

**TOWN OF RYE,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2007**

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## ***BASIC FINANCIAL STATEMENTS***



## PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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### *INDEPENDENT AUDITOR'S REPORT*

To the Members of the Board of Selectmen  
Town of Rye  
Rye, New Hampshire

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, each major fund and the aggregate remaining fund information of the Town of Rye as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have 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.

The Town of Rye has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rye's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plodzik & Sanderson  
Professional Association*

February 11, 2009

**EXHIBIT A**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Statement of Net Assets**  
**December 31, 2007**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,225,750
Investments	6,611,864
Intergovernmental receivable	32,982
Other receivables, net of allowances for uncollectible	967,530
Inventory	6,976
Prepaid items	11,935
Capital assets, not being depreciated:	
Land	7,959,753
Capital assets, net of accumulated depreciation:	
Land improvements	427,922
Buildings	6,043,017
Rolling stock	1,080,684
Equipment	62,505
Infrastructure	18,282,157
Total assets	<u>46,713,075</u>
<b>LIABILITIES</b>	
Accounts payable	103,453
Accrued salaries and benefits	36,391
Contingency payable	12,383
Intergovernmental payable	4,979,017
Accrued interest payable	135,542
Retainage payable	26,525
Unearned revenue	74,130
Noncurrent obligations:	
Due within one year:	
Bond	975,000
Unamortized bond premium	37,340
Compensated absences	14,555
Accrued landfill postclosure care costs	5,500
Due in more than one year:	
Bond	5,195,000
Unamortized bond premium	238,653
Compensated absences	369,819
Accrued landfill postclosure care costs	44,000
Total liabilities	<u>12,247,308</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	27,410,045
Restricted for:	
Perpetual care	1,964,658
Library purposes	519,586
Capital project	269,031
Unrestricted	4,302,447
Total net assets	<u>\$ 34,465,767</u>

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

**EXHIBIT B**  
**TOWN OF RYE, NEW HAMPSHIRE**  
*Statement of Activities*  
**For the Fiscal Year Ended December 31, 2007**

		Program Revenues				Net (Expense)
			Operating			Revenue and
		Charges	Grants and	Restricted	Capital	Change in
	Expenses	for	Contributions	Investment	Grants and	Net Assets
		Services		Income	Contributions	
Governmental activities:						
General government	\$ 1,691,258	\$ 15,390	\$ -	\$ 160,376	\$ -	\$ (1,515,492)
Public safety	2,361,471	228,040	217,023	-	-	(1,916,408)
Highways and streets	1,534,955	1,095	116,151	-	-	(1,417,709)
Sanitation	570,715	400,507	32,782	-	-	(137,426)
Health	103,042	-	-	-	-	(103,042)
Welfare	63,312	3,061	-	-	-	(60,251)
Culture and recreation	888,105	184,381	-	36,337	-	(667,387)
Conservation	25,652	-	-	-	350,000	324,348
Interest on long-term debt	307,516	-	-	-	-	(307,516)
Capital outlay	49,994	-	-	-	-	(49,994)
Total governmental activities	<u>\$ 7,596,020</u>	<u>\$ 832,474</u>	<u>\$ 365,956</u>	<u>\$ 196,713</u>	<u>\$ 350,000</u>	<u>(5,850,877)</u>
General revenues:						
Taxes:						
Property						3,832,609
Other						66,705
Motor vehicle permit fees						1,130,042
Licenses and other fees						144,705
Grants and contributions not restricted to specific programs						346,707
Unrestricted investment earnings						246,456
Miscellaneous						233,676
Total general revenues						<u>6,000,900</u>
Change in net assets						150,023
Net assets, beginning, as restated (see Note 2-J)						<u>34,315,744</u>
Net assets, ending						<u>\$ 34,465,767</u>

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

**EXHIBIT C-1**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2007**

	General	Conservation Land Acquisition	Sewer	Permanent	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,155,440	\$ 17,708	\$ 327,549	\$ 156,950	\$ 568,103	\$ 5,225,750
Investments	2,258,562	965,279	-	2,354,603	1,033,420	6,611,864
Receivables, net of allowances for uncollectible:						
Taxes	818,289	-	-	-	-	818,289
Accounts	50,610	-	87,556	-	11,075	149,241
Intergovernmental	16,962	-	-	-	16,020	32,982
Interfund receivable	69,883	-	-	-	5,852	75,735
Voluntary tax liens	46,031	-	-	-	-	46,031
Voluntary tax liens reserved until collected	(46,031)	-	-	-	-	(46,031)
Inventory	6,976	-	-	-	-	6,976
Prepaid items	7,220	-	-	-	4,715	11,935
Total assets	<u>\$ 7,383,942</u>	<u>\$ 982,987</u>	<u>\$ 415,105</u>	<u>\$ 2,511,553</u>	<u>\$ 1,639,185</u>	<u>\$ 12,932,772</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 97,966	\$ -	\$ 922	\$ -	\$ 4,565	\$ 103,453
Accrued salaries and benefits	36,391	-	-	-	-	36,391
Intergovernmental payable	4,972,458	-	6,559	-	-	4,979,017
Interfund payable	-	20,206	6,284	27,309	21,936	75,735
Contingency payable	12,383	-	-	-	-	12,383
Retainage payable	-	-	-	-	26,525	26,525
Deferred revenue	-	-	69,864	-	4,266	74,130
Total liabilities	<u>5,119,198</u>	<u>20,206</u>	<u>83,629</u>	<u>27,309</u>	<u>57,292</u>	<u>5,307,634</u>
<b>Fund balances:</b>						
Reserved for encumbrances	148,506	-	29,857	-	57,973	236,336
Reserved for endowments	-	-	-	2,082,697	-	2,082,697
Reserved for inventory	6,977	-	-	-	-	6,977
Reserved for special purposes	49,850	-	-	401,547	214,426	665,823
Unreserved:						
Designated for contingency	400,000	-	-	-	-	400,000
Undesignated, reported in:						
General fund	1,659,411	-	-	-	-	1,659,411
Special revenue funds	-	962,781	301,619	-	1,309,494	2,573,894
Total fund balances	<u>2,264,744</u>	<u>962,781</u>	<u>331,476</u>	<u>2,484,244</u>	<u>1,581,893</u>	<u>7,625,138</u>
Total liabilities and fund balances	<u>\$ 7,383,942</u>	<u>\$ 982,987</u>	<u>\$ 415,105</u>	<u>\$ 2,511,553</u>	<u>\$ 1,639,185</u>	<u>\$ 12,932,772</u>

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

**EXHIBIT C-2**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets**  
**December 31, 2007**

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Total fund balances of governmental funds (Exhibit C-1)		\$ 7,625,138
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.		
Cost	\$ 50,483,542	
Less accumulated depreciation	<u>(16,627,504)</u>	
		33,856,038
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.		
Receivables	\$ (75,735)	
Payables	<u>75,735</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(135,542)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Bonds including unamortized premium	\$ 6,445,993	
Compensated absences	384,374	
Accrued landfill postclosure care costs	<u>49,500</u>	
		(6,879,867)
Total net assets of governmental activities (Exhibit A)		<u>\$ 34,465,767</u>

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



**EXHIBIT C-3**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended December 31, 2007**

	General	Conservation Land Acquisition	Sewer	Permanent	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 3,899,314	\$ -	\$ -	\$ -	\$ -	\$ 3,899,314
Licenses and permits	1,274,747	-	-	-	-	1,274,747
Intergovernmental	530,245	350,000	49,173	-	133,245	1,062,663
Charges for services	224,187	-	328,155	-	280,132	832,474
Miscellaneous	309,350	65,202	5,224	196,713	100,356	676,845
Total revenues	<u>6,237,843</u>	<u>415,202</u>	<u>382,552</u>	<u>196,713</u>	<u>513,733</u>	<u>7,746,043</u>
<b>Expenditures:</b>						
Current:						
General government	1,527,535	-	-	115,217	29,785	1,672,537
Public safety	2,025,026	-	-	-	255,665	2,280,691
Highways and streets	892,691	-	-	-	-	892,691
Sanitation	370,706	-	98,176	-	4,772	473,654
Health	103,042	-	-	-	-	103,042
Welfare	63,312	-	-	-	-	63,312
Culture and recreation	208,277	-	-	-	651,905	860,182
Conservation	25,620	32	-	-	-	25,652
Debt service:						
Principal	751,600	-	132,000	-	-	883,600
Interest	289,653	-	48,972	-	-	338,625
Capital outlay	126,581	945,636	31,274	-	44,132	1,147,623
Total expenditures	<u>6,384,043</u>	<u>945,668</u>	<u>310,422</u>	<u>115,217</u>	<u>986,259</u>	<u>8,741,609</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,200)</u>	<u>(530,466)</u>	<u>72,130</u>	<u>81,496</u>	<u>(472,526)</u>	<u>(995,566)</u>
Other financing uses:						
Transfers in	-	-	-	-	650,315	650,315
Transfers out	(617,973)	-	-	(24,507)	(7,835)	(650,315)
Total other financing sources and uses	<u>(617,973)</u>	<u>-</u>	<u>-</u>	<u>(24,507)</u>	<u>642,480</u>	<u>-</u>
Net change in fund balances	(764,173)	(530,466)	72,130	56,989	169,954	(995,566)
Fund balances, beginning, as restated (see Note 2-J)	3,028,917	1,493,247	259,346	2,427,255	1,411,939	8,620,704
Fund balances, ending	<u>\$ 2,264,744</u>	<u>\$ 962,781</u>	<u>\$ 331,476</u>	<u>\$ 2,484,244</u>	<u>\$ 1,581,893</u>	<u>\$ 7,625,138</u>

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

**EXHIBIT C-4**  
**TOWN OF RYE, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities*  
For the Fiscal Year Ended December 31, 2007

Net change in fund balances of governmental funds (Exhibit C-3)			\$ (995,566)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.			
Capitalized capital outlay	\$ 1,097,619		
Depreciation expense	<u>(820,076)</u>		
			277,543
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in	\$ (650,315)		
Transfers out	<u>650,315</u>		
			-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.			
Repayment of bond principal	\$ 883,600		
Amortization of bond premium	<u>37,340</u>		
			920,940
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.			
Increase in accrued interest expense	\$ (6,231)		
Increase in compensated absences payable	(51,163)		
Decrease in accrued landfill postclosure care costs	<u>4,500</u>		
			(52,894)
Change in net assets of governmental activities (Exhibit B)			<u>\$ 150,023</u>

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

**EXHIBIT D-1**  
**TOWN OF RYE, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Fiduciary Net Assets*  
*December 31, 2007*

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,761	\$ 69,632
Investments	-	854,603
Total assets	<u>1,761</u>	<u>924,235</u>
<b>LIABILITIES</b>		
Due to other governmental units	-	854,603
Due to developers	-	69,632
Total liabilities	<u>-</u>	<u>924,235</u>
<b>NET ASSETS</b>		
Held in trust for specific purposes	<u>\$ 1,761</u>	<u>\$ -</u>

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

**EXHIBIT D-2**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Fiduciary Funds**  
*Schedule of Changes in Fiduciary Net Assets*  
*For the Fiscal Year Ended December 31, 2007*

	Private Purpose Trust
<b>ADDITIONS</b>	
Interest	\$ 4
Net assets, beginning	<u>1,757</u>
Net assets, ending	<u>\$ 1,761</u>

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

**TOWN OF RYE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2007**

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**TOWN OF RYE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Rye, New Hampshire (the Town) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

**1-A Reporting Entity**

The Town of Rye is a municipal corporation governed by an elected 3-member Board of Selectmen. The reporting entity is comprised of the primary government and any other organizations that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organization; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

**1-B Basis of Presentation**

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities; and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements** - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed at this reporting level as all individual funds are consolidated as governmental activities.

The statement of net assets presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities and net assets.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with the function, and therefore, clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the functional activity. Program revenues include: (1) charges for services, which include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction and rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to the program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which functions generate the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*. General taxes, unrestricted state aid and other revenues not specifically related to a particular function are reported as general revenues of the Town.

**Fund Financial Statements** - During the year, the Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and fiduciary funds.

**TOWN OF RYE, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2007**

**Fund Accounting** - The Town uses funds to maintain its financial records during the year. The Town uses two categories of funds: governmental and fiduciary.

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between governmental fund assets and liabilities as fund balance. The following are the Town's major governmental funds:

**General Fund** - The general fund is the primary operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**Conservation Land Acquisition Fund** - The conservation land acquisition fund is used to account for funds held for future land purchases for conservation purposes.

**Sewer Fund** - The sewer fund is used to account for funds held for transactions related to the provision of sewage disposal services.

**Permanent Fund** - The permanent fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, can be used to support Town activities.

The Town also reports twelve nonmajor governmental funds.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets. The Town's fiduciary funds consist of two types of funds, private purpose trust and agency funds. The agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations.

**1-C Measurement Focus**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included on the statement of net assets. The statement of activities reports revenues, expenses and changes in net assets.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Fiduciary funds use an economic resources measurement focus. These funds report all assets and liabilities on the statement of fiduciary net assets. The statement of changes in fiduciary net assets reports additions and deductions to net assets of the private purpose trust funds.

**1-D Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting, and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of some deferred revenue, and in the presentation of expenses versus expenditures.

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**Revenues - Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year, generally within sixty days of year-end.

**Revenues - Nonexchange Transactions** - Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within 60 days) before it can be recognized, with the exception of property taxes which are recognized if expected to be collected in time to be used to pay the liability to the school district which is due over the next six months.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: taxes, charges for services, interest, and federal and state grants.

**Deferred/Unearned Revenue** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) are recorded as deferred revenue in the governmental funds, and as unearned revenue on the government-wide financial statements.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

**1-E Assets, Liabilities and Net Assets or Fund Equity**

**1-E-1 Cash, Cash Equivalents and Investments**

**Cash and Cash Equivalents** - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

New Hampshire statutes require that the Town treasurer have custody of all moneys belonging to the Town and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

**Investments** - Whenever the treasurer has in custody an excess of funds, which is not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the Board of Selectmen, invest the excess funds.

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.



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Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value based on quoted market prices.

**1-E-2 Receivables**

Tax revenue is recorded when a warrant for collection is committed to the tax collector. Taxes receivable are reported net of an allowance established for potential abatements and amounts deemed uncollectible by management. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible amounts.

**1-E-3 Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

**1-E-4 Inventory and Prepaid Items**

Inventory is valued at cost using the first-in, first-out method. The consumption method is used to account for inventory. Under the consumption method, inventory is recorded when expenditures are consumed rather than when purchased. Reported inventory in the governmental funds is equally offset by a fund balance reserve which indicates that the assets are not available for appropriation even though they are a component of reported assets.

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items using the consumption method, by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**1-E-5 Capital Assets**

Capital assets are those assets of a capital nature which the Town owns. These assets are reported in the government-wide financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$10,000 and more than one year of estimated life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	25
Buildings	100
Rolling stock	10 - 25
Equipment	5 - 15
Infrastructure	30 - 50

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***1-E-6 Compensated Absences***

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Town's experience of making termination payments.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

***1-E-7 Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

***1-E-8 Equity***

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Equity for all other reporting is classified as "net assets."

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources, and therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific purposes.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***1-E-9 Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement of repayment are reported as interfund transfers. At the fund reporting level, interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

At the government-wide financial reporting level, transfers between funds that would be reported in the individual funds are eliminated.

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**1-E-10 Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND GOVERNMENT-WIDE STATEMENTS**

**2-A Custodial Credit Risk for Deposits and Investment Risks**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town's investment policies do not address custodial credit risk. As of December 31, 2007, \$47,289 of the Town's bank balances of \$5,283,525 was exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2007, the Town had the following investments:

Certificates of deposit	\$ 2,220,485
U.S. government obligations	217,043
Common stocks	2,005,114
New Hampshire Public Deposit Investment Pool	2,939,944
Other	83,881
	<u>\$ 7,466,467</u>

**Investment reconciliation:**

Governmental funds, balance sheet (Exhibit C-1)	\$ 6,611,864
Fiduciary funds, statement of fiduciary net assets (Exhibit D-1)	854,603
Total	<u>\$ 7,466,467</u>

**Interest Rate Risk** - The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State law limits investments to those described in Note 1-E-1. The Town's investment policy does not further limit its investment choices.

**Custodial Credit Risk** - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Of the Town's \$7,466,467 in investments, \$2,063,466 is subject to custodial credit risk because the securities are held by the counter party's trust department or agent, not in the Town's name. The Town does not have policies for custodial credit risk.

**2-B Taxes Receivable**

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2007, upon which the 2007 property tax levy was based is:

For the New Hampshire education tax	\$1,798,795,400
For all other taxes	\$1,806,142,300

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due date. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

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In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowances at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Rye School District, Jenness Beach Precinct, Rye Beach Precinct, Rye Water District and Rockingham County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2007, were as follow:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$2.25	\$ 4,068,395
School portion:		
State of New Hampshire	\$2.22	3,987,295
Local	\$3.54	6,386,208
County portion	\$0.90	1,634,520
Precinct portions:		
Jenness Beach	\$0.18	67,835
Rye Beach	\$0.43	97,129
Rye Water District	\$0.48	542,049
Total		<u>\$ 16,783,431</u>

During the current fiscal year, the tax collector executed a lien on April 18 for all uncollected 2006 property taxes.

Taxes receivable at December 31, 2007, are as follow:

Property:	
Levy of 2007	\$ 735,145
Unredeemed (under tax lien):	
Levy of 2006	77,658
Levy of 2005	21,078
Levy of 2004	411
Levies of 2003 and prior	3,997
Less: allowance for estimated uncollectible taxes	<u>(20,000)</u>
Net taxes receivable	<u>\$ 818,289</u>

**2-C Other Receivables**

Other receivables at December 31, 2007, consisted of accounts (billings for sewer, police details, ambulance fees and other user charges), and intergovernmental amounts arising from grants.

Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectibility.

Amounts receivable at December 31, 2007 are as follows:

	General Fund	Sewer Fund	Nonmajor Fund	Total
Accounts	\$ 69,610	\$ 87,556	\$ 11,825	\$ 168,991
Intergovernmental	16,962	-	16,020	32,982
Liens	46,031	-	-	46,031
Less: allowances for uncollectible amounts	<u>(65,031)</u>	<u>-</u>	<u>(750)</u>	<u>(65,781)</u>
Net receivable	<u>\$ 67,572</u>	<u>\$ 87,556</u>	<u>\$ 27,095</u>	<u>\$ 182,223</u>

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**2-D Capital Assets**

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance, beginning (as restated)	Changes	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 7,012,753	\$ 947,000	\$ 7,959,753
Construction in progress	3,636,027	(3,636,027)	-
Total capital assets not being depreciated	<u>10,648,780</u>	<u>(2,689,027)</u>	<u>7,959,753</u>
Being depreciated:			
Land improvements	509,602	-	509,602
Buildings	2,652,278	3,680,159	6,332,437
Rolling stock	1,783,867	23,997	1,807,864
Equipment	50,797	22,500	73,297
Infrastructure	33,740,599	59,990	33,800,589
Total capital assets being depreciated	<u>38,737,143</u>	<u>3,786,646</u>	<u>42,523,789</u>
Total all capital assets	<u>49,385,923</u>	<u>1,097,619</u>	<u>50,483,542</u>
Less accumulated depreciation:			
Land improvements	(61,260)	(20,420)	(81,680)
Buildings	(262,897)	(26,523)	(289,420)
Rolling stock	(638,145)	(89,035)	(727,180)
Equipment	(4,466)	(6,326)	(10,792)
Infrastructure	(14,840,660)	(677,772)	(15,518,432)
Total accumulated depreciation	<u>(15,807,428)</u>	<u>(820,076)</u>	<u>(16,627,504)</u>
Net book value, capital assets being depreciated	<u>22,929,715</u>	<u>2,966,570</u>	<u>25,896,285</u>
Net book value, all capital assets	<u>\$ 33,578,495</u>	<u>\$ 277,543</u>	<u>\$ 33,856,038</u>

Depreciation expense was charged to functions of the Town as follows:

General government	\$ 10,001
Public safety	53,377
Highways and streets	642,254
Sanitation	90,341
Culture and recreation	24,103
Total	<u>\$ 820,076</u>

**2-E Interfund Balances and Transfers**

Interfund balances at December 31, 2007 consist of overdrafts in the pooled cash and budgetary transfers not yet made as follow:

Receivable fund	Payable fund	Amount
General	Conservation land acquisition	\$ 20,206
	Sewer	6,284
	Permanent	23,750
	Nonmajor	19,643
Nonmajor	Permanent	3,559
	Nonmajor	2,293
		<u>\$ 75,735</u>

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Interfund transfers during the year were for voted appropriations as follow:

	<u>Transfers In:</u>
	<u>Nonmajor</u>
	<u>Funds</u>
Transfers out:	
General fund	\$ 617,973
Permanent fund	24,507
Nonmajor funds	7,835
Total	<u>\$ 650,315</u>

**2-F Intergovernmental Payable**

Amounts due to other governments at December 31, 2007 consist of:

Balance of 2007-2008 district assessment due to the Rye School District	\$ 4,923,503
Fees due to the NH Retirement System	42,366
Reimbursement of a prior year FEMA grant that was not expended	6,589
Sewer fees due to the City of Portsmouth, New Hampshire	4,472
Sewer fees due to the Town of Hampton, New Hampshire	2,087
Total	<u>\$ 4,979,017</u>

**2-G Deferred/Unearned Revenue**

Deferred/unearned revenue at December 31, 2007 consists of the following:

State reimbursement of bonds payments not made until the subsequent year	\$ 69,864
Federal grants received in advance of the grant expenditures being made	2,006
Cell tower rental received in advance	2,260
Total	<u>\$ 74,130</u>

**2-H Long-Term Liabilities**

Changes in the Town's long-term obligations during the year ended December 31, 2007, consisted of the following:

	General Obligation Bonds Payable	Unamortized Bond Premium	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Total
Balance, beginning	\$ 7,053,600	\$ 313,333	\$ 333,211	\$ 54,000	\$ 7,754,144
Additions	-	-	51,163	-	51,163
Reductions	(883,600)	(37,340)	-	(4,500)	(925,440)
Balance, ending	<u>\$ 6,170,000</u>	<u>\$ 275,993</u>	<u>\$ 384,374</u>	<u>\$ 49,500</u>	<u>\$ 6,879,867</u>

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Long-term liabilities are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2007	Current Portion
General obligation bonds payable:						
Sewer construction	\$ 4,400,000	1991	2012	5.6-6.75	\$ 1,100,000	\$ 220,000
Library addition	\$ 859,139	1999	2014	4.0-4.50	415,000	60,000
Land purchase	\$ 418,000	2003	2008	2.80	83,600	83,600
Public safety complex and conservation easements	\$ 5,185,600	2004	2015	5.625	3,625,000	520,000
Land acquisition	\$ 946,400	2006	2017	3.77	946,400	91,400
					<u>6,170,000</u>	<u>975,000</u>
Bond premium					<u>275,993</u>	<u>37,340</u>
Compensated absences payable:						
Vested sick leave					229,327	7,338
Accrued vacation leave					155,047	7,217
					<u>384,374</u>	<u>14,555</u>
Accrued landfill postclosure care costs					<u>49,500</u>	<u>5,500</u>
Total					<u>\$ 6,879,867</u>	<u>\$ 1,032,395</u>

The annual requirements to amortize the general obligation bonds outstanding as of December 31, 2007, including interest payments, are as follow:

Fiscal Year Ending December 31,	Principal	Interest	Total
2008	\$ 975,000	\$ 310,741	\$ 1,285,741
2009	895,000	260,771	1,155,771
2010	895,000	213,053	1,108,053
2011	895,000	165,178	1,060,178
2012	890,000	117,227	1,007,227
2013-2017	1,620,000	141,657	1,761,657
Totals	<u>\$ 6,170,000</u>	<u>\$ 1,208,627</u>	<u>\$ 7,378,627</u>

The premium is being amortized on a straight-line basis over the life of the bond.

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Bonds and notes authorized and unissued as of December 31, 2007 were as follow:

Per Town Meeting vote of	Purpose	Unissued Amount
March 11, 2003	Land purchase	\$2,002,000

**Accrued Landfill Postclosure Care Costs**

The Breakfast Hill Road/Route 1 Landfill was closed in 1986 and requires postclosure care monitoring. Based on the time of operation for the Grove Road Landfill, and water quality test results to date, the New Hampshire Department of Environmental Services has indicated that the Town is not required to perform closure construction of the landfill at this time. If groundwater quality at the site were to become further impacted by the landfill, the Town would be required to re-evaluate the closure or implement other measures. No liability is being recognized for closure construction as there is no indication at this time that it will be required. State laws and regulations require that the Town continue to perform monitoring functions at this site.

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The estimated liability for landfill postclosure care costs for both landfills is \$49,500 as of December 31, 2007, and is based on the amount that would be paid if all equipment, facilities and services required to monitor and maintain the landfills were acquired as of December 31, 2007. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The Town expects to finance the postclosure care costs by State grants and general tax revenue, as well as a capital reserve fund established for this purpose.

**2-I State Aid to Water Pollution Projects**

Under N.H. RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At December 31, 2007, the Town is due to receive the following annual amounts to offset debt payments of the 1991 sewer construction bond:

Fiscal Year Ending December 31,	Amount
2008	\$ 44,549
2009	42,181
2010	39,813
2011	37,446
Totals	<u>\$ 163,989</u>

**2-J Restatement of Equity**

Equity balances at January 1, 2007, were restated to give retroactive effect to the following prior period adjustments:

	Government- Wide	General Fund	Recreation Revolving Fund	Grants Fund
To adjust accumulated depreciation to actual	\$ 147,299	\$ 26,859	\$ -	\$ -
To reclassify cash reported in wrong fund	26,859	30,317	(30,317)	-
To record a payable	(6,589)	(6,589)	-	-
To adjust contingent liability to actual	(6,520)	(6,520)	-	-
To reclassify grant revenue into the proper period	(394)	-	-	(394)
Net assets/fund balance, as previously stated	34,155,089	2,984,850	172,920	4,207
Net assets/fund balance, as restated	<u>\$ 34,315,744</u>	<u>\$ 3,028,917</u>	<u>\$ 142,603</u>	<u>\$ 3,813</u>

**NOTE 3 - OTHER MATTERS**

**3-A Pensions**

The Town of Rye participates in the New Hampshire Retirement System (the System) which consists of a cost-sharing, multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provisions for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers and firefighters are required to contribute 5% of earnable compensation. Police officers and firefighters are required to contribute 9.3% of gross earnings. For the first six months of 2007, the Town contributed 9.68% for police, 14.36% for fire and 6.81% for other employees. As of July 1, those rates increased to 11.84% for police, 15.92% for fire and 8.74% for others. The contribution requirements for the Town of Rye for the fiscal years 2005, 2006 and 2007 were \$178,861, \$198,126 and \$243,247, respectively, which were paid in full in each year.



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The State of New Hampshire funds 35% of employer costs for police officers and firefighters employed by the Town. This amount, \$83,778, is reported as an "on-behalf" payment," as an expenditure and revenue on the governmental funds operating statement, and as an expense and revenue on the government-wide statement of activities.

***3-B Risk Management***

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2007, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Workers' Compensation and Property/Liability Programs, which are pooled risk management programs under RSAs 5-B and 281-A. The workers' compensation and employer's liability policy provides statutory coverage for workers' compensation and up to \$2,000,000 of employer's liability coverage. Primex retained \$500,000 of each workers' compensation and liability loss, and \$200,000 of each property loss. The combined liability package includes coverage for property, auto, liability, errors and omissions, crime, and boiler and machinery. The membership and coverage run from January 1 through December 31. The estimated net contribution from the Town of Rye billed and paid for the year ended December 31, 2007 was \$71,343 for workers' compensation and \$51,727 for property/liability. The member participation agreements permit Primex to make additional assessments to members, should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Primex foresees no likelihood of any additional assessment for this or any prior year.

***3-C Contingent Liabilities***

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT E-1**  
**TOWN OF RYE, NEW HAMPSHIRE**  
*Schedule of Revenues, Expenditures and Changes in Fund Balances*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
**For the Fiscal Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 3,714,390	\$ 3,714,390	\$ 3,899,314	\$ 184,924
Licenses and permits	1,280,000	1,280,000	1,274,747	(5,253)
Intergovernmental	395,828	412,790	446,467	33,677
Charges for services	179,772	179,772	224,187	44,415
Miscellaneous	367,373	367,373	309,350	(58,023)
Total revenues	<u>5,937,363</u>	<u>5,954,325</u>	<u>6,154,065</u>	<u>199,740</u>
Expenditures:				
Current:				
General government	1,612,637	1,612,637	1,497,528	115,109
Public safety	2,014,250	2,014,250	1,944,766	69,484
Highways and streets	903,748	903,748	882,910	20,838
Sanitation	381,754	381,754	370,706	11,048
Health	109,962	128,424	103,042	25,382
Welfare	52,949	52,949	63,312	(10,363)
Culture and recreation	225,323	225,323	208,277	17,046
Conservation	31,800	31,800	25,620	6,180
Debt service:				
Principal	751,600	751,600	751,600	-
Interest	294,667	294,667	289,653	5,014
Capital outlay	114,200	114,200	126,581	(12,381)
Total expenditures	<u>6,492,890</u>	<u>6,511,352</u>	<u>6,263,995</u>	<u>247,357</u>
Deficiency of revenues under expenditures	(555,527)	(557,027)	(109,930)	447,097
Other financing uses:				
Transfers out	<u>(319,473)</u>	<u>(617,973)</u>	<u>(617,973)</u>	<u>-</u>
Net change in fund balance	<u>\$ (875,000)</u>	<u>\$ (1,175,000)</u>	(727,903)	<u>\$ 447,097</u>
Increase in fund balance reserved for inventory			(313)	
Increase in fund balance reserved for special purposes			(39,800)	
Unreserved fund balance, beginning, as restated (see Note 2-J)			2,827,427	
Unreserved fund balance, ending			<u>\$ 2,059,411</u>	

The notes to the required supplementary information are an integral part of this schedule.

**EXHIBIT E-2**  
**TOWN OF RYE, NEW HAMPSHIRE**  
*Schedule of Revenues, Expenditures and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**Sewer Fund**  
**For the Fiscal Year Ended December 31, 2007**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 49,173	\$ 49,173	\$ -
Charges for services	307,011	328,155	21,144
Miscellaneous	-	5,224	5,224
Total revenues	<u>356,184</u>	<u>382,552</u>	<u>26,368</u>
Expenditures:			
Current:			
Sanitation	165,212	128,033	37,179
Debt service:			
Principal	132,000	132,000	-
Interest	48,972	48,972	-
Capital outlay	10,000	31,274	(21,274)
Total expenditures	<u>356,184</u>	<u>340,279</u>	<u>15,905</u>
Net change in fund balance	<u>\$ -</u>	42,273	<u>\$ 42,273</u>
Unreserved fund balance, beginning		259,346	
Unreserved fund balance, ending		<u>\$ 301,619</u>	

The notes to the required supplementary information are an integral part of this schedule.

**TOWN OF RYE, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2007**

General Budget Policies.....	1
Budgetary Reconciliation.....	2

**TOWN OF RYE, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2007**

**1. General Budget Policies**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general and sewer funds, as well as some of the nonmajor funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In the fiscal year 2007, \$1,175,000 of the beginning general fund fund balance was applied for this purpose.

**2. Budgetary Reconciliation**

The following reconciles the budgetary basis to the GAAP basis.

	General Fund	Sewer Fund
Revenues and other financing sources:		
Per Exhibits E-1 and E-2 (budgetary basis)	\$ 6,154,065	\$ 382,552
Adjustment:		
Basis difference:		
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	83,778	-
Per Exhibit C-3 (GAAP basis)	<u>\$ 6,237,843</u>	<u>\$ 382,552</u>
Expenditures and other financing uses:		
Per Exhibits E-1 and E-2 (budgetary basis)	\$ 6,881,968	\$ 340,279
Adjustments:		
Basis difference:		
Encumbrances, beginning	184,776	-
Encumbrances, ending	(148,506)	(29,857)
On-behalf retirement contributions made by the State of New Hampshire recognized as expenditures on the GAAP basis, but not on the budgetary basis	83,778	-
Per Exhibit C-3 (GAAP basis)	<u>\$ 7,002,016</u>	<u>\$ 310,422</u>

**SCHEDULE 1**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2007*

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 3,640,618	\$ 3,832,609	\$ 191,991
Yield	3,000	2,971	(29)
Excavation	500	-	(500)
Payment in lieu of taxes	10,272	7,320	(2,952)
Interest and penalties on taxes	60,000	56,414	(3,586)
Total taxes	<u>3,714,390</u>	<u>3,899,314</u>	<u>184,924</u>
<b>Licenses, permits and fees:</b>			
Business licenses, permits and fees	1,000	1,205	205
Motor vehicle permit fees	1,130,000	1,130,042	42
Building permits	110,000	103,810	(6,190)
Other	39,000	39,690	690
Total licenses, permits and fees	<u>1,280,000</u>	<u>1,274,747</u>	<u>(5,253)</u>
<b>Intergovernmental:</b>			
State:			
Shared revenue block grant	47,506	47,506	-
Meals and rooms distribution	220,283	220,283	-
Highway block grant	108,010	108,010	-
Water pollution grants	-	32,782	32,782
Other	28,991	29,745	754
Federal:			
FEMA	8,000	8,141	141
Total intergovernmental	<u>412,790</u>	<u>446,467</u>	<u>33,677</u>
<b>Charges for services:</b>			
Income from departments	<u>179,772</u>	<u>224,187</u>	<u>44,415</u>
<b>Miscellaneous:</b>			
Interest on investments	200,000	246,406	46,406
Fines and forfeits	6,000	5,513	(487)
Insurance dividends and reimbursements	39,214	33,644	(5,570)
Legal reimbursement	110,600	-	(110,600)
Other	11,559	23,787	12,228
Total miscellaneous	<u>367,373</u>	<u>309,350</u>	<u>(58,023)</u>
<b>Total revenues</b>	<u>5,954,325</u>	<u>\$ 6,154,065</u>	<u>\$ 199,740</u>
Unreserved fund balance used to reduce tax rate	<u>1,175,000</u>		
Total revenues and use of fund balance	<u>\$ 7,129,325</u>		

**SCHEDULE 2**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2007**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 6,520	\$ 269,668	\$ 263,195	\$ -	\$ 12,993
Election and registration	3,823	14,735	17,002	-	1,556
Financial administration	-	285,403	287,740	-	(2,337)
Revaluation of property	8,350	157,447	138,263	-	27,534
Legal	-	451,650	395,736	-	55,914
Planning and zoning	10,839	109,335	106,804	2,000	11,370
General government buildings	2,475	77,668	87,195	-	(7,052)
Insurance, not otherwise allocated	-	195,000	179,869	-	15,131
Advertising and regional associations	-	47,731	47,731	-	-
Other	-	4,000	4,000	-	-
Total general government	32,007	1,612,637	1,527,535	2,000	115,109
Public safety:					
Police	-	882,422	853,628	-	28,794
Ambulance	-	92,382	87,149	-	5,233
Fire	-	913,166	878,174	3,518	31,474
Building inspection	-	118,080	117,223	-	857
Emergency management	-	8,200	5,074	-	3,126
Total public safety	-	2,014,250	1,941,248	3,518	69,484
Highways and streets:					
Administration	-	481,626	486,174	-	(4,548)
Highways and streets	52,769	411,122	396,300	42,988	24,603
Street lighting	-	3,000	2,687	-	313
Other	-	8,000	7,530	-	470
Total highways and streets	52,769	903,748	892,691	42,988	20,838
Sanitation:					
Solid waste collection	-	215,154	215,010	-	144
Solid waste disposal	-	166,600	155,696	-	10,904
Total sanitation	-	381,754	370,706	-	11,048
Health:					
Administration	-	5,310	5,099	-	211
Pest control	-	4,918	1,644	-	3,274
Health agencies and hospitals	-	1,500	1,500	-	-
Mosquito control	-	116,696	94,799	-	21,897
Total health	-	128,424	103,042	-	25,382
Welfare:					
Direct assistance	-	52,949	63,312	-	(10,363)
Culture and recreation:					
Parks and recreation	-	160,843	155,700	-	5,143
Beach commission	-	54,780	45,432	-	9,348
Patriotic purposes	-	5,500	5,140	-	360
Other	-	4,200	2,005	-	2,195
Total culture and recreation	-	225,323	208,277	-	17,046
Conservation	100,000	31,800	25,620	100,000	6,180

(continued)



**SCHEDULE 2 (continued)**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2007**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	751,600	751,600	-	-
Interest on long-term debt	-	289,667	289,653	-	14
Interest on tax anticipation notes	-	5,000	-	-	5,000
Total debt service	-	1,046,267	1,041,253	-	5,014
Capital outlay:					
Ambulance department	-	4,000	3,943	-	57
Town hall computers	-	17,300	17,300	-	-
Police department	-	28,500	28,268	-	232
Fire department	-	4,400	5,370	-	(970)
Infrastructure	-	60,000	71,700	-	(11,700)
Total capital outlay	-	114,200	126,581	-	(12,381)
Other financing uses:					
Transfers out:					
Nonmajor funds:					
Library operating	-	480,973	480,973	-	-
Expendable trust	-	137,000	137,000	-	-
Total other financing uses	-	617,973	617,973	-	-
Total appropriations, expenditures, other financing uses and encumbrances	\$ 184,776	\$ 7,129,325	\$ 6,918,238	\$ 148,506	\$ 247,357

**SCHEDULE 3**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2007*

Unreserved, undesignated fund balance, beginning, as restated (see Note 2-J)		\$ 2,227,427
Changes:		
Unreserved fund balance used to reduce 2007 tax rate		(1,175,000)
2007 Budget summary:		
Revenue surplus (Schedule 1)	\$ 199,740	
Unexpended balance of appropriations (Schedule 2)	<u>247,357</u>	
2007 Budget surplus		447,097
Increase in fund balance reserved for inventory		(313)
Increase in fund balance reserved for special purposes		(39,800)
Decrease in fund balance designated for contingency		<u>200,000</u>
Unreserved, undesignated fund balance, ending		<u><u>\$ 1,659,411</u></u>

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 4**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2007**

	Special Revenue Funds			
	Library Operating	Recreation Revolving	Conservation Commission	
			Salt Marsh	Town Forest
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,266	\$ 170,176	\$ 184,809	\$ 531
Investments	65,769	-	-	-
Receivables, net of allowances for uncollectible:				
Accounts	-	4,265	-	-
Intergovernmental	-	-	-	-
Interfund receivable	5,852	-	-	-
Prepaid items	-	4,715	-	-
Total assets	<u>\$ 87,887</u>	<u>\$ 179,156</u>	<u>\$ 184,809</u>	<u>\$ 531</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 721	\$ 318	\$ -	\$ -
Interfund payable	5,629	-	-	-
Retainage payable	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>6,350</u>	<u>318</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for encumbrances	-	-	-	-
Reserved for special purposes	3,368	-	-	-
Unreserved, undesignated	78,169	178,838	184,809	531
Total fund balances	<u>81,537</u>	<u>178,838</u>	<u>184,809</u>	<u>531</u>
Total liabilities and fund balances	<u>\$ 87,887</u>	<u>\$ 179,156</u>	<u>\$ 184,809</u>	<u>\$ 531</u>

Special Revenue Funds								
Police Outside Detail	Grants	Beach Parking Permits	Beach Cleaning	Ambulance	Expendable Trust	Capital Projects Funds Safety Building	Library Building	Total
\$ 68,582	\$ -	\$ 22,025	\$ 24,193	\$ 75,006	\$ 6,515	\$ -	\$ -	\$ 568,103
-	-	-	-	-	672,095	295,556	-	1,033,420
6,810	-	-	-	-	-	-	-	11,075
-	16,020	-	-	-	-	-	-	16,020
-	-	-	-	-	-	-	-	5,852
-	-	-	-	-	-	-	-	4,715
<u>\$ 75,392</u>	<u>\$ 16,020</u>	<u>\$ 22,025</u>	<u>\$ 24,193</u>	<u>\$ 75,006</u>	<u>\$ 678,610</u>	<u>\$ 295,556</u>	<u>\$ -</u>	<u>\$ 1,639,185</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,526	\$ -	\$ -	\$ 4,565
-	14,014	-	-	-	2,293	-	-	21,936
-	-	-	-	-	-	26,525	-	26,525
-	2,006	-	-	2,260	-	-	-	4,266
-	16,020	-	-	2,260	5,819	26,525	-	57,292
-	-	-	-	-	-	57,973	-	57,973
-	-	-	-	-	-	211,058	-	214,426
75,392	-	22,025	24,193	72,746	672,791	-	-	1,309,494
75,392	-	22,025	24,193	72,746	672,791	269,031	-	1,581,893
<u>\$ 75,392</u>	<u>\$ 16,020</u>	<u>\$ 22,025</u>	<u>\$ 24,193</u>	<u>\$ 75,006</u>	<u>\$ 678,610</u>	<u>\$ 295,556</u>	<u>\$ -</u>	<u>\$ 1,639,185</u>

**SCHEDULE 5**  
**TOWN OF RYE, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2007**

	Special Revenue Funds			
	Library Operating	Recreation Revolving	Conservation Commission	
			Salt Marsh	Town Forest
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	-	154,164	-	-
Miscellaneous	14,994	25	2,946	25
Total revenues	<u>14,994</u>	<u>154,189</u>	<u>2,946</u>	<u>25</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Sanitation	-	-	-	-
Culture and recreation	533,951	117,954	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>533,951</u>	<u>117,954</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(518,957)</u>	<u>36,235</u>	<u>2,946</u>	<u>25</u>
Other financing sources (uses):				
Transfers in	513,315	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>513,315</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(5,642)	36,235	2,946	25
Fund balances, beginning, as restated (see Note 2-J)	87,179	142,603	181,863	506
Fund balances, ending	<u>\$ 81,537</u>	<u>\$ 178,838</u>	<u>\$ 184,809</u>	<u>\$ 531</u>

Special Revenue Funds								
Police Outside Detail	Grants	Beach Parking Permits	Beach Cleaning	Ambulance	Expendable Trust	Capital Projects Funds Safety Building	Library Building	Total
\$ -	\$ 133,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,245
95,751	-	21,027	9,190	-	-	-	-	280,132
-	-	-	-	26,621	40,073	15,672	-	100,356
95,751	133,245	21,027	9,190	26,621	40,073	15,672	-	513,733
-	-	-	3,921	-	25,864	-	-	29,785
84,996	137,058	16,113	-	-	17,498	-	-	255,665
-	-	-	-	-	4,772	-	-	4,772
-	-	-	-	-	-	-	-	651,905
-	-	-	-	-	-	44,132	-	44,132
84,996	137,058	16,113	3,921	-	48,134	44,132	-	986,259
10,755	(3,813)	4,914	5,269	26,621	(8,061)	(28,460)	-	(472,526)
-	-	-	-	-	137,000	-	-	650,315
-	-	-	-	-	(7,308)	-	(527)	(7,835)
-	-	-	-	-	129,692	-	(527)	642,480
10,755	(3,813)	4,914	5,269	26,621	121,631	(28,460)	(527)	169,954
64,637	3,813	17,111	18,924	46,125	551,160	297,491	527	1,411,939
\$ 75,392	\$ -	\$ 22,025	\$ 24,193	\$ 72,746	\$ 672,791	\$ 269,031	\$ -	\$ 1,581,893