

HUDSON COMMUNITY DEVELOPMENT  
AND PLANNING AGENCY  
FINANCIAL STATEMENTS  
AUDIT REPORT  
SEPTEMBER 30, 2011

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
FINANCIAL STATEMENTS  
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To the Board of Directors  
Hudson Community Development  
and Planning Agency

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Hudson Community Development and Planning Agency (the Agency), a component of the City of Hudson, New York as of September 30, 2011 and 2010, and the related statements of activities and change in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In the audits of financial statements we were unable to obtain and perform the necessary tests on specific documentation supporting the values recorded as Property, Plant and Equipment. The Agency maintains a list of these related assets. However, not all of these assets have been valued and property has been recorded at their assessed values, which is not consistent with the accounting principles used by the Agency as described in Note A to these financial statements.

As described in Note A, these financial statements were prepared on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note A, Nature of the Entity, the financial statements present only the Hudson Community Development and Planning Agency, and do not purport to, and do not, present fairly the financial position of the City of Hudson, New York, as of September 30, 2011 and 2010, and the changes in its financial position, or, where applicable, its cash flows for the years then ended, on the basis of accounting described in Note A.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence relating to the values recorded as Property, Plant and Equipment, the financial statements referred to above present fairly in all material respects, the financial position of the Hudson Community Development and Planning Agency as of September 30, 2011 and 2010, and the results of its operations and cash flows for the years then ended on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, on our consideration of Hudson Community Development and Planning Agency'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. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Shallo, Galluscio, Bianchi & Fucito, CPAs, P.C.*

SHALLO, GALLUSCIO, BIANCHI & FUCITO  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.  
Hudson, New York  
November 18, 2011

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
 STATEMENTS OF FINANCIAL POSITION  
 SEPTEMBER 30, 2011 and 2010

**ASSETS**

	<u>2011</u>	<u>2010</u>
<b>Current Assets</b>		
Cash in Bank	\$ 355,847	\$ 91,945
CDBG Grants Receivable	10,625	69,281
Loans Receivable - current portion	17,307	15,824
<b>Total Current Assets</b>	<u>383,779</u>	<u>177,050</u>
<b>Property, Plant, and Equipment</b>	<u>509,552</u>	<u>509,552</u>
<b>Other Assets</b>		
Loans Receivable - long term portion	104,466	446,621
Due from Other Agencies	127,000	127,000
<b>Total Other Assets</b>	<u>231,466</u>	<u>573,621</u>
<b>Total Assets</b>	<u>\$ 1,124,797</u>	<u>\$ 1,260,223</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Due to Hudson Development Corporation	\$ -	\$ 53,340
Deferred Revenue - current portion	17,307	15,824
<b>Total Current Liabilities</b>	<u>17,307</u>	<u>69,164</u>
<b>Long Term Liabilities</b>		
Deferred Revenue - long term portion	231,466	573,621
<b>Total Long Term Liabilities</b>	<u>231,466</u>	<u>573,621</u>
<b>Total Liabilities</b>	<u>248,773</u>	<u>642,785</u>
<b>Net Assets</b>		
Investment in Fixed Assets	505,617	505,617
Net Assets	370,407	111,821
<b>Total Net Assets</b>	<u>876,024</u>	<u>617,438</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,124,797</u>	<u>\$ 1,260,223</u>

See independent auditor's report and notes to the financial statements.

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
 STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

	2011	2010
<b>Revenue</b>		
Federal Funding - CDBG Grants	\$ 5,938	\$ 552,748
State Funding - EPF Grant	-	55,409
Program Related Income	322,650	162,921
Interest Income - Other	225	4,688
Realized Income on Sale of Property	-	2,500
Realized Income from Disposal of Foreclosed Property	-	20,552
<b>Total Revenue</b>	328,813	798,818
 <b>Expenses</b>		
CDBG Program Related Expenses	5,938	552,748
Professional Fees	13,300	9,875
Other Program Related Expenses	47,140	52,824
Other Administrative and Operating Expenses	3,849	2,640
<b>Total Expenses</b>	70,227	618,087
 <b>Change in Net Assets</b>	258,586	180,731
 <b>Net Assets at Beginning of Year</b>	617,438	436,707
 <b>Net Assets as End of Year</b>	\$ 876,024	\$ 617,438

See independent auditor's report and notes to the financial statements.

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

	2011	2010
<b>Cash Flows Provided By (Used By) Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 258,586	\$ 180,731
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Noncash decrease in Loans Receivable due to Note Modification	18,617	-
Noncash decrease in Def. Rev. - Installment Sale of Foreclosed Property	-	(4,688)
Noncash decrease in Def. Rev. due to Loan Receivable Modification	(18,617)	-
(Increase) Decrease in operating assets:		
Loans Receivable	322,055	146,217
CDBG Grants Receivable	58,656	(15,904)
Increase (Decrease) in operating liabilities:		
Due to Hudson Development Corporation	(53,340)	(138,396)
Deferred Revenue	(322,055)	(146,217)
<b>Cash Flows Provided By (Used By) Operating Activities</b>	<b>263,902</b>	<b>21,743</b>
<b>Cash Flows Provided By (Used By) Investing Activities</b>	<b>-</b>	<b>-</b>
<b>Cash Flows Provided By (Used By) Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 263,902</b>	<b>\$ 21,743</b>
<b>Cash at Beginning of Year, October 1, 2010 and 2009</b>	<b>91,945</b>	<b>70,202</b>
<b>Cash at End of Year</b>	<b>\$ 355,847</b>	<b>\$ 91,945</b>
<b>Supplemental Disclosures</b>		
Income Taxes Paid	\$ -	\$ -
Interest Paid	\$ -	\$ -

Noncash Transactions:

During the year ended September 30, 2011 the Agency restructured one of its loan receivable as described in Note C, VII. Due to this modification the amounts of both the loan receivable and deferred revenue were reduced by \$18,617.

During the year ended September 30, 2010 the Agency recognized interest income of \$4,688 from prepaid interest received for an installment sale during the prior year for a portion of property that it had held in foreclosure.

See independent auditor's report and notes to the financial statements.

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE A – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

Nature of the Entity

The financial statements of the Hudson Community Development and Planning Agency (the "Agency"), a component unit of the City of Hudson, New York (the "City"), is a public benefit corporation established by the City of Hudson, New York, pursuant to Article 15 of the General Municipal Law. The governing board consists of five members, all of which are either elected City officials or their appointees. The Agency and the City have entered into a cooperation agreement whereby the Agency seeks economic development opportunities.

Basis of Accounting

The Agency records its transactions on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, whereby some revenues are recorded when measurable and available and some expenditures are recorded when incurred. For purposes of these financial statements presented for the years ended September 30, 2011 and 2010 the Agency recognized State Funding – EPF Grant Revenue when the funds were received. Direct State Funding – EPF Grant expenses, included in Other Program Related Expenses were recognized when paid. Revenue and expenditures related to Federal Funding – CDBG Grants were recognized on the accrual basis of accounting or when earned and incurred, respectively. In addition, there is no provision for depreciation within these financial statements, which is also a departure from generally accepted accounting principles.

Property, Plant, and Equipment

Equipment is stated at cost, while property and plant are stated at their appraised values at the time of appraisal. No depreciation has been provided on these fixed assets.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Agency's cash in bank consisted of demand deposits held at local banks within multiple accounts as of September 30, 2011 and 2010. The Agency did not own any highly liquid investments other than cash during the years ended September 30, 2011 and 2010.

New York State law governs the Agency's investment policies. Resources must be deposited into FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE A – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Agency is exempt from all federal, state, and local income taxes.

Deferred Revenue

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both the measurable and available criteria for recognition are met, the liability for deferred revenues is removed and revenues are recorded. As of September 30, 2011 and 2010 the deferred revenues relate directly to the loans receivable and amounts Due from Other Agencies.

NOTE B – CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. While the Agency does not have a specific policy for custodial credit risk, New York State statutes govern the Agency's investment policies, as discussed previously in the Notes.

The Agency's aggregate bank balances (disclosed in the financial statements), included bank balances not covered by depository insurance, collateralized as follows:

Uncollateralized	<u>\$ 50,000</u>
Collateralized with securities held by pledging financial institution, or its trust department or agent, but not in the Agency's name	<u>\$ -</u>

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE C – LOANS RECEIVABLE

Loans receivable at September 30, 2011 and 2010 totaled \$121,773 and \$462,445, respectively, and comprised of the following loans and promissory notes:

- I. One First Time Home Buyer loan totaling \$52 was outstanding at September 30, 2010 with interest of 3.0%. This loan was paid in full during October 2010.
- II. Community Development Block Grant loan totaling \$6,272 outstanding at September 30, 2010 with interest of 7.0%. This loan was paid in full during September 2011.
- III. Promissory note originally for \$75,000, due December 2012, with interest at 2.5%, principal balance at September 30, 2011 and 2010 of \$10,412 and 18,544, respectively.
- IV. Hudson Area Association Library mortgage of \$300,000 outstanding at September 30, 2010 with no interest. The loan was paid in full during the year ended September 30, 2011 due to proceeds from the sale of the library.
- V. Promissory note originally for \$28,000, due February 1, 2011, with interest of 4.0%, principal balance at September 30, 2011 and 2010 of \$12,577 and \$12,577, respectively. This note is considered delinquent.
- VI. Promissory note originating from partial sale of property on August 27, 2009 obtained through foreclosure for \$125,000. As of September 30, 2010 no amounts were received on this note. This note was modified on June 21, 2011 and reduced to \$106,382.75. The new terms of the note require fourteen (14) equal payments of \$7,598.77 due on July 1<sup>st</sup> and December 1<sup>st</sup> each year beginning July 1, 2011. As of September 30, 2011 the balance of this loan receivable is \$98,784.

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE D – DUE FROM OTHER AGENCIES

Due from Other Agencies at September 30, 2011 and 2010 were both \$127,000, and consisted of the following:

- I. Interest-free loan of \$105,000, due March 2031 for funds advanced to Housing Resources of Columbia County, Inc. (HRCC), for the rehabilitation of 43-47 North Fifth Street.
- II. Loan of \$22,000 of Housing Resources of Columbia County, Inc., having no due date and no interest for funds advanced for construction of units for the Affordable Housing Project. Repayment will be made in installments as the units are constructed and sold.

NOTE E – PROPERTY, PLANT AND EQUIPMENT:

During the year ended September 30, 2011 there were no dispositions or acquisitions of property. During the prior year ended September 30, 2010 there was a disposition of property for a realized amount of \$2,500. No reduction of property, plant and equipment asset was recognized since no value was determined to have been recorded when acquired. Therefore, no reduction of assets was recognized in these financial statements from this disposition. Below is a schedule of these fixed assets as of September 30, 2011 and 2010:

	Balance 9/30/2010	Additions	Disposals	Balance 9/30/2011
Land, Buildings, and Improvements	\$ 485,111	\$ -	\$ -	\$ 485,111
Machinery and Equipment	24,441	-	-	24,441
	\$ 509,552	\$ -	\$ -	\$ 509,552

NOTE F – DUE TO HUDSON DEVELOPMENT CORPORATION

Prior to the year ended September 30, 2010 the Agency received amounts from the related entity, Hudson Development Corporation (HDC). In addition, HDC incurred program related expenses on behalf of the Agency, also during years prior to the year ended September 30, 2010. The effect of these transactions resulted in the amount of \$191,736, being due to HDC from the Agency as of the prior year ended September 30, 2009. During the year ended September 30, 2010 the Agency repaid \$138,396 to HDC, reducing the amount due to the related party to \$53,340 as of September 30, 2010. During the year ended September 30, 2011 this amount of \$53,340 was repaid to HDC. As of September 30, 2011 there is no amount due to this related party.

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE G – DEFERRED REVENUE

Deferred revenue at September 30, 2011 and 2010, totaling \$248,773 and \$589,445, respectively, comprised of the following deferred loans:

	<u>2011</u>	<u>2010</u>
Housing Resources of Columbia County Loans	\$ 127,000	\$ 127,000
Hudson Area Assoc. Library Loan	-	300,000
First Time Home Buyers Loans	-	52
Other Loans from Promissory Notes	<u>121,773</u>	<u>162,393</u>
Total Deferred Revenue	<u>\$ 248,773</u>	<u>\$ 589,445</u>

NOTE H – FEDERAL FUNDING – CDBG GRANTS

During the year ended September 30, 2011 the Agency administered a federally funded Community Development Block Grant (CDBG) for a senior center project. The expenditures from this grant were recognized during the year September 30, 2011 as incurred. Revenues are considered earned when the expenditures are incurred. As of September 30, 2011 amounts related to this project due from CDBG are reflected as accounts receivable in the amount of \$5,937. See the Schedule of Federal Expenditures for amounts incurred for this project.

During the year ended September 30, 2010 the Agency administered three federally funded CDBG grants for waste water treatment plant upgrades, a community planning grant and the initial stages of the senior center project. The expenditures from these grants were recognized during the year September 30, 2010 as incurred. Revenues were considered earned when the expenditures were incurred. As of September 30, 2010 amounts related to these projects due from CDBG were reflected as accounts receivable in the amount of \$69,281. See the Schedule of Federal Expenditures for amounts incurred for each project.

NOTE I – STATE FUNDING – NYS PARKS GRANT

During the years ended September 30, 2011 and 2010 the Agency continued to administer a New York State Parks grant through the NYS Office of Parks, Recreation and Historic Preservation to develop the Charles Williams Park within the City of Hudson. The total amount of this grant is \$250,000, which commenced during the year ended September 30, 2009. During the year ended September 30, 2011 the Agency recognized \$37,151, included in "Other Program Related Expense, as related expenditures for amounts paid during the year. For the prior year ended September 30, 2010 the Agency recognized \$55,409 received as revenue and \$47,101, included in "Other Program Related Expenses", as related expenditures based on amounts paid during the year.

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE J – STATE FUNDING – NYS DOT TEP GRANT

During the year ended September 30, 2011 the Agency secured a New York State Department of Transportation (DOT) Transportation Enhancements Program (TEP) grant for the construction of pedestrian and bike connections to Charles Williams Park within the City of Hudson. The total amount of this grant from NYS DOT is \$240,000, or eighty percent ((80%) of the total \$300,000 of anticipated expenditures. During the year ended September 30, 2011 the Agency recognized \$7,014, included in "Other Program Related Expense, as related grant expenditures for amounts paid during the year. As of September 30, 2011 no amounts have yet been received from NYS for these grant expenditures. Therefore, no revenue has been recognized from this grant. During the year ended September 30, 2011 the Agency also secured additional funding from an unrelated funding source in the amount of \$45,000, or fifteen percent (15%), of the remaining expenditures that are not covered by the NYS DOT grant for this project.

NOTE K – REALIZED INCOME FROM DISPOSAL OF FORECLOSED PROPERTY

During the year ended September 30, 2010 the Agency sold property which was foreclosed on in a prior year for an amount of \$222,500 with expenses related to prior unpaid property taxes and other expenses due to the City of Hudson in the amount of \$201,948. The net realized income from this transaction was \$20,552.