

**DUTCHESS COUNTY
LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
POUGHKEEPSIE, NEW YORK
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

DUTCHESS COUNTY
LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
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DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dutchess County Local Development Corporation
3 Neptune Road
Poughkeepsie, New York 12601

We have audited the accompanying financial statements of the business-type activities of the Dutchess County Local Development Corporation (the DCLDC), a component unit of Dutchess County, New York, as of December 31, 2011, which collectively comprise the DCLDCs' basic financial statements for the year then ended as listed in the foregoing table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 basic 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 Dutchess County Local Development Corporation as of December 31, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information on the Schedule of Indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012 on our consideration of the Dutchess County Local Development Corporation'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 compliance. 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 should be considered in assessing the results of our audit.

SEDORE & COMPANY, CPA'S, P.C.
Poughkeepsie, New York
March 30, 2012

DUTCHESS COUNTY
LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011

The following "Management's Discussion and Analysis" report (MD&A) provides the reader with an introduction and overview to the financial activities and performance of the Dutchess County Local Development Corporation for the year ended December 31, 2011, as mandated by GASB 34. This information should be reviewed in conjunction with the Corporation's audited financial statements.

FINANCIAL OPERATIONS HIGHLIGHTED

The Dutchess County Local Development Corporation ("the Corporation") was established in 2010 to provide the authority to issue tax exempt bonds for not-for-profit organizations.

SUMMARY OF OPERATIONS:

	<u>2011</u>	<u>2010</u>	Over (Under)
<u>REVENUE:</u>			
Fees	\$147,109	\$245,837	(\$98,728)
Interest Earnings	<u>417</u>	<u>31</u>	<u>386</u>
Total Revenue	\$147,526	\$245,868	(\$98,342)
<u>EXPENSES:</u>			
Administrative Expenses	\$ 14,241	\$9,148	\$5,093
Grants	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Expenses	\$19,241	\$9,148	\$10,093

FINANCIAL POSITION SUMMARY

Net Assets may serve as an indicator of the Corporation's financial position. The Corporation's Net Assets were \$365,005 and \$236,720 at December 31, 2011 and 2010, respectively, an increase of \$128,285 or 54.2%

**DUTCHESS COUNTY
LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
DECEMBER 31, 2011**

FINANCIAL POSITION SUMMARY (Cont'd)

For details of the Corporation's finances, see the accompanying financial statements and Notes thereof.

FINANCIAL STATEMENTS

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The Corporation is structured as an enterprise fund. It is a component unit of Dutchess County, New York because the County Legislature appoints the Corporation's seven-member board. Bonds issued by the Corporation are not a liability of the County or the Corporation, but remain the sole responsibility of the project developer. See the accompanying Notes to the Financial Statements.

DUTCHESS COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

<u>ASSETS</u>	<u>2011</u>
Current Assets:	
Cash and Cash Equivalents	\$ 371,026
Total Current Assets	<u>371,026</u>
Non-Current Assets:	
Fixed Assets, Net of Accumulated Depreciation of \$190	809
Total Non-Current Assets	<u>809</u>
TOTAL ASSETS	<u><u>\$ 371,835</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 6,830
Total Current Liabilities	<u>6,830</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	809
Unrestricted	<u>364,196</u>
Total Net Assets	<u>365,005</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 371,835</u></u>

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

DUTCHESS COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>REVENUES:</u>	<u>YEAR ENDED 2011</u>
Administrative and Closing Fees for Financing Transfer Agreements	\$ 147,109
Interest Income	417
Total Revenues	147,526
<u>EXPENSES:</u>	
Contractual and Project Costs	19,051
Depreciation Expense	190
Total Expenses	(19,241)
Excess of Revenues	128,285
Net Assets, January 1, 2011	236,720
Net Assets, December 31, 2011	\$ 365,005

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

DUTCHESS COUNTY LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	YEAR ENDED 2011
Cash Flows from Operating Activities:	
Receipts from providing services	\$ 147,224
Payments to contractors	(16,221)
Interest received	417
Net cash provided by operating activities	131,420
 Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(999)
Net cash (used) by capital and related financing activities	(999)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	130,421
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	240,605
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 371,026
 Reconciliation of operating income to net cash provided by operating activities	
Excess of revenues (expenses)	\$ 128,285
 Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	190
Changes in Assets and Liabilities:	
Other Receivable	115
Accrued Liabilities	2,830
	131,420
 NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 131,420

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

**DUTCHESS COUNTY
LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. Summary of Significant Accounting Policies

Organization and Purpose

The Dutchess County Local Development Corporation (“the Corporation”) is a public benefit corporation established in 2010 under section 1411 of the New York not-for profit corporation law to act as an “on behalf of” issuer of conduit tax exempt bonds.

In January, 2008, civic facility legislation expired and Industrial Development Agencies no longer had the authority to issue tax exempt bonds or provide other financial assistance to 501(c)(3) organizations. The Corporation was established to address the capital needs of these organizations.

The Corporation’s function is via the issuance of industrial revenue bonds and other means to promote economic development. The Corporation reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The Corporation receives fees from applicants and closing fees from those accepted for industrial revenue financing.

The Reporting Entity

The Agency is considered a component unit of the financial reporting entity known as the City of Newburgh. Inclusion in the financial reporting entity, the City of Newburgh, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity". Component units are legally separate entities for which the City of Newburgh Industrial Development Agency is financially accountable. The City of Newburgh Council appoints all of the Agency’s Board Members. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14.

Basis of Accounting

The financial statements of the Corporation 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. Under standards set GASB, the Corporation is considered a proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects of transactions and other events when these transactions and events occur. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The measurement focus is the flow of economic resources.

**DUTCHESS COUNTY
LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2011**

1. Summary of Significant Accounting Policies (Cont'd.)

Cash and Cash Equivalents

For the purpose of presenting the Statements of Cash Flows, the Corporation considers all demand deposits, time and savings accounts and certificates of deposit with an original maturity of three months or less to be cash or cash equivalents.

Corporation monies are deposited in FDIC insured commercial banks or trust companies located within the State. The Corporation is authorized to use demand deposit, time and money market savings accounts and certificates of deposit. Governmental Accounting Standards Board Statement No. 40 *Deposits 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 Corporation or its agent in the Corporation's name. The Corporation's cash balances were fully covered by FDIC insurance and were not subject to custodial credit risk.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Corporation evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2011 and through March 30, 2012, the date on which the financial statements were approved for issuance.

**DUTCHESS COUNTY
LOCAL DEVELOPMENT CORPORATION
(A Component Unit of Dutchess County, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2011**

2. Local Development Revenue Bonds

Bonds authorized by the Corporation and issued through various lending institutions are designated as special obligations of the Corporation and payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances the Corporation is the holder of legal title to properties acquired with industrial revenue bond financing until such point in time as the construction of property improvements has been completed or satisfaction of the obligation has been effected in full, the Corporation does not act as a guarantor in the event of collateralized properties and revenues as specified in the applicable financing agreement are insufficient to meet debt service requirements. Additionally, in each of these financings, the Corporation has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the industrial revenue bonds. As a consequence, the Corporation does not reflect such bonds or related properties on its financial statements. Local development revenue bonds authorized by the Corporation and outstanding at December 31, 2011 total \$117,197,740.

3. Fixed Assets

Fixed assets are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Fixed assets consist of small office filing equipment with estimated useful lives of 7 years.

Equipment consisted of the following at December 31:

	<u>2011</u>
Fixed assets	\$999
<u>Less:</u> Accumulated Depreciation	<u>(190)</u>
Net Fixed Assets	<u>\$809</u>

For the year ended December 31, 2011 Depreciation expense amounted to \$190.

OTHER SUPPLEMENTAL INFORMATION

DUTCHESS COUNTY LOCAL DEVELOPMENT CORP
(A COMPONENT UNIT OF DUTCHESS COUNTY, NEW YORK)
SCHEDULE OF INDEBTEDNESS

December 31, 2011

Project Name	Original Issue Amount	Original Issue Date	Interest Rate	Outstanding Balance January 1, 2011	New Issue 2011	Principal Payments 2011	Outstanding Balance December 31, 2011	Final Maturity Date
Anderson Center Services, Inc.	\$17,275,000	11/10	5.95	\$17,275,000	-	\$330,000	\$16,945,000	2030
Health Quest Inc	55,055,000	10/10	5.64	55,055,000	-	1,400,000	53,655,000	2040
Poughkeepsie Day School	3,105,000	12/10	4.25	3,105,000	-	151,260	2,953,740	2025
Dutchess Community College Series 2011	27,394,000	7/11		-	27,394,000	-	27,394,000	
CHF-CIA, LLC 2011 Series	16,250,000	7/11		-	16,250,000	-	16,250,000	
Totals	<u>\$119,079,000</u>			<u>\$75,435,000</u>	<u>\$43,644,000</u>	<u>\$1,881,260</u>	<u>\$117,197,740</u>	

**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
Dutchess County Local Development Corporation
3 Neptune Road
Poughkeepsie, New York 12601

We have audited the financial statements of the business-type activities of the Dutchess County Local Development Corporation (the Corporation), a component unit of Dutchess County, New York, as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated March 30, 2012. 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 Dutchess County Local Development Corporation'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 purpose of expressing an opinion on the effectiveness of the Dutchess County Local Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 the 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 significant deficiencies, 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 Dutchess County Local Development Corporation'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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Chairman, the Corporation Board, and is not intended to be, and should not be, used by anyone other than these specified parties.

SEDORE & COMPANY, CPA'S, P.C.
Poughkeepsie, New York
March 30, 2012