

**HUDSON VALLEY REGIONAL COUNCIL
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2008**

**HUDSON VALLEY REGIONAL COUNCIL
FINANCIAL STATEMENTS
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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

INDEPENDENT AUDITORS' REPORT

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

Board of Directors
Hudson Valley Regional Council
1662 Route 300, Suite 155
Newburgh, New York 12550

We have audited the accompanying financial statements of the governmental activities of the Hudson Valley Regional Council, as of and for the year ended December 31, 2008 which collectively comprise the Hudson Valley Regional Council's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Council'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 basic 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hudson Valley Regional Council as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, listed in the Table of Contents, 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.

In accordance with *Government Auditing Standards*, we have also issued our report June 4, 2009 on our consideration of the Hudson Valley Regional Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 with the auditor's report on the basic financial statements.

Sedore & Company, CPAs

Poughkeepsie, New York

June 4, 2009



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**INDEPENDENT AUDITORS' 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**

*James L. Sedore, Jr., CPA
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To the Board of Directors
Hudson Valley Regional Council
1662 Route 300, Suite 155
Newburgh, New York 12550

We have audited the financial statements of the governmental activities of the Hudson Valley Regional Council, as of and for the year ended December 31, 2008, and have issued our report thereon June 4, 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 Hudson Valley Regional Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Hudson Valley Regional Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hudson Valley Regional Council's internal control over financial reporting.

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 combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Hudson Valley Regional Council's financial statements that is more than consequential will not be prevented or detected by the Council's internal control.

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 Council's internal control.

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 over financial reporting 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 Hudson Valley Regional Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Council Board, awarding agencies, pass-through entities and management, and is not intended to be and should not be used by anyone other than these specified parties.

Sedore & Company, CPA'S

Poughkeepsie, New York
June 4, 2009

**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(UNAUDITED)**

This section of the Hudson Valley Regional Council (HVRC) annual financial report presents an analysis of the HVRC's financial performance during the fiscal year ended December 31, 2008. This information is presented in conjunction with the audited basic financial statements, which follow this section. Additional information is available in the auditor's opinion letter which precedes management's discussion and analysis.

FINANCIAL HIGHLIGHTS FOR THE YEAR 2007

- The HVRC's net assets increased by \$1,367 from \$62,559 to \$63,926.
- Operating revenues increased by \$3,961 from \$234,162 to \$238,123.
- Operating expenses decreased by \$2,313 from \$240,064 to \$237,751.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts; Management's Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the HVRC report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Assets include information on HVRC's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to HVRC creditors (liabilities). The Statement of Activities identifies the HVRC's revenues and expenses for the year ended December 31, 2008. This statement provides information on the HVRC's operations over the past year and can be used to determine whether the HVRC has operated in a surplus or deficiency.

FINANCIAL ANALYSIS OF THE AGENCY

The Statement of Net Assets and the Statement of Activities provide an indication of the HVRC's financial condition. The HVRC's net assets reflect the difference between assets and liabilities. During 2007 and 2008, the Council's net assets decreased.

**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
DECEMBER 31, 2008
(UNAUDITED)**

Net Assets

A. Summary of the Hudson Valley Regional Council's statements of net assets is presented below:

Table 1
Statements of Net Assets

<u>ASSETS:</u>	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>
Current Assets:			
Cash - Unrestricted	\$ 23,536	\$ 44,122	\$ (20,586)
Cash - Restricted	21,255	16,265	4,990
Grants Receivable	43,581	39,246	4,335
Total Current Assets	88,372	99,633	(11,261)
Non-Current Assets:			
Equipment	8,958	-	8,958
Less: Accumulated Depreciation	(2,026)	-	(2,026)
Total Non-Current Assets	6,932	-	6,932
Total Assets	\$ 95,304	\$ 99,633	\$ (4,329)
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts Payable & Other Liabilities	\$ 15,707	\$ 25,633	\$ (9,926)
Deferred Revenue	11,441	11,441	-
Obligation under Capital Lease - Current	2,986	-	2,986
Total Current Liabilities	30,134	37,074	(9,926)
Non Current Liabilities:			
Obligation under Capital Lease - Non-Current	1,244	-	1,244
Total Non-Current Liabilities	1,244	-	1,244
Net Assets			
Unrestricted	63,926	62,559	1,367
Total Liabilities and Net Assets	\$ 95,304	\$ 99,633	\$ (4,329)

As the above table indicates, total assets decreased by \$4,329 and total liabilities decreased by \$8,682, resulting in an increase in net assets of \$1,367 during the year ended December 31, 2008.

**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
DECEMBER 31, 2008
(UNAUDITED)**

Statement of Activities

B. Summary of the Hudson Valley Regional Council's statements of activities are presented below:

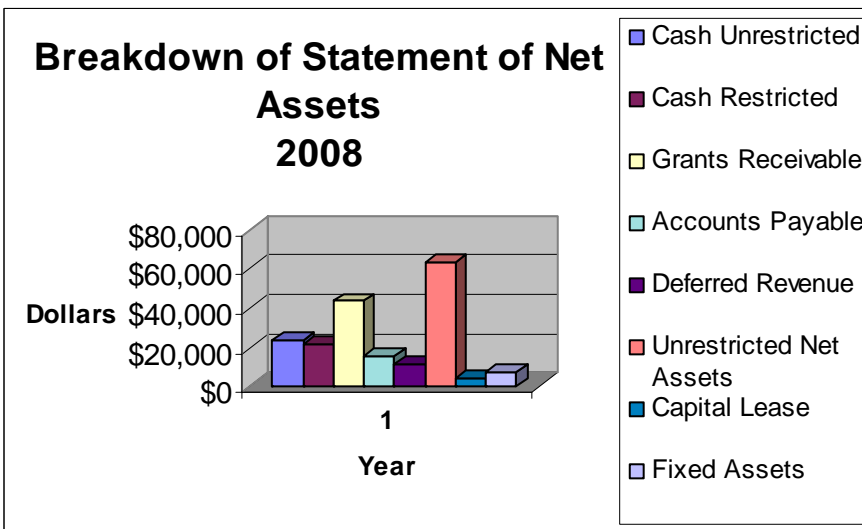
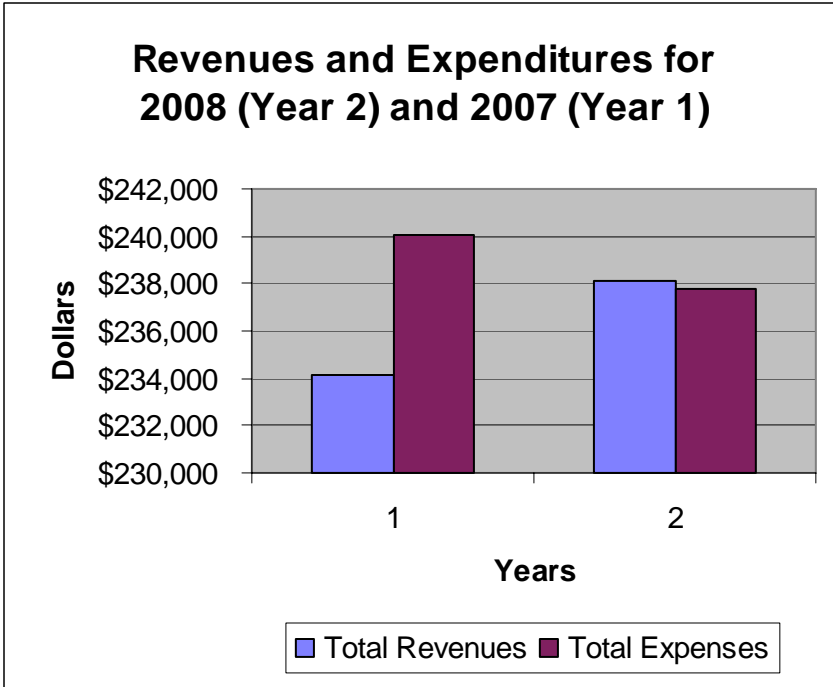
Table 2
Statements of Activities

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>
Support from Counties	\$ 66,000	\$ 77,000	\$ (11,000)
Federal and Other Grants	123,762	96,980	26,782
Hudson Valley Material Exchange Program	31,101	50,991	(19,890)
In-Kind Contribution of Services	10,825	8,712	2,113
Conference Revenues	6,320	60	6,260
Interest Earnings	<u>115</u>	<u>419</u>	<u>(304)</u>
 Total Revenues	 238,123	 234,162	 3,961
 Administrative Expenses	 59,689	 48,135	 11,554
Staff Services and Employee Benefits	119,560	120,677	(1,117)
In-Kind Contribution of Services	10,825	8,712	2,113
Water Quality Management Program	14,665	-	14,665
Pathfinders Study	-	11,549	(11,549)
Hudson Valley Material Exchange Program	31,101	50,991	(19,890)
Conference Costs	<u>1,911</u>	<u>-</u>	<u>1,911</u>
 Total Expenditures	 237,751	 240,064	 (2,313)
 Net (Expenses), Revenues, and Changes In Net Assets	 <u>\$ 372</u>	 <u>\$ (3,387)</u>	 <u>\$ 3,759</u>

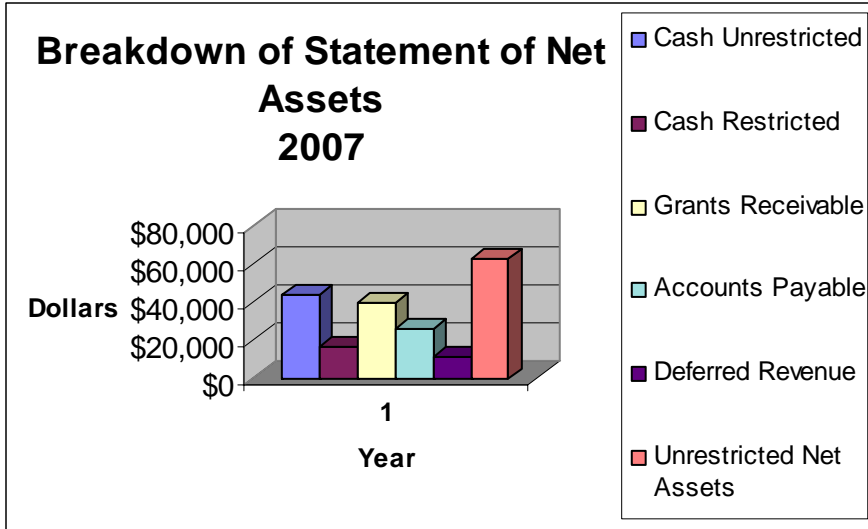
The statement of activities identifies the various revenue and expense items which affect the change in net assets. As the information in Table 2 indicates, income increased by \$3,961, while expenditures decreased by \$2,313.

**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
DECEMBER 31, 2008
(UNAUDITED)**

The following graphs provide a summary of revenues, expenses, and net assets for the years ended December 31, 2008 and 2007.



**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
DECEMBER 31, 2008
(UNAUDITED)**



ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the HVRC's customers, and other interested parties with an overview of the HVRC's financial operations and financial conditions. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact the Hudson Valley Regional Council at 1662 Route 300, Suite 155, Newburgh, NY, 12550.

**HUDSON VALLEY REGIONAL COUNCIL
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

ASSETS:

	2008
Current Assets:	
Cash - Unrestricted	\$ 23,536
Cash - Restricted	21,255
Grants Receivable	43,581
Total Current Assets	88,372
Non-Current Assets:	
Equipment	8,958
Less: Accumulated Depreciation	(2,026)
Total Non-Current Assets	6,932
Total Assets	\$ 95,304

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ 15,707
Deferred Revenue	11,441
Current Portion of Obligation under Capital Lease	2,986
Total Current Liabilities	30,134
Non-Current Liabilities:	
Non-Current Portion of Obligation under Capital Lease	1,244
Total Non-Current Liabilities	1,244
Net Assets	
Unrestricted	63,926
Total Net Assets	63,926
Total Liabilities and Net Assets	\$ 95,304

The Independent Auditors' Report and the Notes to the Financial Statements
should be read in conjunction with the financial statements.

**HUDSON VALLEY REGIONAL COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS</u>
General Governmental Support	\$ 237,751	\$ 46,701	\$ 114,482	\$ (76,569)
 <u>GENERAL REVENUES</u>				
Member Dues				66,000
In-kind Revenue				10,825
Interest Income				116
TOTAL GENERAL REVENUES				<u>76,941</u>
CHANGE IN NET ASSETS				372
TOTAL NET ASSETS, BEGINNING OF YEAR				62,559
PRIOR PERIOD ADJUSTMENT				<u>995</u>
TOTAL NET ASSETS, BEGINNING OF YEAR, RESTATED				<u>63,554</u>
TOTAL NET ASSETS, END OF YEAR				<u>\$ 63,926</u>

**HUDSON VALLEY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the Hudson Valley Regional Council have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies established by GAAP and used by the Council in preparing its government-wide and fund financial statements are discussed below.

A. Financial Reporting Entity

The Council is organized as an intergovernmental agency, whose membership is comprised of the following counties: Dutchess, Orange, Rockland, Sullivan, Ulster and Westchester. However, no one county exerts control such that the Council is not considered part of any other reporting entity including any of its participating counties.

Major issues that the Council considers are water resource management, solid waste, sludge and marketing of the six county region.

B. Basis of Presentation

1. Government-wide Statements

The Statement of Net Assets presents all activities on a consolidated basis 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 Council's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Council first utilizes restricted resources to finance qualifying activities. At year-end the Council's net assets were unrestricted.

The Statement of Activities presents a comparison of direct expenses with program revenues for each function of the Council'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 operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

HUDSON VALLEY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Operating grants include operating-specific and discretionary grants

The net costs are covered by general revenues, such as member dues, in-kind revenues and interest income.

The difference between government-wide net assets and governmental fund balance is due to capitalization and depreciation of fixed assets and the recording of capital lease obligations. The net difference amounts to \$995 for the year ended December 31, 2008.

C. 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.

Accrual

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

D. Risk Management

The Hudson Valley Regional Council 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. Workers compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations. The Council does not estimate claims which may have occurred but are not reported in areas where the Council is not insured.

E. 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.

**HUDSON VALLEY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008**

Note 2 – Restricted Cash

Restricted cash is summarized as follows:

	<u>2008</u>	<u>2007</u>
EFC Holding	\$ 13,341	\$ 13,312
Planning Grant	<u>7,914</u>	<u>2,953</u>
Total Restricted Cash	<u>\$ 21,255</u>	<u>\$ 16,265</u>

Note 3- Grants Receivable

Grants receivable at December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Stormwater Grant	\$ 11,079	\$ -
Hudson Valley		
Materials Exchange	3,050	20,909
LUCA Grant	4,348	5,829
Hudson River Estuary Grant	13,363	-
EDA Planning Grant	<u>11,741</u>	<u>12,508</u>
Total Grants Receivable	<u>\$ 43,581</u>	<u>\$ 39,246</u>

Note 4 – Fixed Assets

Fixed assets for the year ended December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 8,958	\$ 8,958
Less: Accumulated Depreciation	<u>(2,026)</u>	<u>(746)</u>
Net Fixed Assets	<u>\$ 6,932</u>	<u>\$ 8,212</u>

Depreciation expense for the year ended December 31, 2008 and 2007 was \$1,280 and \$746, respectively.

**HUDSON VALLEY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008**

Note 5 – Accounts Payable

Accounts payable at December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Hudson Valley		
Materials Exchange	\$ 3,050	\$ 20,909
General Organizational Expenses	<u>12,657</u>	<u>4,725</u>
	<u>\$ 15,707</u>	<u>\$ 25,634</u>

Note 6 - Capital Lease

The Council has a capital lease for the copier in the office space the Council currently occupies. At the end of the lease, the Council has a bargain purchase option to purchase the copier for \$1. The short term portion and long term portions as of December 31, 2008, respectively, are \$2,986 and \$1,244. The future minimum lease payments are as follows:

2009	\$ 2,986
2010	<u>1,244</u>
Total	\$ 4,230

Note 7 – EDA Workforce Grant

Hudson Valley Regional Council has received a \$60,000 grant, funding \$120,000 in expenditures, from the U.S. Department of Commerce for Economic Development and Planning. Grant activity as of December 31, 2008 and 2007, is summarized as follows:

	<u>2008</u>	<u>2007</u>
Reimbursable Grant Expenses Incurred	\$ 83,482	\$ 85,016
Local Match	(41,741)	(42,508)
Amount Received	<u>(30,000)</u>	<u>(30,000)</u>
Grant Receivable	<u>\$ 11,741</u>	<u>\$ 12,508</u>

HUDSON VALLEY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2008

Note 8 – Operating Lease

The Council leases office space in the Route 300 Professional Building in Newburgh, NY. The lease runs through September 30, 2011 and payments are due in \$1,050 monthly installments. Rent expense for the year ended December 31, 2008 was \$12,150. Future minimum rental payments are as follows:

2009	\$ 12,600
2010	12,600
2011	<u>9,450</u>
	<u>\$ 34,650</u>

Note 9 – Tax Deferred Annuity Plan

The organization sponsors a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employer's contribution has not been included in wages, since they are not subject to social security and Medicare taxes.

Note 10 – Contingencies

The Council has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. The Council's administration believes disallowances, if any, will be immaterial.

Note 11 – Prior Period Adjustment

In May 2007, the Council entered into a capital lease agreement for a copier, where at the end of the lease, the Council has a bargain purchase option to purchase the copier. This liability was not included on the financial statements for the year ended December 31, 2007, and therefore a prior period adjustment has been recorded for \$7,216, which is the amount that was outstanding at December 31, 2007.