

**HUDSON VALLEY REGIONAL COUNCIL
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010**

**HUDSON VALLEY REGIONAL COUNCIL
FINANCIAL STATEMENTS
TABLE OF CONTENTS
DECEMBER 31, 2010**

<u>DESCRIPTION</u>	<u>PAGE(S)</u>
Independent Auditors' Report.....	1-2
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.....	3-4
Management's Discussion and Analysis	5-9
FINANCIAL STATEMENTS:	
Statements of Net Assets	10
Statements of Activities	11
Notes to the Financial Statements.....	12-16



HUDSON VALLEY CPAs

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hudson Valley Regional Council
1 Washington Center, 2nd Floor
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, 2010, 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 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2011, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

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compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sedar Hudson Valley CPAs

Poughkeepsie, New York

July 3, 2011



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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**

To the Board of Directors
Hudson Valley Regional Council
1 Washington Center, 2nd Floor
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, 2010, which collectively comprise the Hudson Valley Regional Council's basic financial statements and have issued our report thereon dated July 31, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

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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.

Sedau Hudson Valley CPAs

Poughkeepsie, New York
July 3, 2011

**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(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, 2010. 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 2010

- The HVRC's net assets from 2009 were restated, and were increased by \$35,094 from \$44,110 to \$79,204 with a prior period adjustment.
- The HVRC's net assets increased by \$5,372 from \$79,204 to \$84,576.
- Operating revenues increased by \$150,432 from \$211,875 to \$362,307.
- Operating expenses increased by \$125,244 from \$231,691 to \$356,935.

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, 2010. 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 2009 the Council's net assets decreased, and during 2010 the Council's net assets increased.

**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
DECEMBER 31, 2010
(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>2010</u>	<u>2009</u>	<u>Dollar Change</u>
Current Assets:			
Cash - Unrestricted	\$ 26,962	\$ 50,625	\$ (23,663)
Cash - Restricted	7,914	7,914	-
Grants Receivable	74,756	25,600	49,156
Total Current Assets	<u>109,632</u>	<u>84,139</u>	<u>25,493</u>
Non-Current Assets:			
Equipment	8,958	8,958	-
Less: Accumulated Depreciation	<u>(4,586)</u>	<u>(3,306)</u>	<u>(1,280)</u>
Total Non-Current Assets	<u>4,372</u>	<u>5,652</u>	<u>(1,280)</u>
Total Assets	<u>\$ 114,004</u>	<u>\$ 89,791</u>	<u>\$ 24,213</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts Payable	\$ 15,191	\$ 32,996	\$ (17,805)
Deferred Revenue	11,441	11,441	-
Obligation under Capital Lease - Current	-	1,244	(1,244)
Accrued Expenses	<u>2,796</u>	<u>-</u>	<u>2,796</u>
Total Current Liabilities	<u>29,428</u>	<u>45,681</u>	<u>(16,253)</u>
Net Assets			
Restricted for planning grant	7,914	7,914	-
Unrestricted	<u>76,662</u>	<u>36,196</u>	<u>40,466</u>
Total Liabilities and Net Assets	<u>\$ 114,004</u>	<u>\$ 89,791</u>	<u>\$ 24,213</u>

As the above table indicates, total assets increased by \$24,213 and total liabilities decreased by \$16,253, resulting in an increase in net assets of \$40,466 during the year ended December 31, 2010.

**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
DECEMBER 31, 2010
(UNAUDITED)**

Statement of Activities

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

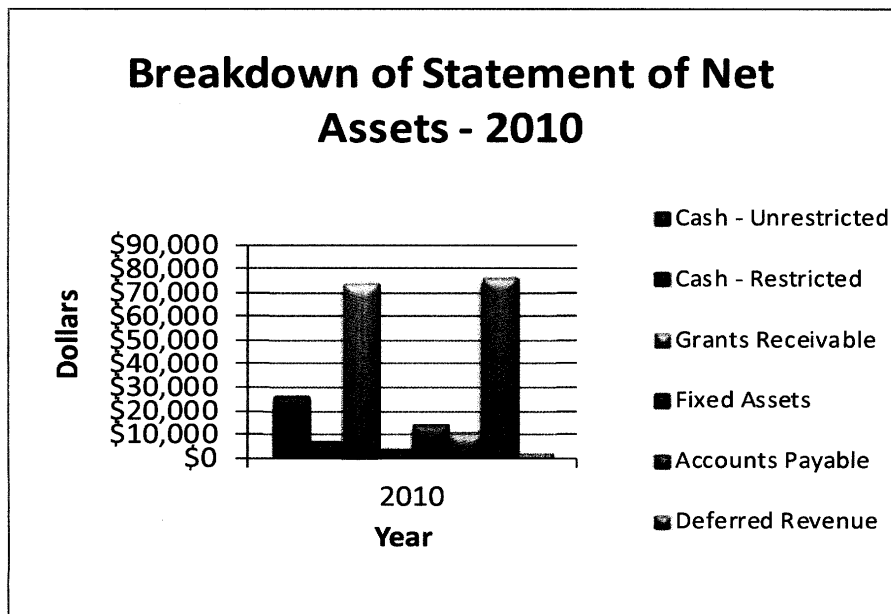
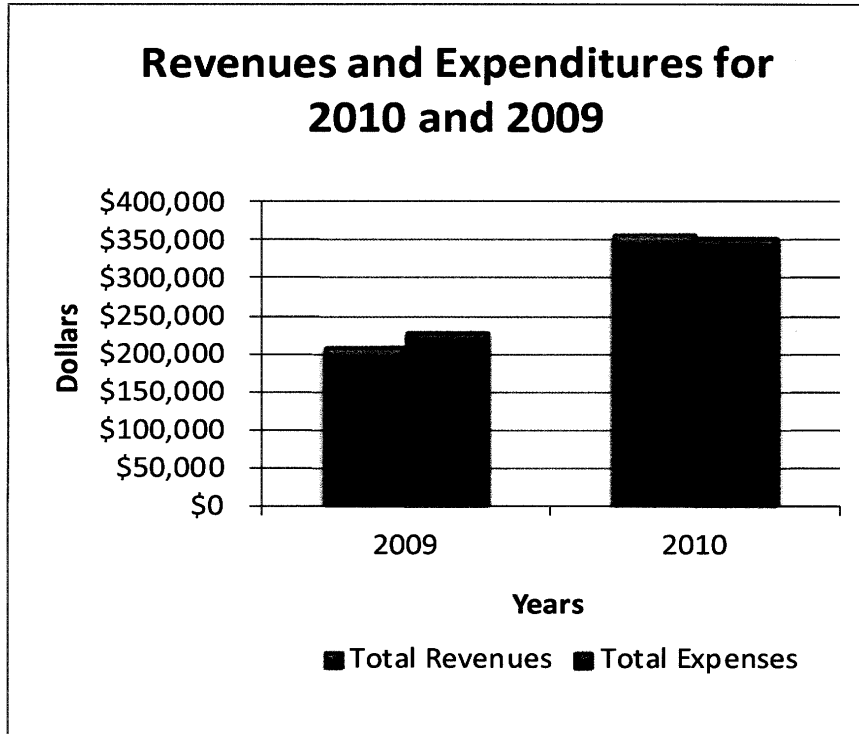
Table 2
Statements of Activities

	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>
Support from Counties	\$ 63,000	\$ 60,125	\$ 2,875
Federal and Other Grants	76,001	105,314	(29,313)
Hudson Valley Material Exchange Program	4,740	7,624	(2,884)
GI Program	121,114	-	121,114
Four Hour Program	20,900	-	20,900
WIB Contract	51,833	-	51,833
NEIWPPC Purchase Order	10,240	-	10,240
In-Kind Contribution of Services	-	1,500	(1,500)
Conference Revenues	5,005	37,287	(32,282)
Interest Earnings	44	25	19
Miscellaneous	9,430	-	9,430
	<u>362,307</u>	<u>211,875</u>	<u>150,432</u>
Total Revenues			
Administrative Expenses	43,482	34,098	9,384
Staff Services and Employee Benefits	143,917	113,445	30,472
In-Kind Contribution of Services	-	1,500	(1,500)
Water Quality Management Program	4,877	9,181	(4,304)
Hudson Valley Material Exchange Program	4,739	7,624	(2,885)
Hudson River Estuary Grant	-	12,099	(12,099)
Green Infrastructure Grant	-	4,923	(4,923)
GI Program	94,659	-	94,659
Four Hour Program	11,587	-	11,587
WIB Contract	43,828	-	43,828
NEIWPPC Purchase Order	9,686	-	9,686
Green Building Conference	(3,661)	47,940	(51,601)
Conference Costs	3,821	881	2,940
	<u>356,935</u>	<u>231,691</u>	<u>125,244</u>
Total Expenditures			
Net (Expenses), Revenues, and Changes In Net Assets	<u>\$ 5,372</u>	<u>\$ (19,816)</u>	<u>\$ 25,188</u>

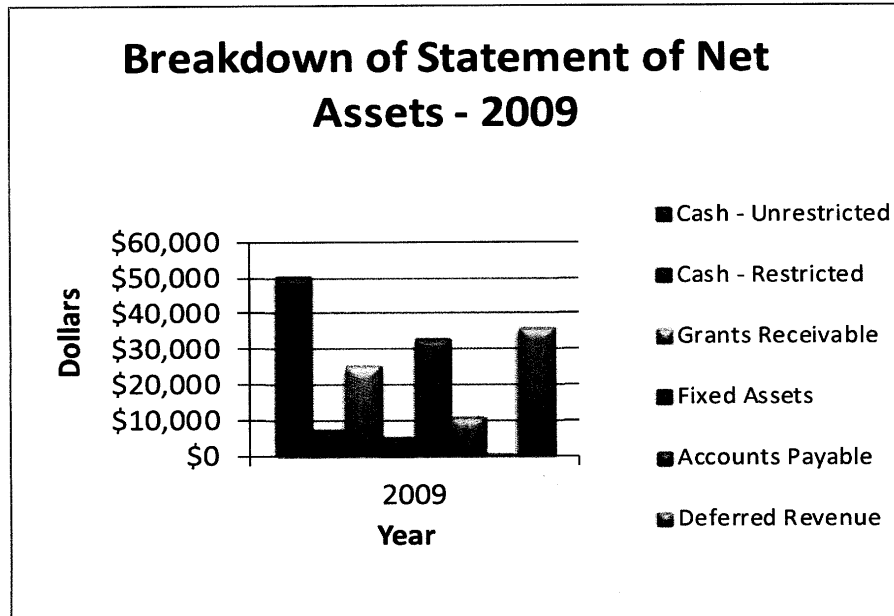
The statement of activities identifies the various revenue and expense items which affect the change in net assets. As the information in Table 2 indicates, revenues increased by \$150,432, while expenditures increased by \$125,244.

**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
DECEMBER 31, 2010
(UNAUDITED)**

The following graphs provide a summary of revenues, expenses, and net assets for the years ended December 31, 2010 and 2009.



**HUDSON VALLEY REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)
DECEMBER 31, 2010
(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 1 Washington Center, 2nd Floor, Newburgh, NY 12550.

**HUDSON VALLEY REGIONAL COUNCIL
STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

ASSETS:

	2010
Current Assets:	
Cash - Unrestricted	\$ 26,961
Cash - Restricted	7,914
Grants Receivable	74,757
Total Current Assets	109,632
 Non-Current Assets:	
Equipment	8,958
Less: Accumulated Depreciation	(4,586)
Total Non-Current Assets	4,372
Total Assets	\$ 114,004

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ 15,191
Accrued Expenses	2,796
Deferred Revenue	11,441
Total Current Liabilities	29,428
 Net Assets	
Restricted for planning grant	7,914
Unrestricted	76,662
Total Net Assets	84,576
Total Liabilities and Net Assets	\$ 114,004

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, 2010**

<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	<u>\$ 358,735</u>	<u>\$ 223,262</u>	<u>\$ 76,001</u>	<u>\$ (59,472)</u>
 <u>GENERAL REVENUES</u>				
Member Dues				63,000
In-kind Revenue				1,800
Interest Income				44
TOTAL GENERAL REVENUES				<u>64,844</u>
CHANGE IN NET ASSETS				5,372
TOTAL NET ASSETS, BEGINNING OF YEAR, ORIGINALLY STATED				<u>44,110</u>
PRIOR PERIOD ADJUSTMENT - See Note 10				35,094
TOTAL NET ASSETS, BEGINNING OF YEAR, RESTATED				<u>79,204</u>
TOTAL NET ASSETS, END OF YEAR				<u><u>\$ 84,576</u></u>

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

**HUDSON VALLEY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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, 2010**

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 government-wide statements are equivalent to the fund financial statements, which eliminates the need for reconciliations which therefore are not presented.

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, 2010**

Note 2 – Restricted Cash

Restricted cash is summarized as follows:

	<u>2010</u>	<u>2009</u>
Planning Grant	7,914	7,914
Total Restricted Cash	<u>\$ 7,914</u>	<u>\$ 7,914</u>

Note 3- Grants Receivable

Grants receivable at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Stormwater Grant	\$ 4,275	\$ 8,533
Hudson Valley		
Materials Exchange	2,847	3,752
Green Infrastructure Grant	33,253	-
Hudson River Estuary Grant	-	13,314
New England Interstate Water		
Pollution Control Commission	5,000	-
EDA Planning Grant	<u>29,382</u>	<u>-</u>
Total Grants Receivable	<u>\$ 74,757</u>	<u>\$ 25,600</u>

Note 4 – Fixed Assets

Fixed assets for the year ended December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 8,958	\$ 8,958
Less: Accumulated Depreciation	<u>(4,586)</u>	<u>(3,306)</u>
Net Fixed Assets	<u>\$ 4,372</u>	<u>\$ 5,652</u>

Depreciation expense for the year ended December 31, 2010 and 2009 was \$1,280 and \$1,280, respectively.

**HUDSON VALLEY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2010**

Note 5 – Accounts Payable

Accounts payable at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Hudson Valley		
Materials Exchange	\$ 2,846	\$ 3,752
General Organizational Expenses	<u>12,345</u>	<u>29,243</u>
	<u>\$ 15,191</u>	<u>\$ 32,995</u>

Note 6 - Capital Lease

The Council had a capital lease for the copier in the office space the Council currently occupies. At the end of the lease, the Council had a bargain purchase option to purchase the copier for \$1. The final payment on the capital lease was made in May 2010 and the Council maintained ownership of the copier.

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, 2010 and 2009, is summarized as follows:

	<u>2010</u>	<u>2009</u>
Reimbursable Grant Expenses Incurred	\$128,763	\$125,097
Local Match	(64,381)	(62,549)
Amount Received	<u>(35,000)</u>	<u>(62,549)</u>
Grant Receivable	<u>\$ 29,382</u>	<u>\$ -</u>

**HUDSON VALLEY REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
DECEMBER 31, 2010**

Note 8 – Operating Lease

The Council leased office space in the Route 300 Professional Building in Newburgh, NY, through September 2010. The lease ran through September 30, 2011, and payments were due in \$1,050 monthly installments; there was no penalty for early termination of the lease. In September 2010, the Council moved to a new location in Washington Center in Newburgh, NY, and entered into a new lease agreement with Mid Hudson Pattern for Progress, Inc. The lease runs from October 1, 2010, through September 30, 2015, and payments are due in \$1,000 monthly installments. Rent expense for the year ended December 31, 2010, was \$12,350. Future minimum rental payments are as follows:

2011	12,000
2012	12,000
2013	12,000
2014	12,000
2015	9,000
	<u>\$57,000</u>

Note 9 – 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 10 – Prior Period Adjustment

A prior period adjustment was made for the year ending December 31, 2010 in relation to a receivable that should have been recorded for the year ending December 31, 2009, but it was not recorded at that time. The prior period adjustment is in the amount of \$35,094. This adjustment increases net assets as of December 31, 2009.