

COUNTY OF DELAWARE
INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF
DELAWARE COUNTY, NEW YORK)

FINANCIAL STATEMENTS

For the year ended December 31, 2008

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County of Delaware Industrial Development Agency
Delhi, New York

We have audited the accompanying statement of net assets of County of Delaware Industrial Development Agency (the "IDA"), (A Component Unit of Delaware County, New York) as of December 31, 2008, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the year then ended. These basic financial statements are the responsibility of the IDA'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 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 basic financial statements referred to above, present fairly, in all material respects, the financial position of the IDA, as of December 31, 2008, and the changes in its fund net assets and the cash flows 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 May 27, 2009, on our consideration of the IDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but, it 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 an opinion on it.

Our audit was made for the purpose of forming an opinion on these financial statements taken as a whole. The accompanying information included in the Schedule of Contractual Expenses and Supplemental Bond and Note Information is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the audit procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

The Schedules of Outstanding Sale and Lease Agreements and Full Time Equivalent (FTE) Jobs Created and Retained are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements.

Gruva, Jureifel & Scott, LLP

Oneonta, New York
May 27, 2009

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the Delaware County Industrial Development Agency (the "IDA") (A Component Unit of Delaware County, New York), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the IDA for the fiscal year ended December 31, 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

The Delaware County Local Development Corporation ("LDC"), a non-profit organization that shares its constituency, membership and purpose, is included in this discussion and analysis. There are no separately issued financial statements.

Budget

The IDA and the LDC depend on grants, with a minimal amount of operating income, to extend its programs. The Agency and the LDC file for various grants and loans to provide economic development assistance in Delaware County, notably the United States Department of Housing and Urban Development, the United States Department of Agriculture, Governor's Office of Small Cities, and Empire State Development. However, the funding of these grants is not assured at the beginning of the year. Because the IDA and the LDC do not know how much funding will be received during any year, how many loan applications will be approved, and what programs can be made available, the IDA and the LDC cannot project the amount that it can use for its programs to project an accurate budget. The IDA strictly adheres to financial procedures and requirements of New York State General Municipal Law, Article 18A, and its own bylaws, as audited by our accountants at Gruver, Zweifel & Scott, LLP.

Overview of the Financial Statements

This discussion and analysis accompanies the IDA's financial statements, including the LDC, notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financials.

Financial Statements

The IDA's financial statements, including the LDC, provide readers with a comprehensive reporting of the IDA's and the LDC's 2008 transactions and balances. The difference between the assets and liabilities are reported as net assets. Increases or decreases in net assets are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Operating income for the IDA was \$531,071 for fiscal year 2008. This was an increase of 287% over the prior year. Net income produced an increase in net assets of \$535,481. At the close of fiscal year 2008, the IDA had net assets of \$1,498,080, an increase of 11% over the prior year.

Operating income for the LDC was \$24,769 for fiscal year 2008. This was a decrease of 32% over the prior year. The net loss produced an increase in net assets of \$25,357. At the close of fiscal year 2008, the LDC had net assets of \$708,205, an increase of 4% over the prior year.

The IDA's and the LDC's prime objective is to provide assistance to existing businesses and expansions and business startups with professional assistance, educational programs and loans. The loan funds are comprised of grants dedicated to this purpose and matching funds from the IDA's accumulated working capital. The revolving loan fund in each entity's statement of net assets is the major asset. For the IDA's loan funds, the financial statement shows a decrease, from \$891,812 at year-end 2007 to \$891,492 at year-end 2008, a net decrease of \$320. For the LDC's loan fund, from \$672,687 at year-end 2007 to \$780,523 at year-end 2008, a net increase of \$107,836.

The IDA's current major capital assets are the remaining 6.73-acre parcel, with sewer and water improvements, of an original 15-acre tract, in its industrial park in Walton for planned industrial locations. This project is concurrent with the IDA's objectives of encouraging economic development in the county.

The IDA began development of a new E-Center in Margaretville, NY. The cost of the building and improvements is expected to be reimbursed by a grant. As of December 31, 2008, no grant for the project was in place. Total capital outlays for the building purchase and improvements for the year ended December 31, 2008 were \$82,936.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a 2008-2007 comparative summary of the IDA's financial statements, showing the increase in net assets:

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AGENCY'S NET ASSETS

	<u>2008</u>	<u>2007</u>
Current assets	\$ 1,139,177	\$ 677,383
Non-current assets	<u>894,384</u>	<u>834,202</u>
Total assets	<u>\$ 2,033,561</u>	<u>\$1,511,585</u>
Current liabilities	\$ 1,633	\$ 13,505
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	1,633	13,505
Net assets	<u>2,031,928</u>	<u>1,498,080</u>
Total liabilities and net assets	<u>\$ 2,033,561</u>	<u>\$1,511,585</u>

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AGENCY'S
CHANGES IN NET ASSETS

	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 586,959	\$ 319,787
Operating expenses	<u>(55,888)</u>	<u>(182,545)</u>
Operating income	531,071	137,242
Non-operating income:		
Investment income	<u>4,410</u>	<u>2,442</u>
Change in net assets	535,481	139,684
Net assets, beginning of year	<u>1,498,080</u>	<u>1,358,396</u>
Net assets, end of year	<u>\$ 2,033,561</u>	<u>\$1,498,080</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a 2008-2007 comparative summary of the LDC's financial statement:

DELAWARE COUNTY LOCAL DEVELOPMENT CORPORATION INC.'S NET ASSETS

	2008	2007
Current assets	\$ 504,278	\$ 417,455
Non-current assets	646,968	546,647
Total assets	\$ 1,151,246	\$ 964,102
Non-current liabilities	\$ 443,041	\$ 281,254
Net assets	708,205	682,848
Total liabilities and net assets	\$ 1,151,246	\$ 964,102

DELAWARE COUNTY LOCAL DEVELOPMENT CORPORATION, INC.'S
CHANGES IN NET ASSETS

	2008	2007
Operating revenues	\$ 32,727	\$ 138,071
Operating expenses	(7,958)	(101,770)
Operating income	24,769	36,301
Non-operating income (loss):		
Investment income	588	955
Loss in sale of assets	-	(199,999)
Change in net assets	25,357	(162,743)
Net assets, beginning of year	682,848	845,591
Net assets, end of year	\$ 708,205	\$ 682,848

Economic Factors

The management of the IDA and the LDC are not aware of any changes in economic factors or conditions since December 31, 2008 that will have any significant effect on neither the IDA nor the LDC into the future.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Glenn Nealis, Executive Director, Delaware County Industrial Development Agency, 1 Gallant Avenue, Suite 2, Delhi, New York 13753.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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COMBINED STATEMENT OF NET ASSETS

December 31, 2008

<u>ASSETS</u>	<u>Total Primary Government IDA</u>	<u>Component Unit LDC</u>	<u>Totals Reporting Entity</u>
Current assets:			
Cash and cash equivalents	\$ 910,845	\$ 359,667	\$ 1,270,512
Restricted cash	57,710	-	57,710
Accounts receivable	32,655	-	32,655
Prepaid insurance	2,806	-	2,806
Due from other governments - Delaware County	-	11,756	11,756
Due from (to) LDC	700	(700)	-
Current portion of loans receivable	134,461	133,555	268,016
Total current assets	<u>1,139,177</u>	<u>504,278</u>	<u>1,643,455</u>
Long-term portion of loans receivable, net of allowance for bad debts of \$132,729 (IDA) and \$52,848 (LDC)	757,031	646,968	1,403,999
E-center	82,936	-	82,936
Land	54,417	-	54,417
Total assets	<u>\$ 2,033,561</u>	<u>\$ 1,151,246</u>	<u>\$ 3,184,807</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable	\$ 1,633	\$ -	\$ 1,633
Total current liabilities	<u>1,633</u>	<u>-</u>	<u>1,633</u>
Long-term liabilities:			
Loan from USDA	-	443,041	443,041
Total liabilities	<u>1,633</u>	<u>443,041</u>	<u>443,041</u>
Net assets:			
Investment in capital assets net of debt	137,353	-	137,353
Restricted for loans	891,492	780,523	1,672,015
Unrestricted	1,003,083	(72,318)	930,765
Total net assets	<u>2,031,928</u>	<u>708,205</u>	<u>2,740,133</u>
Total liabilities and fund equity	<u>\$ 2,033,561</u>	<u>\$ 1,151,246</u>	<u>\$ 3,184,807</u>

See accompanying notes.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the Year Ended December 31, 2008

	<u>Total Primary Government IDA</u>	<u>Component Unit LDC</u>	<u>Totals Reporting Entity</u>
Operating revenues:			
County of Delaware	\$ 171,000	\$ -	\$ 171,000
Donations	(3,500)	3,500	-
Grant Income	133,765	-	133,765
Interest income and late fees	31,092	29,227	60,319
Miscellaneous	1,890	-	1,890
Administrative fees	250,000	-	250,000
Rental Income	2,712	-	2,712
Total operating revenues	<u>586,959</u>	<u>32,727</u>	<u>619,686</u>
Operating expenses:			
E-Center	5,623	-	5,623
Educational training	7,980	-	7,980
Industrial park development	406	-	406
Insurance	2,672	-	2,672
Interest expense and bank charges	5	2,726	2,731
Grants and sponsorships	20,000	5,000	25,000
Miscellaneous	8,240	-	8,240
Professional fees	9,349	232	9,581
Promotional/marketing	2,707	-	2,707
Small cities program expenditures	539	-	539
Total operating expenses	<u>57,521</u>	<u>7,958</u>	<u>65,479</u>
Operating income	<u>529,438</u>	<u>24,769</u>	<u>554,207</u>
Non-operating revenue and expense:			
Investment interest	<u>4,410</u>	<u>588</u>	<u>-</u>
Total non-operating revenue	<u>4,410</u>	<u>588</u>	<u>4,998</u>
Net income	533,848	25,357	559,205
Net assets prior year	<u>1,498,080</u>	<u>682,848</u>	<u>2,180,928</u>
NET ASSETS, END OF YEAR	<u>\$ 2,031,928</u>	<u>\$ 708,205</u>	<u>\$ 2,740,133</u>

See accompanying notes.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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STATEMENT OF CASH FLOWS

Year ended December 31, 2008

	<u>Total Primary Government IDA</u>	<u>Component Unit LDC</u>	<u>Totals Reporting Entity</u>
Cash flows from operating activities:			
Cash received from providing services	\$ 621,946	\$ 338,120	\$ 960,066
Cash payments for contractual expenses	(210,388)	(232,958)	(443,346)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>411,558</u>	 <u>105,162</u>	 <u>516,720</u>
 Cash flows from investing activities:			
Interest income	4,410	588	4,998
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>4,410</u>	 <u>588</u>	 <u>4,998</u>
 Increase in cash and cash equivalents	 415,968	 105,750	 521,718
 Cash at beginning of year	 <u>552,587</u>	 <u>253,917</u>	 <u>806,504</u>
 Cash at end of year	 <u><u>\$ 968,555</u></u>	 <u><u>\$ 359,667</u></u>	 <u><u>\$ 1,328,222</u></u>
 Reconciliation of operating income to net cash provided by operating activities:			
Net operating income	\$ 529,438	\$ 24,769	\$ 554,207
Changes in assets and liabilities:			
Increase in accounts receivable	(22,069)	-	(22,069)
Increase in prepaid insurance	(1,323)	-	(1,323)
Decrease in due from other governments	-	26,442	26,442
(Increase) decrease in loans receivable	320	(107,836)	(107,516)
Purchase of E-center	(82,936)	-	(82,936)
Decrease in accounts payable	(13,505)	-	(13,505)
Decrease in long term liability	-	161,787	161,787
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u><u>\$ 409,925</u></u>	 <u><u>\$ 105,162</u></u>	 <u><u>\$ 515,087</u></u>

See accompanying notes.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

Primary Government

The County of Delaware Industrial Development Agency (the "IDA"), in Delhi, New York, is a public benefit corporation established June 17, 1971, under the mandate of Article 18-A, "New York State Industrial Development Agency Act", of New York State general municipal law.

The IDA was established to attract new industry to the County, to encourage plant modernization, to create job opportunities for the citizens of Delaware County, and to promote commerce and industry.

The IDA's function is to authorize the issuance of industrial bonds for industrial development projects. The IDA reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The IDA receives application fees from applicants and closing fees from those accepted for industrial revenue financing. See the Schedule of Supplemental Bond Information for information on outstanding bonds.

The IDA is a component unit of Delaware County, New York, based on the criteria set forth in Governmental Accounting Standards Board (GASB) Statement 14. The criteria includes financial dependency (Delaware County reimburses substantially all of the IDA's operating expenditures), financial accountability (IDA must submit all financial reports to Delaware County) and oversight responsibility (certain of Delaware County's Board of Supervisors are members of the IDA Board of Directors).

Component Unit

The decision to include a potential component unit in the reporting entity is also based on the criteria set forth in GASB Statement 14, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is an entity considered in determining the IDA's reporting entity:

Delaware County Local Development Corporation, Inc. (LDC) – The IDA shares its constituency, membership and purpose with the LDC, a non-profit organization. The LDC was incorporated in August 1998, and became active during the year ended December 31, 2000. There are no separately issued financial statements.

Accounting Method – The LDC uses the accrual method of accounting, recognizing revenues as earned and expenses as incurred, and conforms to standards of accounting and reporting appropriate to governmental component units.

Federal Income Taxes – The LDC is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION (Cont'd.)

Loans receivable – Receivables are recorded at their full value. Uncollectible loans are charged to operations using the reserve method.

Operating Revenue – During 2000, the LDC was awarded two grants. The New York State Urban Development Corporation d/b/a Empire State Development Corporation awarded the LDC a grant of \$300,000. The grant is to be used for the Delaware County Revolving Loan Fund (\$290,000) and administrative costs (\$10,000). As of December 31, 2008, all funds have been disbursed for loans and administrative costs. The second grant awarded by the United States Department of Agriculture to establish the Delaware County Small Business Revolving Loan Program. The grant funds are received by the LDC by request at the time of approval of the loan.

In addition, the LDC administers the Delaware County Rural Business Enterprise Revolving Loan Fund under a grant awarded by the United States Department of Agriculture. Funds are received by the LDC by request at the time of approval of the loan.

In 2006, the LDC received \$99,479, plus interest, and two loans totaling \$39,218 originally issued by the USDA to TIER Binghamton. These funds will be used to issue new loans.

Land – The LDC purchased 1.38 acres of land in Delhi, New York in 2004 to be used as the location of the future e-center for business development. In 2007, the LDC sold the property to the Catskill Development Foundation, Inc. for \$1. The loss from the sale is reported on the combined statement of revenues, expenses, and changes in fund net assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Measurement Focus, Basis of Accounting and Financial Statement Presentation – The IDA's financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred, fixed assets and land are recorded at cost. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The following is a summary of the significant accounting policies followed in the preparation of the IDA's financial statements. The accounting policies of the IDA conform to generally accepted accounting principles in the United States of America. The IDA reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

A. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd.)

In December 1998 GASB released Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," which revised reporting of property tax and grant revenue. In June 1999, GASB approved Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments". The IDA was required to implement the changes for the year ended December 31, 2002. The change in financial statement presentation requires capitalization of assets, recording of depreciation and eliminates fund reporting. The IDA has historically recorded assets and depreciation, and has not maintained separate funds. Therefore, there is no significant change in the reporting and financial statement presentation.

- B. Cash and Cash Equivalents – For the purposes of presenting the statement of cash flows, the IDA considers all demand deposits, time and savings accounts and certificates of deposit with an original maturity of three months or less to be cash equivalents. Certificates of deposits are stated at cost plus accrued interest receivable. Such basis approximates market.
- C. Allowance for Uncollectible Amounts – Receivables are recorded at their full value. Uncollectible accounts are charged to expenditures using the reserve method. The allowance for uncollectible accounts was \$132,729 and \$52,848 for the IDA and LDC, respectively, as of December 31, 2008.
- D. Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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 reported period. Actual results could differ from those estimates.
- E. Industrial Revenue Bond and Note Transactions – Certain industrial development revenue bonds and notes issued by the IDA are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the IDA or the State of New York. The IDA does not record the assets or a liability resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the IDA receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. Since its inception, the IDA has issued various bonds under these and similar arrangements. See the Schedule of Supplemental Bond Information for information on outstanding bonds.
- F. Grant Accounting – Pass-through grants are recorded as receivables, revenues, liabilities, and expenses when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as the IDA meets performance requirements of the contracts.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

- G. Contributed Facilities and Services - The IDA, with the consent of the Board of Representatives from Delaware County, is authorized to use and has shared county employees, facilities, and equipment. The value of these facilities and services is not included within these financial statements.

The IDA is dependent upon receiving operating expense reimbursements from Delaware County, its major source of revenue.

- H. Operating Revenue and Expenses – The statement of revenues, expenses, and changes in net assets distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as fee and grant revenue, result from exchange transactions associated with the principal activities of the IDA. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the IDA's principal activities (such as investment income) and from all nonexchange transactions (such as applicable grants).

- I. Net Assets – The IDA reports its net assets in three components. Net assets invested in capital assets are equal to amounts reported for capital assets, net of related debt and accumulated depreciation. Restricted net assets are reported when assets (net of related debt) can only be used for a specified purpose that is established by grantors, contributors, laws or regulations governing the IDA. For this reason, all restricted net assets are considered expendable. Unrestricted net assets are all other IDA net assets that do not meet the definitions of invested in capital assets or restricted net assets.

NOTE 3 CASH AND CASH EQUIVALENTS

State statutes require that collateral be pledged for demand deposits, time deposits, and certificates of deposit at 100% of all deposits not covered by Federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States Treasury and its agencies, obligations of the State and its municipalities, school district debt, irrevocable letters of credit and surety bonds issued by State authorized insurance companies.

The carrying amount of cash and cash equivalents, which aggregated \$968,555 at December 31, 2008, is comprised of bank accounts totaling \$968,543. The corresponding bank balances for this cash totaled \$976,943, all of which is covered by Federal Deposit Insurance or by collateral held in the pledging bank's trust department or agent in the IDA's name.

NOTE 4 FEDERAL AND STATE AID CONTINGENCIES

The IDA has received Federal and State Aid and Grants that are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. The IDA believes disallowances, if any, will be immaterial.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LOANS RECEIVABLE

A. Loans Receivable-HUD, Micro, and GOSC - the IDA

The IDA administers the HUD, Micro, and GOSC Grant program on behalf of Delaware County. The IDA was awarded grants through the United States Department of Housing and Urban Development and the GOSC, which was then sub-granted to the IDA. The activity for the year ended December 31, 2008 is as follows:

<u>Borrower</u>	<u>01/01/2008</u>		<u>12/31/2008</u>	
	<u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>Principal</u>
Precision Cuts	\$ 15,604	\$ -	\$ (3,845)	\$ 11,759
Catskill Country Market	18,449	-	(3,395)	15,054
Cantina Restaurant	13,884	-	(3,628)	10,256
Richard Del Rio	15,048	-	(3,593)	11,455
Seven Gables	18,195	-	(2,325)	15,870
Walton Liquor	10,754	-	(5,243)	5,511
Crisp Cut Lawn Care #1	12,591	-	-	12,591
Crisp Cut Lawn Care #2	9,927	-	-	9,927
Brookside Hardware	-	50,000	-	50,000
Octagon Enterprise	1,586	-	(1,586)	-
Peabody's	2,381	-	(2,381)	-
Cassie's	-	35,000	(3,120)	31,880
Sam's Country Store	8,683	-	(2,158)	6,525
A-I Home Improvement	-	16,000	(1,426)	14,574
Aiello's	2,000	-	-	2,000
Burn Ayre	20,052	-	(792)	19,260
Biblio Barn	-	20,000	-	20,000
ACR Refrigeration & AC	28,224	-	(28,224)	-
Sweet Pea's	47,785	-	(9,923)	37,862
Healing Waters	2,831	-	(2,831)	-
Indian Country	42,000	-	(7,000)	35,000
Luck Dog Farm Store	-	30,000	(2,665)	27,335
ROMO, LLC	22,342	-	(2,293)	20,049
Hidden Inn	14,927	-	(2,571)	12,356
Oasis Tea & Coffee	19,712	-	(1,569)	18,143
Ace Construction	16,549	-	(4,105)	12,444
Hogan's General Store	16,950	-	(4,087)	12,863
Masserson Properties	22,854	-	(2,087)	20,767
Pizza Factory	16,950	-	(16,950)	-
ROMO, LLC	22,342	-	(2,293)	20,049
Sunny Dale Florist	10,396	-	(2,943)	7,453
Work in Progress Fabrications	<u>18,931</u>	<u>-</u>	<u>(3,190)</u>	<u>15,741</u>
	<u>\$ 451,947</u>	<u>\$ 151,000</u>	<u>\$ (126,223)</u>	<u>476,724</u>
				<u>(108,549)</u>
				<u>\$ 368,175</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LOANS RECEIVABLE (Cont'd.)

B. Loans Receivable-Revolving Loan Funds (RLF) – the LDC

Revolving loan funds allow the LDC to offer low interest loans to area businesses creating jobs in Delaware County. The proceeds of the loans are used to offer new loans once the loans have been paid in full. The activity for the year ended December 31, 2008 is as follows:

<u>Borrower</u>	<u>01/01/2008</u> <u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>12/31/2008</u> <u>Principal</u>
Sportsfield Specialties	\$ 49,471	\$ -	\$ (7,306)	\$ 42,165
Enviro Energy	-	75,000	(2,435)	72,565
West Street Storage	7,918	-	(4,229)	3,689
Hobart Market	38,814	-	-	38,814
Schaefer Enterprises of Deposit	91,085	-	(16,934)	74,151
Margaretville Lodging	33,321	-	(3,953)	29,368
Molnar	10,074	-	(4,256)	5,818
Mountainside Farms	31,483	-	(10,829)	20,654
Titan Drilling	8,964	-	(5,702)	3,262
Louis Pesout	<u>47,785</u>	<u>-</u>	<u>(9,141)</u>	<u>38,644</u>
	<u>\$ 318,915</u>	<u>\$ 75,000</u>	<u>\$ (64,785)</u>	329,130
				Less: Current portion <u>(66,718)</u>
				Long-term receivable <u>\$ 262,412</u>

C. Loans Receivable – TIER Revolving Loan fund - LDC

In 2008 the LDC was awarded the revolving loan funds from TIER Information & Enterprise Resources, Inc. of Binghamton New York. The proceeds of the loans are used to offer new loans once the outstanding loans have been paid in full. The activity for the year ended December 31, 2008 is as follows:

<u>TIER</u> <u>Borrower</u>	<u>01/01/2008</u> <u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>12/31/2008</u> <u>Principal</u>
Cowan Excavating, LLC	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (8,258)</u>	<u>\$ 41,742</u>
				Less: Current portion <u>(9,450)</u>
				Long term receivable <u>\$ 32,292</u>

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LOANS RECEIVABLE (Cont'd.)

D. Loans Receivable- Intermediary Relending Program (IRP) – the LDC

The USDA Intermediary Relending Program (IRP) finances business facilities and community development projects. The LDC is a qualified intermediary that lends funds to beneficiaries and establishes revolving loan funds when the loans are paid back. The activity for the year ended December 31, 2008 is as follows:

<u>Borrower</u>	<u>1/1/2008</u> <u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>12/31/2008</u> <u>Principal</u>
H&R Block	\$ 18,143	\$ -	\$ (4,450)	\$ 13,693
Northeast Fabrications	114,644	-	(12,505)	102,139
Sportsfield Specialties	115,433	-	(17,048)	98,385
BES Manufacturing	55,550	-	(10,116)	45,434
River Valley New Holland	-	150,000	-	150,000
	<u>\$ 303,770</u>	<u>\$ 150,000</u>	<u>\$ (44,119)</u>	<u>409,651</u>
				Less: Current portion <u>(57,387)</u>
				Long-term receivable <u>\$ 352,264</u>

E. Other Loans Receivable-IDA

<u>Other</u> <u>Borrower</u>	<u>01/01/2008</u> <u>Principal</u>	<u>Advances</u>	<u>Repayments</u>	<u>12/31/2008</u> <u>Principal</u>
Sportsfield Specialties	\$ 362,051	\$ -	\$ (22,595)	\$ 339,456
Leatherstocking Realty	77,814	-	(2,502)	75,312
	<u>\$ 439,865</u>	<u>\$ -</u>	<u>\$ (25,097)</u>	<u>414,768</u>
				Less: Current portion <u>(25,912)</u>
				Long-term receivable <u>\$ 388,856</u>

NOTE 6 RESTRICTED CASH

During 2002, the County of Delaware issued loans from grants received from the United States Department of Agriculture (USDA) and United States Department Housing and Urban Development (HUD), which are being administered by the IDA and its component unit, LDC. The IDA is administering the HUD and USDA loan programs. The LDC is administering the USDA program. The IDA collects the loan payments for the HUD program and holds them in a separate bank account. The County pays the IDA and LDC's applicable administrative costs. The balance of the loan payments held by the IDA as of December 31, 2008 is \$57,710 and is reflected as restricted cash.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 DUE FROM OTHER GOVERNMENTS – DELAWARE COUNTY

Two of the LDC's loans receivable is paid directly to Delaware County creating the account due from other governments. The payments are recorded as a paid loan receivable by the LDC. As of December 31, 2008, there was \$11,756 due from Delaware County.

NOTE 8 INDUSTRIAL PARK

In 1982, the IDA purchased a 15-acre industrial park in Walton, New York. The property was purchased for potential industrial development in connection with the issuance of IDA bonds.

NOTE 9 LOAN FROM USDA

The LDC has a \$300,000 line of credit of which \$300,000 has been advanced with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually and is payable on September 19th each year. The loan payment is for interest only in 2005 and 2006; and interest of \$1,750 was paid each year. From 2007 on the loan payments changes to principal and interest of \$7,197 annually to fully amortize the loan 30 years from the date of the loan, September 19, 2003. The balance at December 31, 2008 was \$271,641.

The LDC has a \$750,000 line of credit, of which \$171,400 has been advanced with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually and is payable on September 26th each year. The loan payment is for interest only in 2008 and 2009; and interest of \$-0- was paid in 2008. In 2010, the loan payments change to principal and interest of \$30,581 annually to fully amortize the loan 30 years from the date of the loan, September 26, 2007. The balance at December 31, 2008 was \$171,400.

NOTE 10 COMMITMENTS AND CONTINGENCIES

- A. The industrial park in Walton was purchased at a cost of \$112,500. The Farmers Home Administration (FHA) provided IDA with \$90,000 to finance the purchase. The terms of this arrangement require that the IDA reimburse the FHA \$6,000 for each salable acre sold. Since only 92% of the land is salable, the original contingent liability was \$82,800.

To date, 7.27 acres of land have been sold (1 acre in 1992, 2 acres in 1995, 1 acre in 2001 and 3.27 in 2004). As of the audit report date, \$4,320 of the \$12,000 liability incurred in 1995 has not yet been paid.

- B. In November 1997, the Board approved a financial commitment of \$50,000 to be used for a Rural Business Enterprise Grant Program. The IDA's retained earnings were reserved for this purpose through 1998. In 1999, the entire \$50,000 was issued as loans. As of December 31, 2008, the IDA has restricted net assets of \$891,492, which represents the net loans receivable balance as of year-end.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 COMMITMENTS AND CONTINGENCIES (Cont'd.)

C. Insurance – The IDA is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to related parties and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

NOTE 11 PRIOR YEARS CLASSIFICATION

Certain items of the prior year have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 12 RELATED PARTY TRANSACTIONS

The IDA purchases all of its insurance coverage through a local insurance agency owned by the IDA chairman, James Thomson.

NOTE 13 E-CENTER

The IDA has purchased a property in Margaretville, NY to develop a new E-center location. The purchase price of \$59,915, and the IDA has capitalized \$26,020 of repairs to the property as of December 31, 2008. It is expected that the costs of the E-center will be reimbursed by a pending grant. The IDA plans to turn the E-center over to a local not-for-profit upon completion. Accordingly, the asset is not being depreciated.

Mortgage Recording	Total Exemptions	Payment in Lieu of Taxes			
		County	Local	School	Total
\$ -	\$ 16,438	\$ 1,896	\$ 3,259	\$ 6,217	\$ 11,372
-	20,459	3,922	2,817	13,720	20,459
-	19,171	6,192	1,622	8,111	15,925
-	9,655	-	-	-	-
-	23,752	1,321	1,161	3,456	5,938
-	7,948	996	730	-	1,726
-	97,423	14,327	9,589	31,504	55,420

Mortgage Recording	Total Exemptions	Payment in Lieu of Taxes			
		County	Local	School	Total
\$ -	\$ 97,423	\$ 14,327	\$ 9,589	\$ 31,504	\$ 55,420
-	4,079	667	747	2,665	4,079
-	54,824	17,202	15,119	22,503	54,824
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 156,326</u>	<u>\$ 32,196</u>	<u>\$ 25,455</u>	<u>\$ 56,672</u>	<u>\$ 114,323</u>

<u># of Current FTE Employees</u>	<u># of FTE Jobs (Lost)/ Created During Fiscal Year</u>	<u># of FTE Jobs Retained During Fiscal Year</u>
124	3	121
35 FT 8 PT	2FT -1PT	33FT 8PT
54	-1	54
18	0	18
36	14	22
55	2	53
1	-1	1
0	0	0
0	0	0
127 FT 83 PT	19 -19	146 FT 64 PT
<u>409 FT</u> <u>73 PT</u>	<u>-1 FT</u> <u>-2 PT</u>	<u>409 FT</u> <u>73 PT</u>

<u># of Current FTE Employees</u>	<u># of FTE Jobs (Lost)/ Created During Fiscal Year</u>	<u># of FTE Jobs Retained During Fiscal Year</u>
3 FT	0	3FT
6PT	0	6PT
13	11	2
409 FT	-1 FT	409 FT
73 PT	-2 PT	73 PT

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

SCHEDULE OF OUTSTANDING SALE AND LEASE AGREEMENTS

Year ended December 31, 2008

Project Owner Project Owner Address	Purpose	Tax Exemptions				
		Sales Tax Exemptions		Real Property Tax		
		State	Local	County	Local	School
Courier Printing Corp. Laural Bank Avenue Deposit, NY 13754	Construction	\$ -	\$ -	\$ 3,792	\$ 6,518	\$ 6,128
Arnan Development Corp. 6459 State Hwy 23 Oneonta, NY 13820	Construction	-	-	3,922	2,817	13,720
TEMA Enterprises 7552 State Hwy 23 Oneonta, NY 13820	Construction	-	-	6,783	2,204	10,184
Kampsites & Realty 157 Cheese Factory Road Deposit, NY 13754	Construction	-	-	1,618	1,066	6,971
Burton F. Clark, Inc. dba Sports Edge, Inc 41155 State Road 10 Delhi, NY 13753	Construction	-	-	5,284	4,644	13,824
Octagon Farms 34055 Sate Highway 10 Walton, NY 13856	Construction	-	-	1,986	1,460	4,502
Total, continued on next page		-	-	23,385	18,709	55,329

See auditors' report

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

SCHEDULE OF OUTSTANDING SALE AND LEASE AGREEMENTS, CONTINUED

Year ended December 31, 2008

Project Owner Project Owner Address	Purpose	Tax Exemptions				
		Sales Tax Exemptions		Real Property Tax		
		State	Local	County	Local	School
Subtotal from Page 19		\$ -	\$ -	\$ 23,385	\$ 18,709	\$ 55,329
Masserson Properties 2258 County Route 41 Roxbury, NY	Services	-	-	667	747	2,665
Leatherstocking Realty Holdings LLC 321 N. Belinger St. Herkimer, NY 13350	Services	-	-	17,202	15,119	22,503
Millenium Pipeline Co., LLP One Bluehill Plaza, 7th Fl. Pearl River, NY 10965	Services	828,330	828,330	-	-	-
Delaware Operations, Inc 8-12 Dietz Street Oneonta, NY 13820	Manufacturing	-	-	-	-	-
Total		<u>\$ 828,330</u>	<u>\$ 828,330</u>	<u>\$ 41,254</u>	<u>\$ 34,575</u>	<u>\$ 80,497</u>

See auditors' report

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
 (A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

SCHEDULE OF SUPPLEMENTAL BOND INFORMATION

December 31, 2008

<u>Purchaser</u>	<u>Issue</u>	<u>Issue Date</u>	<u>Price</u>	<u>Rate</u>	<u>Balance</u>	<u>Due Date</u>
First Albany Capital	Delaware Valley Hospital 1 Titus Place Walton, NY 13856	07/01/07	\$ 5,805,000	4.10%	\$ -	07/01/32
Bond Purpose:	Services					

See auditors' report.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

SCHEDULE OF FULL-TIME EQUIVALENT (FTE)
JOBS CREATED AND RETAINED

Year ended December 31, 2008

	<u># of FTE Employees at Project Locations Before Agency Status</u>	<u>Original Estimate of Jobs to be Created</u>	<u>Original Estimate of Jobs to be Retained</u>
Issue:			
Delaware Valley Hospital, Inc	121	0	121
Project Owner:			
Courier Printing Corp.	0	10	0
Arnan Development Corp.	46	3	46
TEMA Enterprises	2	3	2
Kampsites & Realty	0	18	0
Burton F. Clark, Inc. dba Sports Edge, Inc.	8	40	8
Delaware Operations	2	1	2
Hancock House	0	0	0
C&M Landscaping	0	0	0
Leatherstocking Realty Holdings LLC	146 FT 64 PT	17 0	146 FT 64 PT
	<u>380 FT</u> <u>73 PT</u>	<u>17</u> <u>92</u>	<u>393 FT</u> <u>64 PT</u>

See auditor's report.

COUNTY OF DELAWARE INDUSTRIAL DEVELOPMENT AGENCY
 (A COMPONENT UNIT OF DELAWARE COUNTY, NEW YORK)

SCHEDULE OF FULL-TIME EQUIVALENT (FTE)
 JOBS CREATED AND RETAINED, CONTINUED

Year ended December 31, 2008

	<u># of FTE Employees at Project Locations Before Agency Status</u>	<u>Original Estimate of Jobs to be Created</u>	<u>Original Estimate of Jobs to be Retained</u>
Project Owner: Masseron Properties, Inc	3	2	3
Millennium Pipeline	2	0	2
Octagon Enterprises	380 FT 73 PT	2	393 FT 64 PT

See auditor's report.

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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
County of Delaware Industrial Development Agency
Delhi, New York

We have audited the financial statements of County of Delaware Industrial Development Agency (the "IDA") (A Component Unit of Delaware County, New York), as of and for the year ended December 31, 2008, and have issued our report thereon dated May 27, 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 IDA's internal control over financial reporting as a basis 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 IDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the IDA'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 in a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the IDA'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 IDA's financial statements that is more than inconsequential will not be prevented or detected by the IDA'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 IDA'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 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 IDA'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 solely for the information and use of the Board of Directors, management and others within the Delaware County Industrial Development Agency, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Gruva, Jureifel & Scott, LLP

Oneonta, New York
May 27, 2009