

**ALBANY COMMUNITY  
DEVELOPMENT AGENCY**  
(A BLENDED COMPONENT UNIT OF THE  
CITY OF ALBANY, NEW YORK)

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Albany Community Development Agency

We have audited the accompanying financial statements of the governmental activities and each major fund of the Albany Community Development Agency (Agency), a blended component unit of the City of Albany as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. 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. The prior year summarized comparative information has been derived from the Agency's 2010 financial statements and, in our report dated June 24, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

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 respective financial position of the governmental activities and each major fund of the Agency as of December 31, 2011, and the respective changes in financial position thereof 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 August 15, 2012 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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, which 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Albany Community Development Agency taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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.

*UHY* LLP

Albany, New York  
August 15, 2012

# **ALBANY COMMUNITY DEVELOPMENT AGENCY**

## **(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This management discussion and analysis is offered to assist readers in understanding the financial operations of Albany Community Development Agency ("ACDA") in conjunction with the financial statements for the year ended December 31, 2011. This Discussion and Analysis will provide comparative analysis of data between 2011 and 2010.

#### **Introduction:**

ACDA is a public benefit corporation, and is governed by a board of directors as established under General Municipal Law. ACDA is a blended component unit of the City of Albany. ACDA utilizes City of Albany employees to execute its mission. ACDA's mission is to provide suitable living environments and economic opportunities for low to moderate income residents within the City of Albany.

Funds used by ACDA are primarily from the U.S. Department of Housing and Urban Development ("HUD"). The primary source of HUD funds are entitlement funds, which represent approximately 59% and 58% of grant revenue for 2011 and 2010, respectively. Other significant HUD revenue consists of competitive lead abatement grant funds which represent 16% and 14% of grant revenue for 2011 and 2010, respectively. During the year ended December 31, 2010, Federal flow-through monies representing approximately 11% of 2010 revenue were received through NYS for the Neighborhood Stabilization Program ("NSP"). NSP revenue represented approximately 17% of grant revenue during 2011. Other smaller sources of revenue are funded through Federal and some non-Federal sources.

ACDA provides direct assistance to meet the goals stated above and also provides funding to sub-recipients based on the merit of their applications, to meet the objectives as well. ACDA operates based on HUD's National Program Objectives. Funding decisions are determined through a process which involves public participation. Included in this process is the submittal of a publicly reviewed Consolidated Plan every 5 years that states broad goals and objectives. ACDA's current Consolidated Plan is through 2015.

Each year an Annual Plan, also subject to public review and comment, is developed and adopted as based on the Consolidated Plan. Any significant changes are required to go through a public review and amendment process.

#### **Financial Highlights:**

- ACDA's financial statements are prepared on a calendar year basis. However the Federal Aid awards (known as entitlements) that are the primary source of revenue for ACDA are provided on a program year basis. The Federal program year runs from June 1 to May 31.
- ACDA's primary entitlements of Community Development Block Grant ("CDBG") and HOME Investment Partnership Program ("HOME") have been decreasing. The CDBG entitlement decreased by 16.5% and HOME decreased by 11.3% for the program year ended May 31, 2012, compared to the year ended May 31, 2011. The Emergency Shelter Grant, now known as the Emergency Solutions Grant ("ESG") and Housing Opportunities for Persons with AIDS ("HOPWA") funding remained stable between the years.
- ACDA was awarded Federal Economic Recovery Funds in the form of a \$996,140 allocation of CDBG-R funds and a \$1,523,772 allocation of Homeless Prevention and Rapid Re-housing Program ("HPRP"). Expenditures for these programs were incurred in 2010 and 2011. Both programs will end in 2012.
- During 2009, ACDA was awarded \$4,924,775 of Neighborhood Stabilization Program funds. The primary use of these funds is for the Arbor Hill Apartments rental project which began in 2010. These funds are awarded through NY Homes, although the funds are considered Federal pass-through funds.

# **ALBANY COMMUNITY DEVELOPMENT AGENCY**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

- ACDA continued the Lead program during both 2010 and 2011. Lead monies are awarded by HUD on a competitive application basis and cover a three year time period, which does not coincide with a fiscal or calendar year. ACDA's most recent award was for \$3,000,000 to cover the period of 2009 – 2011. During 2011, ACDA received an extension to continue the grant through May 31, 2012 as savings were achieved on the originally agreed upon number of lead units abated.
- During 2011, ACDA recorded nearly \$600,000 of reimbursements for building demolition costs originally funded by ACDA during 2008 – 2010, which were subsequently billed and collected from the property owners by the County.
- Timing differences often exist between the entitlement period and the actual draw-down of funds.
- Expenditures trend with the revenues to which they relate. Items to highlight between 2010 and 2011 are as follows:
  - Overall housing expenditures increased in 2011 over 2010. This is a combination of material decreases in demolitions paid for by ACDA and decrease in the NSAHIP (Neighborhood Strategy Area Home Improvement Program) offset by increased use of some of the in-house home loan programs and an approximately \$825,000 increase in construction related expenditures for the NSP program.
  - Brownfield remediation program expenditures increased substantially in 2011 from 2010 level.
  - \$250,000 was granted for a public facility project, the Christian Plumeri Sports Complex, during 2011. This facility borders on the South End neighborhood and is available for community sporting events.
  - Federally funded public service expenditures decreased in conjunction with the CDBG funding decrease between the program year ended May 31, 2012, and the year ended May 31, 2011. There was a one-time \$250,000 payment to cover the City of Albany's Summer Youth program which was funded by a Brighter Choice Schools grant.
  - Expenditures related to the homeless decreased primarily due to a \$646,000 decrease in the HPRP program. HPRP was stimulus funding awarded to cover a two year time frame that began in 2010.

#### **Overview of the Financial Statements:**

This Discussion and Analysis is provided as an introduction to the General Purpose Financial Statements. The General Purpose Financial Statements consist of statements of net assets, statements of activities and notes to financial statements. Governmental funds financial reports are included as part of the set of financial statements as well.

Net assets increase when revenues exceed expenditures and decrease when expenditures exceed revenues. Net assets are similar to what would be known as owners' or shareholders' equity in the for-profit business sector. ACDA has no objective to accumulate profits, however, due to timing differences, net assets can fluctuate considerably. The objective is to expend revenues as they come in to meet ACDA goals as timely as possible. In fact, ACDA adheres to Federal guidelines with respect to only having access to funds when valid incurrence of expenditures has taken place and whereby funds drawn from funding sources must be disbursed timely.

Assets are recorded when ACDA takes 'ownership' of the asset or has a right to the underlying item (such as the right to collect on a non-compliant mortgage receivable). Liabilities are recorded when they are incurred.

Expenditures are spent on programs that meet the Agency purpose as outlined earlier. As noted previously, the primary sources of funds that come to ACDA must be spent to meet the National Objectives for the related programs. There are different spending rules for each funding source (i.e. CDBG versus HOME), but each potential expenditure is evaluated based on its meeting the objectives and as to its fit with the ACDA Consolidated and Annual plans. Other sources of funding also have their own rules which ACDA follows and all sources of funding assist with the overall objective of the Agency.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Administration includes functions such as accounting, clerical functions, overall operational management, and budgeting. HUD requires that no more than 20% of all revenue from Federal sources be allocated for administration. For 2010 and 2011 ACDA administrative costs were within the HUD requirements.

It is important for a reader of ACDA's financial statements to read the Statements themselves, the notes to the Statements, and this Discussion and Analysis in order to have a full understanding of ACDA's financial condition.

**Condensed Financial Information:**

The following condensed financial information summarizes ACDA's net assets at December 31, 2011 and 2010 and revenues and expenses for the years then ended:

	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 3,767,000	\$ 3,171,000
Mortgage Loans Receivable, Net	11,251,000	11,809,000
Capital Assets	<u>2,384,000</u>	<u>2,465,000</u>
Total Assets	<u>17,402,000</u>	<u>17,445,000</u>
Current Liabilities	2,030,000	1,601,000
Deferred Revenues	10,399,000	11,082,000
Due to NYS Housing Trust Fund	531,000	644,000
Other Liabilities	<u>1,971,000</u>	<u>1,666,000</u>
Total Liabilities	<u>14,931,000</u>	<u>14,993,000</u>
Net Assets	<u>\$ 2,471,000</u>	<u>\$ 2,452,000</u>
Grant Revenue	\$ 10,667,000	\$ 9,211,000
Expenses:		
Program Related	9,856,000	8,639,000
Administrative	<u>792,000</u>	<u>330,000</u>
Total Governmental Activities	19,000	242,000
Other Revenue (Expense):		
Interest and Other Income	<u>-</u>	<u>-</u>
Change in Net Assets	19,000	242,000
Net Assets, Beginning of Year	<u>2,452,000</u>	<u>2,210,000</u>
Net Assets, End of Year	<u>\$ 2,471,000</u>	<u>\$ 2,452,000</u>

**Financial Analysis**

ACDA's most significant asset is mortgage loans receivable. Mortgage loans receivable represent the amounts outstanding in mortgages that encourage homeownership and rehabilitation of housing for low to moderate income individuals. The majority of the loans is in the form of grants and deferred pro-rated loans where upon meeting certain conditions, such as length of ownership or occupancy and income levels, the loans are forgiven ratably over time. When an ability to repay the loan exists, traditional type loans are established with repayment schedules. The Choose Albany Program started during 2011. This program consists of low to no interest loans targeted to potential City of Albany home-buyers to increase home ownership within the City. The program was initially capitalized with \$300,000 of which approximately \$215,000 was disbursed during 2011.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Allowances for doubtful loans are determined based on a review of delinquent loans and estimates of loans anticipated to go out of compliance. With respect to the deferred (forgiven) loans, in the event of non-compliance a pro-rated portion of the loan is to be repaid to ACDA. In the event of default on a repayable loan, the remaining balance on the loan becomes immediately due.

ACDA's most significant liability is deferred revenue. Deferred revenue consists almost entirely of outstanding loans outlined above.

An overview of the mortgage programs are arrayed in the table below:

Type of Assistance	Information about the Terms
Home Acquisition Program (HAP)	Low-income acquisition program with maximum loan amount per home of \$14,900. HAP's are forgiven ratably over 5 years, subject to certain conditions, such as occupancy and income levels.
Home Owner Assistance Program (HOAP)	Assists low-income owner occupants in rehabilitating their homes to meet local housing standards and codes. Maximum assistance is \$5,000 for the building itself and \$20,000 for the rehabilitation costs. The first \$5,000 is in the form of a 5 year forgivable grant. The remainder may be in the form of a low-to-no interest 5 to 20 year mortgage or, if the ability to repay does not exist, it may be deferred and forgiven ratably over a 5 to 10 year time period.
Neighborhood Strategy Area Home Improvement Program (NSAHIP)	Through the NYS Affordable Housing Corporation, assists with the acquisition, construction, rehabilitation, or improvement of one to four unit family dwellings which will be owner occupied.
Senior Housing Rehabilitation Program (SRP)	Provides low-to-moderate income persons over the age of 62 owning homes in the City of Albany up to \$5,000 for substantial repairs to housing. Assistance is in the form of a deferred grant to be forgiven over a 5 year period unless the occupant must vacate the property to reside in a nursing home or becomes deceased, in which case the grant is immediately forgiven.
Choose Albany	Encourages diverse home ownership within the City of Albany. Maximum assistance is 8% of the purchase price up to \$15,000. Loans are repayable at 0% interest over 10 years and are subject to certain conditions.

Fixed assets consist primarily of land and buildings. Included in land and buildings are condominium units used to provide temporary housing for participants of the lead abatement program. Properties are retained in order to reclaim substandard neighborhoods and discourage the use of vacant sites for negative activities. Land and building additions in 2010 included the purchase of 3 Morris Street buildings. In 2011, ACDA purchased 25 Delaware Avenue for approximately \$517,000 in order to redevelop and market the property for resale.

Due to or from Federal government represents the amount the Federal government would owe ACDA for expenditures incurred but not yet reimbursed by entitlement grants or the amount ACDA would owe back in the event monies received exceed expenditures.

Program income is income generated outside the entitlement monies which can then be utilized to further the mission of ACDA. For 2011, the primary sources of program income consist of repayments of mortgage loans, the disposition of 75 Thornton Street and reimbursements for building demolition costs.

# **ALBANY COMMUNITY DEVELOPMENT AGENCY**

## **(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

ACDA's entitlement program budgets are approved by the City of Albany Common Council. ACDA practices zero-based budgeting whereby expected income is fully budgeted for expenditure. Typically approximately 80 to 85% of expenditures are for program related purposes. Significant changes to individual expenditure line items during 2011 and 2010 consist of the following:

- During 2009, \$1.5 million was awarded under the HPRP (part of the Federal Recovery Act) to be spent over a two year period for homeless assistance. Of the awarded amount approximately \$1 million was spent during 2010 whereas the program was slowing down in 2011 when only \$407,000 was spent.
- Housing expenditures represent the largest category of expenditure. Significant changes within the housing category of expenditures between 2011 and 2010 are:
  - Demolition costs went down by close to \$300,000 from 2010 to 2011.
  - Use of the HOAP program increased in 2011 over 2010 by 73%.
  - The Arbor Hill Apartments project construction phase was fully in operation for all of 2011 whereby approximately \$1.7 million was received and spent as opposed to about \$1 million for 2010.
  - In 2010, ACDA was awarded \$300,000 for the Neighborhood Improvement Program through New York State similar to previous area improvement programs. Of this award, \$200,000 was spent during 2010 versus \$87,000 during 2011.
- During 2011, a one-time award of \$250,000 was made for the Christian Plumeri Sports Complex, a public facility.

#### **Budget Basis of Accounting**

Budgetary controls for the Agency are established in accordance with the Housing and Urban Development program years which cover periods other than the Agency fiscal year. Consequently, no Statement of Budgeted and Actual Revenues, Expenditures, and Changes in Fund Equity is presented in these financial statements.

#### **Capital Asset Activity and Long-term Debt Activity**

The financial analysis section described the primary changes in capital assets.

ACDA did not incur long-term debt during 2010. In December 2011, ACDA borrowed \$500,000 to finance the purchase of 25 Delaware Avenue.

#### **Currently Known Facts, Decisions, and Conditions**

The HUD entitlements for Program Year 38 (June 1, 2012 – May 31, 2013) will be:

- \$2,999,719 for CDBG
- \$768,773 for HOME
- \$291,290 for ESG
- \$508,035 for HOPWA

The entitlement for Year 38 represents a 10.82% decrease from Year 37 for CDBG and a 37.6% decrease for HOME. Due to the magnitude of the funding reductions, ACDA anticipates the need to reduce funding for sub-recipients, in-house programs, and administration accordingly.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)  
**STATEMENTS OF NET ASSETS**  
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,020,159	\$ 1,436,056
Restricted cash	105,944	105,675
Mortgage loans receivable, net of allowance for loan losses of \$2,145,784 in 2011 and \$2,107,473 in 2010	11,251,392	11,808,525
Due from federal government	1,193,627	1,281,858
Due from the City of Albany	585,255	-
Capital assets, net of depreciation	2,383,808	2,465,329
Other assets	861,846	347,847
Total assets	<u>\$ 17,402,031</u>	<u>\$ 17,445,290</u>
<b>LIABILITIES AND FUND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,592,302	\$ 1,308,446
Long-term obligations	1,938,522	1,625,882
Deferred revenues	10,398,614	11,082,025
Due to New York State Housing Trust Fund	530,927	644,213
Due to federal government	59,731	149,503
Due to the City of Albany	377,816	142,656
Other liabilities	33,017	40,240
Total liabilities	<u>14,930,929</u>	<u>14,992,965</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,133,485	1,075,676
Unrestricted	1,337,617	1,376,649
Total net assets	<u>2,471,102</u>	<u>2,452,325</u>
Total liabilities and net assets	<u>\$ 17,402,031</u>	<u>\$ 17,445,290</u>

See notes to financial statements.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
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**STATEMENTS OF ACTIVITIES**  
**December 31, 2011 and 2010**

	<u>Governmental Activities</u>			<u>2011</u>	<u>2010</u>
	<u>Expenses</u>	<u>Program Revenues</u>			
		<u>Charges for Services</u>	<u>Operating Grants</u>		
Lead paint abatement	\$ 1,568,352	\$ -	\$ 1,568,352	\$ -	\$ -
Housing	4,808,205	-	-	<b>(4,808,205)</b>	(3,441,480)
Public service	631,404	-	-	<b>(631,404)</b>	(502,789)
Public service - neighborhood revitalization	35,069	-	-	<b>(35,069)</b>	(53,032)
Housing direct delivery	1,092,882	-	-	<b>(1,092,882)</b>	(1,168,881)
Economic development	239,111	-	-	<b>(239,111)</b>	(186,886)
Homeless	611,760	-	-	<b>(611,760)</b>	(1,258,203)
Public facilities	263,759	-	-	<b>(263,759)</b>	(32,266)
Public improvements	173,620	-	-	<b>(173,620)</b>	(217,025)
Administration	792,237	-	-	<b>(792,237)</b>	(631,818)
Environmental restoration	258,597	-	-	<b>(258,597)</b>	(70,676)
Interest expense	75,918	-	-	<b>(75,918)</b>	(85,744)
Depreciation	96,709	-	-	<b>(96,709)</b>	(83,917)
	<u>\$ 10,647,623</u>	<u>\$ -</u>	<u>\$ 1,568,352</u>	<u>\$ (9,079,271)</u>	<u>\$ (7,732,717)</u>
General revenues:					
Grants and entitlements not restricted to specific programs				<b>\$ 9,097,774</b>	\$ 7,975,183
Interest income				<u>274</u>	<u>323</u>
Total general revenues				<u><b>9,098,048</b></u>	<u>7,975,506</u>
Excess of revenues over expenses				<b>18,777</b>	242,789
Net assets - beginning				<u><b>2,452,325</b></u>	<u>2,209,536</u>
Net assets - ending				<u><b>\$ 2,471,102</b></u>	<u>\$ 2,452,325</u>

See notes to financial statements.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**BALANCE SHEETS - GOVERNMENTAL FUNDS**  
**December 31, 2011 and 2010**

	General Fund	Special Revenue Fund	Total Governmental Funds 2011	Total Governmental Funds 2010
<b>ASSETS</b>				
Cash and cash equivalents	\$ 974,692	\$ 45,467	\$ 1,020,159	\$ 1,436,056
Restricted cash	-	105,944	105,944	105,675
Mortgage loans receivable, net of allowance for loan losses of \$2,145,784 in 2011 and \$2,107,473 in 2010	10,660,204	591,188	11,251,392	11,808,525
Due from federal government	1,193,627	-	1,193,627	1,281,858
Due from the City of Albany	585,255	-	585,255	-
Other assets	344,683	-	344,683	184,721
<b>Total assets</b>	<b>\$ 13,758,461</b>	<b>\$ 742,599</b>	<b>\$ 14,501,060</b>	<b>\$ 14,816,835</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,536,789	\$ -	\$ 1,536,789	\$ 1,254,556
Deferred revenues	10,398,614	-	10,398,614	11,082,025
Due to the City of Albany	377,816	-	377,816	142,656
Due to federal government	59,731	-	59,731	149,503
Other liabilities	33,017	-	33,017	40,240
Due to New York State Housing Trust Fund	-	530,927	530,927	644,213
<b>Total liabilities</b>	<b>12,405,967</b>	<b>530,927</b>	<b>12,936,894</b>	<b>13,313,193</b>
<b>Commitments and Contingencies</b>				
<b>Fund Balance</b>				
<b>Nonspendable:</b>				
Prepays (included in other assets)	8,210	-	8,210	2,283
<b>Restricted for:</b>				
Downpayment Assistance Program	-	105,944	105,944	105,675
<b>Committed for:</b>				
Choose Albany Program	300,000	-	300,000	-
NSP Program	250,000	-	250,000	-
<b>Assigned for:</b>				
Other purposes	-	105,728	105,728	153,003
Unassigned	794,284	-	794,284	1,242,681
<b>Total fund balance</b>	<b>1,352,494</b>	<b>211,672</b>	<b>1,564,166</b>	<b>1,503,642</b>
<b>Total liabilities and fund balance</b>	<b>\$ 13,758,461</b>	<b>\$ 742,599</b>		

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<b>2,383,808</b>	2,465,329
Other assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds.	<b>517,163</b>	163,126
Non-current liabilities are not due and payable currently and, therefore, are not reported in the funds.	<b>(55,513)</b>	(53,890)
Long-term obligations are not due and payable currently and, therefore, are not reported in the funds.	<b>(1,938,522)</b>	(1,625,882)
<b>Net assets of governmental activities</b>	<b>\$ 2,471,102</b>	<b>\$ 2,452,325</b>

See notes to financial statements.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**December 31, 2011 and 2010**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds 2011</u>	<u>Total Governmental Funds 2010</u>
<b>REVENUES</b>				
Grant income	\$ 9,639,912	\$ -	\$ 9,639,912	\$ 8,879,304
Program income	820,699	274	820,973	311,000
Other	292,609	-	292,609	20,944
Total revenues	<u>10,753,220</u>	<u>274</u>	<u>10,753,494</u>	<u>9,211,248</u>
<b>EXPENDITURES</b>				
Grant programs:				
Lead Paint Abatement Program	1,568,352	-	1,568,352	1,235,742
Housing	5,308,205	-	5,308,205	3,743,756
Public service	631,404	-	631,404	502,789
Public service - neighborhood revitalization	35,069	-	35,069	53,032
Housing direct delivery	1,092,882	-	1,092,882	1,168,881
Economic development	239,111	-	239,111	186,886
Homeless	611,760	-	611,760	1,258,203
Public facilities	263,759	-	263,759	32,266
Public improvements	173,620	-	173,620	217,025
Environmental restoration	258,597	-	258,597	70,676
Debt service	210,772	52,506	263,278	270,606
Administration	746,933	-	746,933	673,428
Total expenditures	<u>11,140,464</u>	<u>52,506</u>	<u>11,192,970</u>	<u>9,413,290</u>
Excess of expenditures over revenues	(387,244)	(52,232)	(439,476)	(202,042)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from issuance of long-term debt	500,000	-	500,000	-
Transfer between funds	(5,226)	5,226	-	-
Net change in fund balance	107,530	(47,006)	60,524	(202,042)
Beginning fund balance	1,244,964	258,678	1,503,642	1,705,684
Ending fund balance	<u>\$ 1,352,494</u>	<u>\$ 211,672</u>	<u>\$ 1,564,166</u>	<u>\$ 1,503,642</u>
Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:				
Net change in fund balances - total governmental funds			\$ 60,524	\$ (202,042)
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.				
Capital outlays	15,188			
Depreciation expense	(96,709)		(81,521)	107,124
Governmental funds report proceeds received from sale of assets as revenue			(87,094)	-
Governmental funds do not report gains (losses) on disposal of other assets			(76,031)	-
Governmental funds report certain capitalized other assets as expenditures.			517,162	111,235
Governmental funds do not report non-current liabilities			(1,623)	41,610
The issuance of long-term debt (e.g. notes, bonds) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.				
Issuance of long-term debt			(500,000)	-
Principal payments on long-term debt			187,360	184,862
Change in net assets of governmental activities			<u>\$ 18,777</u>	<u>\$ 242,789</u>

See notes to financial statements.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Organization***

The Albany Community Development Agency (Agency) is a Public Benefit corporation established by the City of Albany (City, Albany) and governed by a board of directors as established under General Municipal Law. The City also participates in the fiscal management of the Agency. Because the City has the ability to significantly influence Agency operations, the Agency is deemed to be a blended component unit of the City. Accordingly, the Agency is included as part of the City's financial reporting entity. The objectives of the Agency are to provide a suitable living environment and to expand economic opportunities for persons of low and moderate income. In 1974, the Agency (previously known as the Urban Renewal Agency) was designated by the City to undertake a community development program on behalf of the City and to administer the federal community development block grant program.

When created, the Agency was established as a New York State Public Authority and as such is subject to the applicable provisions of the New York State Public Authority Accountability Act.

***Basis of Presentation***

For financial reporting purposes, the Agency follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement No. 34, as amended by Statement No. 37 and Statement No. 38, establishes standards for external reporting for all state and local government entities, which include a statement of net assets and a statement of activities. It requires classification of fund equity into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition of these assets reduce this category.

Unrestricted Net Assets – This category represents the net assets of the Agency, which are not restricted for any project or other purpose.

Restricted Net Assets – This category represents funds restricted by the funding source or law. The Agency has no restricted net assets at December 31, 2011.

***Government-Wide Statements***

The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds).

In the government-wide Statement of Net Assets, governmental activities are 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 Agency's net assets are reported in two parts – invested in capital assets and unrestricted net assets.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Government-Wide Statements (Continued)***

The government-wide Statement of Activities reports both the gross and net cost of each of the Agency's functions, which are supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and general operating grants.

This government-wide focus is more on the sustainability of the Agency as an entity and the change in the Agency's net assets resulting from the current year's activities.

***Fund Financial Statements***

The financial transactions of the Agency are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

The Agency uses Governmental Funds to report its activities in the financial statements. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds used by the Agency:

**General Fund:** The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund. Activities include funds received from the U.S. Department of Housing and Urban Development (HUD) under the Community Block Grant Program (CDBG), the Rental Housing Rehabilitation Program, the HOME Investment Program, the Housing for Persons with Aids Program, Lead Paint Abatement Program and Emergency Shelter Grant Programs.

**Special Revenue Fund:** The Special Revenue Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The majority of activities in this fund are related to grant proceeds from the New York State Housing Trust Fund Corporation (NYSHTFC).

***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 government-wide financials are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual:** The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or within 60 days after year end. Due to the nature of the Agency's operations, there are no significant differences between the accrual basis and the modified accrual basis of accounting, except for the expensing of capital assets and debt principal payments.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting (Continued)***

The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the City are discussed below.

***Fund Balance Classifications***

Effective January 1, 2011, the Agency adopted GASB Statement No. 54, which redefines how fund balances of governmental funds are presented in the financial statements. Fund balances are classified as follows:

**Nonspendable** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**Restricted** - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Agency Board.

**Assigned** - This classification includes amounts that are constrained by the Agency's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Agency Board or through the Agency Board delegating this responsibility to the Agency director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

**Unassigned** - This classification includes the residual fund balance for the General Fund. The Unassigned classification would also include negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Agency would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

***Budget Basis of Accounting***

Budgetary controls for the Agency are established in accordance with the Housing and Urban Development program years which cover periods other than the Agency fiscal year. Consequently, no Statement of Budgeted and Actual Revenues, Expenditures, and Changes in Fund Equity is presented in these financial statements.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents***

Cash includes cash and cash equivalents with original maturities of 90 days or less.

***Mortgage Loans Receivable and Allowance for Loan Losses***

The Agency uses the allowance method for uncollectible mortgage loans and other receivables. When the allowance account is increased, the offset is a reduction of deferred revenue which has the effect of reducing the amount of funds expected to be collected and available for new loans. The Agency recorded a total allowance for uncollectible mortgage loans of approximately \$2,146,000 and \$2,107,000 at December 31, 2011 and 2010, respectively.

The Agency's allowance is estimated based on delinquency rates, current economic conditions, borrowers' outstanding balances, and an analysis of borrower's financial condition. A number of the Agency's borrowers have experienced financial difficulties. In some cases, projected growth and overall economic conditions have substantially changed since loan origination. The Agency is also involved in repayment negotiations with borrowers who are experiencing severe financial difficulties. Once a loan has been identified as delinquent, the Agency forwards the loan to its legal counsel for collection. The Agency has a set policy for pursuing delinquent borrowers.

If legal counsel determines that the loan proceeds will not be collected, the loan is submitted to the Agency's Director so that it can be approved for write-off.

***Capital Assets***

Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays greater than \$500 that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	27.5 years
Furniture and equipment	5-7 years

***Deferred Revenue***

Deferred revenue consists principally of mortgage loan principal amounts to be collected in future periods and loan amounts that are being forgiven annually as described in Note 3. Loan payments are also deferred until new loans or eligible expenditures occur. At that time, revenues and corresponding expenses are recognized. When the allowance for loan losses is increased, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Reclassification***

Certain 2010 amounts have been reclassified to conform to current year presentation.

***Other Postemployment Benefits (OPEB) - GASB Statement No. 45***

GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* establishes standards for the recognition, measurement, and display of OPEB (retiree health insurance) expenses and related liabilities and note disclosures.

The City does not pass-through OPEB costs to the Agency, as all Agency employees are employees of the City. The City does, however, pass-through salary, employee health insurance and pension costs for these employees to the Agency. As part of the City's implementation of the GASB Statement it includes the OPEB liability and related expenses for all City employees working at the Agency in the City's financial statements. Therefore, no accrual for the Agency's OPEB liability and expense has been included in these financial statements.

**NOTE 2 — CASH AND CASH EQUIVALENTS**

The Agency's investment policies are governed by State statutes. Cash and cash equivalents of the Agency must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Chief Fiscal Officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

At December 31, 2011, the carrying amounts of the Agency's deposits were approximately \$975,000 and \$151,000 (\$1,355,000 and \$187,000 at December 31, 2010) for the General and Special Revenue Funds, respectively. All deposits in excess of FDIC limits, except for money market funds totaling approximately \$45,000 are adequately collateralized at December 31, 2011.

**NOTE 3 — MORTGAGE LOANS RECEIVABLE, NET**

The Agency lends monies received through Federal grants (principally HUD CDBG) to individuals, businesses, and non-profit agencies at low interest rates to fund the acquisition and rehabilitation of low income housing and other community development projects in the City. Loan disbursements are recorded as grant expenditures and loan repayments are recorded as program income. Mortgage loans receivable and the related deferred revenue account consist of principal to be collected in future periods or principal amounts that are forgiven annually in accordance with grant provisions.

Interest rates and loan periods are determined using criteria established by the granting agency. Interest rates on these loans range between 0% and 8% and loan periods are either for a period of up to 15 years or deferred and forgiven as long as the beneficiary is in compliance with the loan agreement.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 3 — MORTGAGE LOANS RECEIVABLE, NET** (Continued)

Funds received from the NYSHTFC were used to establish loans with various not-for-profit organizations, for use in the acquisition and rehabilitation of low income housing. In accordance with applicable grant provisions, loan disbursements are reflected as Due to New York Housing Trust Fund Corporation (NYSHTFC). Funds disbursed to participants generally do not bear interest and are repayable over a period of 15 to 25 years. In accordance with loan agreements, annually, on the anniversary date of completion of the project, one fifteenth or twenty-fifth of the loan is forgiven as long as the beneficiary is in compliance with the loan agreement.

In 2011, the Agency initiated a Choose Albany revolving loan fund utilizing general funds. The revolving loan fund promotes home ownership in Albany and will be for 8% of the purchase price up to \$15,000. The loan can be utilized for down payment assistance or closing costs. The loans have a ten year term with zero percent interest.

The balance of mortgage loans receivable, net of the related allowance, is comprised of the following at December 31, 2011 and 2010:

<u>Program</u>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
HUD, net of allowance	\$ 6,485,123	\$ 6,599,377
HUD, forgivable grant loans, net of allowance	4,024,792	4,564,935
NYSHTFC, net of allowance	530,927	644,213
Choose Albany, net of allowance	210,550	-
	<u>\$ 11,251,392</u>	<u>\$ 11,808,525</u>

**NOTE 4 — DUE FROM FEDERAL GOVERNMENT**

Due from federal government represents grant-eligible expenses incurred by the Agency through December 31, 2011 and 2010 that have yet to be reimbursed by applicable federal grant funding programs.

**NOTE 5 — CAPITAL ASSETS**

Property and equipment is comprised of the following:

	<u>Balance</u> <u>December 31,</u> <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2011</u>
Land	\$ 451,995	\$ -	\$ -	\$ 451,995
Furniture and equipment	244,320	14,588	-	258,908
Buildings	2,610,328	600	-	2,610,928
	3,306,643	15,188	-	3,321,831
Less: accumulated depreciation - furniture and equipment	190,542	14,599	-	205,141
Less: accumulated depreciation - buildings	650,772	82,110	-	732,882
Net property and equipment	<u>\$ 2,465,329</u>	<u>\$ (81,521)</u>	<u>\$ -</u>	<u>\$ 2,383,808</u>

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 6 — DUE TO FEDERAL GOVERNMENT**

Due to federal government represents grant monies received by the Agency, principally related to the lead paint abatement program, that have not been applied to qualified grant expenses as of December 31, 2011 and 2010.

**NOTE 7 — LONG-TERM OBLIGATIONS**

Long-term obligations of the Agency include notes payable, bonds payable, and capital lease obligations.

The following is a summary of long-term obligation transactions of the Agency for the year ended December 31, 2011:

	<u>December 31,</u> <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u> <u>2011</u>
Bond payable (A)	\$ 136,229	\$ -	\$ (48,030)	\$ 88,199
Note payable (B)	100,000	-	-	100,000
Capitalized lease obligation (C)	1,065,000	-	(110,000)	955,000
Note payable (D)	175,000	-	(20,000)	155,000
Note payable (E)	149,653	-	(9,330)	140,323
Note payable (F)	-	500,000	-	500,000
	<u>\$ 1,625,882</u>	<u>\$ 500,000</u>	<u>\$ (187,360)</u>	<u>\$ 1,938,522</u>

- (A) During 2003, the Agency issued \$500,000 in General Obligation Bonds. The interest rate on the bonds is 4.07%. The bonds have a maturity date of October 2013. Bond proceeds are used to fund loans granted through the Albany Down Payment Assistance Program. Principal payments are required to be paid in conjunction with payments received from loan beneficiaries.
- (B) During 2002, the Agency borrowed the sum of \$100,000 from the Capitalize Albany Corporation (former Albany Local Development Corporation, CAC) to establish a fund for collateral for the Albany Down Payment Assistance Program. The proceeds of this note are required to be maintained in a segregated bank account until note maturity. The term of the note shall be the length of the City of Albany Down Payment Assistance Program but no longer than August 9, 2013. The Agency will pay interest earned on the secured funds upon repayment of the note. There are no scheduled monthly payments until maturity.
- (C) Capital lease for the Agency's facility located at 200 Henry Johnson Boulevard. The lease has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to the Capitalize Albany Corporation through 2018. The interest portion of future minimum lease payments is \$204,269 and the net present value of the lease payments at December 31, 2011 is \$955,000.
- (D) As part of the capitalized lease obligation, described in (C) above, the Agency executed a note payable to CAC to pay for all previously unreimbursed tenant expenses. The note has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to CAC through 2018.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 7 — LONG-TERM OBLIGATIONS (Continued)**

- (E) Note payable from CAC to fund improvements made to one of the Agency's properties located at 388 Clinton Avenue. The note is collateralized by a mortgage agreement on the building located at 388 Clinton Avenue. The note is being amortized over a period of twenty years, with monthly principal and interest payments. The interest rate for the first five years of the note is fixed at 4%, and is subject to every five years thereafter to prime plus 1%.
- (F) During 2011, the Agency borrowed the sum of \$500,000 from the Capitalize Albany Corporation to purchase property at 25 Delaware Avenue. The note is collateralized by a mortgage agreement on the property located at 25 Delaware Avenue. The note is being paid over a period of ten years, with monthly principal and interest payments. The balance is due in full at the time of sale or change in ownership of the property. The interest rate is 5.75%. The property acquired was recorded as property held for sale and included in other assets in the statement of net assets.

A summary of future minimum debt payments is as follows at December 31, 2011:

	<u>Notes</u>	<u>Bonds</u>	<u>Capitalized Lease Obligations</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2012	\$ 63,083	\$ -	\$ 115,000	\$ 178,083	\$ 94,868	\$ 272,951
2013	170,521	88,199	120,000	378,720	84,244	462,964
2014	73,298	-	130,000	203,298	72,572	275,870
2015	77,232	-	135,000	212,232	60,812	273,044
2016	80,332	-	145,000	225,332	48,396	273,728
2017-2021	393,716	-	310,000	703,716	80,231	783,947
2022-2024	37,141	-	-	37,141	1,621	38,762
	<u>\$ 895,323</u>	<u>\$ 88,199</u>	<u>\$ 955,000</u>	<u>\$ 1,938,522</u>	<u>\$ 442,744</u>	<u>\$ 2,381,266</u>

**NOTE 8 — COMMITMENTS AND CONTINGENCIES**

**Federal and State Grant Funding**

The Agency receives a major portion of its annual revenues through Federal and New York State grants. Any significant reduction in grant funding levels could have a negative impact on the Agency and the services it offers. The Agency's grant funding is typically awarded for specific programs or purposes and is subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the applicable grant. Management believes that all grant funds were expended in accordance with applicable terms and does not expect any significant disallowance claims will be made by grantor agencies.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
 (A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 December 31, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>		
<b><i>Direct Programs:</i></b>		
Community Development Block Grants/Entitlement Grants	14.218	\$ 3,626,844
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	349,100
Emergency Shelter Grant Program	14.231	180,669
HOME Investment Partnerships Program	14.239	1,332,618
Housing Opportunities for Persons with AIDS	14.241	525,367
ARRA - Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	407,327
Brownfield Pilots Cooperative Agreements	66.811	25,022
<b>Pass-Through NYS Division of Housing and Community Renewal:</b>		
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	1,546,233
Community Development Block Grants/Entitlement Grants	14.218	1,954,251
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	<u>96,204</u>
Total U.S. Department of Housing and Urban Development		<u><u>\$ 10,043,635</u></u>

*See notes to schedule of federal financial awards.*

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**December 31, 2011**

**NOTE 1 — BASIS OF PRESENTATION**

***Reporting Entity***

The accompanying Schedule of Federal Financial Expenditures presents the activity of federal financial assistance programs administered by the Agency, an entity as defined in the financial statements.

***Pass-Through Programs***

Where the Agency receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors, are not maintained in the Agency's financial management system.

***American Recovery and Reinvestment Act of 2009***

In 2009, the American Recovery and Reinvestment Act of 2009 (ARRA, Recovery Act) was enacted. The Recovery Act provides for appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, State and local fiscal stabilization and for other purposes. Recovery Act funded federal expenditures consisted of the following for the year ended December 31, 2011:

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	\$ 349,100
Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	<u>407,327</u>
Total Recovery Act Funded Expenditures		<u><u>\$ 756,427</u></u>

**NOTE 2 — BASIS OF ACCOUNTING**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in the federal financial reports are prepared from records maintained for each program.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
December 31, 2011

**NOTE 3 — INDIRECT COSTS**

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented.

**NOTE 4 — MATCHING COSTS**

Matching costs, such as the Agency's share of certain program costs, are not included in the Schedule of Expenditures of Federal Awards.

**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**

The Board of Directors  
Albany Community Development Agency

We have audited the financial statements of governmental activities and each major fund of the Albany Community Development Agency (Agency) as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated August 15, 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 Agency'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 Agency'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 a 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 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 Agency's financial statements are free of material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, 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 the Board of Directors, the Agency's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*UHY* LLP

Albany, New York  
August 15, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors  
Albany Community Development Agency

**Compliance**

We have audited the compliance of the Albany Community Development Agency (Agency) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2011. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 2011-1 and 2011-2.

**Internal Control Over Compliance**

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's responses and, accordingly, we express no opinion on the responses.

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

*UHY* LLP

Albany, New York  
August 15, 2012

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2011**

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**Section I – Summary of Auditor’s Results**

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**FINANCIAL STATEMENTS**

A. Type of auditor’s report issued:	Unqualified
B. Internal Control Over Financial Reporting	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	None Reported
C. Noncompliance Material to Financial Statements noted?	No

**FEDERAL AWARDS**

A. Internal Control Over Major Programs	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	None Reported
B. Type of auditor’s report issued on compliance for major programs:	Unqualified
C. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133:	Yes

D. Major programs

	<u>CFDA Number</u>
U.S. Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants	14.218
U.S. Department of Housing and Urban Development Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253
U.S. Department of Housing and Urban Development Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257

E. Dollar threshold to determine between Type A and Type B programs:	\$301,309
F. Auditee qualified as low-risk auditee?	Yes

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2011**

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**Section II – Financial Statement Findings**

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None reported.

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**Section III – Federal Award Findings and Questioned Costs**

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**Finding 2011-1 (Community Development Block Grant ARRA Entitlement Grants (CDBG-R) – CFDA 14.253)**

**Criteria:** Federal Regulations require that all reporting be submitted correctly and timely.

**Condition:** The 1512 2011 Q4 ARRA Report did not report Data Element – Total Federal Amount of ARRA Expenditure correctly.

**Effect:** Data Element – Total Federal Amount of ARRA Expenditure on the 1512 2011 Q4 ARRA report was understated by \$28,875.

**Cause:** Incorrect data were utilized for the preparation of the 1512 2011 Q4 ARRA report, resulting in an understatement of expenditures.

**Recommendation:** Procedures should be implemented to ensure that all amounts reported agree or reconcile to amounts in accounting records.

**Management Response and Corrective Action Plan:** ACDA will implement procedures to ensure that all program expenditures are properly reflected and reported.

**ALBANY COMMUNITY DEVELOPMENT AGENCY**  
**(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2011**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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**Finding 2011-2 (Homeless Prevention and Rapid Re-Housing Program – CFDA 14.257)**

**Criteria:** Federal Regulations require that all reporting be submitted correctly and timely.

**Condition:** The 1512 2011 Q3 ARRA Report overstated Data Element – Total Federal Amount of ARRA Expenditure, and correspondingly ACDA did not submit the 1512 2011 Q4 ARRA Report.

**Effect:** Data Element – Total Federal Amount of ARRA Expenditure on the 1512 2011 Q3 ARRA report was overstated by \$10,745, which should have been reported on the 1512 2011 Q4 ARRA Report.

**Cause:** At the time of submission, ACDA did not recognize an error in the total amount of expenditures reported on the 1512 2011 Q3 ARRA Report completed by a sub-recipient, which resulted in an overstatement of Total Federal Amount of ARRA Expenditures. Additionally, because the 1512 2011 Q3 ARRA Report improperly noted that all federal funds were expended, ACDA did not submit the 1512 2011 Q4 ARRA Report.

**Recommendation:** Procedures should be implemented to ensure that all amounts reported agree or reconcile to amounts in accounting records.

**Management Response and Corrective Action Plan:** Management immediately recognized the error and notified HUD after the submission of the 1512 2011 Q3 ARRA Report and is currently in communication with HUD to resolve this issue and submit the revised 1512 2011 Q3 and Q4 reports as appropriate.

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**Section IV – Status of Prior Year Finding**

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None reported.