

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With
*Government Auditing Standards***

The Honorable Mayor and City Council
of the City of Rye, New York
Rye, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the schedule of findings and responses that we consider to be a significant deficiency (2015-001).

Compliance and Other Matters

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

The City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
June 27, 2016

City of Rye, New York

Schedule of Findings and Responses Year Ended December 31, 2015

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? X Yes _____ Non Reported

Noncompliance material to financial statements? _____ Yes X No

Section II - Financial Statement Audit Finding

2015-001 Boat Basin Charges

Criteria: Management of the City of Rye, New York (City) should maintain adequate records to support the validity of user charges and cash receipts at the Boat Basin.

Condition: We selected a sample of 45 Boat Basin charges made during the year, of which 33 were deemed accurate based on the documentation supplied and compared to the rate schedule included in the City Council's approved budget. In some instances, management supplied additional information to clarify the charges; however, documentation and approval of these explanations was not maintained in the City's records at the time the charge was incurred.

Effect: Amounts recorded in the financial statements, including cash deposits, reconcile to management's documentation. Although de minimis in nature, some user charges did not reconcile to the City approved budget and, therefore, it is possible that some charges may not be accurate.

Cause: The City did not maintain adequate documentation to support all user charges incurred at the Boat Basin. In addition, changes to City Council approved rates were not documented.

Recommendations: Management should ensure that Boat Basin user charges reconcile to the City Council approved rate schedule. Variances from the City Council approved rate schedule should be documented by management and approved by the City Council.

Views of Responsible Officials and Planned Corrective Actions: The City has made significant improvements in regard to the operational procedures at the Boat Basin during 2016. In addition to a new Facility Supervisor at the Boat Basin, the City has adopted a new software program to manage the daily operations of the Boat Basin, including visual occupancy tracking, storage, and billing. The software enhancements include the use of QuickBooks, which will increase the accuracy of the daily financial reconciliation. All transactions are processed through QuickBooks, and only City Council approved fees are utilized.

City of Rye, New York

Schedule of Findings and Responses Year Ended December 31, 2015

Section II - Financial Statement Audit Finding - Continued

2015-001 Boat Basin Charges - Continued

In regard to the verification of each boat length, the City has cross checked boat owner information per their application with the boat's specifications listed on the New York State registration card and certificate of insurance. This process has resulted in the verification and correction of invoices, as necessary, for the 2016 boating season.

Section III - Compliance Finding

None noted.