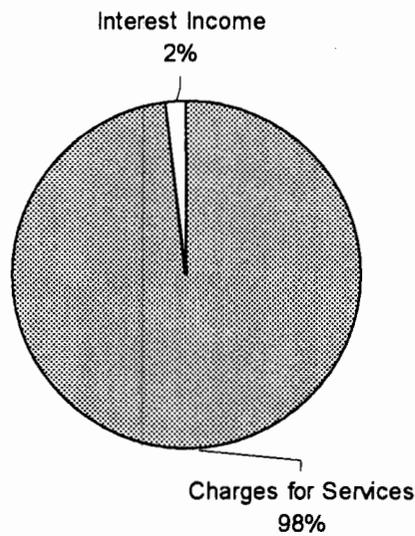
Revenues from charges for services were \$542,397 from marina operations and \$4,723,373 from golf club operations. Combined, the business-type activities earned \$109,352 in interest and investment income.

Offsetting these revenues were expenses of \$446,916 for marina operations and \$4,115,177 for golf club operations.

**Expenses and Program Revenues
Business-type Activities**



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in

assessing the City'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. Excluding the Capital Projects Fund, the City's governmental funds reported combined ending fund balances of \$11,445,310, an increase of \$1,429,761 from the prior year. Approximately 77% (\$8,821,301) of the total ending fund balances constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it represents prepaid expenditures or long-term receivables; is committed to liquidate purchase orders of the prior period; is dedicated to pay for debt service; provides for the payment of leave time earned but not used by employees, or is restricted in its use under the terms of a trust agreement.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,568,860, representing 78% of the total General Fund balance of \$11,056,184. Two useful measures of liquidity are the percentage of unreserved fund balance to total expenditures and total fund balance to total expenditures. At the end of the current fiscal year, the General Fund showed a healthy 36% unreserved fund balance to total expenditures, and a similarly robust 47% total fund balance to total expenditures.

The General Fund's fund balance increased by \$1,409,998 during the current fiscal year. Of this amount, transfers out of the General Fund exceeded transfers in by \$1,780,271. Transfers in of \$46,340 represent the return of unused project funds from the Capital Projects Fund. Transfers out of \$1,826,611 were comprised of the following: \$58,367 transferred to the Debt Service Fund for long-term debt principal and interest requirements; \$238,000 to the Capital Projects Fund for infrastructure projects, and \$1,530,244 to the Building and Vehicle Maintenance Fund for improvements to city-owned buildings and vehicle purchases. Operating revenues of the General Fund exceeded operating expenditures of that fund by \$3,190,269. Major changes in specific revenues and expenditures in comparison to the prior year are as follows:

- ❖ Real property tax revenues increased from \$15,551,738 to \$16,197,588 (\$645,850 or 4.2%), reflecting our 3% tax rate increase, increases in taxable assessed values, and additional amounts collected in penalties for late payment.
- ❖ Utilities gross receipts taxes increased from \$342,472 to \$358,077 (5%) due to increased gross revenues of utility companies.
- ❖ Charges for services rose from \$1,054,741 to \$1,180,052 (11.9%). This \$125,311 increase can be attributed to predominantly three areas: \$75,000 representing revenues from newly-installed parking pay stations; \$36,000 of increased recreation fees associated with increased program participation, and \$13,000 representing a new revenue stream from non-refundable bid fees.
- ❖ Interest and investment income increased \$260,316 (131.2%) from \$197,864 to \$458,180 due to significant increases in interest rates and higher cash balances available for investment.
- ❖ License and permit revenues increased \$254,345 (18.8%) from \$1,350,149 to \$1,604,494, with increased home improvement activity accounting for essentially all of the increase.

- ❖ Fines and forfeitures decreased \$13,073 (2.4%) from \$553,320 to \$540,247, with a reduction in the amount of vehicle and traffic fines collected accounting for the entire decrease.
- ❖ Miscellaneous revenues increased from \$88,417 to \$271,532 (\$183,115), with donations for the proposed construction of a memorial to the victims of the September 11, 2001 terrorist attacks generating \$175,000 of the increase.
- ❖ Mortgage tax revenues increased \$228,001 (10.6%) from \$2,161,052 to \$2,389,053 due to increased home financing and refinancing related to continued low mortgage rates, and continued robust real estate sales activity.
- ❖ Salaries and wages increased \$479,590 (4.7%) from \$10,308,227 to \$10,787,817 reflecting contracted increases.
- ❖ Equipment purchases increased \$54,550 (19.2%) from \$283,520 to \$338,070. The most significant increases are attributed to computer systems upgrades (\$23,000); police patrol equipment (\$21,000), and items related to our 9/11 Memorial (\$23,000), all of which were offset by a net decrease in other equipment areas.
- ❖ Materials and supplies increased \$71,783 (4.5%) from \$1,588,849 to \$1,660,632. Road deicing supplies needed to address inclement weather conditions account for \$43,000 of the increase and the remainder in several other lines.
- ❖ Contractual costs increased a nominal \$32,358 (less than 1%) from \$5,388,036 to \$5,420,394.
- ❖ Employee benefits increased \$666,138 (14.4%) from \$4,633,357 to \$5,299,495. Pensions costs account for \$101,000 of the increase; the employer's share of FICA \$26,000; workers compensation \$98,000, and health care costs \$443,000.

The Capital Projects Fund has a fund balance of \$1,431,399, with only one project (the Kirby Lane Sewer project) indicating a deficit project balance of \$91,554. This project deficit will be eliminated when long-term financing is provided by the issuance of serial bonds authorized for the project. Capital Projects Fund revenues of \$326,106, expenditures of \$595,091 and other financing sources and uses of \$798,000 (net) represent only the current fiscal year's portion of total project activity. An itemized project-length schedule of all projects can be found elsewhere in this report.

Proprietary Funds

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in greater detail.

Total net assets of the Boat Basin Fund at year-end were \$1,935,177, an increase of \$124,710 from the prior year. Net assets invested in capital assets, net of related debt, were \$734,702 and unrestricted net assets of \$1,200,475 represented the balance of net assets. Operating income of the Boat Basin Fund was \$93,400 (operating revenues of \$542,397 offset by \$448,997 of operating expenses). Interest income of \$31,310 made up the balance of total net income.

Total net assets of the Golf Club Fund at year-end were \$9,782,195, an increase of \$667,684 from the prior year. Net assets invested in capital assets, net of related debt, were \$7,715,352 with unrestricted net assets of \$2,066,843 representing the balance of net assets. Golf Club Fund operating expenses of \$3,911,137 offset operating revenues of \$4,723,373 to arrive at operating income of \$812,236. Interest income of \$78,042, offset by \$222,594 of interest expense related to long-term debt made up the balance of total net income.

General Fund Budgetary Highlights

The difference between the original and final amended budget for the General Fund was immaterial for estimated operating revenues: the original budget was \$23,978,233 and the final amended budget \$24,033,615 – a difference of \$55,382 (2/10 of 1%). Various amendments to the original budget were adopted by the City Council to reflect the receipt and use of funds that were unanticipated at the time of budget adoption: \$27,000 in state aid for various programs; \$23,000 in gifts and donations for a 9/11 Memorial, and \$5,000 of forfeited deposits used to complete work guaranteed, but not completed, by contractors.

The difference between the operating appropriations originally budgeted and in the final amended budget for the General Fund was \$231,086 (\$24,585,223 vs. \$24,816,309), an immaterial change of 9/10 of 1%. Excluding contingency, the appropriations budget for general government operations increased \$154,000, with \$100,000 of this increase appropriated for legal services and \$44,000 to finance property tax settlements. The budget for public safety decreased \$75,000, representing a reallocation of funding from a variety of lines to other areas of the General Fund. The community environment budget was increased \$138,000 to address various street, parking, and community beautification needs. The budget for culture and recreation was increased \$260,973, with \$66,000 attributed to the maintenance of parks and playgrounds; \$160,000 associated with an increase in special events, and \$51,000 to provide funding for our joint venture with the Town of Rye in Rye Town Park.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for governmental and business-type activities at December 31, 2005, net of \$12,240,825 accumulated depreciation, was \$34,999,709. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. As part of its implementation of Governmental Accounting Standards Board Statement Number 34 in fiscal year ending December 31, 2002, the City decided to report retroactively only that infrastructure supported by long-term debt and prospectively for any new investments in infrastructure. The City will complete its inventory and report any remaining infrastructure within the four-year implementation period for infrastructure reporting as provided for in the statement.

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

- ❖ Docks having a value of \$16,258 were installed at the marina.
- ❖ Capital improvements were made to the golf course at a value of \$298,538, and the Golf Club purchased equipment worth \$30,103.
- ❖ \$1,594,794 of improvements were completed to parks, playgrounds, and recreation fields.
- ❖ The Department of Public Works garage roof was rebuilt at a cost of \$110,192.
- ❖ General vehicle purchases added \$583,192 of asset value.
- ❖ New construction in progress on City-owned buildings (Police/Court Facility, Locust Avenue Firehouse, and Damiano Recreation Center) added \$2,971,269 of asset value.
- ❖ Fully depreciated vehicles with historical cost values totaling \$190,564 were sold or otherwise disposed.
- ❖ \$46,734 of drainage; \$27,753 of sewer improvements, and \$322,813 of street improvements were installed.

Asset	Capital Assets					
	December 31, 2005			December 31, 2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 3,311,755	\$ 1,700,408	\$ 5,012,163	\$ 3,311,755	\$ 1,700,408	\$ 5,012,163
Buildings	7,072,401	11,759,481	18,831,882	7,048,341	11,759,481	18,807,822
Improvements	3,472,339	3,423,227	6,895,566	1,767,421	3,108,432	4,875,853
Machinery and equipment	6,753,702	1,101,067	7,854,769	6,361,074	1,070,964	7,432,038
Construction in progress	3,992,868	-	3,992,868	2,503,234	-	2,503,234
Infrastructure	4,653,286	-	4,653,286	4,199,786	-	4,199,786
Less - accumulated depreciation	(6,681,696)	(5,559,129)	(12,240,825)	(5,896,848)	(5,026,174)	(10,923,022)
Total (net of depreciation)	\$ 22,574,655	\$ 12,425,054	\$ 34,999,709	\$ 19,294,763	\$ 12,613,111	\$ 31,907,874

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$22,151,013. As required by New York State Law, all bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. As a policy, principal and interest on debt issued by the enterprise funds must be repaid solely from revenues of those funds. Of the \$22,151,013 bonded debt outstanding at fiscal year end, \$4,210,000 represented debt of the Golf Club Fund.

The City issued \$6,428,000 of general obligation debt in fiscal 2005 to finance the construction and reconstruction of City-owned buildings (\$4,101,000); the acquisition of land (\$1,037,000); the purchase and installation of sewer pump stations (\$300,000), storm drains (\$200,000), and traffic signals and systems (\$60,000), and the purchase of a fire pumper truck (\$480,000) and public works equipment (\$150,000). No short-term debt was issued during or outstanding at the end of fiscal 2005. At December 31, 2005 the City had authorized but unissued long-term debt of \$1,500,000 for the construction

and reconstruction of sewer systems, and \$169,000 for the construction and reconstruction of City-owned buildings.

Known as the "constitutional debt limit", and pursuant to New York State Local Finance Law §104, the City must limit total outstanding long-term debt to no more than 7% of the five-year average full valuation of real property. At December 31, 2005 the City had exhausted 6.94% of its constitutional debt limit, providing an available debt margin of 93.06% with the authority to issue an additional \$283 million of general obligation long-term debt.

City Charter §C21-9 specifies the amount of debt that can be authorized solely on the adoption of a resolution by the City Council; the amount that can be raised by resolution of the City Council but subject to permissive referendum, and the amount requiring a mandatory referendum. At December 31, 2005, the amount of debt that could be authorized by City Council resolution alone was \$682,712 and the amount that could be authorized by City Council resolution subject to a permissive referendum was \$930,172. The authorization of all other long-term debt, unless otherwise specifically exempt by law, requires a mandatory referendum.

Moody's Investor Service has assigned its highest credit rating ("Aaa") to all City debt.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

According to the United States Bureau of Labor Statistics, the 2005 unemployment rate for Westchester County (unemployment information for the City is unavailable) was 4%. This compares favorably with the rate of 5% for New York State and the 5.1% national unemployment rate. The 3.9% increase in the Consumer Price Index, not seasonally adjusted, for the area (New York-Northern New Jersey-Long Island, NY-NJ-CT-PA) from 2004 to 2005 was greater than the 3.4% increase recorded for the U.S. city average for the same period.

Home financing and refinancing rates continued to be low in fiscal 2005, contributing to substantial increased revenues from mortgage taxes and construction activity. The taxable assessed value of real property in the City increased by 1% (\$134,574,950 in 2004 vs. \$135,880,847 in 2005), with the average home sale price rising from \$1,364,146 to \$1,523,300 and the median home sale price rising from \$1,070,000 to \$1,235,000 in the same period. City management was also aware that in 2006 there would most likely be significant increases in insurance and employee benefits (particularly medical insurance and retirement contributions). All of these factors were taken into consideration in developing the fiscal 2006 budget.

The City appropriated \$1,527,730 of unreserved fund balance from the General Fund for spending in fiscal 2006, the entire amount of which will be used to fund the

acquisition of capital assets and equipment. The use of this fund balance was within the City's policy of maintaining an unreserved, undesignated General Fund fund balance of at least 5% of annual appropriations. Combined with all other revenues sources, the fiscal 2006 real property tax rate of \$122.39 per \$1,000 taxable assessed value provides funding for all other General Fund appropriations. The tax rate increase from 2005 to 2006 is 4.78% (\$116.80 to \$122.39).

As required by City policy, both enterprise funds (the Boat Basin Fund and the Golf Club Fund) developed their fiscal 2006 user fees and charges to meet or exceed all anticipated costs for that year, including interest on long-term debt, depreciation, the acquisition of capital assets, and administrative charges charged by the General Fund.

Requests for Information

This financial report is designed to provide a general overview of the City of Rye, New York's finances for all those with an interest in those finances. Questions and comments concerning any of the information provided in this report should be addressed to Michael A. Genito, Comptroller, City of Rye, 1051 Boston Post Road, Rye, New York 10580.

BASIC FINANCIAL STATEMENTS

City of Rye, New York
Statement of Net Assets
December 31, 2005
(With Comparative Amounts for 2004)

	2005		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 9,030,988	\$ 1,243,808	\$ 10,274,796
Investments	3,493,860	2,271,675	5,765,535
Taxes receivable	704,857	-	704,857
Accounts receivable	294,941	27,419	322,360
Due from other governments	815,324	-	815,324
Internal balances	107,511	(107,511)	-
Prepaid expenses	1,077,332	51,244	1,128,576
Restricted Assets:			
Cash and equivalents	1,850,416	235,000	2,085,416
Investments	7,040,012	-	7,040,012
Capital Assets:			
Land	3,311,755	1,700,408	5,012,163
Buildings	7,072,401	11,759,481	18,831,882
Improvements	3,472,339	3,423,227	6,895,566
Machinery and equipment	6,753,702	1,101,067	7,854,769
Construction in progress	3,992,868	-	3,992,868
Infrastructure	4,653,286	-	4,653,286
Less - accumulated depreciation	(6,681,696)	(5,559,129)	(12,240,825)
Total Assets	<u>46,989,896</u>	<u>16,146,689</u>	<u>63,136,585</u>
LIABILITIES			
Accounts payable	747,560	72,651	820,211
Accrued liabilities	516,433	3,560	519,993
Accrued interest payable	101,462	61,418	162,880
Retainage payable	152,533	-	152,533
Deposits	430,050	-	430,050
Due to other governments	597,111	13,035	610,146
Unearned revenues	341,481	-	341,481
Non-current liabilities:			
Due within one year:			
Bonds payable	788,000	235,000	1,023,000
Claims payable	199,885	-	199,885
Compensated absences	97,255	7,044	104,299
Due in more than one year:			
Bonds payable	17,153,013	3,975,000	21,128,013
Claims payable	799,539	-	799,539
Compensated absences	875,300	63,402	938,702
Total Liabilities	<u>22,799,622</u>	<u>4,431,110</u>	<u>27,230,732</u>
NET ASSETS			
Invested in capital assets, net of related debt	13,348,301	8,450,054	21,798,355
Restricted for:			
Capital projects	809,070	-	809,070
Crime forfeitures	2,960	-	2,960
Permanent fund:			
Expendable	4,303	-	4,303
Nonexpendable	20,000	-	20,000
Special purposes	530,020	-	530,020
Debt service	98,643	-	98,643
Risk retention	297,707	-	297,707
Unrestricted	9,079,270	3,265,525	12,344,795
Total Net Assets	<u>\$ 24,190,274</u>	<u>\$ 11,715,579</u>	<u>\$ 35,905,853</u>

The notes to the financial statements are an integral part of this statement.

2004

Governmental Activities	Business-type Activities	Total
\$ 10,166,593	\$ 1,902,801	\$ 12,069,394
2,017,042	857,583	2,874,625
722,316	-	722,316
230,534	52,064	282,598
955,135	-	955,135
104,638	(104,638)	-
1,073,634	65,486	1,139,120
516,248	400,000	916,248
1,821,446	-	1,821,446
3,311,755	1,700,408	5,012,163
7,048,341	11,759,481	18,807,822
1,767,421	3,108,432	4,875,853
6,361,074	1,070,964	7,432,038
2,503,234	-	2,503,234
4,199,786	-	4,199,786
(5,896,848)	(5,026,174)	(10,923,022)
<u>36,902,349</u>	<u>15,786,407</u>	<u>52,688,756</u>
241,466	112,110	353,576
413,122	1,755	414,877
87,844	64,884	152,728
75,828	-	75,828
360,225	-	360,225
593,961	21,292	615,253
231,925	-	231,925
560,000	400,000	960,000
162,079	-	162,079
89,133	7,381	96,514
11,513,013	4,210,000	15,723,013
648,317	-	648,317
802,192	66,435	868,627
<u>15,779,105</u>	<u>4,883,857</u>	<u>20,662,962</u>
9,480,762	8,403,111	17,883,873
686,266	-	686,266
1,755	-	1,755
7,560	-	7,560
20,000	-	20,000
535,074	-	535,074
124,447	-	124,447
185,163	-	185,163
10,082,217	2,499,439	12,581,656
<u>\$ 21,123,244</u>	<u>\$ 10,902,550</u>	<u>\$ 32,025,794</u>

City of Rye, New York
Statement of Activities
Year Ended December 31, 2005
(With Comparative Amounts for 2004)

2005							
	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
General government	\$ 3,285,497	\$ 471,658	\$ 4,542	\$ -	\$ (2,809,297)	\$ -	\$ (2,809,297)
Public safety	10,379,989	683,007	151,923	-	(9,585,059)	-	(9,585,059)
Community environment	6,836,952	2,020,307	183,230	300,558	(4,332,859)	-	(4,332,859)
Culture and recreation	3,558,305	1,009,128	115,411	-	(2,433,768)	-	(2,433,766)
Interest	333,563	-	-	14,298	(319,285)	-	(319,265)
Total Governmental Activities	<u>24,394,306</u>	<u>4,184,100</u>	<u>455,106</u>	<u>314,854</u>	<u>(19,460,246)</u>	<u>-</u>	<u>(19,460,246)</u>
Business-type Activities:							
Boat basin	446,916	542,397	-	-	-	95,481	95,481
Golf club	4,115,177	4,723,373	-	-	-	608,198	608,196
Total Business-type Activities	<u>4,562,093</u>	<u>5,265,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>703,677</u>	<u>703,677</u>
Total Government	<u>\$ 28,956,399</u>	<u>\$ 9,429,870</u>	<u>\$ 455,106</u>	<u>\$ 314,854</u>	<u>(19,460,246)</u>	<u>703,677</u>	<u>(18,756,569)</u>
General Revenues:							
Real property taxes					16,141,660	-	16,141,660
Non-property taxes:							
Sales and use taxes					1,908,845	-	1,908,845
Utilities gross receipts taxes					358,077	-	358,077
Unrestricted use of money and property					565,843	109,352	675,195
Gain on sale of equipment					29,135	-	29,135
Governmental aid not restricted to specific programs					3,451,841	-	3,451,841
Other revenues					71,875	-	71,875
Total General Revenues					<u>22,527,276</u>	<u>109,352</u>	<u>22,636,628</u>
Change in Net Assets					3,087,030	813,029	3,880,059
Net Assets - Beginning of Year					21,123,244	10,902,550	32,025,794
Net Assets - End of Year					<u>\$ 24,190,274</u>	<u>\$ 11,715,579</u>	<u>\$ 35,905,853</u>

The notes to the financial statements are an integral part of this statement.

2004

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
\$ 3,218,750	\$ 457,581	\$ 8,718	\$ -	\$ (2,752,451)	\$ -	\$ (2,752,451)
9,941,889	664,726	133,476	-	(9,143,687)	-	(9,143,687)
6,058,126	1,726,572	13,929	215,395	(4,102,230)	-	(4,102,230)
3,452,925	976,130	97,824	367,998	(2,010,973)	-	(2,010,973)
159,129	-	-	5,574	(153,555)	-	(153,555)
<u>22,830,819</u>	<u>3,825,009</u>	<u>253,947</u>	<u>588,967</u>	<u>(18,162,896)</u>	<u>-</u>	<u>(18,162,896)</u>
454,340	493,151	-	-	-	38,811	38,811
<u>3,819,458</u>	<u>4,371,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>552,441</u>	<u>552,441</u>
<u>4,273,798</u>	<u>4,865,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,252</u>	<u>591,252</u>
\$ 27,104,617	\$ 8,890,059	\$ 253,947	\$ 588,967	(18,162,896)	591,252	(17,571,644)
				15,528,286	-	15,528,286
				1,801,368	-	1,801,368
				342,472	-	342,472
				220,459	32,633	253,092
				39,655	7,000	46,655
				3,003,658	-	3,003,658
				72,488	-	72,488
				<u>21,008,384</u>	<u>39,633</u>	<u>21,048,017</u>
				2,845,488	630,885	3,476,373
				18,277,756	10,271,665	28,549,421
				\$ 21,123,244	\$ 10,902,550	\$ 32,025,794

City of Rye, New York
Balance Sheet
Governmental Funds
December 31, 2005
(With Comparative Amounts for 2004)

	2005			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 7,976,029	\$ 13,581	\$ 9,694	\$ 7,999,304
Investments	219,002	660,729	256,835	1,136,566
Receivables:				
Taxes receivable	704,857	-	-	704,857
Accounts receivable	173,931	-	104,210	278,141
Due from other funds	1,926,849	350	1,025	1,928,224
Due from other governments	714,293	57,321	-	771,614
Prepaid expenditures	905,524	-	3,250	908,774
Restricted - Investments	-	865,349	24,303	889,652
Total Assets	\$ 12,620,485	\$ 1,597,330	\$ 399,317	\$ 14,617,132
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 105,535	\$ 16,896	\$ 925	\$ 123,356
Accrued liabilities	46,568	-	1,293	47,861
Retainage payable	982	26,376	-	27,358
Deposits	415,050	15,000	-	430,050
Due to other funds	61,374	3,540	7,973	72,887
Due to other governments	597,111	-	-	597,111
Deferred revenues	337,681	104,119	-	441,800
Total Liabilities	1,564,301	165,931	10,191	1,740,423
Fund Balances:				
Reserved for:				
Encumbrances	356,798	407,630	10,691	775,119
Prepaid expenditures	905,524	-	3,250	908,774
Compensated absences	896,773	-	4,101	900,874
Long-term receivable	325,269	-	-	325,269
Debt service	-	-	98,643	98,643
Crime forfeitures	2,960	-	-	2,960
Trust	-	-	20,000	20,000
Unreserved reported in:				
General Fund	8,568,860	-	-	8,568,860
Special Revenue Funds	-	-	248,138	248,138
Permanent Fund	-	-	4,303	4,303
Capital Projects Fund	-	1,023,769	-	1,023,769
Total Fund Balances	11,056,184	1,431,399	389,126	12,876,709
Total Liabilities and Fund Balances	\$ 12,620,485	\$ 1,597,330	\$ 399,317	\$ 14,617,132

The notes to the financial statements are an integral part of this statement.

2004

General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 7,146,019	\$ 29,999	\$ 25,599	\$ 7,201,617
170,830	302,316	227,848	700,994
722,316	-	-	722,316
127,630	-	100,155	227,785
1,308,094	936	908	1,309,938
696,628	215,395	-	912,023
1,020,798	-	5,606	1,026,404
-	404,730	27,560	432,290
<u>\$ 11,192,315</u>	<u>\$ 953,376</u>	<u>\$ 387,676</u>	<u>\$ 12,533,367</u>
\$ 171,260	\$ 7,301	\$ 7,052	\$ 185,613
54,503	-	468	54,971
982	27,325	-	28,307
345,225	15,000	-	360,225
953	1,366	10,793	13,112
585,034	-	-	585,034
388,172	-	-	388,172
<u>1,546,129</u>	<u>50,992</u>	<u>18,313</u>	<u>1,615,434</u>
341,392	127,862	32,415	501,669
1,020,798	-	5,606	1,026,404
807,757	-	16,342	824,099
439,344	-	-	439,344
-	-	124,447	124,447
1,755	-	-	1,755
-	-	20,000	20,000
7,035,140	-	-	7,035,140
-	-	162,993	162,993
-	-	7,560	7,560
-	774,522	-	774,522
<u>9,646,186</u>	<u>902,384</u>	<u>369,363</u>	<u>10,917,933</u>
<u>\$ 11,192,315</u>	<u>\$ 953,376</u>	<u>\$ 387,676</u>	<u>\$ 12,533,367</u>

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City of Rye, New York
 Reconciliation of Governmental Funds Balance Sheet to
 The Government-Wide Statement of Net Assets - Governmental Activities
 December 31, 2005
 (With Comparative Amounts for 2004)

	<u>2005</u>	<u>2004</u>
Fund Balances - Total Governmental Funds	\$ 12,876,709	\$ 10,917,933
Amounts 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.	<u>4,576,415</u>	<u>4,117,510</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Real property taxes	<u>100,319</u>	<u>156,247</u>
Internal service funds are used by management to charge the costs of building maintenance, vehicle maintenance, and risk to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>10,421,370</u>	<u>8,898,113</u>
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued liabilities	(262,656)	(227,151)
Bonds payable	(1,607,711)	(1,091,463)
Claims payable	(999,424)	(810,396)
Accrued interest payable	(13,874)	(13,450)
Compensated absences	<u>(900,874)</u>	<u>(824,099)</u>
	<u>(3,784,539)</u>	<u>(2,966,559)</u>
Net Assets of Governmental Activities	<u>\$ 24,190,274</u>	<u>\$ 21,123,244</u>

The notes to the financial statements are an integral part of this statement.

City of Rye, New York
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2005
(With Comparative Amounts for 2004)

	2005			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes and related items	\$ 16,197,588	\$ -	\$ -	\$ 16,197,588
Non-property taxes	2,266,922	-	203,743	2,470,665
Charges for services	1,180,052	-	-	1,180,052
Intergovernmental charges	76,274	-	-	76,274
Use of money and property	463,875	-	18,571	482,446
Licenses and permits	1,604,494	25,550	-	1,630,044
Fines and forfeitures	540,247	-	-	540,247
Sale of property and compensation for loss	123,939	-	-	123,939
Interfund revenues	404,099	-	-	404,099
State aid	3,551,870	220,405	-	3,772,275
Federal aid	15,784	80,151	-	95,935
Miscellaneous	271,532	-	24,281	295,813
Total Revenues	26,696,676	326,106	246,595	27,269,377
EXPENDITURES				
Current:				
General government	3,063,887	-	-	3,063,887
Public safety	10,373,012	-	-	10,373,012
Community environment	6,692,938	-	-	6,692,938
Culture and recreation	3,376,570	-	182,730	3,559,300
Debt service:				
Principal	-	-	43,752	43,752
Interest	-	-	54,717	54,717
Capital outlay:				
General government	-	8,000	-	8,000
Public safety	-	68,369	-	68,369
Community environment	-	518,722	-	518,722
Total Expenditures	23,506,407	595,091	281,199	24,382,697
Excess (Deficiency) of Revenues Over Expenditures	3,190,269	(268,985)	(34,604)	2,886,680
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	560,000	-	560,000
Transfers in	46,340	553,000	58,367	657,707
Transfers out	(1,826,611)	(315,000)	(4,000)	(2,145,611)
Total Other Financing Sources (Uses)	(1,780,271)	798,000	54,367	(927,904)
Net Change in Fund Balances	1,409,998	529,015	19,763	1,958,776
Fund Balances (Deficits) -				
Beginning of Year	9,646,186	902,384	369,363	10,917,933
Fund Balances - End of Year	\$ 11,056,184	\$ 1,431,399	\$ 389,126	\$ 12,876,709

The notes to the financial statements are an integral part of this statement.

2004

General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 15,551,738	\$ -	\$ -	\$ 15,551,738
2,143,838	-	190,313	2,334,151
1,054,741	-	-	1,054,741
72,775	-	-	72,775
204,059	-	7,141	211,200
1,350,149	40,485	-	1,390,634
553,320	-	-	553,320
129,600	-	-	129,600
418,249	-	-	418,249
3,106,435	215,396	-	3,321,831
15,255	-	-	15,255
88,417	-	25,151	113,568
<u>24,688,576</u>	<u>255,881</u>	<u>222,605</u>	<u>25,167,062</u>
2,916,473	-	-	2,916,473
9,831,702	-	-	9,831,702
6,142,100	-	-	6,142,100
3,311,714	-	187,463	3,499,177
-	-	41,525	41,525
-	-	56,745	56,745
-	4,808	-	4,808
-	12,423	-	12,423
-	852,713	-	852,713
<u>22,201,989</u>	<u>869,944</u>	<u>285,733</u>	<u>23,357,666</u>
<u>2,486,587</u>	<u>(614,063)</u>	<u>(63,128)</u>	<u>1,809,396</u>
-	-	-	-
64,096	3,728,694	130,465	3,923,255
(815,961)	(373,698)	(6,597)	(1,196,256)
<u>(751,865)</u>	<u>3,354,996</u>	<u>123,868</u>	<u>2,726,999</u>
1,734,722	2,740,933	60,740	4,536,395
<u>7,911,464</u>	<u>(1,838,549)</u>	<u>308,623</u>	<u>6,381,538</u>
<u>\$ 9,646,186</u>	<u>\$ 902,384</u>	<u>\$ 369,363</u>	<u>\$ 10,917,933</u>

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City of Rye, New York
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended December 31, 2005
 (With Comparative Amounts for 2004)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

	<u>2005</u>	<u>2004</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 1,958,776	\$ 4,536,395
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period:</p>		
Capital outlay expenditures capitalized	566,659	865,067
Depreciation expense	<u>(107,754)</u>	<u>(73,310)</u>
	<u>458,905</u>	<u>791,757</u>
Transfer of capital assets to internal service fund - Building and Vehicle Maintenance Fund	<u>-</u>	<u>(3,100,000)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds - Real property taxes	<u>(55,928)</u>	<u>(23,452)</u>
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal paid on bonds	43,752	41,525
Bonds issued	<u>(560,000)</u>	<u>-</u>
	<u>(516,248)</u>	<u>41,525</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Self-insured health benefits	(35,505)	(45,629)
Claims	(189,028)	(260,353)
Accrued interest	(424)	343
Compensated absences	(76,775)	(159,876)
Retirement incentives and other pension obligations	<u>-</u>	<u>46,672</u>
	<u>(301,732)</u>	<u>(418,843)</u>
<p>Internal service funds are used by management to charge the costs of building maintenance, vehicle maintenance and risk to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
Change in Net Assets of Governmental Activities	<u>1,523,257</u> \$ 3,067,030	<u>1,018,106</u> \$ 2,845,488

The notes to the financial statements are an integral part of this statement.

City of Rye, New York
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year Ended December 31, 2005
 (With Comparative Amounts for 2004)

	2005			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes and related items	\$ 16,085,280	\$ 16,085,280	\$ 16,197,588	\$ 112,308
Non-property tax	2,163,000	2,163,000	2,266,922	103,922
Charges for services	1,239,635	1,239,635	1,180,052	(59,583)
Intergovernmental charges	66,245	66,245	76,274	10,029
Use of money and property	217,700	230,200	463,875	233,675
Licenses and permits	1,195,302	1,195,302	1,604,494	409,192
Fines and forfeitures	445,450	450,783	540,247	89,464
Sale of property and compensation for loss	3,350	3,350	123,939	120,589
Interfund revenues	420,424	407,924	404,099	(3,825)
State aid	2,103,097	2,129,521	3,551,870	1,422,349
Federal aid	-	-	15,784	15,784
Miscellaneous	38,750	62,375	271,532	209,157
Total Revenues	23,978,233	24,033,615	26,696,676	2,663,061
EXPENDITURES				
Current:				
General Government:				
City Council	65,208	65,208	60,130	5,078
City Manager	500,347	499,753	479,978	19,775
Finance Administration	215,845	218,367	211,870	6,497
General Accounting	305,440	294,830	222,027	72,803
Accounts Payable	111,612	112,663	107,143	5,520
Payroll	92,931	100,164	83,639	16,525
Treasury	221,593	265,033	216,302	48,731
Parking Violation Bureau	78,689	77,879	67,573	10,306
Assessor	392,223	402,223	358,096	44,127
City Clerk	339,709	339,415	301,350	38,065
Records Management	49,164	49,144	26,491	22,653
Parking Administration	34,303	34,850	26,549	8,301
Law	311,593	411,861	385,528	26,333
Personnel	212,122	212,958	210,169	2,789
Elections	44,012	44,050	25,502	18,548
Management Information Systems	304,185	304,304	281,540	22,764
Contingent Account	246,000	-	-	-
Total General Government	3,524,976	3,432,702	3,063,887	368,815

2004

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 15,450,096	\$ 15,450,096	\$ 15,551,738	\$ 101,642
1,761,356	1,761,356	2,143,838	382,482
1,041,528	1,045,528	1,054,741	9,213
63,245	63,245	72,775	9,530
130,700	130,700	204,059	73,359
1,096,202	1,096,202	1,350,149	253,947
440,040	441,475	553,320	111,845
2,800	2,800	129,600	126,800
420,424	420,424	418,249	(2,175)
2,092,756	2,110,561	3,106,435	995,874
10,561	47,705	15,255	(32,450)
36,810	37,410	88,417	51,007
<u>22,546,518</u>	<u>22,607,502</u>	<u>24,688,576</u>	<u>2,081,074</u>
60,987	80,987	65,218	15,769
483,824	483,823	434,180	49,643
205,867	202,437	196,301	6,136
316,299	257,464	224,987	32,477
119,301	102,037	95,544	6,493
89,185	88,385	84,255	4,130
301,590	251,366	229,137	22,229
41,538	71,930	67,541	4,389
351,723	341,323	315,900	25,423
302,850	292,116	280,765	11,351
48,030	50,560	30,535	20,025
32,604	32,634	31,631	1,003
180,464	359,884	354,933	4,951
158,051	197,575	193,087	4,488
46,475	46,889	45,883	1,006
283,410	283,410	266,576	16,834
240,000	-	-	-
<u>3,262,198</u>	<u>3,142,820</u>	<u>2,916,473</u>	<u>226,347</u>

(Continued)

City of Rye, New York
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended December 31, 2005
 (With Comparative Amounts for 2004)

	2005			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Public Safety:				
Police Administration	836,831	826,460	805,440	21,020
Police Patrol	5,083,876	4,970,405	4,725,236	245,169
Police Investigations	740,258	744,446	683,702	60,744
Police Marine Patrol	106,315	124,189	114,197	9,992
Police Youth Services	143,254	147,935	147,368	567
Parking Enforcement	183,959	187,144	178,659	8,485
School Crossing Guards	113,337	113,530	107,340	6,190
Traffic Control	213,496	218,596	211,257	7,339
Fire Prevention and Suppression	3,299,028	3,312,535	3,267,467	45,068
Animal Control	27,143	27,219	27,219	-
Ambulance Service	116,122	116,046	105,127	10,919
Total Public Safety	10,863,619	10,788,505	10,373,012	415,493
Community Environment:				
Planning	278,080	278,290	212,131	66,159
Engineering	239,360	239,360	202,105	37,255
Building	329,694	329,781	317,479	12,302
Conservation	19,119	21,027	19,124	1,903
Public Works Administration	775,114	757,185	735,808	21,377
Street Maintenance	560,096	616,167	600,626	15,541
Snow Removal	674,613	672,237	663,403	8,834
Street Lighting	233,956	233,301	228,466	4,835
Off-Street Parking	198,200	231,019	208,036	22,983
Sanitary Sewers	310,583	300,413	294,833	5,580
Storm Drains	166,780	194,251	185,434	8,817
Street Cleaning	96,352	127,630	127,516	114
Refuse and Garbage	1,607,333	1,606,258	1,604,226	2,032
Recycling	515,989	538,304	537,654	650
Community Beautification	460,298	485,765	480,590	5,175
Rodent and Insect Control	26,425	40,905	30,007	10,898
Shade Tree Maintenance	335,166	292,766	245,500	47,266
Total Community Environment	6,827,158	6,964,659	6,692,938	271,721

2004

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
779,909	744,941	699,376	45,565
4,672,103	4,822,666	4,484,680	337,986
705,792	723,060	659,968	63,092
95,294	121,844	101,529	20,315
133,132	142,215	139,286	2,929
173,127	173,307	166,817	6,490
109,857	106,907	98,595	8,312
210,314	252,275	249,395	2,880
3,257,157	3,267,957	3,126,511	141,446
27,166	27,166	27,108	58
78,586	78,586	78,437	149
<u>10,242,437</u>	<u>10,460,924</u>	<u>9,831,702</u>	<u>629,222</u>
207,415	231,115	190,800	40,315
255,962	255,962	203,771	52,191
313,278	313,278	295,029	18,249
16,277	20,277	17,912	2,365
745,054	740,767	666,063	74,704
546,782	609,521	576,985	32,536
661,853	662,970	596,280	66,690
234,017	235,707	223,944	11,763
181,394	141,942	119,368	22,574
310,266	309,531	277,639	31,892
164,788	167,048	163,413	3,635
97,340	133,330	120,172	13,158
1,600,465	1,562,904	1,513,652	49,252
511,102	520,902	481,235	39,667
439,953	442,073	425,788	16,285
25,381	23,221	20,574	2,647
333,291	298,291	249,475	48,816
<u>6,644,618</u>	<u>6,668,839</u>	<u>6,142,100</u>	<u>526,739</u>

(Continued)

City of Rye, New York
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
 Year Ended December 31, 2005
 (With Comparative Amounts for 2004)

	2005			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Culture and Recreation:				
Recreation Administration	338,524	314,841	310,307	4,534
Parks and Playgrounds	255,179	316,789	279,935	36,854
Recreation Center	309,204	296,290	292,243	4,047
Recreation Programs	229,474	253,293	236,219	17,074
Camps	341,151	328,997	318,278	10,719
Athletics	172,652	173,013	152,395	20,618
Tennis	93,389	95,733	91,565	4,168
Special Events	91,191	251,004	117,350	133,654
Adult Recreation	94,666	98,234	83,480	14,754
Rye Youth Council	34,975	39,199	39,199	-
Rye Town Park	86,000	136,904	136,904	-
Southeast Consortium	13,415	15,895	15,258	637
Rye Free Reading Room	1,030,580	1,030,580	1,030,580	-
Square House Museum	82,489	82,489	82,318	171
Rye Arts Center	2,357	2,357	2,357	-
Special Facilities Administration	74,507	74,937	71,796	3,141
Rye Nature Center	119,717	119,888	116,386	3,502
Total Culture and Recreation	<u>3,369,470</u>	<u>3,630,443</u>	<u>3,376,570</u>	<u>253,873</u>
Total Expenditures	<u>24,585,223</u>	<u>24,816,309</u>	<u>23,506,407</u>	<u>1,309,902</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(606,990)</u>	<u>(782,694)</u>	<u>3,190,269</u>	<u>3,972,963</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000	46,340	46,340	-
Transfers out	(1,606,667)	(1,826,611)	(1,826,611)	-
Total Other Financing Uses	<u>(1,602,667)</u>	<u>(1,780,271)</u>	<u>(1,780,271)</u>	<u>-</u>
Net Changes in Fund Balance	(2,209,657)	(2,562,965)	1,409,998	3,972,963
Fund Balance - Beginning of Year	2,209,657	2,562,965	9,646,186	7,083,221
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,056,184</u>	<u>\$ 11,056,184</u>

The notes to the financial statements are an integral part of this statement.

2004

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
391,220	386,735	348,974	37,761
270,751	332,771	303,969	28,802
201,731	190,811	180,030	10,781
235,146	250,283	248,507	1,776
338,775	318,728	309,655	9,073
185,056	182,256	169,303	12,953
105,620	106,690	100,106	6,584
96,058	252,019	114,063	137,956
95,040	101,616	89,458	12,158
36,950	36,958	36,958	-
86,000	93,816	93,816	-
12,805	14,465	14,412	53
986,000	986,000	986,000	-
91,256	90,140	81,553	8,587
2,580	2,580	2,580	-
105,767	104,914	99,953	4,961
138,650	141,079	132,377	8,702
<u>3,379,405</u>	<u>3,591,861</u>	<u>3,311,714</u>	<u>280,147</u>
<u>23,528,658</u>	<u>23,864,444</u>	<u>22,201,989</u>	<u>1,662,455</u>
<u>(982,140)</u>	<u>(1,256,942)</u>	<u>2,486,587</u>	<u>3,743,529</u>
24,000	64,096	64,096	-
<u>(790,961)</u>	<u>(815,961)</u>	<u>(815,961)</u>	<u>-</u>
<u>(766,961)</u>	<u>(751,865)</u>	<u>(751,865)</u>	<u>-</u>
<u>(1,749,101)</u>	<u>(2,008,807)</u>	<u>1,734,722</u>	<u>3,743,529</u>
<u>1,749,101</u>	<u>2,008,807</u>	<u>7,911,464</u>	<u>5,902,657</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,646,186</u>	<u>\$ 9,646,186</u>

City of Rye, New York
Statement of Net Assets
Proprietary Funds
December 31, 2005
(With Comparative Amounts for 2004)

	2005			Governmental Activities - Internal Service Funds
	Business-type Activities - Enterprise Funds			
	Boat Basin Fund	Golf Club Fund	Totals	
ASSETS				
Current Assets:				
Cash and equivalents	\$ 28,441	\$ 1,215,367	\$ 1,243,808	\$ 1,031,684
Investments	1,208,821	1,062,854	2,271,675	2,357,294
Accounts receivable	-	27,419	27,419	16,800
Due from other funds	-	-	-	92,570
Due from other governments	-	-	-	43,710
Prepaid expenses	7,983	43,261	51,244	168,558
Restricted Assets:				
Cash and equivalents	-	235,000	235,000	1,850,416
Investments	-	-	-	6,150,360
Total Current Assets	<u>1,245,245</u>	<u>2,583,901</u>	<u>3,829,146</u>	<u>11,711,392</u>
Noncurrent Assets -				
Capital Assets:				
Land	408	1,700,000	1,700,408	3,311,755
Buildings	341,930	11,417,551	11,759,481	7,072,401
Improvements	1,074,204	2,349,023	3,423,227	3,472,339
Machinery and equipment	73,388	1,027,679	1,101,067	6,753,702
Construction in progress	-	-	-	3,691,328
Less accumulated depreciation	<u>(755,228)</u>	<u>(4,803,901)</u>	<u>(5,559,129)</u>	<u>(6,303,285)</u>
Total Capital Assets (net of accumulated depreciation)	<u>734,702</u>	<u>11,690,352</u>	<u>12,425,054</u>	<u>17,998,240</u>
Total Assets	<u>1,979,947</u>	<u>14,274,253</u>	<u>16,254,200</u>	<u>29,709,632</u>

2004

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Boat Basin Fund	Golf Club Fund	Totals	
\$ 232,059	\$ 1,670,742	\$ 1,902,801	\$ 2,964,976
837,729	19,854	857,583	1,316,048
48	52,016	52,064	2,749
635	6,103	6,738	-
-	-	-	43,112
9,745	55,741	65,486	47,230
-	400,000	400,000	516,248
-	-	-	1,389,156
<u>1,080,216</u>	<u>2,204,456</u>	<u>3,284,672</u>	<u>6,279,519</u>
408	1,700,000	1,700,408	3,311,755
341,930	11,417,551	11,759,481	7,048,341
1,057,946	2,050,486	3,108,432	1,767,421
73,388	997,576	1,070,964	6,361,074
-	-	-	2,314,853
<u>(690,211)</u>	<u>(4,335,963)</u>	<u>(5,026,174)</u>	<u>(5,626,191)</u>
<u>783,461</u>	<u>11,829,650</u>	<u>12,613,111</u>	<u>15,177,253</u>
<u>1,863,677</u>	<u>14,034,106</u>	<u>15,897,783</u>	<u>21,456,772</u>

(Continued)

City of Rye, New York
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2005
(With Comparative Amounts for 2004)

	2005			Governmental Activities - Internal Service Funds
	Business-type Activities - Enterprise Funds			
	Boat Basin Fund	Golf Club Fund	Totals	
LIABILITIES				
Current Liabilities:				
Accounts payable	5,783	66,868	72,651	624,204
Accrued liabilities	347	3,213	3,560	205,916
Accrued interest payable	-	61,418	61,418	87,588
Retainage payable	-	-	-	125,175
Due to other funds	17,801	87,917	105,718	1,842,189
Due to other governments	1,005	12,030	13,035	-
Compensated absences	1,983	5,061	7,044	7,168
Current Liabilities Payable from				
Restricted Assets -				
Bonds payable	-	235,000	235,000	723,466
Total Current Liabilities	<u>26,919</u>	<u>471,507</u>	<u>498,426</u>	<u>3,615,706</u>
Noncurrent Liabilities:				
Bonds payable	-	3,975,000	3,975,000	15,609,836
Compensated absences	17,851	45,551	63,402	64,513
Total Noncurrent Liabilities	<u>17,851</u>	<u>4,020,551</u>	<u>4,038,402</u>	<u>15,674,349</u>
Total Liabilities	<u>44,770</u>	<u>4,492,058</u>	<u>4,536,828</u>	<u>19,290,055</u>
NET ASSETS				
Invested in capital assets,				
net of related debt	734,702	7,715,352	8,450,054	9,665,714
Unrestricted	<u>1,200,475</u>	<u>2,066,843</u>	<u>3,267,318</u>	<u>753,863</u>
Total Net Assets	<u>\$ 1,935,177</u>	<u>\$ 9,782,195</u>	<u>11,717,372</u>	<u>\$ 10,419,577</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(1,793)</u>	
Net Assets of Business-type Activities			<u>\$ 11,715,579</u>	

The notes to the financial statements are an integral part of this statement.

2004

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Boat Basin Fund	Golf Club Fund	Totals	
13,086	99,024	112,110	55,853
170	1,585	1,755	131,000
-	64,884	64,884	74,394
-	-	-	47,521
17,289	71,655	88,944	1,214,620
1,281	20,011	21,292	8,927
2,138	5,243	7,381	6,723
-	400,000	400,000	516,248
<u>33,964</u>	<u>662,402</u>	<u>696,366</u>	<u>2,055,286</u>
-	4,210,000	4,210,000	10,465,302
19,244	47,191	66,435	60,503
<u>19,244</u>	<u>4,257,191</u>	<u>4,276,435</u>	<u>10,525,805</u>
<u>53,208</u>	<u>4,919,593</u>	<u>4,972,801</u>	<u>12,581,091</u>
783,461	7,619,650	8,403,111	6,101,107
1,027,008	1,494,863	2,521,871	2,774,574
<u>\$ 1,810,469</u>	<u>\$ 9,114,513</u>	<u>10,924,982</u>	<u>\$ 8,875,681</u>

(22,432)

\$ 10,902,550

City of Rye, New York
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2005
(With Comparative Amounts for 2004)

	2005			Governmental Activities - Internal Service Funds
	Business-type Activities - Enterprise Funds			
	Boat Basin Fund	Golf Club Fund	Totals	
OPERATING REVENUES				
Charges for services	\$ 542,346	\$ 4,720,112	\$ 5,262,458	\$ 3,177,880
Miscellaneous	51	3,261	3,312	69,487
Total Operating Revenues	<u>542,397</u>	<u>4,723,373</u>	<u>5,265,770</u>	<u>3,247,367</u>
OPERATING EXPENSES				
Salaries and wages	168,625	1,296,187	1,464,812	575,477
Employee benefits	66,192	480,318	546,510	279,835
Materials and supplies	37,463	862,183	899,646	751,912
Contractual costs	111,700	804,511	916,211	574,869
Depreciation	65,017	467,938	532,955	867,658
Total Operating Expenses	<u>448,997</u>	<u>3,911,137</u>	<u>4,360,134</u>	<u>3,049,751</u>
Operating Income	<u>93,400</u>	<u>812,236</u>	<u>905,636</u>	<u>197,616</u>
NON-OPERATING REVENUES (EXPENSES)				
Gain on sale of equipment	-	-	-	29,135
Interest income	31,310	78,042	109,352	107,663
Interest expense	-	(222,594)	(222,594)	(278,422)
Total Non-Operating Revenues (Expenses)	<u>31,310</u>	<u>(144,552)</u>	<u>(113,242)</u>	<u>(141,624)</u>
Income Before Transfers	124,710	667,684	792,394	55,992
Transfers in	-	-	-	1,530,244
Transfers out	-	-	-	(42,340)
Change in Net Assets	124,710	667,684	792,394	1,543,896
Net Assets - Beginning of Year	1,810,467	9,114,511	10,924,978	8,875,681
Net Assets - End of Year	<u>\$ 1,935,177</u>	<u>\$ 9,782,195</u>	<u>\$ 11,717,372</u>	<u>\$ 10,419,577</u>
Change in Net Assets			\$ 792,394	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>20,635</u>	
Change in Net Assets of Business-type Activities			<u>\$ 813,029</u>	

The notes to the financial statements are an integral part of this statement.

2004

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Boat Basin Fund	Golf Club Fund	Totals	
\$ 490,616	\$ 4,364,029	\$ 4,854,645	\$ 3,234,853
2,535	7,870	10,405	60,729
<u>493,151</u>	<u>4,371,899</u>	<u>4,865,050</u>	<u>3,295,582</u>
166,483	1,270,504	1,436,987	642,414
56,598	415,866	472,464	266,767
39,848	729,525	769,373	571,291
127,032	693,945	820,977	587,392
64,850	456,861	521,711	733,848
<u>454,811</u>	<u>3,566,701</u>	<u>4,021,512</u>	<u>2,801,712</u>
<u>38,340</u>	<u>805,198</u>	<u>843,538</u>	<u>493,870</u>
-	7,000	7,000	39,655
10,053	22,580	32,633	21,013
-	(245,471)	(245,471)	(102,727)
<u>10,053</u>	<u>(215,891)</u>	<u>(205,838)</u>	<u>(42,059)</u>
48,393	589,307	637,700	451,811
-	-	-	622,255
-	-	-	(62,779)
48,393	589,307	637,700	1,011,287
1,762,074	8,525,204	10,287,278	7,864,394
<u>\$ 1,810,467</u>	<u>\$ 9,114,511</u>	<u>\$ 10,924,978</u>	<u>\$ 8,875,681</u>
		\$ 637,700	
		(6,815)	
		<u>\$ 630,885</u>	

City of Rye, New York
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2005
(With Comparative Amounts for 2004)

	2005			Governmental Activities - Internal Service Funds
	Business-type Activities - Enterprise Funds			
	Boat Basin Fund	Golf Club Fund	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 542,394	\$ 4,750,399	\$ 5,292,793	\$ 3,144,661
Cash payments to employees	(236,188)	(1,776,699)	(2,012,887)	(849,941)
Cash payments to vendors	(153,833)	(1,677,676)	(1,831,509)	(878,863)
Other operating revenues	51	3,261	3,312	69,487
Net Cash Provided by Operating Activities	<u>152,424</u>	<u>1,299,285</u>	<u>1,451,709</u>	<u>1,485,344</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Advance from other funds	-	-	-	695,401
Transfers in	-	-	-	1,530,244
Transfers out	-	-	-	(42,340)
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,183,305</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	-	-	-	5,868,000
Acquisition and construction of capital assets	(16,260)	(328,642)	(344,902)	(3,688,644)
Principal paid on capital debt	-	(400,000)	(400,000)	(516,248)
Interest paid on capital debt	-	(226,060)	(226,060)	(341,734)
Proceeds from sale of capital assets	-	-	-	29,135
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(16,260)</u>	<u>(954,702)</u>	<u>(970,962)</u>	<u>1,350,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	31,310	78,042	109,352	184,169
Purchase of investments	(738,944)	(4,598,681)	(5,337,625)	(11,614,279)
Sale of investments	367,852	3,555,681	3,923,533	5,811,828
Net Cash Provided by (Used in) Investing Activities	<u>(339,782)</u>	<u>(964,958)</u>	<u>(1,304,740)</u>	<u>(5,618,282)</u>
Net Increase (Decrease) in Cash and Equivalents	(203,618)	(620,375)	(823,993)	(599,124)
Cash and Equivalents - Beginning of Year	232,059	2,070,742	2,302,801	3,481,224
Cash and Equivalents - End of Year	<u>\$ 28,441</u>	<u>\$ 1,450,367</u>	<u>\$ 1,478,808</u>	<u>\$ 2,882,100</u>

2004

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Boat Basin Fund	Golf Club Fund	Totals	Funds
\$ 490,568	\$ 4,375,352	\$ 4,865,920	\$ 3,218,195
(220,711)	(1,704,631)	(1,925,342)	(898,363)
(148,867)	(1,325,854)	(1,474,721)	(1,251,059)
2,535	7,870	10,405	60,729
<u>123,525</u>	<u>1,352,737</u>	<u>1,476,262</u>	<u>1,129,502</u>
-	-	-	1,091,987
-	-	-	622,255
-	-	-	(62,779)
-	-	-	<u>1,651,463</u>
-	-	-	1,708,013
(25,250)	(399,415)	(424,665)	(3,797,314)
-	(390,000)	(390,000)	(448,475)
-	(248,115)	(248,115)	(428,432)
-	7,000	7,000	39,655
<u>(25,250)</u>	<u>(1,030,530)</u>	<u>(1,055,780)</u>	<u>(2,926,553)</u>
10,053	22,580	32,633	73,486
(364,509)	(6,360,263)	(6,724,772)	(36,067,931)
<u>356,853</u>	<u>7,488,873</u>	<u>7,845,726</u>	<u>35,963,237</u>
2,397	1,151,190	1,153,587	(31,208)
100,672	1,473,397	1,574,069	(176,796)
131,387	597,345	728,732	3,658,020
<u>\$ 232,059</u>	<u>\$ 2,070,742</u>	<u>\$ 2,302,801</u>	<u>\$ 3,481,224</u>

(Continued)

City of Rye, New York
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended December 31, 2005
(With Comparative Amounts for 2004)

	2005			Governmental Activities - Internal Service Funds
	Business-type Activities - Enterprise Funds		Totals	
	Boat Basin Fund	Golf Club Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 93,400	\$ 812,236	\$ 905,636	\$ 197,616
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	65,017	467,938	532,955	867,658
(Increase) decrease in accounts receivable	48	24,597	24,645	(14,051)
(Increase) decrease in due from other funds	635	6,103	6,738	(92,570)
Decrease in due from other governments	-	-	-	(598)
(Increase) decrease in prepaid expenses	1,762	12,480	14,242	(121,328)
Increase (decrease) in accounts payable	(7,303)	(32,156)	(39,459)	568,351
Increase (decrease) in accrued liabilities	177	1,628	1,805	74,916
Increase (decrease) in retainage payable	-	-	-	77,654
Increase in due to other funds	512	16,262	16,774	(67,832)
Increase (decrease) in due to other governments	(276)	(7,981)	(8,257)	(8,927)
Increase (decrease) in compensated absences	(1,548)	(1,822)	(3,370)	4,455
Decrease in retirement incentives and other pension obligations	-	-	-	-
Total Adjustments	<u>59,024</u>	<u>487,049</u>	<u>546,073</u>	<u>1,287,728</u>
Net Cash Provided by Operating Activities	<u>\$ 152,424</u>	<u>\$ 1,299,285</u>	<u>\$ 1,451,709</u>	<u>\$ 1,485,344</u>

The notes to the financial statements are an integral part of this statement.

2004

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Boat Basin Fund	Golf Club Fund	Totals	
<u>\$ 38,340</u>	<u>\$ 805,198</u>	<u>\$ 843,538</u>	<u>\$ 493,870</u>
64,850	456,861	521,711	733,848
(48)	16,823	16,775	(16,658)
(635)	(6,003)	(6,638)	-
-	-	-	-
(3,902)	(17,523)	(21,425)	(20,122)
11,710	71,834	83,544	(67,854)
(161)	1,232	1,071	(45,000)
-	-	-	(60,502)
10,022	42,460	52,482	92,175
818	1,348	2,166	8,927
2,531	15,651	18,182	10,818
-	(35,144)	(35,144)	-
<u>85,185</u>	<u>547,539</u>	<u>632,724</u>	<u>635,632</u>
<u>\$ 123,525</u>	<u>\$ 1,352,737</u>	<u>\$ 1,476,262</u>	<u>\$ 1,129,502</u>

City of Rye, New York
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2005
(With Comparative Amounts for 2004)

	2005	2004
ASSETS		
Cash and equivalents	\$ 121,811	\$ 44,896
Accounts receivable	1,815	708
Total Assets	\$ 123,626	\$ 45,604
LIABILITIES		
Accounts payable	\$ 87,764	\$ 13,555
Employee payroll deductions	35,862	32,049
Total Liabilities	\$ 123,626	\$ 45,604

The notes to the financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The City of Rye, New York was incorporated in 1942 and operates in accordance with its Charter and the various other applicable laws of the State of New York. The City functions under a City Council/Manager form of government. The City Council is the legislative body responsible for overall operation. The City Manager serves as the chief administrative officer and the City Comptroller serves as the chief financial officer. The City provides the following services to its residents: public safety, community environment, culture and recreation and general and administrative support.

The accounting policies of the City of Rye, New York conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government which is the City of Rye, b) organizations for which the City is financially accountable and c) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the City's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities that would be included in the financial statements.

The City participates in a joint venture for the operation of the Rye Town Park (Park). The Park was established in 1907 by the New York State Legislature pursuant to Chapter 711 of the Laws of 1907. The Park provides recreational activities to the public, and is governed by a Commission, which has full charge and supervision over the capital improvements, operations, and maintenance of the Park. The Commission consists of six members: the Supervisor of the Town of Rye, the Mayor of the City of Rye, the Mayor of the Village of Port Chester, the Mayor of the Village of Rye Brook, one Commissioner appointed by the City Council of the City of Rye, and one Commissioner appointed by the Town Board of the Town of Rye. The City of Rye does not have an equity interest in the Park. The City has an ongoing financial responsibility in that the annual income or loss resulting from the Park's activities is shared proportionally by the City of Rye and the Town of Rye, using a calculation based on their equalized assessed valuation. The City's share of the Park's income or loss for the 2005 fiscal year is not yet available and accordingly, no amounts have been reflected in the financial statements. Complete separate financial statements for the Park may be obtained from the Town of Rye, 10 Pearl Street, Port Chester, New York 10573.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the City as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the financial position of the City at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The City does not allocate indirect expenses to functions in the Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Enterprise Funds and the Internal Service Funds are charges to customers for services. Operating expenses for the Enterprise Funds and the Internal Service Funds include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

C. Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The City maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The City maintains internal service and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following, which briefly explains the adjustments

Note 1 - Summary of Significant Accounting Policies (Continued)

necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The City's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles, as follows:

1. Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the City's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the City in that it includes all revenues and expenditures not required by law to be accounted for in other funds.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

The City also reports the following non-major governmental funds.

Special Revenue Funds are governmental funds established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain defined purposes. The Cable TV Fund is a special revenue fund and is used to account for revenues received from the franchise holder for public access cable TV programming.

Permanent Fund -The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs. The K.T. Woods Fund is a permanent fund of the City and is used to account for the funding for certain expenditures of the Rye Nature Center.

Debt Service Fund - The Debt Service Fund is provided to account for the accumulation of resources to be used for the redemption of principal and interest on long-term debt.

- b. Proprietary Funds - Proprietary funds include enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. Internal service funds are used to account for operations that provide services to other departments or agencies of the government, or other governments, on a cost reimbursement basis. The operations of the Boat Basin and Golf Club Funds are recorded as major enterprise funds. The City has established its Risk

Note 1 - Summary of Significant Accounting Policies (Continued)

Retention and Building and Vehicle Maintenance funds as internal service funds. The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 in accounting and reporting for its enterprise operations.

- c. Fiduciary Funds (Not Included in Government-Wide Statements) - The Fiduciary Funds are used to account for assets held by the City in an agency capacity on behalf of others. The Agency Fund is used to account for employee payroll tax withholdings and various other deposits that are payable to other jurisdictions or individuals.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements and the proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within sixty (60) days of the fiscal year end. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets or Fund Balances

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

State statutes govern the City's investment policies. The City has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The City is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements, and obligations of New York State or its political subdivisions.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The City has entered into custodial agreements with the various banks that hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies, and obligations of the State and its municipal and school district subdivisions.

The City utilizes a pooled investment concept for governmental and proprietary funds to facilitate its investment program. Investment income from this pooling is allocated to the respective funds based upon the sources of funds invested.

Investments - The City participates in a cooperative investment pool established pursuant to General Municipal Law. The sponsoring agency of the pool is another governmental unit, which acting through the fiscal officer is primarily responsible for executing the provisions of the Cooperative agreement. The pool is authorized to invest in various securities issued by the United States and its agencies. The amount reported represents the amortized cost of the cooperative shares and is considered to approximate fair value. These investments are not subject to risk categorization. Additional information concerning the Cooperative is presented in the annual report of the Cooperative Liquid Assets Securities System, which may be obtained from MBIA Municipal Investors Service Corp. (CLASS), 113 King Street, Armonk, NY 10504.

Taxes Receivable - Real property taxes attach as an enforceable lien on real property when levied. City property taxes are levied by the City on February 1st and collected by the City in one installment in February, and are due and payable without penalty during the month of February. County property taxes are levied by the County on May 1st and collected by the City in one installment in May, and are due and payable without penalty during the month of May. Rye Neck Union Free School District property taxes are levied by the school district on September 1st and collected by the City in two installments: the taxes for the period July 1st to June 30th are due on September 1st, with the first half payable without penalty until September 30th, and the second half payable without penalty until November 30th. The Rye City School District is responsible for the levy and collection of Rye City School District taxes until May 1st of the fiscal year, after which collection becomes the responsibility of the City. In accordance with Westchester County Charter and Administrative Code, the City guarantees the full payment of the County, Rye City School District, and Rye Neck Union Free School District warrants, and

Note 1 - Summary of Significant Accounting Policies (Continued)

assumes the responsibility for uncollected taxes. The City also has the responsibility for conducting in-rem foreclosure proceedings.

The City functions in both a fiduciary and guarantor relationship with the County of Westchester and the school districts with respect to the collection and payment of real property taxes levied by such jurisdictions. The County Charter provides for the City to collect County taxes. The City must remit to the County sixty (60%) percent of the amount levied on May 25th, and the balance of forty percent (40%) on October 15th. With respect to school districts taxes, New York State law and the County Charter provide that the City satisfy the warrant of the school districts by May 1st of the fiscal year for which such taxes were levied. Thus, the City's fiduciary responsibility for school districts taxes is from the date of the levy until the respective due dates at which time the City must satisfy its obligations to the school districts, regardless of the amounts collected. Since the County tax warrant must be paid in full by October 15th, uncollected County taxes have been accounted for in a manner similar to City taxes. The collection of school districts taxes is deemed a financing transaction until the warrants are satisfied.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the City. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services and construct assets. Balances of interfund amounts receivable or payable have been recorded in the fund financial statements to the extent that certain transactions between funds had not been paid or received as of December 31st. Residual balances outstanding between the governmental activities and business type activities are reported in the government-wide financial statements as internal balances.

Prepaid Expenses/Expenditures - Prepaid expenses/expenditures consist of employee retirement, health insurance and other costs which have been satisfied prior to the end of the fiscal year, but represents items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Restricted Assets - Certain assets are classified as restricted because their use is limited. Restricted assets in the Capital Projects Fund, Enterprise Fund and Internal Service Fund are to be used for construction purposes. Restricted assets in the Permanent Fund are to be used for the purpose of preserving or enhancing the natural habitat in the City, including the Rye Nature Center.

Inventories - There are no inventory values presented in the balance sheets of the respective funds of the City. Purchases of inventoriable items at various locations are recorded as expenditures at the time of purchase and year-end balances at these locations are not material.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$15,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

General infrastructure assets acquired prior to January 1, 2002 are only reported to the extent that they were funded by outstanding long-term obligations. General infrastructure assets include all infrastructure assets acquired subsequent to January 1, 2002.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant, equipment and infrastructure are depreciated using the straight line method over the following estimated useful lives:

Asset	Life in Years	
	Prior to January 1, 1995	Subsequent to January 1, 1995
Buildings	45	50
Improvements	20	5 - 20
Machinery and equipment	5 - 15	5 - 10
Infrastructure	20	25 - 50

The costs associated with the acquisition or construction of capital assets is shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Unearned/Deferred Revenues - Unearned/deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In government-wide financial statements, unearned revenues consist of revenue received in advance or revenue from grants received before the eligibility requirements have been met.

Deferred revenues in fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City has reported deferred revenues of \$100,319 for real property taxes and \$237,362 for fees received in advance in the General Fund and \$104,119 for State and Federal aid received in advance in the Capital Projects Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the government-wide and proprietary fund financial statements as current and long-term liabilities. A liability for these amounts is reported in the

Note 1 - Summary of Significant Accounting Policies (Continued)

governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are amortized over the term of the related debt.

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of Net Assets include invested in capital assets, net of related debt, restricted for capital projects, Cable TV purposes, crime forfeitures, permanent fund, debt service and risk retention. The balance is classified as unrestricted.

Fund Balances - Reserves and Designations - Portions of fund balance are segregated for future use and are therefore not available for future appropriation or expenditure. Amounts reserved for encumbrances, prepaid expenditures, compensated absences, long-term receivable, debt service, crime forfeitures and non-expendable trusts represent portions of fund balance that are required to be segregated in accordance with State law or generally accepted accounting principles. Designations of unreserved fund balances in governmental funds indicate the utilization of these resources in the ensuing year's budget or tentative plans for future use.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (Continued)

H. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain reclassifications of prior year financial data have been made to conform to the current year presentation.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

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

- a) On or before the seventh day of November, the City Manager submits to the City Council a tentative budget presenting a financial plan for conducting the affairs of the City for the ensuing fiscal year.
- b) Upon receipt of the Manager's tentative budget and prior to a public hearing, the City Council may, by a vote of at least four members of the City Council, make changes in the tentative budget.
- c) After considering the tentative budget, but not later than the first Wednesday in December and with a public notice published ten days in advance, the City Council holds a public hearing on the proposed budget.
- d) After the public hearing, but not later than December 31st, the City Council adopts the budget presented at the public hearing as submitted or amended. Amendments made between the time of the public hearing and the date of adoption, which increase total estimated revenues or total appropriations, require an affirmative vote of at least five members of the City Council.
- e) Formal budgetary integration is employed during the year as a management control device for General, Special Revenue and Debt Service funds.
- f) Budgets for General, Special Revenue and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are not adopted for the Proprietary funds.
- g) The City Manager may, at any time during the fiscal year, transfer part or all of any unencumbered appropriation balance among programs or accounts within a department, office or agency under his/her supervision, and such transfers are reported to the Council at or prior to the next City Council meeting. The City Council may, by resolution, transfer part or all of any unencumbered appropriation balance among programs or accounts of a board or commission or within a department, office or agency, or from one board, commission, department, office

Note 2 - Stewardship, Compliance and Accountability (Continued)

or agency to another. No appropriation for debt service may be reduced or transferred, and no appropriation may be reduced below any amount required by law to be appropriated or by more than the amount of the unencumbered balance thereof.

- h) Appropriations in General, Special Revenue and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments for the current year were not material in relation to the original appropriations that were amended.

B. Property Tax Limitation

The amount that may be raised by the City for real property taxes in any fiscal year, for purposes other than for debt service on City indebtedness, is limited by the Constitution of the State of New York to two (2%) percent of the five-year average full valuation of taxable real estate located within the City. For 2005, the maximum amount that could have been raised was \$90,303,453, which exceeded the levy by \$74,433,173.

C. Capital Projects Fund Project Deficit

The deficit in the Kirby Lane Sewer capital project arises because of expenditures exceeding current financing on the project. This deficit will be eliminated with the subsequent receipt or issuance of authorized financing.

Note 3 - Detailed Notes on All Funds

A. Taxes Receivable

Taxes receivable at December 31, 2005 consisted of the following:

City and County taxes - Current	\$ 90,288
City and County taxes - Delinquent	394,546
School districts taxes - Current	<u>220,023</u>
	<u>\$ 704,857</u>

School district taxes are offset by liabilities to the school districts, which will be paid no later than May 1, 2006. Taxes receivable are also partially offset in the fund financial statements by deferred tax revenues of \$100,319, which represents an estimate of the receivable that will not be collected within the first sixty days of the subsequent year. School and County taxes receivable are also reserved in the fund financial statements by a reserve for long-term receivables of \$325,269, which represents an estimate of taxes receivable that will not be collected within the subsequent year.

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)**B. Due From/To Other Funds**

The balances reflected as due from/to other funds at December 31, 2005 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Cable TV Fund	\$ 7,537
	Capital Projects Fund	2,515
	Boat Basin Fund	15,510
	Golf Club Fund	59,098
	Building and Vehicle Maintenance Fund	<u>1,842,189</u>
		<u>1,926,849</u>
Capital Projects Fund	General Fund	<u>350</u>
Debt Service Fund	Capital Projects Fund	<u>1,025</u>
Risk Retention Fund	General Fund	61,024
	Cable TV Fund	436
	Boat Basin Fund	1,221
	Golf Club Fund	<u>11,319</u>
		<u>74,000</u>
Building and Vehicle Maintenance Fund	Boat Basin Fund	1,070
	Golf Club Fund	<u>17,500</u>
		<u>18,570</u>
		<u>\$ 2,020,794</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the General Fund expects to collect in the subsequent year.

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)**C. Capital Assets**

Changes in the City's capital assets are as follows:

Class	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Governmental Activities (Inclusive of Internal Service Funds):				
Capital Assets, not being de- preciated:				
Land	\$ 3,311,755	\$ -	\$ -	\$ 3,311,755
Construction-in-progress	<u>2,503,234</u>	<u>3,140,628</u>	<u>1,650,994</u>	<u>3,992,868</u>
Total Capital Assets, not being depreciated	<u>\$ 5,814,989</u>	<u>\$ 3,140,628</u>	<u>\$ 1,650,994</u>	<u>\$ 7,304,623</u>
Capital Assets, being depreciated:				
Buildings	\$ 7,048,341	\$ 24,060	\$ -	\$ 7,072,401
Improvements	1,767,421	1,704,918	-	3,472,339
Machinery and equipment	6,361,074	583,192	190,564	6,753,702
Infrastructure	<u>4,199,786</u>	<u>453,500</u>	<u>-</u>	<u>4,653,286</u>
Total Capital Assets being depreciated	<u>19,376,622</u>	<u>2,765,670</u>	<u>190,564</u>	<u>21,951,728</u>
Less Accumulated Depreciation for:				
Buildings	1,072,381	206,438	-	1,278,819
Improvements	838,696	169,190	-	1,007,886
Machinery and equipment	3,715,114	492,030	190,564	4,016,580
Infrastructure	<u>270,657</u>	<u>107,754</u>	<u>-</u>	<u>378,411</u>
Total Accumulated Depreciation	<u>5,896,848</u>	<u>975,412</u>	<u>190,564</u>	<u>6,681,696</u>
Total Capital Assets being Depreciated, net	<u>\$ 13,479,774</u>	<u>\$ 1,790,258</u>	<u>\$ -</u>	<u>\$ 15,270,032</u>
Governmental Activities Capital Assets, net	<u>\$ 19,294,763</u>	<u>\$ 4,930,886</u>	<u>\$ 1,650,994</u>	<u>\$ 22,574,655</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance January 1, 2005	Additions	Balance December 31, 2005
Business-type Activities:			
Capital Assets, not being de- preciated:			
Land	\$ 1,700,408	\$ -	\$ 1,700,408
Capital Assets, being depreciated:			
Buildings	\$ 11,759,481	\$ -	\$ 11,759,481
Improvements	3,108,432	314,795	3,423,227
Machinery and equipment	1,070,964	30,103	1,101,067
Total Capital Assets, being depreciated	<u>15,938,877</u>	<u>344,898</u>	<u>16,283,775</u>
Less Accumulated Depreciation for:			
Buildings	2,673,364	292,095	2,965,459
Improvements	1,457,160	197,736	1,654,896
Machinery and equipment	895,650	43,124	938,774
Total Accumulated Depreciation	<u>5,026,174</u>	<u>532,955</u>	<u>5,559,129</u>
Total Capital Assets, being depreciated, net	<u>\$ 10,912,703</u>	<u>\$ (188,057)</u>	<u>\$ 10,724,646</u>
Business-type Activities Capital Assets, net	<u>\$ 12,613,111</u>	<u>\$ (188,057)</u>	<u>\$ 12,425,054</u>

Depreciation expense was charged to the City's functions and programs as follows:

Governmental Activities:	
Public Safety	\$ 17,645
Community Environment	81,499
Culture and Recreation	8,610
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>867,658</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 975,412</u>
Business-type Activities:	
Boat Basin	\$ 65,017
Golf Club	<u>467,938</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 532,955</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)**Construction Commitments**

The City has active construction projects as of December 31, 2005. These projects include new construction and renovations to existing properties. At year-end, the City had \$407,630 in construction encumbrances.

D. Accrued Liabilities

Accrued liabilities at December 31, 2005 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Payroll and employee benefits	\$ 311,433	\$ 3,560	\$ 314,993
Claims	<u>205,000</u>	<u>-</u>	<u>205,000</u>
Total Accrued Liabilities	<u>\$ 516,433</u>	<u>\$ 3,560</u>	<u>\$ 519,993</u>

E. Unpaid Claim Liabilities

The Risk Retention Fund reflects general liability claims. The government-wide statement of net assets reflects health benefit claim liabilities. The liabilities are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Using a variety of actuarial and statistical techniques, claim liabilities are recomputed periodically to produce current estimates. These estimates reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience.

An analysis of the activity of unpaid claim liabilities is as follows:

	<u>Year Ended December 31, 2005</u>		<u>Year Ended December 31, 2004</u>	
	<u>General Liability</u>	<u>Health Benefits</u>	<u>General Liability</u>	<u>Health Benefits</u>
Balance - Beginning of Year	\$ 131,000	\$ 262,430	\$ 176,000	\$ 208,689
Provision for Claims and Claims Adjustment Expenses	440,814	3,227,965	431,011	2,696,873
Claims and Claims Adjustment Expenses Paid	<u>(366,814)</u>	<u>(3,189,274)</u>	<u>(476,011)</u>	<u>(2,643,132)</u>
Balance - End of Year	<u>\$ 205,000</u>	<u>\$ 301,121</u>	<u>\$ 131,000</u>	<u>\$ 262,430</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)

The liability for health claims is reflected in the government-wide financial statements within accrued liabilities. In the fund financial statements, deposits in excess of payments by the claims administrator have been reflected as a prepaid expenditure.

F. Pension Plans

The City of Rye, New York participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (Systems). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Contributions required of employers and employees, and benefits to employees, are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The Systems are non-contributory, except for employees who joined ERS after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary. Contributions are certified by the State Comptroller and are expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a group term life insurance portion (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2006 are as follows:

	<u>Tier/Plan/Option</u>	<u>Rate</u>
ERS	1 75I/41J	15.1 %
	2 75I/41J	13.1
	3 A14/41J	10.3
	4 A15/41J	10.3
PFRS	1 384D/3029D	19.3 %
	2 384D	14.2

Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>
2005	\$ 710,362	\$ 706,801
2004	638,547	627,623
2003	245,780	168,239

These contributions were equal to the 100% of the actuarially required contributions for each respective fiscal year.

The current ERS contribution for the City was charged to various departments within the funds identified below. The current PFRS contribution was charged to the General Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)

<u>Fund</u>	<u>Amount</u>
General	\$ 559,889
Cable TV	8,509
Boat Basin	16,404
Golf Club	63,888
Building and Vehicle Maintenance	<u>61,672</u>
	<u>\$ 710,362</u>

The City also provides benefits to those police officers that retired from service prior to the inception of PFRS. Benefits are calculated pursuant to Section 192 of the Retirement and Social Security Law. It is the policy of the City to fund any benefits from the General Fund Police Department budget. These pension costs for the year ended December 31, 2005 were \$2,841. The pension benefit obligation of this plan is not significant to the City.

G. Long-Term Liabilities

The changes in the City's long-term liabilities for the year ended December 31, 2005 were as follows:

	<u>Balance January 1, 2005</u>	<u>New Issues/ Additions</u>	<u>Maturities and/or Payments</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 12,073,013	\$ 6,428,000	\$ 560,000	\$ 17,941,013	\$ 788,000
Claims Payable	810,396	253,809	64,781	999,424	199,885
Compensated Absences	<u>891,325</u>	<u>109,686</u>	<u>28,456</u>	<u>972,555</u>	<u>97,255</u>
Governmental Activities Long-Term Liabilities	<u>\$ 13,774,734</u>	<u>\$ 6,791,495</u>	<u>\$ 653,237</u>	<u>\$ 19,912,992</u>	<u>\$ 1,085,140</u>
Business-type Activities:					
Bonds Payable	\$ 4,610,000	\$ -	\$ 400,000	\$ 4,210,000	\$ 235,000
Compensated Absences	<u>73,816</u>	<u>4,011</u>	<u>7,381</u>	<u>70,446</u>	<u>7,044</u>
Business-type Activities Long-Term Liabilities	<u>\$ 4,683,816</u>	<u>\$ 4,011</u>	<u>\$ 407,381</u>	<u>\$ 4,280,446</u>	<u>\$ 242,044</u>

Each governmental fund's liability for compensated absences is liquidated by the respective fund. The General Fund liquidates claims liabilities. The City's governmental fund indebtedness is satisfied by the Debt Service Fund, which is funded by the General Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)**Bonds Payable**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. During the year, general obligation bonds were issued in the amount of \$6,428,000 for the following purposes: construction and reconstruction of city-owned buildings (\$4,201,000); acquisition of land for parks and playgrounds (\$1,037,000); purchase of a fire pumper truck (\$480,000); upgrades to sewer pump stations (\$300,000); installation and upgrade of storm drains (\$200,000); purchase of public works equipment (\$150,000), and the installation of traffic signals and traffic signal systems (\$60,000).

Bonds payable at December 31, 2005 are comprised of the following individual issues:

\$3,670,000 - 1990 bonds for various improvements, due in annual installments of \$50,000 through June 2010; interest at 6.80%	\$ 250,000
\$3,657,000 - 1998 Series A bonds for improvements to the golf club, due in annual installments of \$165,000 in September 2006, \$170,000 in September 2007, \$180,000 in September 2008, \$185,000 in September 2009, \$195,000 in September 2010, \$205,000 in September 2011, \$215,000 in September 2012, \$225,000 in September 2013, \$235,000 in September 2014, \$245,000 in September 2015, \$255,000 in September 2016, \$265,000 in September 2017 and \$280,000 in September 2018; interest at rates ranging from 4.20% to 4.50%, depending on maturity	2,820,000
\$1,743,000 - 1998 "Series B" (federally taxable) bonds for improvements to the golf club, due in annual installments of \$70,000 in September 2006, \$75,000 in September 2007, \$80,000 in September 2008, \$85,000 in September 2009, \$90,000 in September 2010, \$100,000 in September 2011, \$105,000 in September 2012, \$110,000 in September 2013, \$120,000 in September 2014, \$125,000 in September 2015, \$135,000 in September 2016, \$145,000 in September 2017 and \$150,000 in September 2018; interest at rates ranging from 6.20% to 6.30%, depending on maturity	1,390,000
\$3,825,000 - 2000 bonds for various public improvements, due in annual installments of \$140,000 in October 2006, \$150,000 in October 2007, \$160,000 in October 2008, \$165,000 in October 2009, \$175,000 in October 2010, \$185,000 in October 2011, \$195,000 in October 2012, \$210,000 in October 2013, \$220,000 in October 2014, \$235,000 in October 2015, \$250,000 in October 2016, \$260,000 in October 2017, \$275,000 in October 2018, \$290,000 in October 2019 and \$305,000 in October 2020; interest at rates ranging from 5.20% to 5.25%, depending on maturity	3,215,000
\$1,965,000 - 2001 bonds for various public improvements, due in annual installments of \$75,000 in October 2006 and October 2007, \$80,000 in October 2008, \$85,000 in October 2009, \$90,000 in October 2010, \$95,000 in October 2011 and October 2012, \$100,000 in October 2013, \$105,000 in October 2014, \$110,000 in October 2015, \$115,000 in October 2016, \$120,000 in October 2017, \$125,000 in October 2018, \$135,000 in October 2019, \$140,000 in	

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)

October 2020 and \$145,000 in October 2021; interest at rates ranging from 4.4% to 5.0%, depending on maturity \$ 1,690,000

\$5,389,500 - 2002 bonds for various public improvements, due in annual installments of \$235,000 in December 2006, \$240,000 in December 2007, \$250,000 in December 2008, \$260,000 in December 2009, \$275,000 in December 2010, \$285,000 in December 2011, \$300,000 in December 2012, \$310,000 in December 2013, \$325,000 in December 2014, \$340,000 in December 2015, \$350,000 in December 2016, \$365,000 in December 2017, \$380,000 in December 2018, \$395,000 in December 2019 and \$415,000 in December 2020; interest at rates ranging from 3.25% to 4.25%, depending on maturity 4,725,000

\$1,708,013 - 2004 New York State Environmental Facilities Corporation bonds for land acquisition, due in annual installments of \$75,000 in August 2006, \$73,013 in August 2007, \$75,000 in August 2008 through August 2011, \$80,000 in August 2012 through August 2014, \$85,000 in August 2015 and August 2016, \$90,000 in August 2017 through August 2019, \$95,000 in August 2020, \$100,000 in August 2021 and August 2022 and \$105,000 in August 2023 and August 2024; interest at rates ranging from 2.061% to 4.964%, depending on maturity 1,633,013

\$6,428,000 - 2005 bonds for various public improvements, due in annual installments of \$213,000 in December 2006, \$220,000 in December 2007, \$230,000 in December 2008, \$240,000 in December 2009, \$250,000 in December 2010, \$255,000 in December 2011, \$265,000 in December 2012, \$275,000 in December 2013, \$290,000 in December 2014, \$305,000 in December 2015, \$315,000 in December 2016, \$330,000 in December 2017, \$350,000 in December 2018, \$365,000 in December 2019, \$380,000 in December 2020, \$395,000 in December 2021, \$410,000 in December 2022, \$430,000 in December 2023, \$445,000 in December 2024 and \$465,000 in December 2025; interest at rates ranging from 3.875% to 4.00%, depending on maturity 6,428,000

\$ 22,151,013

Interest expenditures/expense of \$54,717 and \$278,422 were recorded in the fund financial statements in the Debt Service Fund and the Internal Service Fund, respectively. Interest expense of \$333,563 was recorded in the government-wide financial statements for governmental activities. Interest expense of \$222,594 was recorded in the fund and government-wide financial statements for the business-type activities - Golf Club Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2005**Note 3 - Detailed Notes on All Funds (Continued)****Payments to Maturity**

The annual requirements to amortize all bonded debt outstanding, including interest of \$9,035,980, as of December 31, 2005 is as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 788,000	\$ 727,117	\$ 235,000	\$ 209,348	\$ 1,023,000	\$ 936,465
2007	808,013	697,253	245,000	198,078	1,053,013	895,331
2008	845,000	666,075	260,000	186,288	1,105,000	852,363
2009	875,000	633,174	270,000	173,768	1,145,000	806,942
2010	915,000	598,799	285,000	160,728	1,200,000	759,527
2011-2015	4,900,000	2,448,084	1,685,000	576,330	6,585,000	3,024,414
2016-2020	6,110,000	1,332,993	1,230,000	128,250	7,340,000	1,461,243
2021-2025	2,700,000	299,695	-	-	2,700,000	299,695
	<u>\$ 17,941,013</u>	<u>\$ 7,403,190</u>	<u>\$ 4,210,000</u>	<u>\$ 1,632,790</u>	<u>\$22,151,013</u>	<u>\$ 9,035,980</u>

The above general obligation bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the City.

Claims Payable

Claims payable reflects a liability of \$999,424 for tax certiorari refunds, which were not due and payable at year-end. This amount represents likely tax certiorari refunds based upon proceedings pending against the City to reduce assessments upon which taxes had been levied. This amount has been recorded as an expense in the government-wide financial statements.

Compensated Absences

Vacation time is generally taken in the year subsequent to the year in which it is earned, although employees may be granted permission to carry over unused vacation time beyond one year. Employees may be paid up to 36 days of unused vacation time upon separation of service. Full-time administrative employees, and full-time employees who are members of the Civil Service Employees Association (CSEA) Clerical Unit hired prior to January 1, 1977 may accrue a maximum of 365 sick leave days, and those hired on or after January 1, 1977 may accrue a maximum 250 sick leave days. Full-time employees who are members of the CSEA Public Works Unit hired prior to January 1, 1977 may accrue a maximum of 365 sick leave days, and those hired on or after January 1, 1977 may accrue a maximum 200 sick leave days. The City will pay accrued sick time to all full-time administrative employees at the daily rate of pay for each day of accrued sick leave in excess of 165 days, to a maximum of 35 days. The City will pay accrued sick time to all full-time CSEA Clerical Unit employees who have 20 years of service with the City at the daily rate of pay for each day of accrued sick leave in excess of 165 days, to a maximum of 35 days. The City will pay accrued sick time to police officers who retire and have accumulated sick leave in excess of 220 days, in an amount equal to two day's pay per year of service to a maximum of 40 days. There is no payment of accrued sick time upon retirement to

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)

firefighters. The value of the compensated absences has been reflected as a liability in the government-wide and proprietary fund financial statements, and as a reservation of fund balance in the governmental fund's financial statements.

H. Interfund Transfers

Interfund transfers are defined as the flow of assets (such as cash or goods) between funds of the City without equivalent flows of assets in return and without a requirement for repayment. Interfund transfers for the fiscal year ended December 31, 2005 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Internal Service</u>	
General	\$ -	\$ 238,000	\$ 58,367	\$ 1,530,244	\$ 1,826,611
Capital Projects	-	315,000	-	-	315,000
Other Govern- mental	4,000	-	-	-	4,000
Internal Service	42,340	-	-	-	42,340
	<u>\$ 46,340</u>	<u>\$ 553,000</u>	<u>\$ 58,367</u>	<u>\$ 1,530,244</u>	<u>\$ 2,187,951</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Debt Service Fund to establish mandatory reserve accounts and 3) move unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

I. Post-Employment Health Care Benefits

In addition to providing pension benefits, the City provides health care benefits for retired employees, their spouses, and their dependents. The various collective bargaining agreements stipulate the active and retired employees' covered, and the percentage of contribution, if any, to the cost of health care benefits. The City pays the cost of post-employment healthcare benefits for retirees, their spouses, and their dependents during the life of the retiree. Surviving spouses of retirees may elect to continue receiving health care benefits at their expense. Substantially all of the City's employees may become eligible for these benefits if they retire through the New York State Retirement System while working for the City. The cost of retiree health care benefits is recognized as expenditures/expenses as claims are paid. During the year, \$1,314,857 was paid on behalf of 118 retirees and this amount has been recorded as an expenditure and expense.

Note 3 - Detailed Notes on All Funds (Continued)

J. Net Assets

The components of net assets are detailed below:

Invested in Capital Assets, net of Related Debt - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net assets that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Restricted for Crime Forfeitures - the component of net assets that represents the unexpended balance of the forfeiture of seized crime properties to be used for law enforcement purposes pursuant to a State directive.

Restricted for Permanent Fund - the component of net assets that reports the difference between the assets and liabilities of the non-expendable trust, this consists of assets with constraints placed on their use by an external party.

Restricted for Special Purposes - the component of net assets that reports the difference between assets and liabilities of the parking improvements, parks, recreation and 9/11 memorial programs with constraints placed on their use by external parties.

Restricted for Debt Service - the component of net assets that reports the difference between the assets and liabilities of the Debt Service Fund, this consists of assets with constraints placed on their use by New York State Local Finance Law.

Restricted for Risk Retention - the component of net assets that provides for the payment of self-insured general liability claims pursuant to New York State Law.

Unrestricted - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

K. Fund Balances

The City, in accordance with laws of New York State, local charter authorization and generally accepted accounting principles has reserved and designated certain elements of the fund balance. A description of the significant elements is as follows:

Reserved

Encumbrances outstanding have been reserved, as it is the City's intention to honor the contracts in process at year-end. The subsequent year's appropriations will be amended to provide authority to complete the transactions.

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2005

Note 3 - Detailed Notes on All Funds (Continued)

The Reserve for Prepaid Expenditures represents health insurance, retirement and other costs paid in advance. The reserve indicates that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Reserve for Compensated Absences represents funds set aside for the payment of accumulated vacation and sick leave in accordance with various collective bargaining agreements and General Municipal Law. These funds are not "available" for appropriation or expenditure.

The Reserve for Long-Term Receivable represents funds set aside to indicate the long-term nature of taxes receivable collected for other governments. These funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Reserve for Debt Service represents a segregation of the fund balance for debt service in accordance with the provisions of the New York State Local Finance Law.

The Reserve for Crime Forfeitures represents the unexpended balance of the forfeiture of seized crime properties to be used for law enforcement purposes pursuant to a State directive.

The Reserve for Trust represents funds set aside in accordance with the terms of various trust agreements.

Components of Unreserved Fund Balance

The components of unreserved fund balance are as follows:

	Fund		
	General	Capital Projects	Other Governmental
Designated for Subsequent Year's Expenditures	\$ 1,527,730	\$ -	\$ 10,477
Designated for Tax Certiorari	999,424	-	-
Designated for Parking Improvements	76,283	-	-
Designated for Police Purposes	8,879	-	-
Designated for Parks	99,659	-	-
Designated for Recreation Programs	191,999	-	-
Designated for 9/11 Memorial	153,200	-	-
Undesignated	<u>5,511,686</u>	<u>1,023,769</u>	<u>241,964</u>
	<u>\$ 8,568,860</u>	<u>\$ 1,023,769</u>	<u>\$ 252,441</u>

Designated for Subsequent Year's Expenditures - This designation indicates that the City has utilized these amounts in the subsequent year's budget as a funding source.

Note 3 - Detailed Notes on All Funds (Continued)

Designated for Tax Certiorari - This designation represents funds that the City estimates it will use for property tax certiorari judgments and settlements.

Designated for Parking Improvements - This designation represents funds that the City will use for parking improvements in the downtown business district.

Designated for Police Purposes - This designation represents funds donated to the City that the City will use for police purposes.

Designated for Parks - This designation represents funds collected by the City from individuals and firms developing or improving real estate that the City will use for the acquisition and/or embellishment of parks and playgrounds.

Designated for Recreation Programs - This designation represents funds donated to the City by individuals and organizations that the City will use for various recreational programs.

Designated for 9/11 Memorial - This designation represents funds donated to the City by individuals and organizations that the City will use to construct a memorial to the victims of the September 11, 2001 terrorist attacks.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

The City, in common with other municipalities, receives numerous notices of claims for money damages occurring from false arrest, malicious prosecution, and defamation of character or personal injury. The filing of such claims commences a statutory period for initiating judicial action. Currently, the City is defendant in numerous actions that may exceed insurance limits, or are not covered by applicable insurance. Such actions are being defended and no opinion is expressed as to the merits or possible outcome of each case. Payments that may be required as a result of these actions have been included in the assessment and calculation of liabilities in the Risk Retention Fund.

The City is also defendant in numerous pending tax certiorari proceedings, the results of which cannot be determined at this time. Any refunds resulting from adverse settlements will be funded in the year in which the payments are made.

B. Contingencies

The City participates in various Federal grant programs. These programs may be subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures/expenses that may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, to be immaterial.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

C. Risk Management

The City's general liability program has a self-insured retention level of \$50,000 per occurrence. Insurance coverage has been secured for losses up to a maximum of \$5 million per occurrence. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Accrued liabilities in the Risk Retention Fund include provisions for claims reported and claims incurred but not reported (IBNR's).

The City, along with other municipal entities, participates in the Municipal Employee Benefits Consortium (MEBCO). MEBCO is a public entity risk pool currently operating as a common risk management and health insurance program for its members. MEBCO was formed in April 1988 pursuant to an act of the Board of Legislators of the County of Westchester. This act provided cities and villages throughout Westchester County with an opportunity to participate in a cooperative program for providing health benefits to municipal employees by entering into an intermunicipal agreement pursuant to Article 5-G of the General Municipal Law. The purpose of the pool is to stabilize the cost of medical benefits provided to employees (see unpaid claim liabilities). MEBCO functions primarily as a claims service whereby each participating municipality retains its own risk. MEBCO does not transfer risk since charges to each municipality are ultimately determined by their individual claims/loss experience. The City pays the pool an annual provision for its health coverage.

Workers' compensation insurance is secured with statutory coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CAPITAL PROJECTS FUND
PROJECT-LENGTH SCHEDULE**

City of Rye, New York
 Capital Projects Fund
 Project-Length Schedule
 Inception of Project Through December 31, 2005

Project Number	Project Title	Year Authorized	Project Budget	Expenditures and Other Financing Uses			Unexpended Balance
				Prior Years	Current Year	Total	
501355	GIS	1997	\$ 271,724	\$ 215,072	\$ 8,000	\$ 223,072	\$ 48,652
503308	Peck Avenue Road Widening	2000	42,376	39,775	2,601	42,376	-
503317B	Bonded Signal Projects	2001	270,712	260,782	9,930	270,712	-
503318B	Bonded Signal Projects	2003	316,335	9,577	68,369	77,946	238,389
503320	Forest Avenue and Grace Church Street Signal	2004	135,986	128,341	7,645	135,986	-
505133	Annual Street Resurfacing Program	2004	348,135	179,626	165,709	345,335	2,800
505134	Annual Sidewalk Replacement Program	2004	158,573	97,555	61,018	158,573	-
505137	Annual Street Resurfacing Program	2005	492,813	-	324,223	324,223	168,590
505138	Annual Sidewalk Replacement Program	2005	90,428	-	20,432	20,432	69,996
505200	Annual Drainage Improvement Program	2003	116,110	113,016	3,094	116,110	-
505201B	Kirby Lane Sewer	2003	1,700,732	732	91,554	92,286	1,608,446
505203B	Sewer Pump Stations Improvements	2003	145,094	145,094	-	145,094	-
505204B	Peck Avenue Pump Station	2003	163,000	87	1,434	1,521	161,479
505222	Garden Drive Sewer Replacement	1996	123,293	28,933	-	28,933	94,360
505229	Peck Avenue Pump Station	1999	59,138	31,243	5,324	36,567	22,571
505256	Miscellaneous Drainage Improvements	2001	97,208	63,564	33,644	97,208	-
505257B	North Kirby Lane Drain	2001	195,000	77,904	1,723	79,627	115,373
505258	LaSalle Avenue Drain	2001	30,249	249	-	249	30,000
505261	Miscellaneous Drainage Improvements	2004	53,764	23,815	29,949	53,764	-
505262	Miscellaneous Sewer Rehabilitation	2004	580,000	52,398	27,753	80,151	499,849
505263B	Highland Avenue and Onondaga Street Drain	2004	200,000	403	955	1,358	198,642
505264	Annual Drainage Improvement Program	2005	116,688	-	46,734	46,734	69,954
505265	Clinton Avenue Drain	2005	75,000	-	-	-	75,000
507105	Recreation Master Plan	2001	74,100	67,548	-	67,548	6,552
507107	Recreation Park Lower Playground	2001	65,539	539	-	539	65,000
507110	Gagliardo Park Improvements - CDBG	2001	121,935	116,340	-	116,340	5,595
			<u>\$ 6,043,932</u>	<u>\$ 1,652,593</u>	<u>\$ 910,091</u>	<u>\$ 2,562,684</u>	<u>\$ 3,481,248</u>

Revenues and Other Financing Sources			Fund Balance (Deficit)
Prior Years	Current Year	Total	at December 31, 2005
\$ 271,724	\$ -	\$ 271,724	\$ 48,652
42,376	-	42,376	-
270,712	-	270,712	-
236,159	80,176	316,335	238,389
135,986	-	135,986	-
344,285	3,850	348,135	2,800
158,573	-	158,573	-
-	492,813	492,813	168,590
-	90,428	90,428	69,996
116,110	-	116,110	-
732	-	732	(91,554)
8,094	137,000	145,094	-
-	163,000	163,000	161,479
123,293	-	123,293	94,360
59,138	-	59,138	22,571
97,208	-	97,208	-
195,000	-	195,000	115,373
30,249	-	30,249	30,000
53,764	-	53,764	-
150,000	80,151	230,151	150,000
-	200,000	200,000	198,642
-	116,688	116,688	69,954
-	75,000	75,000	75,000
74,100	-	74,100	6,552
65,539	-	65,539	65,000
121,935	-	121,935	5,595
<u>\$ 2,554,977</u>	<u>\$ 1,439,106</u>	<u>\$ 3,994,083</u>	<u>\$ 1,431,399</u>

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

- **Cable T.V. Fund** - The Cable T.V. Fund is used to account for revenues received from the franchise holder for public access cable T.V. programming.

PERMANENT FUND

The KT-Woods Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

DEBT SERVICE FUND

The Debt Service Fund is provided to account for the accumulation of resources to be used for the redemption of principal and interest on general long-term debt.

City of Rye, New York
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2005
 (With Comparative Amounts for 2004)

	2005			Total
	Cable TV Fund	KT Woods Permanent Fund	Debt Service Fund	
ASSETS				
Cash and equivalents	\$ 9,694	\$ -	\$ -	\$ 9,694
Investments	158,489	-	98,346	256,835
Accounts receivable	104,210	-	-	104,210
Due from other funds	-	-	1,025	1,025
Prepaid expenditures	3,250	-	-	3,250
Investments - restricted	-	24,303	-	24,303
Total Assets	<u>\$ 275,643</u>	<u>\$ 24,303</u>	<u>\$ 99,371</u>	<u>\$ 399,317</u>
LIABILITIES				
Accounts payable	\$ 925	\$ -	\$ -	\$ 925
Accrued liabilities	565	-	728	1,293
Due to other funds	7,973	-	-	7,973
Total Liabilities	<u>9,463</u>	<u>-</u>	<u>728</u>	<u>10,191</u>
FUND BALANCES (DEFICITS)				
Reserved for encumbrances	10,691	-	-	10,691
Reserved for prepaid expenditures	3,250	-	-	3,250
Reserved for compensated absences	4,101	-	-	4,101
Reserved for debt service	-	-	98,643	98,643
Reserved for trust	-	20,000	-	20,000
Unreserved:				
Designated for subsequent year's expenditures	6,477	4,000	-	10,477
Undesignated	241,661	303	-	241,964
Total Fund Balances	<u>266,180</u>	<u>24,303</u>	<u>98,643</u>	<u>389,126</u>
Total Liabilities and Fund Balances	<u>\$ 275,643</u>	<u>\$ 24,303</u>	<u>\$ 99,371</u>	<u>\$ 399,317</u>

2004

Cable TV Fund	KT Woods Permanent Fund	Debt Service Fund	Total
\$ 25,599	\$ -	\$ -	\$ 25,599
104,009	-	123,839	227,848
100,155	-	-	100,155
300	-	608	908
5,606	-	-	5,606
-	27,560	-	27,560
<u>\$ 235,669</u>	<u>\$ 27,560</u>	<u>\$ 124,447</u>	<u>\$ 387,676</u>
\$ 7,052	\$ -	\$ -	\$ 7,052
468	-	-	468
10,793	-	-	10,793
<u>18,313</u>	<u>-</u>	<u>-</u>	<u>18,313</u>
32,415	-	-	32,415
5,606	-	-	5,606
16,342	-	-	16,342
-	-	44,447	44,447
-	20,000	-	20,000
14,169	4,000	80,000	98,169
148,824	3,560	-	152,384
<u>217,356</u>	<u>27,560</u>	<u>124,447</u>	<u>369,363</u>
<u>\$ 235,669</u>	<u>\$ 27,560</u>	<u>\$ 124,447</u>	<u>\$ 387,676</u>

City of Rye, New York
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2005
(With Comparative Amounts for 2004)

	2005			Total
	Cable TV Fund	KT Woods Permanent Fund	Debt Service Fund	
REVENUES				
Non-property taxes	\$ 203,743	\$ -	\$ -	\$ 203,743
Use of money and property	3,530	743	14,298	18,571
Miscellaneous	24,281	-	-	24,281
Total Revenues	231,554	743	14,298	246,595
EXPENDITURES				
Current:				
Culture and Recreation:				
Salaries and wages	93,636	-	-	93,636
Equipment	21,517	-	-	21,517
Materials and supplies	10,055	-	-	10,055
Contractual costs	31,583	-	-	31,583
Employee benefits	25,939	-	-	25,939
	182,730	-	-	182,730
Debt Service:				
Principal	-	-	43,752	43,752
Interest	-	-	54,717	54,717
Total Expenditures	182,730	-	98,469	281,199
Excess (Deficiency) of Revenues Over Expenditures	48,824	743	(84,171)	(34,604)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	58,367	58,367
Transfers out	-	(4,000)	-	(4,000)
Total Other Financing Sources (Uses)	-	(4,000)	58,367	54,367
Net Change in Fund Balances	48,824	(3,257)	(25,804)	19,763
Fund Balances - Beginning of Year	217,356	27,560	124,447	369,363
Fund Balances - End of Year	\$ 266,180	\$ 24,303	\$ 98,643	\$ 389,126

2004

Cable TV Fund	Nature Center Fund	KT Woods Permanent Fund	Debt Service Fund	Total
\$ 190,313	\$ -	\$ -	\$ -	\$ 190,313
1,263	-	304	5,574	7,141
25,101	-	50	-	25,151
<u>216,677</u>	<u>-</u>	<u>354</u>	<u>5,574</u>	<u>222,605</u>
100,701	-	-	-	100,701
24,167	-	-	-	24,167
8,672	-	-	-	8,672
27,607	-	-	-	27,607
26,316	-	-	-	26,316
<u>187,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,463</u>
-	-	-	41,525	41,525
-	-	-	56,745	56,745
<u>187,463</u>	<u>-</u>	<u>-</u>	<u>98,270</u>	<u>285,733</u>
29,214	-	354	(92,696)	(63,128)
-	-	-	130,465	130,465
-	(2,597)	(4,000)	-	(6,597)
-	(2,597)	(4,000)	130,465	123,868
29,214	(2,597)	(3,646)	37,769	60,740
188,142	2,597	31,206	86,678	308,623
<u>\$ 217,356</u>	<u>\$ -</u>	<u>\$ 27,560</u>	<u>\$ 124,447</u>	<u>\$ 369,363</u>

City of Rye, New York
Cable TV Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2005
(With Comparative Amounts for 2004)

	2005			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Non-property taxes	\$ 175,000	\$ 175,000	\$ 203,743	\$ 28,743
Use of money and property	400	400	3,530	3,130
Miscellaneous	24,600	24,600	24,281	(319)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>231,554</u>	<u>31,554</u>
EXPENDITURES				
Current -				
Culture and Recreation:				
Salaries and wages	107,599	109,599	93,636	15,963
Equipment	29,064	25,614	21,517	4,097
Materials and supplies	13,678	13,128	10,055	3,073
Contractual costs	64,399	66,399	31,583	34,816
Employee benefits	31,844	31,844	25,939	5,905
Total Expenditures	<u>246,584</u>	<u>246,584</u>	<u>182,730</u>	<u>63,854</u>
Excess (Deficiency) of Revenues Over Expenditures	(46,584)	(46,584)	48,824	95,408
Fund Balance - Beginning of Year	46,584	46,584	217,356	170,772
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,180</u>	<u>\$ 266,180</u>

2004

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 160,000	\$ 160,000	\$ 190,313	\$ 30,313
500	500	1,263	763
<u>24,800</u>	<u>24,800</u>	<u>25,101</u>	<u>301</u>
<u>185,300</u>	<u>185,300</u>	<u>216,677</u>	<u>31,377</u>
95,776	100,716	100,701	15
27,000	26,700	24,167	2,533
13,004	9,804	8,672	1,132
49,302	60,902	27,607	33,295
<u>29,616</u>	<u>28,576</u>	<u>26,316</u>	<u>2,260</u>
<u>214,698</u>	<u>226,698</u>	<u>187,463</u>	<u>39,235</u>
(29,398)	(41,398)	29,214	70,612
<u>29,398</u>	<u>41,398</u>	<u>188,142</u>	<u>146,744</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,356</u>	<u>\$ 217,356</u>

City of Rye, New York
 Nature Center Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year Ended December 31, 2005
 (With Comparative Amounts for 2004)

	2005			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current -				
Culture and Recreation -				
Materials and supplies	-	-	-	-
Deficiency of Revenues Over Expenditures	-	-	-	-
OTHER FINANCING USES -				
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

Note: Nature Center Fund discontinued and consolidated into operations of General Fund beginning with fiscal 2004.

2004

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
<u>388</u>	<u>-</u>	<u>-</u>	<u>-</u>
(388)	-	-	-
<u>-</u>	<u>(2,597)</u>	<u>(2,597)</u>	<u>-</u>
(388)	(2,597)	(2,597)	-
<u>388</u>	<u>2,597</u>	<u>2,597</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Rye, New York
 K.T. Woods Permanent Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year Ended December 31, 2005
 (With Comparative Amounts for 2004)

	2005			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Use of money and property	\$ -	\$ -	\$ 743	\$ 743
Miscellaneous	-	-	-	-
Total Revenues	-	-	743	743
OTHER FINANCING USES - Transfers out				
	(4,000)	(4,000)	(4,000)	-
Net Change in Fund Balance	(4,000)	(4,000)	(3,257)	743
Fund Balance - Beginning of Year	4,000	4,000	27,560	23,560
Fund Balance - End of Year	\$ -	\$ -	\$ 24,303	\$ 24,303

2004

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ -	\$ -	\$ 304	\$ 304
-	-	50	50
-	-	354	354
<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
(4,000)	(4,000)	(3,646)	354
<u>4,000</u>	<u>4,000</u>	<u>31,206</u>	<u>27,206</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,560</u>	<u>\$ 27,560</u>

City of Rye, New York
 Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year Ended December 31, 2005
 (With Comparative Amounts for 2004)

	2005			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES - Use of money and property	\$ -	\$ -	\$ 14,298	\$ 14,298
EXPENDITURES				
Debt Service:				
Principal	67,197	67,197	43,752	23,445
Interest	71,170	71,170	54,717	16,453
Total Expenditures	138,367	138,367	98,469	39,898
Deficiency of Revenues Over Expenditures	(138,367)	(138,367)	(84,171)	54,196
OTHER FINANCING SOURCES -				
Transfers in	58,367	58,367	58,367	-
Net Change in Fund Balance	(80,000)	(80,000)	(25,804)	54,196
Fund Balance - Beginning of Year	80,000	80,000	124,447	44,447
Fund Balance - End of Year	\$ -	\$ -	\$ 98,643	\$ 98,643

2004

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ -	\$ -	\$ 5,574	\$ 5,574
59,600	59,600	41,525	18,075
<u>70,861</u>	<u>70,861</u>	<u>56,745</u>	<u>14,116</u>
<u>130,461</u>	<u>130,461</u>	<u>98,270</u>	<u>32,191</u>
(130,461)	(130,461)	(92,696)	37,765
<u>130,461</u>	<u>130,461</u>	<u>130,465</u>	<u>4</u>
-	-	37,769	37,769
-	-	<u>86,678</u>	<u>86,678</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,447</u>	<u>\$ 124,447</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The internal service funds of the City are as follows:

- The Risk Retention Fund is used to account for general liability insurance and risk management activities.
- The Building and Vehicle Maintenance Fund is used to account for the acquisition, operation, maintenance and disposition of the City's buildings and vehicles which are not otherwise accounted for in other funds.

City of Rye, New York
Internal Service Funds
Combining Statement of Net Assets
December 31, 2005
(With Comparative Amounts for 2004)

	2005		Total
	Risk Retention Fund	Building and Vehicle Maintenance Fund	
ASSETS			
Current Assets:			
Cash and equivalents	\$ -	\$ 1,031,684	\$ 1,031,684
Investments	298,377	2,058,917	2,357,294
Accounts receivable	-	16,800	16,800
Due from other funds	74,000	18,570	92,570
Due from other governments	-	43,710	43,710
Prepaid expenses	134,174	34,384	168,558
Total Current Assets	<u>506,551</u>	<u>3,204,065</u>	<u>3,710,616</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and equivalents	-	1,850,416	1,850,416
Investments	-	6,150,360	6,150,360
Total Restricted Assets	<u>-</u>	<u>8,000,776</u>	<u>8,000,776</u>
Capital Assets:			
Land	-	3,311,755	3,311,755
Buildings	-	7,072,401	7,072,401
Improvements	-	3,472,339	3,472,339
Machinery and equipment	-	6,753,702	6,753,702
Construction in progress	-	3,691,328	3,691,328
Less - Accumulated depreciation	-	(6,303,285)	(6,303,285)
Total Capital Assets (net of accumulated depreciation)	<u>-</u>	<u>17,998,240</u>	<u>17,998,240</u>
Total Noncurrent Assets	<u>-</u>	<u>25,999,016</u>	<u>25,999,016</u>
Total Assets	<u>506,551</u>	<u>29,203,081</u>	<u>29,709,632</u>

2004

Risk Retention Fund	Building and Vehicle Maintenance Fund	Total
\$ -	\$ 2,964,976	\$ 2,964,976
361,852	954,196	1,316,048
-	2,749	2,749
-	-	-
-	43,112	43,112
-	47,230	47,230
<u>361,852</u>	<u>4,012,263</u>	<u>4,374,115</u>
-	516,248	516,248
-	<u>1,389,156</u>	<u>1,389,156</u>
-	<u>1,905,404</u>	<u>1,905,404</u>
-	3,311,755	3,311,755
-	7,048,341	7,048,341
-	1,767,421	1,767,421
-	6,361,074	6,361,074
-	2,314,853	2,314,853
-	<u>(5,626,191)</u>	<u>(5,626,191)</u>
-	<u>15,177,253</u>	<u>15,177,253</u>
-	<u>17,082,657</u>	<u>17,082,657</u>
<u>361,852</u>	<u>21,094,920</u>	<u>21,456,772</u>

(Continued)

City of Rye, New York
Internal Service Funds
Combining Statement of Net Assets (Continued)
December 31, 2005
(With Comparative Amounts for 2004)

	2005		
	Risk Retention Fund	Building and Vehicle Maintenance Fund	Total
LIABILITIES			
Current Liabilities:			
Accounts payable	3,844	620,360	624,204
Accrued liabilities	205,000	916	205,916
Accrued interest payable	-	87,588	87,588
Retainage payable	-	125,175	125,175
Due to other funds	-	1,842,189	1,842,189
Due to other governments	-	-	-
Compensated absences	-	7,168	7,168
Current liabilities payable from restricted assets:			
Bonds payable	-	723,466	723,466
Total Current Liabilities	<u>208,844</u>	<u>3,406,862</u>	<u>3,615,706</u>
Noncurrent Liabilities:			
Bonds payable	-	15,609,836	15,609,836
Compensated absences	-	64,513	64,513
Total Noncurrent Liabilities	<u>-</u>	<u>15,674,349</u>	<u>15,674,349</u>
Total Liabilities	<u>208,844</u>	<u>19,081,211</u>	<u>19,290,055</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	9,665,714	9,665,714
Unrestricted	297,707	456,156	753,863
Total Net Assets	<u>\$ 297,707</u>	<u>\$ 10,121,870</u>	<u>\$ 10,419,577</u>

2004

Risk Retention Fund	Building and Vehicle Maintenance Fund	Total
689	55,164	55,853
131,000	-	131,000
-	74,394	74,394
-	47,521	47,521
45,000	1,169,620	1,214,620
-	8,927	8,927
-	6,723	6,723
-	516,248	516,248
<u>176,689</u>	<u>1,878,597</u>	<u>2,055,286</u>
-	10,465,302	10,465,302
-	60,503	60,503
-	10,525,805	10,525,805
<u>176,689</u>	<u>12,404,402</u>	<u>12,581,091</u>
-	6,101,107	6,101,107
185,163	2,589,411	2,774,574
<u>\$ 185,163</u>	<u>\$ 8,690,518</u>	<u>\$ 8,875,681</u>

City of Rye, New York
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2005
(With Comparative Amounts for 2004)

	2005		
	Risk Retention Fund	Building and Vehicle Maintenance Fund	Total
OPERATING REVENUES			
Charges for services	\$ 574,250	\$ 2,603,630	\$ 3,177,880
Miscellaneous	2,313	67,174	69,487
Total Operating Revenues	<u>576,563</u>	<u>2,670,804</u>	<u>3,247,367</u>
OPERATING EXPENSES			
Salaries and wages	-	575,477	575,477
Employee benefits	-	279,835	279,835
Materials and supplies	873	751,039	751,912
Contractual costs	475,639	99,230	574,869
Depreciation	-	867,658	867,658
Total Operating Expenses	<u>476,512</u>	<u>2,573,239</u>	<u>3,049,751</u>
Operating Income	<u>100,051</u>	<u>97,565</u>	<u>197,616</u>
NON-OPERATING REVENUES (EXPENSES)			
Gain on sale of equipment	-	29,135	29,135
Interest income	12,493	95,170	107,663
Interest expense	-	(278,422)	(278,422)
Total Non-Operating Revenues (Expenses)	<u>12,493</u>	<u>(154,117)</u>	<u>(141,624)</u>
Income (Loss) Before Transfers	112,544	(56,552)	55,992
Transfers in	-	1,530,244	1,530,244
Transfers out	-	(42,340)	(42,340)
Change in Net Assets	112,544	1,431,352	1,543,896
Net Assets - Beginning of Year	185,163	8,690,518	8,875,681
Net Assets - End of Year	<u>\$ 297,707</u>	<u>\$ 10,121,870</u>	<u>\$ 10,419,577</u>

2004

Risk Retention Fund	Building and Vehicle Maintenance Fund	Total
\$ 440,829	\$ 2,794,024	\$ 3,234,853
55,629	5,100	60,729
<u>496,458</u>	<u>2,799,124</u>	<u>3,295,582</u>
-	642,414	642,414
-	266,767	266,767
-	571,291	571,291
481,269	106,123	587,392
-	733,848	733,848
<u>481,269</u>	<u>2,320,443</u>	<u>2,801,712</u>
<u>15,189</u>	<u>478,681</u>	<u>493,870</u>
-	39,655	39,655
4,228	16,785	21,013
-	(102,727)	(102,727)
<u>4,228</u>	<u>(46,287)</u>	<u>(42,059)</u>
19,417	432,394	451,811
-	622,255	622,255
-	(62,779)	(62,779)
19,417	991,870	1,011,287
165,746	7,698,648	7,864,394
<u>\$ 185,163</u>	<u>\$ 8,690,518</u>	<u>\$ 8,875,681</u>

City of Rye, New York
Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2005
(With Comparative Amounts for 2004)

	2005		
	Risk Retention Fund	Building and Vehicle Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from charges to other funds	\$ 574,250	\$ 2,570,411	\$ 3,144,661
Cash payments to employees	-	(849,941)	(849,941)
Cash payments to vendors	(652,531)	(226,332)	(878,863)
Other operating revenues	2,313	67,174	69,487
Net Cash Provided by (Used in) Operating Activities	<u>(75,968)</u>	<u>1,561,312</u>	<u>1,485,344</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from other funds	-	695,401	695,401
Transfers in	-	1,530,244	1,530,244
Transfers out	-	(42,340)	(42,340)
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>2,183,305</u>	<u>2,183,305</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	5,868,000	5,868,000
Acquisition and construction of capital assets	-	(3,688,644)	(3,688,644)
Principal paid on capital debt	-	(516,248)	(516,248)
Interest paid on capital debt	-	(341,734)	(341,734)
Proceeds from sale of capital assets	-	29,135	29,135
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>-</u>	<u>1,350,509</u>	<u>1,350,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	12,493	171,676	184,169
Purchase of investments	(515,056)	(11,099,223)	(11,614,279)
Sale of investments	578,531	5,233,297	5,811,828
Net Cash Provided by (Used in) Investing Activities	<u>75,968</u>	<u>(5,694,250)</u>	<u>(5,618,282)</u>
Net Decrease in Cash and Equivalents	-	(599,124)	(599,124)
Cash and Equivalents, Beginning of Year	-	3,481,224	3,481,224
Cash and Equivalents, End of Year	<u>\$ -</u>	<u>\$ 2,882,100</u>	<u>\$ 2,882,100</u>

2004

Risk Retention Fund	Building and Vehicle Maintenance Fund	Total
\$ 440,829	\$ 2,777,366	\$ 3,218,195
-	(898,363)	(898,363)
(484,651)	(766,408)	(1,251,059)
<u>55,629</u>	<u>5,100</u>	<u>60,729</u>
 <u>11,807</u>	 <u>1,117,695</u>	 <u>1,129,502</u>
 -	 1,091,987	 1,091,987
 -	 622,255	 622,255
 -	 <u>(62,779)</u>	 <u>(62,779)</u>
 <u>-</u>	 <u>1,651,463</u>	 <u>1,651,463</u>
 -	 1,708,013	 1,708,013
 -	 (3,797,314)	 (3,797,314)
 -	 (448,475)	 (448,475)
 -	 (428,432)	 (428,432)
 -	 <u>39,655</u>	 <u>39,655</u>
 <u>-</u>	 <u>(2,926,553)</u>	 <u>(2,926,553)</u>
 4,228	 69,258	 73,486
(500,685)	(35,567,246)	(36,067,931)
<u>484,650</u>	<u>35,478,587</u>	<u>35,963,237</u>
<u>(11,807)</u>	<u>(19,401)</u>	<u>(31,208)</u>
 -	 (176,796)	 (176,796)
 -	 <u>3,658,020</u>	 <u>3,658,020</u>
<u>\$ -</u>	<u>\$ 3,481,224</u>	<u>\$ 3,481,224</u>

(Continued)

City of Rye, New York
 Combining Statement of Cash Flows (continued)
 Internal Service Funds
 Year Ended December 31, 2005
 (With Comparative Amounts for 2004)

	2005		
	Risk Retention Fund	Building and Vehicle Maintenance Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income	\$ 100,051	\$ 97,565	\$ 197,616
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expense	-	867,658	867,658
(Increase) in accounts receivable	-	(14,051)	(14,051)
(Increase) decrease in due from other funds	(74,000)	(18,570)	(92,570)
(Increase) in due from other governments	-	(598)	(598)
(Increase) decrease in prepaid expenses	(134,174)	12,846	(121,328)
Increase (decrease) in accounts payable	3,155	565,196	568,351
Increase (decrease) in accrued liabilities	74,000	916	74,916
Increase (decrease) in retainage payable	-	77,654	77,654
Increase (decrease) in due to other funds	(45,000)	(22,832)	(67,832)
Increase (decrease) in due to other governments	-	(8,927)	(8,927)
Increase in compensated absences	-	4,455	4,455
Total Adjustments	(176,019)	1,463,747	1,287,728
Net Cash Provided by (Used in) Operating Activities	\$ (75,968)	\$ 1,561,312	\$ 1,485,344

2004

Risk Retention Fund	Building and Vehicle Maintenance Fund	Total
\$ 15,189	\$ 478,681	\$ 493,870
-	733,848	733,848
-	(2,749)	(16,658)
-	3	-
-	(13,912)	-
-	(20,122)	(20,122)
(3,382)	(64,472)	(67,854)
(45,000)	-	(45,000)
-	(60,502)	(60,502)
45,000	47,175	92,175
-	8,927	8,927
-	10,818	10,818
<u>(3,382)</u>	<u>639,014</u>	<u>635,632</u>
\$ 11,807	\$ 1,117,695	\$ 1,129,502

City of Rye, New York
Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency Fund
Year Ended December 31, 2005

<u>ASSETS</u>	Balance January 1, 2005	Increases	Decreases	Balance December 31, 2005
Cash and Equivalents	\$ 44,896	\$ 14,100,429	\$ 14,023,514	\$ 121,811
Accounts Receivable	708	68,270	67,163	1,815
Due From Other Funds	-	13,919,052	13,919,052	-
Prepaid Expenditures	-	312,091	312,091	-
Total Assets	\$ 45,604	\$ 28,399,842	\$ 28,321,820	\$ 123,626
<u>LIABILITIES</u>				
Accounts Payable	\$ 13,555	\$ 813,703	\$ 739,494	\$ 87,764
Net Payroll	-	8,410,102	8,410,102	-
Employee Payroll Deductions	32,049	5,594,098	5,590,285	35,862
Total Liabilities	\$ 45,604	\$ 14,817,903	\$ 14,739,881	\$ 123,626

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL
FUNDS**

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City of Rye, New York
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Source
 December 31, 2005
 (With Comparative Amounts for 2004)

	<u>2005</u>	<u>2004</u>
Governmental Funds Capital Assets:		
Infrastructure	\$ 4,653,286	\$ 4,199,786
Construction in Progress	301,540	188,381
Total Governmental Funds Capital Assets	<u>\$ 4,954,826</u>	<u>\$ 4,388,167</u>
 Investments in Governmental Funds Capital Assets		
by Source - Capital Projects Fund	<u>\$ 4,954,826</u>	<u>\$ 4,388,167</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Rye, New York
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 December 31, 2005
 (With Comparative Amounts for 2004)

<u>Function and Activity</u>	2005		Total
	Infrastructure	Construction In Progress	
Public Safety -			
Traffic control	\$ 980,257	\$ 77,878	\$ 1,058,135
Community Environment:			
Storm drains	1,133,517	76,386	1,209,903
Sewers	369,625	114,505	484,130
Street maintenance	1,978,547	-	1,978,547
Total Community Environment	3,481,689	190,891	3,672,580
Culture and Recreation -			
Parks and playgrounds	191,340	32,771	224,111
 Total Governmental Funds			
Capital Assets	\$ 4,653,286	\$ 301,540	\$ 4,954,826

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, capital assets of internal service funds are included as governmental activities in the statement of net assets.

2004		
Infrastructure	Construction In Progress	Total
\$ 980,257	\$ 9,509	\$ 989,766
1,086,783	73,708	1,160,491
341,872	16,193	358,065
1,599,534	56,200	1,655,734
<u>3,028,189</u>	<u>146,101</u>	<u>3,174,290</u>
191,340	32,771	224,111
<u>\$ 4,199,786</u>	<u>\$ 188,381</u>	<u>\$ 4,388,167</u>

City of Rye, New York
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 Year Ended December 31, 2005
 (With Comparative Amounts for 2004)

Function and Activity	2005			Governmental Funds Capital Assets December 31
	Governmental Funds Capital Assets January 1	Additions	Deletions	
Public Safety -				
Traffic control	\$ 989,766	\$ 68,369	\$ -	\$ 1,058,135
Community Environment:				
Storm drains	1,160,491	49,412	-	1,209,903
Sewers	358,065	126,065	-	484,130
Street maintenance	1,655,734	322,813	-	1,978,547
Total Community Environment	3,174,290	498,290	-	3,672,580
Culture and Recreation -				
Parks and playgrounds	224,111	-	-	224,111
 Total Governmental Funds Capital Assets	 <u>\$ 4,388,167</u>	 <u>\$ 566,659</u>	 <u>\$ -</u>	 <u>\$ 4,954,826</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, capital assets of internal service funds are included as governmental activities in the statement of net assets.

Note: Land previously reported as a capital asset used in the operation of governmental funds was transferred, along with related debt, to the Building and Vehicle Maintenance Internal Service Fund.

2004

Governmental Funds Capital Assets January 1	Additions	Deletions	Governmental Funds Capital Assets December 31
\$ 977,412	\$ 12,354	\$ -	\$ 989,766
1,059,105	101,386	-	1,160,491
64,197	293,868	-	358,065
1,198,275	457,459	-	1,655,734
<u>2,321,577</u>	<u>852,713</u>	<u>-</u>	<u>3,174,290</u>
3,324,111	-	3,100,000	224,111
<u>\$ 6,623,100</u>	<u>\$ 865,067</u>	<u>\$ 3,100,000</u>	<u>\$ 4,388,167</u>

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**STATISTICAL SECTION
(UNAUDITED)**

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. These schedules include:

Net Assets by Component

Changes in Net Assets

Fund Balances, Governmental Funds

Changes in Fund Balances, Governmental Funds

Tax Revenues by Source, Governmental Funds

City of Rye, New York
 Net Assets by Component
 Last Four Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities				
Invested in Capital Assets				
Net of Related Debt	\$ 10,986,390	\$ 11,563,341	\$ 9,480,762	\$ 13,348,301
Restricted	1,513,973	1,304,649	1,560,265	1,762,703
Unrestricted	<u>2,151,116</u>	<u>5,409,766</u>	<u>10,082,217</u>	<u>9,079,270</u>
Total Governmental Activities Net Assets	<u>14,651,479</u>	<u>18,277,756</u>	<u>21,123,244</u>	<u>24,190,274</u>
Business-Type Activities				
Invested in Capital Assets				
Net of Related Debt	7,578,822	8,100,157	8,403,111	8,450,054
Unrestricted	<u>2,283,925</u>	<u>2,171,508</u>	<u>2,499,439</u>	<u>3,265,525</u>
Total Business-Type Activities Net Assets	<u>9,862,747</u>	<u>10,271,665</u>	<u>10,902,550</u>	<u>11,715,579</u>
Primary Government				
Invested in Capital Assets				
Net of Related Debt	18,565,212	19,663,498	17,883,873	21,798,355
Restricted	1,513,973	1,304,649	1,560,265	1,762,703
Unrestricted	<u>4,435,041</u>	<u>7,581,274</u>	<u>12,581,656</u>	<u>12,344,795</u>
Total Primary Government Net Assets	<u>\$ 24,514,226</u>	<u>\$ 28,549,421</u>	<u>\$ 32,025,794</u>	<u>\$ 35,905,853</u>

City of Rye, New York
Changes in Net Assets
Last Four Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses				
Governmental Activities				
General Government	\$ 2,635,050	\$ 2,777,827	\$ 3,218,750	\$ 3,285,497
Public Safety	8,179,311	8,655,151	9,941,889	10,379,989
Community Environment	5,270,494	5,693,349	6,058,126	6,836,952
Culture and Recreation	3,005,355	2,921,669	3,452,925	3,558,305
Interest	77,783	105,133	159,129	333,563
Total Governmental Activities	<u>19,167,993</u>	<u>20,153,129</u>	<u>22,830,819</u>	<u>24,394,306</u>
Business-Type Activities				
Marina	369,746	413,260	454,340	446,916
Golf	3,488,578	3,608,415	3,819,458	4,115,177
Total Business-Type Activities	<u>3,858,324</u>	<u>4,021,675</u>	<u>4,273,798</u>	<u>4,562,093</u>
Total Expenses	<u>\$ 23,026,317</u>	<u>\$ 24,174,804</u>	<u>\$ 27,104,617</u>	<u>\$ 28,956,399</u>
Program Revenues				
Governmental Activities				
Charges for Services				
General Government	\$ 120,593	\$ 426,171	\$ 457,581	\$ 471,658
Public Safety	508,397	617,244	664,726	663,007
Community Environment	1,286,827	1,804,053	1,726,572	2,020,307
Culture and Recreation	1,126,616	870,472	976,130	1,009,128
Operating Grants and Contributions	267,488	404,662	253,947	455,106
Capital Grants and Contributions	258,808	434,307	588,967	314,854
Total Governmental Activities	<u>3,568,729</u>	<u>4,556,909</u>	<u>4,667,923</u>	<u>4,934,060</u>
Business-Type Activities				
Charges for Services				
Marina	474,292	482,094	493,151	542,397
Golf	3,901,304	3,922,787	4,371,899	4,723,373
Capital Grants and Contributions	19,500	-	-	-
Total Business-Type Activities	<u>4,375,596</u>	<u>4,404,881</u>	<u>4,865,050</u>	<u>5,265,770</u>
Total Program Revenues	<u>\$ 7,944,325</u>	<u>\$ 8,961,790</u>	<u>\$ 9,532,973</u>	<u>\$ 10,199,830</u>

(continued)

City of Rye, New York
 Changes in Net Assets
 Last Four Fiscal Years (continued)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (15,599,264)	\$ (15,596,220)	\$ (18,162,896)	\$ (19,460,246)
Business-Type Activities	<u>517,272</u>	<u>383,206</u>	<u>591,252</u>	<u>703,677</u>
Total Net Expense	<u>\$ (15,081,992)</u>	<u>\$ (15,213,014)</u>	<u>\$ (17,571,644)</u>	<u>\$ (18,756,569)</u>
General Revenues				
Governmental Activities				
Real Property Taxes	\$ 11,949,060	\$ 14,222,097	\$ 15,528,286	\$ 16,141,660
Non-Property Taxes	1,760,063	1,817,378	2,143,838	2,266,922
Unrestricted Use of				
Money and Property	183,635	178,353	220,459	565,843
Gain on Sale of Equipment	57,795	31,675	39,655	29,135
Unrestricted Governmental Aid	2,255,963	2,618,191	3,003,658	3,451,841
Other Revenues	<u>80,747</u>	<u>354,803</u>	<u>72,488</u>	<u>71,875</u>
Total Governmental Activities	<u>16,287,263</u>	<u>19,222,497</u>	<u>21,008,384</u>	<u>22,527,276</u>
Business-Type Activities				
Unrestricted Use of				
Money and Property	42,472	25,712	32,633	109,352
Gain on Sale of Equipment	-	-	7,000	-
Total Business-Type Activities	<u>42,472</u>	<u>25,712</u>	<u>39,633</u>	<u>109,352</u>
Total General Revenues	<u>\$ 16,329,735</u>	<u>\$ 19,248,209</u>	<u>\$ 21,048,017</u>	<u>\$ 22,636,628</u>
Change in Net Assets				
Governmental Activities	\$ 687,999	\$ 3,626,277	\$ 2,845,488	\$ 3,067,030
Business-Type Activities	<u>559,744</u>	<u>408,918</u>	<u>630,885</u>	<u>813,029</u>
Total Change in Net Assets	<u>\$ 1,247,743</u>	<u>\$ 4,035,195</u>	<u>\$ 3,476,373</u>	<u>\$ 3,880,059</u>

City of Rye, New York
Fund Balances, Governmental Funds
Last Four Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Reserved	\$ 1,490,877	\$ 2,053,180	\$ 2,611,046	\$ 2,487,324
Unreserved	<u>4,079,729</u>	<u>5,858,284</u>	<u>7,035,140</u>	<u>8,568,860</u>
Total General Fund	<u>\$ 5,570,606</u>	<u>\$ 7,911,464</u>	<u>\$ 9,646,186</u>	<u>\$ 11,056,184</u>
All Other Governmental Funds				
Reserved	\$ 842,411	\$ 693,275	\$ 326,672	\$ 544,315
Unreserved, Reported In:				
Special Revenue Funds	147,620	164,065	162,993	248,138
Permanent Fund	13,891	11,206	7,560	4,303
Capital Projects Fund	<u>(2,132,392)</u>	<u>(2,398,472)</u>	<u>774,522</u>	<u>1,023,769</u>
Total All Other Governmental Funds	<u>\$ (1,128,470)</u>	<u>\$ (1,529,926)</u>	<u>\$ 1,271,747</u>	<u>\$ 1,820,525</u>
Total Governmental Funds	<u>\$ 4,442,136</u>	<u>\$ 6,381,538</u>	<u>\$ 10,917,933</u>	<u>\$ 12,876,709</u>

City of Rye, New York
 Changes in Fund Balances, Governmental Funds
 Last Four Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Real Property Taxes	\$ 11,965,741	\$ 14,190,747	\$ 15,551,738	\$ 16,197,588
Non-Property Taxes	1,915,819	1,984,833	2,334,151	2,470,665
Charges for Services	874,140	1,240,414	1,054,741	1,180,052
Intergovernmental Charges	69,664	69,139	72,775	76,274
Use of Money and Property	203,349	169,772	211,200	482,446
Licenses and Permits	1,125,708	1,293,981	1,390,634	1,630,044
Fines and Forfeitures	446,831	500,773	553,320	540,247
Sale of Property and Compensation for Loss	54,458	63,122	129,600	123,939
Interfund Revenues	303,900	406,574	418,249	404,099
State Aid	2,602,098	3,062,010	3,321,831	3,772,275
Federal Aid	29,828	102,599	15,255	95,935
Miscellaneous	159,505	537,434	113,568	295,813
Total Revenues	<u>19,751,041</u>	<u>23,621,398</u>	<u>25,167,062</u>	<u>27,269,377</u>
Expenditures				
Current:				
General Government	2,677,305	2,618,241	2,916,473	3,063,887
Public Safety	8,255,601	8,720,495	9,831,702	10,373,012
Community Environment	5,252,387	5,732,532	6,142,100	6,692,938
Culture and Recreation	2,982,172	2,967,291	3,499,177	3,559,300
Debt Service:				
Principal	85,141	83,590	41,525	43,752
Interest	59,109	60,465	56,745	54,717
Capital Outlay:				
General Government	34,335	64,597	4,808	8,000
Public Safety	137,262	424,102	12,423	68,369
Community Environment	1,587,269	490,775	852,713	518,722
Culture and Recreation	64,619	124,538	-	-
Total Expenditures	<u>21,135,200</u>	<u>21,286,626</u>	<u>23,357,666</u>	<u>24,382,697</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,384,159)</u>	<u>2,334,772</u>	<u>1,809,396</u>	<u>2,886,680</u>
Other Financing Sources (Uses)				
Bonds issued	-	-	-	560,000
Transfers in	1,211,153	1,004,745	3,923,255	657,707
Transfers out	<u>(1,577,823)</u>	<u>(1,400,115)</u>	<u>(1,196,256)</u>	<u>(2,145,611)</u>
Total Other Financing Sources (Uses)	<u>(366,670)</u>	<u>(395,370)</u>	<u>2,726,999</u>	<u>(927,904)</u>
Net Change in Fund Balances	<u>\$ (1,750,829)</u>	<u>\$ 1,939,402</u>	<u>\$ 4,536,395</u>	<u>\$ 1,958,776</u>
Debt Service as a Percentage of Non-Capital Expenditures	<u>0.75%</u>	<u>0.71%</u>	<u>0.44%</u>	<u>0.41%</u>

City of Rye, New York
 Tax Revenues by Source, Governmental Funds
 Last Four Fiscal Years

<u>Fiscal Year</u>	<u>Real Property Taxes</u>	<u>Sales and Use Taxes</u>	<u>Utilities Gross Receipts Taxes</u>	<u>Mortgage Taxes</u>	<u>Total</u>
2002	11,965,741	1,472,398	287,665	1,413,357	15,139,161
2003	14,190,747	1,475,182	342,196	1,775,585	17,783,710
2004	15,551,738	1,801,366	342,472	2,161,052	19,856,628
2005	16,197,588	1,908,845	358,077	2,389,053	20,853,563

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Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. These schedules include:

**Assessed Valuation, State Equalization Rate,
and Estimated Full Value of Real Property**

**Property Tax Rates per \$1,000 Assessed Valuation -
All Direct and Overlapping Governments**

Principal Taxpayers

Property Tax Levies and Collections

City of Rye, New York
 Assessed Valuation, State Equalization Rate, and Estimated Full Value of Real Property
 Last Ten Fiscal Years

Year	One-Three Family Residential	Condos Co-ops & Apt. Bldgs.	Business (1)	Other (2)	Total Gross Assessed Valuation
1996	\$ 96,107,680	\$ 9,607,243	\$ 26,866,794	\$ 26,222,404	\$ 158,804,121
1997	96,932,980	9,936,743	24,062,883	28,749,890	159,682,496
1998	98,469,430	9,723,281	24,936,490	27,076,615	160,205,816
1999	100,344,705	9,566,481	23,656,790	26,840,742	160,408,718
2000	101,107,660	9,496,991	23,651,790	27,558,371	161,814,812
2001	102,112,685	9,497,691	23,357,440	27,565,398	162,533,214
2002	103,426,835	9,432,278	23,412,453	27,151,410	163,422,976
2003	104,744,885	9,432,278	23,227,968	27,328,014	164,733,145
2004	105,620,685	9,432,278	22,828,518	26,707,568	164,589,049
2005	107,282,955	9,267,278	22,101,168	26,657,528	165,308,929

(1) Includes commercial, industrial, and recreational facilities.

(2) Includes agriculture, vacant land, community service, utility, wetland and parkland, most of which is tax-exempt.

Note: Assessed values are established by the City Assessor on September 15th of the prior year and includes Special Franchise Assessments as established by the New York State Board of Equalization and Assessment. For instance, assessed values for fiscal 2005 were established on September 15, 2004.

<u>Exemptions</u>	<u>Total Net Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
\$ (30,631,505)	\$ 128,172,616	6.53%	\$ 1,962,827,198
(30,442,480)	129,240,016	6.53%	1,979,173,292
(29,944,675)	130,261,141	6.53%	1,994,810,735
(30,137,625)	130,271,093	5.42%	2,403,525,701
(30,255,710)	131,559,102	4.68%	2,811,091,923
(30,100,915)	132,432,299	4.20%	3,153,149,976
(30,038,848)	133,384,128	3.79%	3,519,370,132
(30,058,974)	134,674,171	2.85%	4,725,409,509
(30,014,099)	134,574,950	2.64%	5,097,535,985
(29,428,082)	135,880,847	2.59%	5,246,364,749

City of Rye, New York
Property Tax Rates per \$1,000 Assessed Valuation - All Direct and Overlapping Governments
Last Ten Fiscal Years

Year	City of Rye	Rye City School District	Rye Neck Union Free School District	Westchester County	
				Westchester County	Refuse Disposal District
1996	\$ 73.72	\$ 231.45	\$ -	\$ 77.49	\$ 9.58
	73.72	-	234.44	77.49	9.58
1997	73.72	235.96	-	78.92	9.93
	73.72	-	247.10	78.92	9.93
1998	73.72	241.58	-	83.08	10.90
	73.72	-	260.82	83.08	10.90
1999	73.72	248.71	-	91.91	12.62
	73.72	-	330.87	91.91	12.62
2000	76.44	270.25	-	89.90	12.67
	76.44	-	361.20	89.90	12.67
2001	78.05	302.32	-	86.95	13.02
	78.05	-	410.73	86.95	13.02
2002	88.18	335.00	-	91.72	13.40
	88.18	-	412.71	91.72	13.40
2003	103.55	373.81	-	104.80	14.62
	103.55	-	451.69	104.80	14.62
2004	113.41	396.52	-	133.71	16.25
	113.41	-	528.05	133.71	16.25
2005	116.80	416.92	-	124.09	15.12
	116.80	-	529.10	124.09	15.12

Blind Brook Sewer District	Mamaroneck Sewer District	Water District No. 4	Total County	Total with Rye City School District	Total with Rye Neck Union Free School District
\$ 12.24	\$ -	\$ 0.32	\$ 99.63	\$ 404.80	\$ 411.60
-	16.05	0.32	103.44		
12.07	-	0.33	101.25	410.93	
-	16.53	0.33	105.71		426.53
13.04	-	0.33	107.35	422.65	
-	16.64	0.28	110.90		445.44
13.83	-	-	118.36	440.79	
-	17.54	-	122.07		526.66
13.70	-	-	116.27	462.96	
-	16.74	-	119.31		556.95
14.05	-	-	114.02	494.39	
-	15.80	-	115.77		604.55
14.04	-	-	119.16	542.34	
-	15.97	-	121.09		621.98
14.68	-	-	134.10	611.46	
-	16.01	-	135.43		690.67
17.05	-	-	167.01	676.94	
-	17.96	-	167.92		809.38
17.51	-	-	156.71	690.44	
-	17.82	-	157.03		802.93

City of Rye, New York
Principal Taxpayers
December 31, 2005 and 1996

2005

Rank	Taxpayer	Type of Business	Net Assessed Valuation	Percent of Net Assessed Valuation
1	Miriam Osborn Memorial Home	Retirement Community	\$ 3,224,000	2.37%
2	Consolidated Edison	Public Utility	2,795,024	2.06%
3	The Gateside - Rye Co.	Office Building	884,150	0.65%
4	Aquarion Water Company ¹	Public Utility	821,406	0.60%
5	Milton Harbor House	Cooperative	770,550	0.57%
6	Parsonage Investment Co.	Residential	745,300	0.55%
7	Rye Colony Apartments	Cooperative	738,250	0.54%
8	Blind Brook Lodge	Cooperative	627,400	0.46%
9	Host Restaurants Inc.	Hotel	549,550	0.40%
10	American Yacht Club	Private Club	542,550	0.39%
Total			<u>\$ 11,698,180</u>	<u>8.59%</u>

1996

Rank	Taxpayer	Type of Business	Net Assessed Valuation	Percent of Net Assessed Valuation
1	Consolidated Edison	Public Utility	\$ 3,956,759	3.06%
2	Miriam Osborn Memorial Home	Retirement Community	2,045,950	1.58%
3	Milton Harbor House	Cooperative	1,120,000	0.87%
4	NY American Water Co.	Public Utility	1,012,490	0.78%
5	The Gateside-Rye Co.	Office Building	1,003,700	0.78%
6	New York Investment	Office Building	960,100	0.74%
7	Principle Mutual Life Co.	Office Building	939,400	0.73%
8	Equitable Holding Corp.	Residential	900,100	0.70%
9	Rye Colony Apartments	Cooperative	777,050	0.60%
10	Zubrik, Nadja Olga	Cooperative	725,700	0.56%
Total			<u>\$ 13,441,249</u>	<u>10.40%</u>

¹ Formerly NY American Water Co.

Source: City of Rye Assessor's Office.

City of Rye, New York
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Year</u>	<u>Total Tax Levy</u>	<u>Amount Collected</u>	<u>Percent Collected</u>	<u>Amount Uncollected</u>	<u>Percent Uncollected</u>	<u>Tax Liens</u>	<u>Percent of Tax Liens to Tax Levy</u>
1996	\$ 9,448,778	\$ 9,401,546	99.50%	\$ 47,232	0.50%	\$ 161,570	1.71%
1997	9,510,351	9,450,388	99.37%	59,963	0.63%	117,129	1.23%
1998	9,590,213	9,548,594	99.57%	41,619	0.43%	161,105	1.68%
1999	9,593,156	9,564,026	99.70%	29,130	0.30%	230,906	2.41%
2000	10,028,994	9,978,031	99.49%	50,963	0.51%	379,136	3.78%
2001	10,323,122	10,288,742	99.67%	34,380	0.33%	638,842	6.19%
2002	11,762,076	11,721,253	99.65%	40,823	0.35%	643,455	5.47%
2003	13,894,248	13,837,617	99.59%	56,631	0.41%	566,332	4.08%
2004	15,254,280	15,235,508	99.88%	18,772	0.12%	458,255	3.00%
2005	15,900,190	15,868,141	99.80%	32,049	0.20%	288,286	1.81%

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Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. These schedules include:

Ratios of Outstanding Debt by Type

Direct and Overlapping Governmental Activities Debt

Computation of Legal Debt Margin

Calculation of Charter Bonded Debt Limits

City of Rye, New York
Ratios of Outstanding Debt by Type
Last Four Fiscal Years

Fiscal Year	General Obligation Bonds	Loans Payable	Total Outstanding Debt	Estimated Full Property Value	Percentage of Full Property Value	Population ¹	Debt Per Capita
Governmental Activities:							
2002	\$ 11,379,500	\$ 3,100,000	\$ 14,479,500	\$ 3,519,370,132	0.41%	15,095	\$ 959.22
2003	10,855,000	2,950,000	13,805,000	4,725,409,509	0.29%	15,074	915.82
2004	12,073,013	-	12,073,013	5,097,535,985	0.24%	15,067	801.29
2005	17,941,013	-	17,941,013	5,246,364,749	0.34%	15,067	1,190.75
Business-Type Activities:							
2002	5,000,000	-	5,000,000	3,519,370,132	0.14%	15,095	331.24
2003	5,000,000	-	5,000,000	4,725,409,509	0.11%	15,074	331.70
2004	4,610,000	-	4,610,000	5,097,535,985	0.09%	15,067	305.97
2005	4,210,000	-	4,210,000	5,246,364,749	0.08%	15,067	279.42
Total Government-Wide:							
2002	16,379,500	3,100,000	19,479,500	3,519,370,132	0.55%	15,095	1,290.46
2003	15,855,000	2,950,000	18,805,000	4,725,409,509	0.40%	15,074	1,247.51
2004	16,683,013	-	16,683,013	5,097,535,985	0.33%	15,067	1,107.26
2005	22,151,013	-	22,151,013	5,246,364,749	0.42%	15,067	1,470.17

¹ United States Census Bureau

City of Rye, New York
 Direct and Overlapping Governmental Activities Debt
 Last Four Fiscal Years

	2005		
<u>Government Unit</u>	<u>Net General Long-Term Debt</u>	<u>Percentage Applicable City of Rye</u>	<u>Amount Applicable to City of Rye</u>
City of Rye School District	\$ 35,111,164	100.00%	\$ 35,111,164
Rye Neck Union Free School District	10,670,000	29.92%	3,192,464
Westchester County	697,728,403	3.00%	20,926,459
Subtotal, Overlapping Debt			59,230,087
City Direct Debt			17,941,013
Total Direct and Overlapping Debt			<u>\$ 77,171,100</u>
Population			<u>15,067</u>
Overlapping Debt Per Capita			<u>\$ 3,931</u>
Direct and Overlapping Debt Per Capita			<u>\$ 5,122</u>

Summary of Direct and Overlapping Governmental Activities Debt - Last Three Fiscal Years:

<u>Year</u>	<u>Overlapping Debt</u>	<u>City Direct Debt</u>	<u>Direct and Overlapping Debt</u>	<u>Population</u>	<u>Overlapping Debt Per Capita</u>	<u>Direct and Overlapping Debt Per Capita</u>
2002	\$ 42,716,212	\$ 14,479,500	\$ 57,195,712	15,095	\$ 2,830	\$ 3,789
2003	42,615,261	13,805,000	56,420,261	15,074	2,827	3,743
2004	44,281,289	12,073,013	56,354,302	15,066	2,939	3,740

Sources: Outstanding debt and applicable percentages provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Rye. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account.

City of Rye, New York
 Computation of Legal Debt Margin
 December 31, 2005

Fiscal Year	Net Assessed Valuation	State Equalization Rate	Full Valuation
2005	\$ 135,880,847	2.59%	\$ 5,246,364,749
2004	134,574,950	2.64%	5,097,535,985
2003	134,674,171	2.85%	4,725,409,509
2002	133,384,128	3.79%	3,519,370,132
2001	132,432,299	4.20%	3,153,149,976
Total Five Year Full Valuation			<u>\$ 21,741,830,351</u>
Five Year Average Full Valuation of Taxable Real Property			<u>\$ 4,348,366,070</u>
Constitutional Debt Limit (7% of Average Full Valuation)			<u>\$ 304,385,625</u>
Outstanding Indebtedness at December 31st			\$ 22,151,013
Less: 2006 Appropriations for Debt Principal			<u>1,019,974</u>
Net Indebtedness Subject to Debt Limit			<u>\$ 21,131,039</u>
Net Debt Contracting Margin			<u>\$ 283,254,586</u>
Percentage of Net Debt Contracting Margin Available			<u>93.06%</u>
Percentage of Net Debt Contracting Power Exhausted			<u>6.94%</u>

Last Ten Fiscal Years

Year	Constitutional Debt Limit	Outstanding Indebtedness December 31	Less Appropriations for Debt Principal	Indebtedness Subject to Debt Limit	Net Debt Contracting Margin	Percentage of Net Debt Contracting Margin Available
1996	\$ 139,001,040	\$ 2,560,000	\$ 44,000	\$ 2,516,000	\$ 136,485,040	98.19%
1997	141,904,451	2,300,000	219,000	2,081,000	139,823,451	98.53%
1998	136,185,012	7,440,000	260,000	7,180,000	129,005,012	94.73%
1999	143,080,821	7,610,000	521,000	7,089,000	135,991,821	95.05%
2000	156,120,004	10,570,000	555,000	10,015,000	146,105,004	93.59%
2001	172,784,523	11,980,000	640,000	11,340,000	161,444,523	93.44%
2002	194,347,279	16,729,500	874,500	15,855,000	178,492,279	91.84%
2003	232,575,661	15,855,000	880,000	14,975,000	217,600,661	93.56%
2004	270,291,805	16,683,013	1,048,482	15,634,531	254,657,274	94.22%
2005	304,385,625	22,151,013	1,019,974	21,131,039	283,254,586	93.06%

City of Rye, New York
 Calculation of Charter Bonded Debt Limits
 December 31, 2005

In addition to the legal debt margin, the City Charter places limitations on the issuance of new debt (see Section C21-9 of the City of Rye Code). The City Council can authorize the issuance of debt not exceeding 5% of the average gross annual budget for the preceding three years. Debt exceeding 5% but not in excess of 10% requires a permissive referendum. Debt in excess of 10% requires approval of the voting public in a general or special election.

For purposes of this calculation, "gross annual budget" is defined as the total appropriations of the General Fund, Special Revenue Funds (Cable TV and Nature Center), and Enterprise Funds (Boat Basin and Golf Club operating and capital), less any interfund subsidies (such as the transfers from the General Fund to the Nature Center Fund). The Internal Service Funds (Risk Retention and Building & Vehicle Maintenance) are not included in the calculation, as their budgets and any incurred debt are supported primarily by user fees and not by the general tax base. Debt Service Fund and Capital Projects Fund requirements are already accounted for in the General Fund, so both of these funds are also eliminated from the calculation.

Fund:	Gross Annual Budgets (As Adopted)		
	2003	2004	2005
General Fund	\$ 21,298,350	\$ 24,073,389	\$ 25,850,498
Cable TV Fund	169,578	214,698	214,169
Nature Center Fund	130,051	-	-
Boat Basin Fund	408,211	485,579	1,272,554
Golf Club Fund	3,853,867	4,480,697	4,757,243
Total gross annual budgets	\$ 25,860,057	\$ 29,254,363	\$ 32,094,464
Total of preceding three years' gross annual budgets			\$ 87,208,884
Average of preceding three years' gross annual budgets			\$ 29,069,628
	<u>Subject to City Council Vote</u>		<u>Subject to Permissive Referendum</u>
Maximum charter bonding limit	\$ 1,453,481		\$ 2,906,963
Less outstanding principal at December 31, 2005:			
2000 Serial Bonds	(289,140)		(932,981)
2001 Serial Bonds	(481,629)		(176,311)
2002 Serial Bonds	-		(867,499)
Charter bonding limit December 31, 2005	\$ 682,712		\$ 930,172

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. These schedules include:

Demographic and Economic Statistics

City of Rye, New York
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Year	Population ¹	Median Age ²	Per Capita Income ²	Median Household Income ²	Median Family Income ²	Median Residential Home Value ³	Unemployment Rate ⁴
1996	15,164	N/A	46,038	69,695	86,126	450,000	4.1%
1997	15,208	N/A	46,038	69,695	86,126	510,000	3.7%
1998	15,326	N/A	46,038	69,695	86,126	600,000	3.4%
1999	15,176	N/A	46,038	69,695	86,126	648,000	3.4%
2000	14,955	38.1	76,566	110,894	133,231	700,000	3.4%
2001	15,046	38.1	76,566	110,894	133,231	790,000	3.8%
2002	15,095	38.1	76,566	110,894	133,231	900,000	4.6%
2003	15,074	38.1	76,566	110,894	133,231	950,000	4.6%
2004	15,067	38.1	76,566	110,894	133,231	1,070,000	4.5%
2005	15,067	38.1	76,566	110,894	133,231	1,235,000	4.0%

Sources:

- ¹ United States Census Bureau.
- ² United States Census Bureau 1990 and 2000 Census. Median Age data not available for 1990 through 1999.
- ³ City of Rye Assessor's office.
- ⁴ United States Bureau of Labor Statistics unemployment rates for Westchester County not seasonally adjusted.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. These schedules include:

Full-Time Equivalent Employees by Program

Operating Indicators by Program

Capital Asset Statistics by Program

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City of Rye, New York
 Full-Time Equivalent Employees by Program
 Last Ten Fiscal Years

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Community Environment</u>	<u>Culture and Recreation</u>	<u>Total</u>
1996	22	57	61	22	162
1997	22	57	61	22	162
1998	20	57	51	35	163
1999	20	58	51	35	164
2000	29	57	55	21	162
2001	30	61	57	24	172
2002	21	62	61	26	170
2003	20	63	64	26	173
2004	21	62	64	23	170
2005	20	62	64	23	169

City of Rye, New York
 Operating Indicators by Program
 Last Ten Fiscal Years

	1996	1997	1998	1999	2000
General Government:					
Primary elections	1	-	-	1	2
General elections	1	1	1	1	1
Special elections	-	-	-	1	-
Public Safety:					
Number of police personnel and officers	39	39	39	40	40
Number of police calls for service	11,192	8,449	8,200	8,000	4,329
Number of parking violations issued	5,388	5,129	5,558	7,206	7,350
Number of paid firefighters	16	16	16	16	17
Number of volunteer firefighters	206	212	201	201	201
Number of fire alarms answered	807	719	711	711	767
Number of fire inspections performed	535	476	468	468	469
Number of school crossing guards	65	65	65	65	7
Community Environment:					
Tons collected and disposed:					
Solid waste	9,115	7,698	7,545	8,199	7,641
Green waste	N/A	N/A	N/A	N/A	544
Metal	180	168	172	192	192
Pulp	1,547	1,731	1,872	1,749	2,067
Co-mingled	592	563	564	552	557
Leaves	450	450	450	450	450
Number of tires collected and disposed	N/A	N/A	N/A	N/A	18
Number of shade trees:					
Planted	31	44	78	37	31
Removed	161	100	31	75	42
Trimmed	280	265	270	235	500
Emergency calls	13	12	10	15	22
Stumps ground	N/A	N/A	N/A	N/A	N/A
Culture and Recreation:					
Registrations for adult programs	663	688	587	718	953
Number of building users	33,832	34,861	29,800	24,625	24,125
Picnics	8,548	6,590	4,638	4,581	4,163
Registrations for senior citizen programs	2,713	2,265	1,110	1,257	2,111
Registrations for special events	5,860	5,483	5,212	5,686	5,569
Tennis permits issued	1,394	699	1,136	1,136	488
Registrations for youth programs	2,205	1,942	2,550	2,581	2,492
Registrations for youth sports	2,965	2,965	2,221	2,694	2,949

Note: "N/A" indicates data not available.

Sources: Departmental annual reports to the City Manager.

2001	2002	2003	2004	2005
-	1	1	2	1
1	1	1	1	1
-	2	-	1	1
44	45	45	45	45
13,800	15,896	15,314	14,758	14,446
9,692	8,594	10,050	8,595	9,684
17	17	18	17	17
201	201	200	200	200
868	867	839	803	882
474	342	441	503	428
7	7	8	8	8
7,641	6,811	6,735	7,153	6,891
1,684	1,903	824	1,060	975
235	226	195	213	175
1,936	1,939	1,964	1,906	1,878
631	601	585	588	609
450	450	450	450	-
12	8	9	4	262
30	27	37	41	31
77	55	41	51	93
181	383	361	183	420
25	190	90	50	160
N/A	62	38	88	26
976	1,078	1,109	1,219	1,058
28,556	30,500	38,065	39,000	38,705
5,009	4,048	4,069	6,497	5,429
3,180	3,408	3,564	3,740	3,430
5,798	6,372	5,540	5,876	5,937
490	435	508	529	437
3,198	3,125	3,189	3,652	3,771
3,301	3,825	4,058	4,197	4,275

City of Rye, New York
 Capital Asset Statistics by Program
 Last Ten Fiscal Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Government:					
Number of general government buildings	1	1	1	1	1
Public Safety:					
Number of police stations	1	1	1	1	1
Number of fire stations	2	2	2	2	2
Number of traffic lights	22	22	22	22	22
Community Environment:					
Miles of streets	71	71	71	71	71
Number of street lights	2,105	2,105	2,105	2,105	2,105
Miles of sanitary sewers	53	53	53	53	53
Number of pump stations	6	6	6	6	6
Miles of storm drains	30	30	30	30	30
Culture and Recreation:					
Number of recreation centers	1	1	1	1	1
Number of parks	3	3	3	3	3
Acres of parks	75	75	75	75	75
Number of golf courses	1	1	1	1	1
Number of swimming pools	1	1	1	1	1
Number of nature centers	1	1	1	1	1
Number of cable television channels	2	2	2	2	2
Number of boat basin slips	398	398	398	398	412

2001	2002	2003	2004	2005
1	1	1	1	1
1	1	1	1	1
2	2	2	2	2
22	22	23	23	23
71	71	71	71	71
2,105	2,105	2,105	2,105	2,105
53	53	53	53	53
6	6	6	6	6
30	30	30	30	30
1	1	1	1	1
3	3	3	3	3
75	75	75	75	75
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
2	2	2	2	2
412	412	412	412	412

