TOWN OF LEWISBORO, NEW YORK

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2008

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To The Supervisor and Board Members of the
Town of Lewisboro
South Salem, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Lewisboro, New York, as of and for the year ended December 31, 2008, 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 Lewisboro, New York's management. Our responsibility is to express an opinion 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 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 Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Lewisboro, New York as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

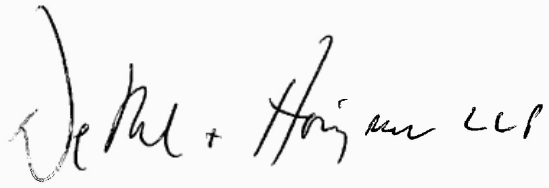
As described in Note IX to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 45, "*Accounting and Financial*

Reporting by Employers for Post Employment Benefits Other than Pensions" as of and for the year ended December 31, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009 on our consideration of Town of Lewisboro, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis on pages 3 through 9 and the required supplementary information on pages 31 and 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, which consisted principally of inquires 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 33 through 52 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Lewisboro, New York. This 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 statements taken as a whole.



Ossining, New York

November 17, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

TOWN OF LEWISBORO, NEW YORK

YEAR ENDED DECEMBER 31, 2008

Town of Lewisboro

The following is a discussion and analysis of the Town's financial performance for the fiscal year ended December 31, 2008. This section is a summary of the Town's financial activity based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for 2008 are as follows:

Town-Wide Statements

The Town's main revenue sources were as follows:

Property Tax Revenues: $4,331,083 (32% of Total Revenues)

Sales Tax Revenues: $1,835,209 (14% of Total Revenues)

The Town's main expenditures were as follows:

General Government Support: $2,730,712 (16% of Total Expenditures)

Transportation: $2,312,491 (14% of Total Expenditures)

Culture & Recreation: $2,221,155 (13% of Total Expenditures)

Total Net Assets were ($6,082,193) at December 31, 2008, down $8,778,272 from the prior year.

Fund Financial Statements

The highlights of the activities in the major funds are as follows:

The General Fund had $6,684,360 in total revenues, of which $1,358,308 or 20%, was made up of property tax revenues. The General Fund expenditures totaled $8,400,302 for the year ended December 31, 2008. The major outlays were for General Government Support ($2,698,539/32%), Culture and Recreation ($2,221,155/26%) and Home and Community Services ($224,596/3%).

The General Fund's fund balance decreased from $2,454,210 at December 31, 2007 to $738,268 at December 31, 2008. Of the total fund balance, $562,325 was appropriated towards the subsequent year's budget and $23,571 as reserved, leaving $152,372 un- appropriated and unreserved.

The Highway Fund had property tax revenues of $2,617,527, which accounted for 94% of its total revenues of $2,778,445.

Using this Comprehensive Annual Report

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so that the reader can understand the Town as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the Town as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Town's finances is "Is the Town better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when the cash is received or paid.

These two statements report the Town's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Town's financial health is improving or deteriorating.

The reader will need to consider other non-financial factors such as tax base, current property tax laws and facility conditions in arriving at their conclusion regarding the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, the Town is divided into two distinct kinds of activities:

Governmental Activities:

This section represents programs and services that are funded fully or in part by general town revenues such as property taxes, state aid, etc.

Business Type Activities:

This section presents areas where services or goods are provided and changes are made for such goods and services to recover all expenses.

The Town has no activities that are classified as business type.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State statute, while other funds are established by the Town to help manage money for particular purposes and compliance with various grant provisions. The Town's two types of funds, governmental and fiduciary, use different accounting approaches.

Governmental Funds

Most of the Town's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-tm view of the Town's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the Town's programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The Town is the trustee or fiduciary for assets that belong to others such as payroll withholdings. It is the Town's responsibility to ensure that assets reported in these funds are being used for their intended purposes. The Town's fiduciary activities are reported in a separate "Statement of fiduciary Net Assets and Changes in Fiduciary Net Assets" schedule, as the
Town may not use these assets to finance its operations.

The Town as a Whole

This is the fourth year for government-wide financial statements using the full accrual basis of accounting. Therefore, a comparison with prior years is now available. See the schedule on the following page.

		2008	2007
NET ASSETS			
Current Assets	$	30,859,969	30,657,255
Capital Assets		41,873,253	13,075,411
Less: Accumulated Depreciation		(33,250,335)	(4,034,892)
Total Assets		39,482,887	39,697,774
Current Liabilities		27,916,203	28,877,095
Long-Term Liabilities		17,648,877	8,124,600
Total Liabilities		45,565,080	37,001,695
Invested in Capital Assets Net of Related Debt		242,241	915,919
Unrestricted		(6,324,434)	1,780,160
Total Net Assets	$	(6,082,193)	2,696,079
REVENUES			
Real Property Taxes	$	4,331,083	4,116,282
Other Tax Items		212,350	183,054
Sales Tax		1,835,209	1,689,115
Departmental Income		-	-
Unrestricted Investment Earnings		193,848	486,229
Fines and Forfeitures		97,698	66,927
Miscellaneous Local Sources		800,479	1,429,371
Prior Period Adjustment		-	85,040
State Aid		1,288,861	3,042,223
Total Revenues		8,759,528	11,098,241
EXPENDITURES			
General Government Support	$	2,730,712	2,460,731
Public Safety		1,170,425	621,011
Health		199,952	198,302
Transportation		2,312,491	2,241,121
Employee Benefits		2,221,155	2,089,369
Culture & Recreation		5,480,615	1,050,551
Home & Community Service		2,047,113	5,206,595
Debt Service		673,678	454,701
Unallocated Depreciation		417,601	-
Total Expenditures		17,253,742	14,322,381
CHANGE IN NET ASSETS	$	(8,494,214)	(3,224,140)

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

Governmental Activities

The Town's Funds

Information about the Town's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. Governmental funds had total revenues of $13,501,767 and expenditures of $16,859,987 which resulted in a decrease in fund balance of $3,358,220.

	2008 Fund Balance	2007 Fund Balance	Increase/ (Decrease)
General Fund	$ 738,268	$ 2,454,210	$ (1,715,942)
Highway Fund	249,276	456,156	(206,880)
Non-Major Funds	(9,001,792)	(7,566,394)	(1,435,398)
Total Governmental	$(8,014,248)	$ (4,656,028)	$(3,358,220)

BUDGET INFORMATION

The Town's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements and encumbrances. Budget to actual statements for all major governmental funds are required under Governmental Accounting Standards Board Statement No. 34 and are presented in the financial statements as "Required Supplementary Information" beginning on page 31. Budget to actual statements for non-major governmental funds are *not* required under Governmental Accounting Standards Board Statement No. 34 but have been presented for analytical purposes in the "Supplemental Schedules" beginning on page 33 of the financial statements.

Capital Assets

The Town has $41,873,253 invested in capital assets, net of $33,250,335 in accumulated depreciation, as of December 31, 2008. Depreciation for the year ended December 31, 2008 was $417,601.

Debt

As of December 31, 2008, The Town had $5,693,000 in outstanding bonds payable and $9,979,600 in outstanding BAN's payable. The Town paid $294,663 in interest throughout the year.

Contacting the Town's Financial Management

It is the intent of this report to provide the Town's citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the funds it receives. If you have any questions about this report or need additional information, contact the Administrative Office at Town of Lewisboro, 11 Main Street, South Salem, New York 10590.

TOWN OF LEWISBORO
COMPARATIVE STATEMENT OF NET ASSETS

DECEMBER 31,		2008	2007
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	$	6,782,170	7,650,046
Property Taxes receivable		23,325,173	22,582,099
Accounts Receivable		224,417	9,797
Due From Debt Service Fund		1,711	102,053
Prepaid Expenses		100,343	
Due From Other Governments		426,155	313,260
Total Current Assets		30,859,969	30,657,255
Non-Current Assets:			
Capital Assets		41,873,253	13,075,411
Less: Accumulated Depreciation		(33,250,335)	(4,034,892)
Total Non-Current Assets		8,622,918	9,040,519
TOTAL ASSETS		39,482,887	39,697,774
LIABILITIES			
Accounts Payable	$	443,593	614,202
Accrued Liabilities		449,073	381,355
Due To Other Governments		27,023,537	27,881,538
Non-Current Liabilities:			
Due Within One Year		9,979,600	5,344,600
Due After One Year		7,669,277	2,780,000
TOTAL LIABILITIES		45,565,080	37,001,695
NET ASSETS			
Invested In Capital Assets, Net of Related Debt		242,241	915,919
Unrestricted		-6,324,434	1,780,160
TOTAL NET ASSETS	$	-6,082,193	2,696,079

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF LEWISBORO
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

		PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI-BUTIONS		NET(EXPENSE) REVENUE AND CHANGE IN NET ASSETS
GOVERNMENTAL ACTIVITIES:					
General Governmental Support	2,730,712	62,412	22,857	$	2,645,443
Public Safety	1,170,425	192,084			978,341
Health	199,952				199,952
Transportation	2,312,491	79,612			2,232,879
Employee Benefits	3,419,568				3,419,568
Culture & Recreation	2,221,155	679,523			1,541,632
Home & Community Services	5,480,615	166,910			5,313,705
Debt Service	673,678	0	2,036		671,642
TOTAL FUNCTIONS & PROGRAMS	18,208,596	1,180,541	24,893	$	17,003,162
GENERAL REVENUES:					
Real Property Taxes					4,331,083
Other Tax Items					212,530
Sales Tax					1,835,209
Fines & Forfeitures					97,698
Unrestricted Investment Earnings					193,848
Departmental Income					
Miscellaneous Local Sources (Rechar. From Capital)					265,661
Prior Period Adjustment					
State Aid					1,288,861
TOTAL GENERAL REVENUES				$	8,224,890
CHANGE IN NET ASSETS					(8,778,272)
TOTAL NET ASSETS-Beginning of Year					2,696,079
TOTAL NET ASSETS-End of Year				$	-6,082,193

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF LEWISBORO
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

		GENERAL	HIGHWAY	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets:					
Cash and Cash Equivalents	$	4,740,834	268,372	1,772,964	6,782,170
Property Tax receivable		23,325,173	-	-	23,325,173
Accounts Receivable		209,183	34	15,200	224,417
Due From Other Funds		299,028	330,279	383,202	1,012,509
Prepaid Expenses		73,405	26,938	-	100,343
Due From Other Governments		426,155	-	-	426,155
Total Assets:		29,073,778	625,623	2,171,366	31,870,767
Liabilities & Fund Balance:					
Liabilities:					
Accounts Payable		315,609	67,451	60,533	443,593
Retainers Payable		-	-	449,073	449,073
BANS Payable		-	-	9,979,600	9,979,600
Due To Other Funds		22,940.00	308,896	682,384	1,014,220
Due to Other Governments		27,023,537	-	-	27,023,537
Deferred Tax Revenues		973,424	-	1,568	974,992
Security Deposits		-	-	-	-
Total Liabilities		28,335,510	376,347	11,173,158	39,885,015
Fund Balance					
Reserved		23,571	-	-	23,571
Unreserved:		-	-	-	-
Designated		562,325	-	-	562,325
Undesignated		152,372	249,276	(9,001,792)	(8,600,144)
Total Fund Balance		738,268	249,276	(9,001,792)	(8,014,248)
Total Liabilities & Fund Balance	$	29,073,778	625,623	2,171,366	-

Amounts reported for governmental activities in the statement of net assets differ due to the following:

In the governmental funds, property taxes receivable are recognized as revenues to the extent they are deemed "available". Any portion not deemed "available" to meet current obligations are reported as deferred revenues. In the statement of net assets all receivables are recognized regardless of when they will be received. 974,992

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

Capital assets are not financial resources if used in governmental activities and, as such, are not reported in the governmental funds. At December 31, 2008, the cost of capital assets and accumulated depreciation amounted to $41,873,253 and $33,250,335 ,respectively.	8,622,918
Interest Accrued.	3,422
Long-term liabilities such as bonds payable, net OPEB obligations and compensated absences are not due and payable within the current period and, therefore not n not reported in governmental funds.	(7,669,277)
Net Assets of Governmental Activities	$ (6,082,193)

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF LEWISBORO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	GENERAL	HIGHWAY	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Real Property Taxes $	1,358,308	2,617,527	355,248	4,331,083
Other Real Property Tax Items	212,530			212,530
Sales Tax	1,835,209			1,835,209
Departmental Income	1,430,082		203,311	1,633,393
Licenses & Permits	9,819			9,819
Proceeds of Long-Term Debt			3,085,000	3,085,000
Use of Money & Property	156,255	12,475	25,118	193,848
Fines & Forfeitures	97,698			97,698
Refunds of Prior Year's Expenditures	(6,490)	1,797	533	(4,160)
Sale of Equip. & Comp. for Loss		21,628		
Miscellaneous	513,012		260,000	773,012
State Aid	1,077,937	125,018	85,906	1,288,861
Interfund Transfers			23,846	23,846
Services to Water and Sewer				
Total Revenues	6,684,360	2,778,445	4,038,962	13,501,767
EXPENDITURES:				
General Government Support	2,698,539		32,173	2,730,712
Public Safety	1,170,425			1,170,425
Health	199,952			199,952
Transportation	146,636	2,157,092	8,763	2,312,491
Culture & Recreation	2,221,155			2,221,155
Home & Community Services	224,596		5,256,019	5,480,615
Employee Benefits	1,377,331	669,337	445	2,047,113
Debt Service	361,668	135,050	176,960	673,678
Interfund Transfers	0	23,846	0	23,846
Total Expenditures	8,400,302	2,985,325	5,474,360	16,859,987
NET CHANGE IN FUND BALANCE	(1,715,942)	(206,880)	(1,435,398)	(3,358,220)
Fund Balances-Beginning of Year	2,454,210	456,156	(7,566,394)	(4,656,028)
Fund Balances-End of Year $	738,268	249,276	(9,001,792)	(8,014,248)

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF LEWISBORO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances-Governmental Funds		$(3,358,220)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds, as expenditures. However, on 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 capital outlays exceeded depreciation in the current fiscal year.		
Depreciation Expenses	(417,601)	
Capital Outlay	0	(417,601)
Repayment of principal on bonds are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and is not reported in the Statement of Activities. (Net of new issue)		(5,002,451)
Change in Net Assets of Governmental Activities		$ (8,778,272)

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TOWN OF LEWISBORO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

		RESTRICTED USE FUNDS
ASSETS		
Cash & Cash Equivalents	$	245,199
Other Assets		2,069
TOTAL ASSETS	$	247,268
LIABILITIES		
Due To Other Funds		1,979
Agency Liabilities	$	245,289
TOTAL LIABILITIES	$	247,268
RESERVED	$	-

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TOWN OF LEWISBORO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2008

			RESTRICTED USE FUNDS
ADDITIONS			
Investment Earnings		$	-
TOTAL ADDITIONS		$	-
DEDUCTIONS			
Home & Community Services		$	(40,531)
TOTAL DEDUCTIONS		$	(40,531)
Change in Net Assets		$	40,531
NET ASSETS-Beginning of Year	(Restated)	$	(40,531)
NET ASSETS-End of Year		$	-

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Lewisboro, New York, have been prepared in conformity with 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 government's accounting policies are described below.

A. FINANCIAL REPORTING ENTITY

The Town of Lewisboro, Westchester County, New York (the "Town") is governed by the Town Law and various other applicable laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations and the Supervisor serves as chief executive officer and chief fiscal officer. The following basic services are provided: public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services and general and administrative services.

For financial reporting purposes the financial statements of the Town include all funds and account groups under the direct control of the Town Board. At present, there are no other entities which could be considered for possible inclusion in the financial statements.

Certain collection activities of the Town Clerk and Town Justice Officers are not included in the Town's reporting entity as prescribed by the Office of the State Comptroller. These collection activities include fees, fines and bail monies which are not recorded by the Town until remitted by the respective elected officials.

B. BASIS OF PRESENTATION

1. TOWN-WIDE STATEMENTS:

The statement of Net Assets and the Statement of Activities present financial information about the Town as a whole. These statements include the financial activities of the overall Town, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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 and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. FUND FINANCIAL STATEMENTS:

The fund statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column.

The Town reports the following major Governmental Funds:

a. *General Fund*

The General Fund is the principal operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

b. *Special Revenue Fund*

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

1. Highway Fund

The Highway Fund is used to account for revenues and expenditures for highway purposes in accordance with Highway Law.

The Town reports the following non-major Governmental Funds: