

**HUDSON COMMUNITY DEVELOPMENT
AND PLANNING AGENCY
FINANCIAL STATEMENTS
AUDIT REPORT
SEPTEMBER 30, 2012**

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to the Financial Statements	6-11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with the <i>Government Auditing Standards</i>	12-13
Schedules of Expenditures of Federal Awards	14-15
Schedules of Findings and Questioned Costs	16



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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011, 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 December 26, 2012, 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
CERTIFIED PUBLIC ACCOUNTANTS, P.C.
Hudson, New York
December 26, 2012

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2012 AND 2011

ASSETS		
	2012	2011
Current Assets		
Cash in Bank	\$ 120,435	\$ 355,847
Grants Receivable	197,259	10,625
Loans Receivable - current portion	9,199	17,307
Total Current Assets	326,893	383,779
Property, Plant, and Equipment	509,552	509,552
Other Assets		
Loans Receivable - long term portion	97,150	104,466
Due from Other Agencies	127,000	127,000
Total Other Assets	224,150	231,466
Total Assets	\$ 1,060,595	\$ 1,124,797
 LIABILITIES AND NET ASSETS		
 Current Liabilities		
Deferred Revenue - current portion	\$ 9,199	\$ 17,307.00
Total Current Liabilities	9,199	17,307
Long Term Liabilities		
Deferred Revenue - long term portion	224,150	231,466
Total Long Term Liabilities	224,150	231,466
Total Liabilities	233,349	248,773
Net Assets		
Investment in Fixed Assets	509,552	509,552
Net Assets	317,794	366,472
Total Net Assets	827,346	876,024
Total Liabilities and Net Assets	\$ 1,060,695	\$ 1,124,797

See independent auditor's report and accompanying notes to financial statements

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Revenue		
Federal Funding - CDBG Grants	\$ 41,101	\$ 5,938
State Funding - EPF Grant	158,933	-
Program Related Income	24,384	322,650
Interest Income - Other	846	225
Total Revenue	<u>225,264</u>	<u>328,813</u>
Expenses		
CDBG Program Related Expenses	48,733	5,938
EPF Program Related Expenses	121,010	-
Professional Fees	13,862	13,300
Other Program Related Expenses	55,969	47,140
Other Administrative and Operating Expenses	34,368	3,849
Total Expenses	<u>273,942</u>	<u>70,227</u>
Change in Net Assets	(48,678)	258,586
Net Assets at Beginning of Year	<u>876,024</u>	<u>617,438</u>
Net Assets as End of Year	<u>\$ 827,346</u>	<u>\$ 876,024</u>

See independent auditor's report and accompanying notes to financial statements

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

	2012	2011
Cash Flows Provided By (Used By) Operating Activities		
Increase (Decrease) in Net Assets	\$ (48,678)	\$ 258,586
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. due to Loan Receivable Modificatic	-	(18,617)
(Increase) Decrease in operating assets:		
Loans Receivable	15,424	322,055
CDBG Grants Receivable	(186,634)	58,656
Increase (Decrease) in operating liabilities:		
Due to Hudson Development Corporation	-	(53,340)
Deferred Revenue	(15,424)	(322,055)
Cash Flows Provided By (Used By) Operating Activities	(235,312)	263,902
Cash Flows Provided By (Used By) Investing Activities	-	-
Cash Flows Provided By (Used By) Financing Activities	-	-
Net Increase (Decrease) in Cash	\$ (235,312)	\$ 263,902
Cash at Beginning of Year, October 1, 2010 and 2009	355,847	91,945
Cash at End of Year	\$ 120,535	\$ 355,847
Supplemental Disclosures		
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.

See independent auditor's report and accompanying notes to financial statements

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

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, 2012 and 2011 the Agency recognized State Funding – EPF Grant Revenue when the funds were received.. Revenue and expenditures related to Federal and State Funding 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, 2012 and 2011. The Agency did not own any highly liquid investments other than cash during the years ended September 30, 2012 and 2011.

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 & PLANNING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

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, 2012 and 2011 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 statement) were covered by FDIC deposit insurance in total.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE C – LOANS RECEIVABLE

Loans receivable at September 30, 2012 and 2011 totaled \$106,349 and \$121,773, respectively, and comprised of the following loans and promissory notes:

- I. Promissory note originally for \$75,000, due December 2012, with interest at 2.5%, principal balance at September 30, 2012 and 2011 of \$2,094 and \$10,412, respectively.
- II. Promissory note originally for \$28,000, due February 1, 2011, with interest of 4.0%, principal balance at September 30, 2012 and 2011 of \$12,577 and \$12,577, respectively. This note is considered delinquent.
- III. 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 1st and December 1st each year beginning July 1, 2011. As of September 30, 2011 the balance of this loan receivable is \$91,678.

NOTE D – DUE FROM OTHER AGENCIES

Due from Other Agencies at September 30, 2012 and 2011 was \$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.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012 AND 2011

NOTE E – PROPERTY, PLANT AND EQUIPMENT

During the year ended September 30, 2012 there were no dispositions or acquisitions of property. During the prior year ended September 30, 2011 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, 2012 and 2011:

	Balance 9/30/2011	Additions	Disposals	Balance 9/30/2012
Land, Buildings, and Improvements	\$ 485,111	\$ -	\$ -	\$ 485,111
Machinery and Equipment	24,441	-	-	24,441
	<u>\$ 509,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 509,552</u>

NOTE F – DUE TO HUDSON DEVELOPMENT CORPORATION

The Agency works closely with the Hudson Development Corporation (HDC) and occasionally costs are shared between the two organizations. 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.

NOTE G – DEFERRED REVENUE

Deferred revenue at September 30, 2012 and 2011, totaling \$233,349 and \$248,773, respectively, comprised of the following deferred loans:

	2012	2011
Housing Resources of Columbia County Loans	\$ 127,000	\$ 127,000
Other Loans from Promissory Notes	106,349	121,773
Total Deferred Revenue	<u>\$ 233,349</u>	<u>\$ 248,773</u>

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE H – FEDERAL FUNDING – CDBG GRANTS

During the year ended September 30, 2012 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, 2012 as incurred. Revenues are considered earned when the expenditures are incurred. As of September 30, 2012 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, 2011 the Agency administered a federally funded CDBG grant for a senior center project. The expenditures from these grants were recognized during the year September 30, 2011, as incurred. Revenues were considered earned when the expenditures were incurred. As of September 30, 2011 amounts related to these projects due from CDBG were reflected as accounts receivable in the amount of \$5,937. 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, 2012 and 2011 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, 2012 the Agency recognized \$121,010, included in "Other Program Related Expense, as related expenditures for amounts paid during the year. For the prior year ended September 30, 2011 the Agency recognized \$37,151 included in "Other Program Related Expenses", as related expenditures based on amounts paid during the year.

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 years ended September 30, 2012 and 2011, the Agency recognized \$7,032 and \$7,014, respectively, included in "Other Program Related Expense, as related grant expenditures for amounts paid during the year. As of September 30, 2012 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.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE K – SUBSEQUENT EVENTS

Management reviews events that occur subsequent to the balance sheet date and prior to the date of issuance of the financial statements. Management reviewed events through December 26, 2012 and determined that no events occurred that should be disclosed.

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Hudson Community Development
and Planning Agency

We have audited the financial statements of Hudson Community Development and Planning Agency (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated December 26, 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 Hudson Community Development and Planning Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

To the Board of Directors
Hudson Community Development
and Planning Agency

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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



SHALLO, GALLUSCIO, BIANCHI & FUCITO
CERTIFIED PUBLIC ACCOUNTANTS, P.C.
Hudson, New York
December 26, 2012

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Name of Federal Agency or Department</u>	<u>CFDA Number</u>	<u>Name of Program</u>	<u>Entity Identifying Number</u>	<u>Disbursement/ Expenditures</u>
<i>Department of Housing and Urban Development:</i>				
Passed Through City of Hudson, New York:				
Community Development Block Grant:				
	14.228	Small Cities - Ser	558PF35-10	48,733
Total Federal Expenditures				\$ 48,733

This schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Name of Federal Agency or Department</u>	<u>CFDA Number</u>	<u>Name of Program</u>	<u>Entity Identifying Number</u>	<u>Disbursement/ Expenditures</u>
<i>Department of Housing and Urban Development:</i>				
Passed Through City of Hudson, New York:				
Community Development Block Grant:				
	14.228	Small Cities - Ser	558PF35-10	5,938
Total Federal Expenditures				\$ 5,938

This schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Prior Year Findings

09/11-1 Criteria
Entities, in general, should separate duties in a manner that prevents and detects the possibility of fraud.

Original Condition

The Organization's internal control system lacks certain controls with respect to separation of duties, most notably related to the financial transactions and bookkeeping responsibilities. This is mostly due to the small number of contracted staff with relation to the numerous duties they are responsible for.

Resolved Condition

The Organization now involves sufficient personnel in the identified processes who possess the ability to provide sufficient segregation of duties to meet internal control objectives

09/11-2 Criteria
Financial statements should be completed internally with related notes and schedules.

Original Condition

The Organization's internal control system does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with the modified accrual basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. As such, management requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of this service is not unusual in organizations of this size and is a result of management's cost benefit decision to use our accounting expertise rather than to incur internal resource costs.

Resolved Condition

Management has developed processes intended to maintain control over financial reporting.