

**HUDSON COMMUNITY DEVELOPMENT
AND PLANNING AGENCY
FINANCIAL STATEMENTS
AUDIT REPORT
DECEMBER 31, 2013**

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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Certified Public Accountants, P.C.

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To the Board of Directors
Hudson Community Development
and Planning Agency

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Hudson Community Development and Planning Agency (the Agency), a component of the City of Hudson, New York as of December 31, 2013, and the related statements of activities and change in net assets and cash flows for the three and fifteen months ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation from the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

To the Board of Directors
Hudson Community Development
and Planning Agency

Basis for Qualified 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 December 31, 2013, and the changes in its financial position, or, where applicable, its cash flows for the three and fifteen months ended December 31, 2013, on the basis of accounting described in Note A.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 December 31, 2013, and the results of its operations and cash flows for the three and fifteen months ended December 31, 2013 on the basis of accounting described in Note A.

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

SHALLO, GALLUSCIO, BIANCHI & FUCITO
CERTIFIED PUBLIC ACCOUNTANTS, P.C.
Cairo, New York
March 10, 2014

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

ASSETS

	December 31, 2013
Current Assets	
Cash in Bank	\$ 231,074
Grants Receivable	30,756
Loans Receivable - current portion	15,198
Total Current Assets	277,028
Property, Plant, and Equipment	509,552
Other Assets	
Loans Receivable - long term portion	68,679
Due from Other Agencies	127,000
Total Other Assets	195,679
Total Assets	\$ 982,259

LIABILITIES AND NET ASSETS

Current Liabilities	
Deferred Revenue - current portion	\$ 15,198
Total Current Liabilities	15,198
Long Term Liabilities	
Deferred Revenue - long term portion	195,679
Total Long Term Liabilities	195,679
Total Liabilities	210,877
Net Assets	
Investment in Fixed Assets	509,552
Net Assets	261,830
Total Net Assets	771,382
Total Liabilities and Net Assets	\$ 982,259

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

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY
 STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
 FOR THE THREE AND FIFTEEN MONTHS ENDED DECEMBER 31, 2013

	Three Months December 31, 2013	Fifteen months December 31, 2013
Revenue		
Federal Funding - CDBG Grants	\$ -	\$ -
State Funding - EPF Grant	-	29,079
Program Related Income	3,709	60,156
Interest Income - Other	300	1,185
Total Revenue	4,009	90,420
Expenses		
CDBG Program Related Expenses	-	-
EPF Program Related Expenses	-	29,137
Professional Fees	6,753	20,331
Other Program Related Expenses	-	37,657
Other Administrative and Operating Expenses	11,041	59,159
Total Expenses	17,794	146,284
Change in Net Assets	(13,785)	(55,864)
Net Assets at Beginning of Period	785,167	827,246
Net Assets as End of Year	\$ 771,382	\$ 771,382

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

HUDSON COMMUNITY DEVELOPMENT AND PLANNING AGENCY
 STATEMENTS OF CASH FLOWS
 FOR THE THREE AND FIFTEEN MONTHS ENDED DECEMBER 31, 2013

	Three Months December 31, 2013	Fifteen Months December 31, 2013
Cash Flows Provided By (Used By) Operating Activities		
Increase (Decrease) in Net Assets	\$ (13,785)	\$ (55,864)
(Increase) Decrease in operating assets:		
Loans Receivable	3,709	22,472
Grants Receivable	-	166,503
Increase (Decrease) in operating liabilities:		
Deferred Revenue	(3,709)	(22,472)
Cash Flows Provided By (Used By) Operating Activities	<u>(13,785)</u>	<u>110,639</u>
Cash Flows Provided By (Used By) Investing Activities	<u>-</u>	<u>-</u>
Cash Flows Provided By (Used By) Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	\$ (13,785)	\$ 110,639
Cash Balance - October 1, 2013 and 2012	<u>244,859</u>	<u>120,435</u>
Cash Balance - December 31, 2013	<u>\$ 231,074</u>	<u>\$ 231,074</u>
Supplemental Disclosures		
Income Taxes Paid	\$ -	\$ -
Interest Paid	\$ -	\$ -

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

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE AND FIFTEEN MONTHS ENDED DECEMBER 31, 2013

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 as of and for the year ended December 31, 2013 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 December 31, 2013. The Agency did not own any highly liquid investments other than cash as of December 31, 2013.

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
FOR THE THREE AND FIFTEEN MONTHS ENDED DECEMBER 31, 2013

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 income taxes under Internal Revenue Service Code Section 501(c)(3). Therefore, income tax expense has not been provided for in these financial statements.

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 December 31, 2013 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
FOR THE THREE AND FIFTEEN MONTHS ENDED DECEMBER 31, 2013

NOTE C – LOANS RECEIVABLE

Loans receivable at December 31, 2013 totaled \$83,877 and comprised of the following loans and promissory notes:

- I. Promissory note originally for \$28,000, due February 1, 2011, with interest of 4.0%, principal balance at December 31, 2013 of \$12,577. 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. At December 31, 2013, the balance of the loan receivable was \$71,300.

NOTE D – DUE FROM OTHER AGENCIES

Due from Other Agencies at December 31, 2013 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
 FOR THE THREE AND FIFTEEN MONTHS ENDED DECEMBER 31, 2013

NOTE E – PROPERTY, PLANT AND EQUIPMENT

During the three and fifteen months ended December 31, 2013 there were no dispositions or acquisitions of property. 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 December 31, 2013.

Property & Equipment Asset	December 31, 2013
Land, Buildings, and Improvements	\$ 485,111
Machinery and Equipment	24,441
	\$ 509,552

NOTE F – DEFERRED REVENUE

Deferred revenue at December 31, 2013, totaling \$210,877, comprised of the following deferred loans:

	December 31, 2013
Housing Resources of Columbia County Loans	\$ 127,000
Other Loans from Promissory Notes	83,877
Total Deferred Revenue	\$ 210,877

NOTE F – STATE FUNDING – NYS PARKS GRANT

During the fifteen months ended December 31, 2013 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 2009.

During the fifteen months ended December 31, 2013 the Agency recognized \$29,137 as expenses and presented as EPF Program Related Expenses within the Statements of Activities and Changes in Net Assets. None of these Program Related Expenses has been recognized during the three months ended December 31, 2013.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE AND FIFTEEN MONTHS ENDED DECEMBER 31, 2013

NOTE G – OTHER PROGRAMS

During the fifteen months ended December 31, 2013 the Agency recognized revenue and expenses related to a senior center project. The expenses incurred have been reimbursed by the City of Hudson's General Fund. As a result revenue and expenses in the amounts of \$37,657, has been recognized within the Statements of Activities and Change in Net Assets for the fifteen months ended December 31, 2013.

During the fifteen months ended December 31, 2013, the Agency entered into an agreement with the City Hudson to expend funds related to the documentation and inventory of past and inactive records. The City of Hudson had secured a grant with the NYS Department of Education for such funds. For the fifteen months ended December 31, 2013 the total grant for \$7,850 had been expended. Therefore, \$7,850 has been recognized as revenue and expenses during the fifteen months ended December 31, 2013. As of December 31, 2013 \$3,925 is included in grant receivable for reimbursement of funds not yet received.

NOTE H – SUBSEQUENT EVENTS

Events that occur after the date of the Statements of Financial Position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the Statements of Financial Position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the Statement of Financial Position require disclosure in the accompanying notes. Management evaluated the activity of the Agency through March 10, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.