

**TOWN OF RYE, NEW YORK
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2008**

**TOWN OF RYE, NEW YORK
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DECEMBER 31, 2008**

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SEDORE & COMPANY

Certified Public Accountants, P.C.

Beechwood Office Park
2678 South Road, Suite 101
Poughkeepsie, NY 12601
tel 845.485.5510
fax 845.485.5547
Fishkill 845.897.1040
www.sedoreco.com

James L. Sedore, Jr., CPA
Mark S. O'Sullivan, CPA
James F. Lenerio, Jr., CPA
Linda M. Hannigan, CPA
Karen T. Hansen, CPA
Jeffrey L. Brown, CPA
Charles R. Rae, Jr., CPA

INDEPENDENT AUDITORS' REPORT

To the Supervisor and
Members of the Town Board
Town of Rye, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the Town of Rye, New York as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements as listed in the forgoing Table of Contents. These financial statements are the responsibility of the Town of Rye, New York's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Management's Discussion and Analysis and Exhibit I, budgetary comparison information, listed in the Table of Contents, 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, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2009 on our consideration of the Town of Rye, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. The report on compliance with laws and regulations and internal control over financial reporting is an integral part of an audit performed in accordance with Government Auditing Standards and, in considering the results of our audit, this report should be read in conjunction the auditor's report on the basic financial statements.

Sedore + Company, CPAs

Poughkeepsie, New York

April 23, 2009



SEDORE & COMPANY

Certified Public Accountants, P.C.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Beechwood Office Park
2678 South Road, Suite 101
Poughkeepsie, NY 12601
tel 845.485.5510
fax 845.485.5547
Fishkill 845.897.1040
www.sedoreco.com

*James L. Sedore, Jr., CPA
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Linda M. Hannigan, CPA
Karen T. Hansen, CPA
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To the Supervisor
and Members of the Town Board
Town of Rye, New York

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rye, New York, as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Rye, New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Rye, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Rye, New York's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of different control deficiencies, that adversely affects the Town of Rye, New York's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that it is more than a remote likelihood that a

misstatement of the Town of Rye, New York's financial statements that is more than inconsequential will not be prevented or detected by the Town of Rye, New York's internal control. The significant deficiency is described as follows:

The Town's internal controls failed to detect material accruals that were not recorded.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Rye, New York's internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted others matter involving the internal control over financial reporting that we have reported to the management of the Town of Rye, New York in a separate letter dated April 23, 2009.

This report is intended for the information of the Supervisor, Town Board, Management, others within the Town and is not intended to be, and should not be, used by anyone other than these specified parties.

Sedore & Company, CPAs

Poughkeepsie, New York
April 23, 2009

**Town of Rye, New York
Management's Discussion and Analysis (MD A)
December 31, 2008**

Introduction

As management of the Town of Rye, New York ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2008. It should be read in conjunction with the basic financial statements, which immediately follows this section, to enhance understanding of the Town's financial performance.

Financial Highlights

- * On the government-wide financial statements, the assets of the Town exceeded its liabilities at the close of the current fiscal year by \$5,008,730.
- * As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,278,966, an increase of \$589,559 for the year then ended.
- * At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,348,615.
- * The Town redeemed \$140,000 in serial bonds during the current fiscal year. Bonds outstanding at December 31, 2008 aggregated \$516,000.

Overview of the Financial Statements

The Town's financial statements are composed of this Management Discussion and Analysis (MD&A) and the basic financial statements. This discussion and analysis serves as an introduction to the basic financial statements. The MD&A provides analysis and overview of the Town's financial activities. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information as listed in the table of contents.

Government-Wide Financial Statements

The *government-wide financial statements* are presented in a manner similar to private sector business financial statements. The statements are prepared using the accrual basis of accounting. The government-wide financial statements include two statements.

Statement of net Assets and Statement of Activities. Fiduciary activities, whose resources are not available to the Town programs, are excluded from these statements.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, uncollected property taxes).

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government support, transportation, economic opportunity and development, culture and recreation and interest.

Fund Financial Statements

A fund is an accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Government resources are allocated to and accounted for in an individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related and legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the government's fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three individual governmental funds: the General Fund, Debt Service Fund and the Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures and changes in fund balances for all funds. All funds are considered to be major funds.

The Town adopts annual budgets for the General and Debt Service funds. Budgetary comparison statements have been provided for the General Fund within the basic financial statements to demonstrate compliance with respective budget.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support Town programs. The Town maintains one type of fiduciary fund, the Agency Fund. Resources are held in the Agency Fund by the Town purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment, and remittance of resources to the appropriate individual, organization, or government.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements section of this report.

Other Information

Additional statements and schedules can be found immediately following the notes to the financial statements. These include schedules of budget to actual comparisons.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the Town, assets exceeded liabilities by \$5,008,730 at the close of the most recent fiscal year.

The following table reflects the condensed Statement of Net Assets:

	Net Assets	
	December 31,	
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 51,128,837	\$ 47,179,869
Capital Assets, net	<u>2,406,427</u>	<u>2,478,238</u>
Total Assets	<u>53,535,264</u>	<u>49,658,107</u>
Current Liabilities	47,962,352	44,659,230
Long-term Liabilities	<u>564,181</u>	<u>548,378</u>
Total Liabilities	<u>48,526,533</u>	<u>45,207,608</u>
Net Assets:		
Invested in Capital Assets net of related debt	1,890,427	1,798,238
Restricted	75,270	75,270
Unrestricted	<u>3,043,033</u>	<u>2,576,995</u>
Total Net Assets	<u>\$ 5,008,730</u>	<u>\$ 4,450,503</u>

The largest portion of the Town's net assets is its investment in capital assets (land, buildings and improvements, machinery and equipment and infrastructure), less any related debt outstanding that was used to acquire those assets. The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

The restricted net assets of \$75,270 are for capital projects.

The remaining balance is unrestricted net assets of \$3,043,033.

**Changes in Net Assets
Year Ended December 31.**

	<u>2008</u>	<u>2007</u>
Program Revenues:		
Charges for Services	\$ 294,320	\$ 183,127
Operating Grants and Contributions	-	62,460
General Revenues:		
Real Property Taxes	779,201	980,758
Other Tax Items	1,763,776	2,166,738
Unrestricted Use of Money and Property	287,131	798,763
Unrestricted State Aid	423,480	488,884
Miscellaneous	47,308	273,467
	<u>3,595,216</u>	<u>4,954,197</u>
Total Revenues		
Program Expenses:		
General Government Support	2,511,970	2,628,468
Public Safety	3,910	55,422
Transportation	12,613	4,220
Economic Opportunity and Development	13,703	6,000
Culture and Recreation	475,394	1,087,670
Interest	19,399	43,668
	<u>3,036,989</u>	<u>3,825,448</u>
Total Expenses		
Change in Net Assets	558,227	1,128,749
Nets Assets - Beginning	<u>4,450,503</u>	<u>3,999,041</u>
Prior Period Adjustment	<u>-</u>	<u>(677,287)</u>
Net Assets - Ending	<u>\$ 5,008,730</u>	<u>\$ 4,450,503</u>

Governmental Activities

Government activities increased the Town's net assets by \$558,227. Revenues in 2008 were reduced from the prior year by \$1,358,981. Significant variations in revenues resulted from decreases in interest rates and mortgage taxes. The unrestricted use of money and property category reflects a \$511,632 decrease over the prior year. Expenses for 2008 were \$3,036,989 which were \$788,461 below 2007 expenses.

Financial Analysis of the Town's funds

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's General Fund reported an ending fund balance of \$2,689,410, and increase of \$589,556 from the prior year amount. The Fund reflects an unreserved fund balance of \$1,423,885. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for long-term receivables (\$1,884,603) and prepaid expenditures (\$20,478).

General Fund Budgetary Highlights

When the fiscal 2008 General Fund budget was adopted, it was anticipated that expenditures would be financed from current revenues. However, actual results of operations resulted in an increase of fund balance of \$589,556. Revenues were \$3,595,216, which was \$11,015 greater than the final budget. The major area where revenues exceeded the budget was in the Real Tax Property Items. Expenditures and other financing uses were \$3,005,660, which was \$1,123,541 less than the final budget.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of December 31, 2008 and 2007, amount to \$2,406,427 and \$2,478,238, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, machinery and equipment and infrastructure.

**Capital Assets
(Net of Depreciation)**

	December 31,	
	<u>2008</u>	<u>2007</u>
Land	\$ 844,850	\$ 844,850
Building and improvements	725,975	749,567
Machinery and equipment	84,068	115,586
Infrastructure	751,534	768,235
	\$ 2,406,427	\$ 2,478,238

Additional information on the Town's capital assets can be found in Note 3 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had total bonded indebtedness of \$516,000. This amount is a reduction from the prior year of \$140,000. As required by New York State Law, all bonds issued by the Town are general obligation bonds, backed by the full faith and credit of the Town.

Additional information on the Town's capital assets can be found in Note F of this report.

Requests for Information

This financial report is designed to provide a general overview of the Town of Rye, New York's finances for all those with an interest in those finances. Question and comments concerning any of the information provided in this report should be addressed to the Town's Supervisor's Office, Town of Rye, 10 Pearl Street, Port Chester, New York 10573.

**TOWN OF RYE, NEW YORK
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 9,316,783
Investments	10,771
Receivables (net)	41,780,805
Prepaid expenses	20,478
Total current assets	<u>51,128,837</u>
Capital assets:	
Land	844,850
Infrastructure, net of depreciation	751,534
Buildings, machinery and equipment, net of depreciation	810,043
Total capital assets	<u>2,406,427</u>
Total assets	<u>\$ 53,535,264</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 117,923
Accrued liabilities	43,767
Due to other governments	47,689,381
Current portion of long-term liabilities	
Compensated absence liability	13,106
New York State loan	4,175
Bonds payable	94,000
Total current liabilities	<u>47,962,352</u>
Non-current liabilities:	
Compensated absence liability	117,958
New York State loan	24,223
Bonds payable	422,000
Total non-current liabilities	<u>564,181</u>
Total liabilities	48,526,533
NET ASSETS	
Invested in Capital Assets, net of related debt	1,890,427
Unrestricted	3,118,303
Total net assets	<u>5,008,730</u>
Total liabilities and net assets	<u>\$ 53,535,264</u>

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

**TOWN OF RYE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
Governmental Activities:				GOVERNMENTAL ACTIVITIES
General government support	\$ 2,511,970	\$ 185,509	\$ -	\$ (2,326,461)
Public safety	3,910	-	-	(3,910)
Transportation	12,613	-	-	(12,613)
Economic assistance & opportunity	13,702	-	-	(13,702)
Culture and recreation	475,394	108,810	-	(366,584)
Interest on long-term debt	19,399	-	-	(19,399)
Total governmental activities	3,036,988	294,320	-	(2,742,669)
General revenues				
Taxes:				
Real property taxes				779,201
Real property tax related items				694,902
Mortgage tax				933,685
Fines and Forfeitures				135,189
Grants and contributions not restricted to specific programs				423,480
Unrestricted investment earnings				287,131
Miscellaneous				47,308
Total general revenues, special items and transfers				<u>3,300,896</u>
Change in net assets				<u>558,227</u>
Net assets - beginning				<u>4,450,503</u>
Net assets - ending				<u>\$ 5,008,730</u>

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

**TOWN OF RYE, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	GENERAL FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 9,316,783	\$ -	\$ 9,316,783
Investments	10,771	-	10,771
Receivables:			
Taxes, net of allowance	41,129,483	-	41,129,483
Other	86,389	-	86,389
Due from other funds	-	75,270	75,270
Due from other governments	512,420	-	512,420
State and federal receivable	52,513	-	52,513
Prepaid expenses	20,478	-	20,478
	Total Assets	\$ 75,270	\$ 51,204,107
	\$ 51,128,837	\$ 75,270	\$ 51,204,107
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 117,920	\$ -	\$ 117,920
Accrued liabilities	42,570	-	42,570
Due to other funds	75,270	-	75,270
Due to other governments	47,689,381	-	47,689,381
	Total Liabilities	-	47,925,141
	47,925,141	-	47,925,141
FUND BALANCE			
Fund balance:			
Reserved for:			
Prepaid expenses	20,478	-	20,478
Long-term receivables	1,834,603	-	1,834,603
Unreserved:			
Undesignated	1,348,615	75,270	1,423,885
	Total Fund Balance	75,270	3,278,966
	3,203,696	75,270	3,278,966
Total Liabilities and Fund Balance	\$ 51,128,837	\$ 75,270	\$ 51,204,107

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

TOWN OF RYE, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008

Total fund equity for governmental funds \$ 3,278,966

Total net assets reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds. 2,406,427

Long-term liabilities, including bonds payable
that are not due and payable in the current period
therefore are not reported in the funds. (675,462)

Accrued interest is not reported in the funds. (1,201)

Total net assets of governmental activities \$ 5,008,730

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

TOWN OF RYE, NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>GENERAL FUND</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Real property taxes	\$ 779,201	\$ -	\$ 779,201
Real property taxes items	694,902	-	694,902
Departmental income	294,320	-	294,320
Use of money and property	296,277	-	296,277
Fines and forfeitures	135,189	-	135,189
Miscellaneous local sources	38,163	-	38,163
State aid	1,357,165	-	1,357,165
Total Revenues	<u>3,595,216</u>	<u>-</u>	<u>3,595,216</u>
EXPENDITURES			
General government support	1,816,389	-	1,816,389
Public safety	3,910	-	3,910
Transportation	11,408	-	11,408
Economic assistance & opportunity	13,702	-	13,702
Culture and recreation	321,228	-	321,228
Employee benefits	651,864	-	651,864
Debt service	-	187,159	187,159
Total Expenditures	<u>2,818,501</u>	<u>187,159</u>	<u>3,005,660</u>
Excess of Revenues Over Expenditures	776,715	(187,159)	589,556
Other financing sources:			
Operating transfers in	-	187,159	187,159
Operating transfers out	(187,159)	-	(187,159)
Total Other Financing Sources	<u>(187,159)</u>	<u>187,159</u>	<u>-</u>
Excess of Revenue and Other Sources Over Expenditures and Other Uses	589,556	-	589,556
Fund Balance, December 31, 2007	<u>2,614,140</u>	<u>75,270</u>	<u>2,689,410</u>
Fund Balance, December 31, 2008	<u>\$ 3,203,696</u>	<u>\$ 75,270</u>	<u>\$ 3,278,966</u>

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

TOWN OF RYE, NEW YORK
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balance - total government funds \$ 589,556

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

Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (71,811)

Bond proceeds are reported on the financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:			
NYS loan principal	7,330		
Bond principal	164,000		
			171,330

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 216

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (131,064)

Net change in net assets of governmental activities \$ 558,227

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

TOWN OF RYE, NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2008

ASSETS	<u>AGENCY FUNDS</u>
Cash and cash equivalents	\$ -
Total Assets	<u>\$ -</u>
LIABILITIES	
Escrow funds returnable and other liabilities	\$ -
Total Liabilities	<u>-</u>
NET ASSETS	
Total Liabilities and Net Assets	<u>\$ -</u>

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

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE A - Summary of Significant Accounting Policies

The Town of Rye, New York ("the Town") was established in 1813 and operates in accordance with Town Law and the various other applicable laws of the State of New York. The Town Board is the legislative body responsible for overall operation. The Supervisor serves as the Chief Executive Officer and as the Chief Fiscal Officer of the Town.

The Town provides the following services: transportation, economic opportunity and development, culture and recreation, and general and administrative support.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Town is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements in preparing its government-wide financial statements. The more significant accounting policies established by GAAP and used by the Town in preparing its government-wide and fund financial statements are discussed below.

1. The Reporting Entity

The Town, for financial statement purposes, includes all of the funds and account groups relevant to the operations of the Town of Rye, New York. The financial statements include organizations, functions and activities that are controlled by or dependent upon the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

The Town participates in a joint venture with the City of Rye for the operation of Rye Town Park. A more detailed description is detailed in Note F. Complete separate financial statements for the Park may be obtained from the Town of Rye, 10 Pearl Street, Port Chester, New York 10573

2. Basic Financial Statements – Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type activities.

In the government-wide Statement of Net Assets, the governmental activities columns is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions or activities. The functions are also supported by general government revenues (property and sales taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public works, community and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs are normally covered by general revenue (property, sales or mortgage taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

3. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The following fund types are used by the Town:

A. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the governmental funds of the Town:

1. **General fund** is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund and is presented separately.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

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

2. **Non-Major funds** include those funds that are used for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

B. Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The Town's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

4. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

A. Accrual

The governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

B. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that accumulated vacation, sick pay and other employee amounts are not accrued, principal and interest on general obligation long-term debt, if any, is recognized when due and inventory-type items are recognized as an expenditure at the time of purchase.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

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

5. Financial Statement Amounts

A. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments. State statutes govern the investment policies of the Town, as well as the Town's adopted investment policy. The Town may invest its funds in banks or trust companies authorized to do business in the State of New York, as well as investing in obligations of the U. S. Treasury, U.S. Agencies, and obligations of the State of New York and its political subdivisions. Deposits not covered by Federal Deposit Insurance, must be collateralized by the banking institutions with investments governed under state statutes.

The Town has entered into an inter-municipal investment agreement in which the Town invests funds through the Cooperative Liquid Assets Securities System - New York (CLASS), a Cooperative Investment Arrangement for New York municipalities. The arrangement was developed pursuant to Article 5-6 of New York Municipal Law and may only invest in investments, which are legally permissible for all participants. Investments are subject to all the collateral agreements and safeguards required for all Town deposits.

CLASS investments consist of investments in U.S. Treasury and agency securities and repurchase agreements. The market value of the CLASS investment approximates cost. The Town has a beneficial proportionate interest in the joint value of the Cooperative Investment Arrangement. Title in the assets and underlying collateral are in the name of the Cooperative Investment Arrangement, and not in the name of the individual participants.

The cash and investments of the Town at December 31, 2008 are as follows:

	<u>GENERAL</u> <u>FUND</u>	<u>NON-MAJOR</u> <u>FUNDS</u>	<u>TOTAL</u>
Interest Bearing			
Accounts	\$ 9,316,783	\$ -	\$ 9,316,783
Subtotal	9,316,783	-	9,316,783
CLASS Investments	10,771	-	10,771
TOTALS	\$ 9,327,554	\$ -	\$ 9,327,554

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

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

5. Financial Statement Amounts (Cont'd.)

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, New York State statutes govern the Town's investment policies, as discussed previously in these Notes. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosure*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, or collateralized by securities held by the Town or its agent in the Town's name. The Town's cash balances were fully collateralized with securities held by the Town's third party custodian and not subject to custodial credit risk.

B. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-40 years
Infrastructure	50 years
Machinery and equipment	10-20 years

C. Accumulated Compensated Absences

In 2008, the Town adopted a new personnel manual that changed its policies regarding accumulating compensating absences. It is the Town's new policy to permit employees to accumulate a limited amount of earned but unused sick and vacation leave, which will be paid to employees upon separation from the Town's service. The Town calculates its liability based on the assumption that most employees would continue to be employed by the Town until retirement. In the governmental and fiduciary funds, the cost of sick and vacation leave is generally recognized when payments are made to employees. In the statement of net assets the liability of \$131,064 for accrued sick and vacation leave is recognized according to an estimate of payments in the following year and all future years.

Current portion	\$ 13,106
Long-term liability	<u>117,958</u>
TOTAL	<u>\$131,064</u>

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

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

5. Financial Statement Amounts (Cont'd.)

D. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

E. Budgets

The Town employs a formal budgetary accounting system as required by law. During the year, a budget was adopted and modified by the Town Board for the General Fund, and Non-Major Funds. However, for the Capital Projects Fund, budgets are established at the project level and continue until the project is completed. Any budgets, which include appropriations of fund balance, show expenditures exceeding revenues. Unused appropriations of the annually budgeted funds lapse at the end of the year.

F. Taxes Receivable

Real property taxes attach as an enforceable lien on real property and are levied on January 1st. The Town collects County and town taxes which are due April 1st and payable without penalty on April 30th. School district taxes are due on September 1st, with the first half payable without penalty until September 30th and the second half payable without penalty until January 31st. The Town guarantees full payment on the County and school district warrants and assumes the responsibility for uncollected taxes. The Town also has the responsibility for conducting in-rem foreclosure proceedings.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

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

5. Financial Statement Amounts (Cont'd.)

The Town functions in both a fiduciary and guarantor relationship with the County of Westchester, the various school districts and the villages located within the Town with respect to the collection and payment of real property taxes levied by such jurisdictions. Village taxes are levied and due on June 1st with the first half payable without penalty until June 30th and the second half payable without penalty until December 31st. The County charter provides for the Town to collect County and school district taxes and remit them as collected to the respective municipality. However, the Town must remit to the County 60% of the amount levied by May 25th and the balance of 40% on October 15th. With respect to school district taxes, the Charter provides the Town satisfy the warrant for each school district by April 5th. The Town has entered into agreements with the villages located in the Town with respect to the guarantee of village property taxes. The Agreements provide that the Town will satisfy the uncollected village property taxes by June 1st after the year for which such taxes were levied. The collection of school district and village taxes are deemed financing transactions until the warrants are satisfied. A fund balance reserve has been established for those other jurisdiction taxes which will not be collected within the ensuing fiscal year.

G. Pension Plans

Plan Description

The Town of Rye participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) govern obligations of employers and employees to contribute and benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

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

5. Financial Statement Amounts (Cont'd.)

The Town of Rye is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>
2008	<u>\$88,252</u>
2007	<u>\$116,426</u>
2006	<u>\$110,960</u>

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

H. Post Employment Benefits

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Town employees may become eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

During the year \$159,602 was paid on behalf of twelve retirees and recorded as expenditure in the General Fund.

I. Property Taxes

The Town Board holds a public hearing on or before December 10th on the preliminary budget. After the public hearing, the Town Board may further change, alter and revise the preliminary budget subject to the provisions of the law. The preliminary budget as submitted or amended shall be adopted by resolution no later than December 20th.

J. Insurance

The Town of Rye assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Town also purchases conventional medical and workers compensation coverage.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

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

5. Financial Statement Amounts (Cont'd.)

K. Long-Term Obligations

Long-Term Debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion which is expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Long-Term Liabilities.

L. Reserves of Fund Equity

The Town records indicate that a portion of the Fund Equity is segregated for a specific future use. The following details the description and amounts of the reserves used by the Town

	BALANCE AT <u>DECEMBER 31, 2008</u>
A. GENERAL FUND	
Reserved for Prepaid Expenses	\$ 20,478
Reserved for Long-term Receivables	<u>1,834,603</u>
TOTAL FUND EQUITY RESERVES	<u>\$ 1,855,081</u>

M. Use of Estimates

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

NOTE B - Taxes Receivable

Taxes Receivable at December 31, 2008 consist of the following:

	BALANCE AT <u>DECEMBER 31, 2008</u>
Town and County taxes- current	\$ 421,073
School district taxes- current	38,405,405
Tax Liens	<u>2,628,005</u>
	41,454,483
Less: Allowance for uncollectible taxes	<u>(325,000)</u>
	<u>\$ 41,129,483</u>

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

NOTE C - Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds as of December 31, 2008. These inter-fund balances have been eliminated as part of the aggregation of fund balances. Such balances arise through the use of a pooled cash disbursement account and the temporary funding of capital projects.

<u>FUND</u>	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General	\$ -	\$ 75,270
Non-Major	<u>75,270</u>	<u>-</u>
Total	<u>\$ 75,270</u>	<u>\$ 75,270</u>
	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General	\$ -	\$ 187,159
Non-Major	<u>187,159</u>	<u>-</u>
Total	<u>\$ 187,159</u>	<u>\$ 187,159</u>

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

NOTE D – Capital Assets

The following is a summary of changes and adjustments in the General Fixed Assets Account Group for the year ended December 31, 2008:

	BALANCE JANUARY 1, 2008	ADDITIONS	(DISPOSALS)	BALANCE DECEMBER 31, 2008
Governmental activities:				
Land	\$ 844,850	\$ -	\$ -	\$ 844,850
Buildings	298,000	-	-	298,000
Infrastructure	835,039	-	-	835,039
Building Improvements	1,129,209	-	-	1,129,209
Machinery, Equipment & Vehicles	<u>331,690</u>	<u>-</u>	<u>-</u>	<u>331,690</u>
Total	<u>3,438,788</u>	<u>-</u>	<u>-</u>	<u>3,438,788</u>
Less accumulated depreciation				
Buildings	219,581	5,320	-	224,901
Infrastructure	66,804	16,701	-	83,505
Building Improvements	440,142	36,191	-	476,333
Machinery, Equipment & Vehicles	<u>234,023</u>	<u>13,599</u>	<u>-</u>	<u>247,622</u>
Total accumulated depreciation	<u>960,550</u>	<u>71,811</u>	<u>-</u>	<u>1,032,361</u>
Governmental activities				
Capital Assets, Net	<u>\$ 2,478,238</u>	<u>\$ 71,811</u>	<u>\$ -</u>	<u>\$ 2,406,427</u>

*Depreciation was charged to governmental activities as follows:

General government support	\$ 30,620
Culture & recreation	<u>41,191</u>
Total Depreciation Expense	<u>\$ 71,811</u>

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

NOTE E - Long-Term Debt

Long-Term Debt consists of Statutory Installment Bonds, Serial Bonds Payable, and a loan from New York State.

1. Changes

The following is a summary of changes in Long-Term Debt for the year ended December 31, 2008.

	BALANCE JANUARY 1, 2008	INCREASE	(DECREASE)	BALANCE DECEMBER 31, 2008	AMOUNT DUE WITHIN ONE YEAR
Statutory Installment Bond	\$ 120,000	-	\$ (24,000)	\$ 96,000	\$ 24,000
Compensated Absence Liability	-	131,064	-	131,064	13,106
Serial Bonds	560,000	-	(140,000)	420,000	70,000
New York State Loan	36,161	-	(7,763)	28,398	4,175
Totals	\$ 716,161	\$ 131,064	\$ (171,763)	\$ 675,462	\$ 111,281

2. Bonds Payable

The Town borrows money in order to acquire or construct buildings and public improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the Town, are recorded as Long-Term Debt. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of long-term liabilities.

a. Statutory Installment Bonds Payable

The Town may borrow an amount in the form of a statutory bond not to exceed \$1,000,000 for any purpose, which has a period of probable usefulness. These long-term liabilities are recorded as follows:

<u>PURPOSE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>FINAL MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>ORIGINAL AMOUNT OF ISSUE</u>	<u>AMOUNT OUTSTANDING AT DECEMBER 31, 2008</u>
2007 Vehicles & Equipment	05/15/07	05/15/12	4.21%	120,000	96,000
TOTAL STATUTORY INSTALLMENT BONDS				\$ 120,000	\$ 96,000

**TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008**

NOTE E - Long-Term Debt (Cont'd.)

b. Serial Bonds Payable

Serial bonds may be issued for any object or purpose for which a period of probable usefulness has been established.

<u>PURPOSE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>FINAL MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>ORIGINAL AMOUNT OF ISSUE</u>	<u>AMOUNT OUTSTANDING AT DECEMBER 31, 2008</u>
Parkland Acquisition	12/22/04	12/22/14	4.05%	700,000	420,000
TOTAL SERIAL BONDS				<u>700,000</u>	<u>420,000</u>
TOTAL BONDS PAYABLE				<u>\$ 820,000</u>	<u>\$ 516,000</u>

c. New York State Loan

Chapter 260 of the Law of 2004 authorized local governments to amortize the portion of their respective contribution which exceeded 9.5% of covered payroll, over a ten year period, commencing in 2005. The amortization payment would include interest at 5% annum. The balance due at December 31, 2008 is \$28,398.

3. Annual Amortization Requirements

The annual requirements to amortize bonded debt as of December 31, 2008, are as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>BONDS</u>		<u>NEW YORK STATE LOAN</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2009	\$ 94,000	\$ 20,631	\$ 4,175	\$ 1,420	\$ 120,226
2010	94,000	16,761	4,384	1,211	116,356
2011	94,000	12,891	4,603	992	112,486
2012	94,000	9,022	4,833	762	108,617
2013	70,000	5,670	5,075	520	81,265
2014-2018	70,000	2,835	5,328	267	78,430
TOTALS	<u>\$ 516,000</u>	<u>\$ 67,810</u>	<u>\$ 28,398</u>	<u>\$ 5,172</u>	<u>\$ 617,380</u>

**TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008**

NOTE F - Joint Venture

The Rye Town Park Commission was created pursuant to an act of the New York State Legislature in March 1907. The act specified the governing body of the Commission would consist of the Supervisor of the Town of Rye; the Mayor of the Village of Port Chester; the Mayor of the City of Rye (formerly the Village of Rye); together with two commissioners, one appointed from the Town of Rye and one appointed from the City of Rye. Effective May 15, 1987, the Mayor of the Village of Rye Brook was also appointed to the Commission. The Commissioners of the Rye Town Park shall have exclusive charge of the acquisition of lands, and shall have full supervision of the construction, improvement and management of the Park.

The agreement also provided that any and all outstanding debts, other obligations or interest thereon of the Rye Town Park, shall be born and paid in the proportions of 48.12% from the City and 51.88% by the Town. In the event that any debts, obligations or interest thereon of the Rye Town Park are hereafter incurred or if any profits from the operation of the Rye Town Park are distributed by its Park Commission, the respective total assessed valuations of the property within the City and the remaining property within the Town shall be equalized in each year and such amounts shall be apportioned and charged or paid to the Town and the City, in the above ratios.

The following is a summary of the audited financial information at December 31, 2008, which is included in the separate financial statements issued for this joint venture:

Total Assets (Excluding Fixed Assets)	\$ 352,016
Total Fixed Assets	\$ 2,933,006
Total Liabilities	\$ 352,016
Total Venture Equity	\$ -
Total Revenues	\$ 973,818
Total Expenditures	\$ 973,818

NOTE G - Commitments and Contingencies

1. Litigation

The Town is a defendant in various lawsuits and tax certiorari cases. The outcome of these cases and lawsuits are not presently determinable, however, the Town does not believe that any future settlements will materially affect the financial position of the Town.

TOWN OF RYE, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

NOTE H - New Reporting Standard

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes certain new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require the reporting of liabilities pertaining to postemployment benefits earned by employees on a current basis. The Town is required to implement this standard for the year ending December 31, 2009. The Town is in the process of implementing the provisions of GASB Statement 45. The implementation of GASB Statement 45 will have a substantive effect on the Town's government wide financial position. However, the Town does not believe that it will have a significant effect on its governmental (fund) financial position, upon which the Town's budgets are based and taxes are raised.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF RYE, NEW YORK
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Real property taxes	\$ 779,201	\$ 779,201	\$ 779,201	\$ -
Real property tax items	510,000	510,000	694,902	184,902
Departmental income	245,000	245,000	294,320	49,320
Use of money and property	270,000	270,000	296,277	26,277
Fines and forfeitures	160,000	160,000	135,189	(24,811)
Miscellaneous local sources	75,000	75,000	38,163	(36,837)
State aid	1,545,000	1,545,000	1,357,165	(187,835)
Total Revenues	3,584,201	3,584,201	3,595,216	11,015
Appropriation of prior year's fund balance	545,000	545,000	-	(545,000)
Total Revenues and Appropriation of Prior Year's Fund Balance	4,129,201	4,129,201	3,595,216	(533,985)
EXPENDITURES AND ENCUMBRANCES				
General Government Support	2,356,725	2,461,225	1,816,389	644,836
Public safety	2	2	3,910	(3,908)
Transportation	32,500	32,500	11,408	21,092
Economic assistance & opportunity	19,500	24,500	13,702	10,798
Culture and recreation	786,500	670,500	321,228	349,272
Employee benefits	743,500	750,000	651,864	98,136
Debt service	-	-	-	-
Total Expenditures and Encumbrances	3,938,727	3,938,727	2,818,501	1,120,226
Excess (Deficiency) of Revenues and Appropriation of Prior Year's Fund Balance Over (Under) Expenditures and Encumbrances	190,474	190,474	776,715	586,241
Other Financing Sources (Uses)				
Operating transfers out	(190,474)	(190,474)	(187,159)	3,315
Total Other Financing Sources	(190,474)	(190,474)	(187,159)	3,315
Excess (Deficiency) of Revenues and Appropriation of Prior Year's Fund Balance and Other Sources Over (Under) Expenditures, Encumbrances	\$ -	\$ -	\$ 589,556	\$ 589,556

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