

HUDSON COMMUNITY DEVELOPMENT &
PLANNING AGENCY

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

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DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hudson Community Development & Planning Agency
Hudson, New York

We have audited the accompanying financial statements of the Hudson Community Development & Planning Agency (the Organization) as of and for the year ended December 31, 2014, which collectively comprise the Organization's general purpose financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting provisions of the State of New York Office of State Comptroller, Division of Local Government and School Accountability, Albany, New York. Management is also responsible for 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 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 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 of the financial statements.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Organization on the basis of the financial reporting provisions of the State of New York Office of State Comptroller, Division of Local Government and School Accountability, Albany, New York, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the State of New York Office of State Comptroller, Division of Local Government and School Accountability, Albany, New York. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Organization, as of December 31, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

Management has not listed fixed assets on its annual updated document filed with the State of New York Office of the State Comptroller, has not established a capitalization threshold for financial reporting and has not valued all items on such document. The financial reporting provisions of the State of New York Office of State Comptroller, Division of Local Government and School Accountability, Albany, New York, require that capital assets be accounted for in the Organization’s annual financial report which would increase the assets and fund equity in the combined balance sheet. The amount by which this departure would affect the assets and fund equity has not been determined.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the affects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization as of December 31, 2014, and their respective changes in financial position and budgetary results for the year then ended, on the basis of the financial reporting provisions of the State of New York Office of State Comptroller, Division of Local Government and School Accountability, Albany, New York, as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2015 on our consideration of the Organization’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

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 read in considering the Organization's internal control over financial reporting and compliance.

Sealth, Louchie, Allen & Churchill, CPAs, P.C.

Hudson, New York

May 27, 2015

HUDSON COMMUNITY DEVELOPMENT PLANNING AGENCY
 COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 2014

	Governmental Fund Types		Non-Current		Totals (Memo- randum Only)
	General	Reserve Fund	Governmental Assets	Governmental Liabilities	Reporting Entity
ASSETS					
Cash:					
Unrestricted	\$ 154,804	\$ -	\$ -	\$ -	\$ 154,804
Restricted	8,716	-	-	-	8,716
Receivables:					
State and Federal Aid	36,436	-	-	-	36,436
Other, Net of Allowance	-	-	-	-	-
Other Assets					
Loans Receivable	200,656	-	-	-	200,656
Land, Building and Equipment, Net	-	-	523,552	-	523,552
Total Assets	<u>\$ 400,612</u>	<u>\$ -</u>	<u>\$ 523,552</u>	<u>\$ -</u>	<u>\$ 924,164</u>
LIABILITIES					
Payables:					
Accounts Payable	\$ 5,847	\$ -	\$ -	\$ -	\$ 5,847
Deferred Revenue:					
Deferred Revenue - Real Estate Sales	50,007	-	-	-	50,007
Deferred Revenue - Revolving Loans	138,155	-	-	-	138,155
Long-Term Liabilities:					
Other Liabilities	-	-	-	-	-
Total Liabilities	<u>194,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,009</u>
FUND EQUITY					
Investment in General Fixed Assets	-	-	523,552	-	523,552
Non-Spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	8,716	-	-	-	8,716
Unassigned	197,886	-	-	-	197,886
Total Fund Equity	<u>206,602</u>	<u>-</u>	<u>523,552</u>	<u>-</u>	<u>730,154</u>
Total Liabilities and Fund Equity	<u>\$ 400,611</u>	<u>\$ -</u>	<u>\$ 523,552</u>	<u>\$ -</u>	<u>\$ 924,163</u>

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

HUDSON COMMUNITY DEVELOPMENT PLANNING AGENCY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES CHANGES IN FUND EQUITY
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Fund Types		Totals (Memo- randum Only)
	General	General Fund- Reserves	Reporting Entity
REVENUES			
Use of Money and Property			
Interest	\$ 14,942	\$ -	\$ 14,942
Rentals	1,000	-	1,000
Rental Income	-	-	-
Sale of Property and Compensation for Loss	24,730	-	24,730
Miscellaneous			
Donations	14,000	-	14,000
Principle Reductions in Revolving Loans	1,422	-	1,422
State Sources	14,429	-	14,429
Total Revenues	70,523	-	70,523
EXPENDITURES			
Insurance	1,287	-	1,287
Professional Fees	25,199	-	25,199
Management Fees	56,635	-	56,635
Property Maintenance	621	-	621
Community Service Expense	221	-	221
Grant Program Expenses			
Charles Williams Park	16,978	-	16,978
Employee Benefits	407	-	407
Operating Expense	196	-	196
Total Expenditures	101,544	-	101,544
Excess (Deficiency) of Revenues Over Expenditures	(31,021)	-	(31,021)
OTHER FINANCING SOURCES AND USES			
Operating Transfers In	-	-	-
Operating Transfers Out to Fixed Assets	(14,000)	-	(14,000)
Rounding	-	-	-
Total Other Sources (Uses)	(14,000)	-	(14,000)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(45,021)	-	(45,021)
Fund Equity - Beginning of Year, Restated	251,622	-	251,622
Fund Equity - End of Year	\$ 206,602	\$ -	\$ 206,602

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

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET BASIS AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
<i>REVENUES</i>				
Operating Revenues	\$ -	\$ -	\$ -	\$ -
Investment Earnings	800	800	14,942	14,142
State Subsidiaries / Grants	200,000	200,000	14,429	(185,571)
Federal Subsidiaries / Grants	8,000	8,000	-	(8,000)
Municipal Subsidiaries / Grants	-	-	-	-
Other Nonoperating Revenues	<u>22,000</u>	<u>22,000</u>	<u>41,152</u>	<u>19,152</u>
 Total Revenues	 230,800	 230,800	 70,523	 (160,277)
<i>OTHER FINANCING SOURCES</i>				
Transfers from Other Funds	-	-	-	-
Appropriated Reserves	-	-	-	-
Designated Fund Balance and Encumbrances	-	-	-	-
Carried Forward From Prior Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Financing Sources	 <u>\$ 230,800</u>	 <u>\$ 230,800</u>	 <u>\$ 70,523</u>	 <u>\$ (160,277)</u>

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

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET BASIS AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance With Budgetary Actual and Encumbrances</u>
<i>EXPENDITURES</i>					
Salaries & Wages	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ 40,000
Other Employee Benefits	5,000	5,000	407	-	4,593
Professional Services Contracts	34,500	34,500	56,635	-	(22,135)
Supplies & Materials	-	-	11	-	(11)
Other Operating Expenditures	-	-	43,870	-	(43,870)
Other Nonoperating Expenditures	<u>208,000</u>	<u>208,000</u>	<u>621</u>	<u>-</u>	<u>207,379</u>
Total Expenditures	<u>287,500</u>	<u>287,500</u>	<u>101,544</u>	<u>-</u>	<u>185,956</u>
 <i>OTHER USES</i>					
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Uses	<u>\$ 287,500</u>	<u>\$ 287,500</u>	<u>\$ 101,544</u>	<u>\$ -</u>	<u>\$ 185,956</u>

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

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basis of presentation is a special purpose framework of accounting other than generally accepted accounting principles in the United States of America as applied to government units. The Board of Directors and the City Council of the City of Hudson, for which Hudson Community Development & Planning Agency is considered a component unit of, has authorized the presentation of financial information in accordance with the regulatory basis of accounting as prescribed by the Office of the State Comptroller (OSC), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Generally accepted accounting principles prescribe a reporting model as described in GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

The more significant minimum financial reporting requirements of GASB Statement No. 34, as modified, for State and Local Governments which are not followed in the OSC prescribed format are as follows:

- Management's Discussion and Analysis (MD&A) is a component of required supplementary information (RSI). The MD&A is an introduction to the basic financial statements and an analytical overview of the government's financial activities.
- RSI other than the MD&A, such as the required budgetary comparison schedule for the General Fund and major Special Revenue Funds, generally is included immediately following the notes to the financial statements in the prescribed format.
- Infrastructure Reporting – Capitalization and depreciating a government's infrastructure assets. (e.g. roads, bridges, dams, water and sewer systems, etc.).
- Entity-Wide Financial Reports – Entity-wide Statement of Net Assets, Statement of Activities and Changes in Net Assets use accrual accounting methods similar to private sector companies to report all activities of the Organization in combined statements.

A. Financial Reporting Entity:

The Hudson Community Development & Planning Agency is a public benefit corporation established by the City of Hudson, New York pursuant to Article 15B of the General Municipal Law. The purpose of Hudson Community Development & Planning Agency is to delegate the responsibility to provide safe and sanitary housing to City residents and to seek economic development opportunities. The governing board consists of five members, all of which are either elected City officials or their appointees. Accordingly, the Organization is governed by the City of Hudson, New York's Charter, the City law and other general laws of the State of New York and various local laws.

See independent auditor's report.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

All proprietary activities and functions performed for the Hudson Community Development & Planning Agency are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The Organization is included in the City of Hudson, New York's financial statements as a potential component unit based on several criteria set forth in GASB Statements No. 14, 39 and 61 including legal standing, fiscal dependency, and financial accountability. Other reasons for its inclusion in the Government entity are:

1. Title to properties acquired by the Agency during the course of its operations vested in the name of the City.
2. Performance of financial transactions in the name of the City (e.g., Section 8 Housing Assistance Payments Annual Contributions Contracts, administered by the Agency, bear the authorizing signatures of the Mayor of Hudson and the appropriate HUD official).
3. Applications for federal grants must be approved by the Common Council.

A. Fund Accounting:

The Hudson Community Development & Planning Agency uses funds and account groups to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The Hudson Community Development & Planning Agency records its transactions in the fund types and account groups described below.

I. Governmental Funds:

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the Organization's governmental fund types:

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. General Fund:

This is the principal operating fund and includes all operations not required to be recorded in other funds.

b. General Fund – Reserves:

This is utilized to account for Reserve Funds established by the Organization that are legally restricted for the purpose for which the Reserve was established.

II. Non-Current Government Assets:

Non-current government assets are used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes.

III. Non-Current Government Liabilities:

Non-current governmental liabilities are used to account for all long-term debt.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Fund Balances:

For the current year ended December 31, 2014, the Organization implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). GASB 54, changing the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is now broken down into five different classifications: non-spendable, restricted, committed, assigned, and unassigned.

I. Non-Spendable:

Consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principle of endowments.

II. Restricted:

Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

III. Committed:

Consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board of Directors is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance. The Organization has no committed fund balance as of December 31, 2014.

IV. Assigned:

Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body of official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. The Board, by resolution has authorized the Organization to assign fund balance.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

V. Unassigned:

Represents the residual classification for the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

When resources are available from multiple classifications, the City spends funds in the following order: restricted, committed, assigned, unassigned.

C. Interfund Transactions:

The operations of the Organization include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Organization may loan resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid with one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 3, B for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

D. Basis of Accounting/Measurement Focus:

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures.

-- Modified Accrual Basis:

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Material revenues that are accrued include interest receivable and grant revenue. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase;
- b. Principal and interest on indebtedness are not recognized as an expenditure until due;
- c. Disbursements for inventory type items are considered an expenditure at the time of purchase; and
- d. Fixed assets are recorded at the fair market value at the time received. However, accounting principles generally accepted in the United States of America required fixed assets to be recorded at actual or estimated cost or, in the case of gifts and contributions, at the fair market value at the time received. No provision for depreciation is made. Long-term debt liabilities are recorded at the par value of the principal amount. No liability is recorded for interest payable to maturity.

E. Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Organization's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

F. Deferred Revenue:

Deferred revenues are reported when potential revenues do not meet the available criteria for recognition in the current period. The amounts are recorded as Deferred Inflows of Resources. In subsequent periods when the availability criterion is met, the liability for deferred revenues is removed and revenues are recorded.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. Property, Plan, and Equipment – General:

The Organization does not record non-current government assets on its books, which is at variance with Generally Accepted accounting principles and mandated requirements by the New York State Office of the State Comptroller. Accordingly, no provisions for non-current government assets has been made in the accompanying financial statements.

H. Departures from Special Purpose Framework for Accounting:

At the balance sheet date, assets listed in non-current government assets had not been recorded at actual or estimated cost at the time acquired, as required by the special purpose framework of accounting followed by the Organization. The Organization does not maintain a fixed asset account group. Therefore, audit procedures could not be applied to amounts reported in this account.

I. Total Columns on the General-Purpose Financial Statements:

Total columns on the general-purpose financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. Estimates:

The preparation of financial statements in conformity with OCBOA requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimated.

Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences and potential contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. New Accounting Standards:

The Organization has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2014, the Organization implemented the following new standards issued by GASB:

--GASB Statement 67, *Financial Reporting for Pension Plans-an Amendment of GASB Statement No. 25*;

--GASB Statement 69, *Government Combinations and Disposals of Government Operations*;

--GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

GASB has issued Statement 67 – *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide post-employment benefits other than pensions. This Statement and Statement 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Organization has adopted this Statement. There is no impact to the December 31, 2014 financial statements.

GASB has issued Statement 69 – *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting related to government combinations and disposals of government operations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition value. This Statement also provides guidance for transfers of *operations* that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNICANT ACCOUNTING POLICIES (CONTINUED):

requires the use of carrying values to measure the assets and liabilities in a transfer of operations. This Statement provides accounting and financial reporting guidance for disposals of government operations that may have been transferred or sold. This Statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The Organization has adopted this statement. There is no impact to the December 31, 2014 financial statements.

GASB has issued Statement 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The Organization has adopted this Statement. There is no impact to the December 31, 2014 financial statements.

L. Future Changes in Accounting Standards:

GASB has issued Statement 68 – *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 2*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNICANT ACCOUNTING POLICIES (CONTINUED):

to as trusts) that meet certain criteria. The requirements of Statement 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Organization is currently studying the Statement and plans on adoption if and when required, which will be for the December 31, 2015, financial statements.

GASB has issued Statement 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. This Statement addresses the transition provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*. Statement 71 eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68. The provisions are effective simultaneously with the provisions of Statement 68, which is required to be applied in the December 31, 2015, financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. General Budget Policies:

I. The Organization employs the following budgetary procedures:

- a. The Board submits a tentative budget for the fiscal year commencing the subsequent calendar year annually. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

II. Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the General and Special Revenue Funds. Encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS:

A. Assets:

I. Cash:

The Organization's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Hudson Community Development & Agency's investment policies are governed by state statutes. In addition, the Organization is subject to the City of Hudson, New York's written investment policy. The Organization's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Executive Director and the Executive Assistant are authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits 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.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

As of December 31, 2014, \$0- of the Organization's bank balance was exposed to custodial credit risk.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contributor guidance to be reserved for various purposes. Restricted cash as of year-end includes \$8,716 within the governmental funds and \$0 in the fiduciary funds.

II. Loans Receivable:

Loans receivable at December 31, 2014 totaled \$187,682 and comprised of the following loans and promissory notes:

- a. Promissory Note originally for \$28,000, due February 1, 2011 with interest of 4.0% compounded annually. This loan was restated on February 20, 2014, requiring twenty equal payments of \$152 due on July 1st and December 1st each year beginning July 1, 2011 with interest of 4.0% compounded annually. As of

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED):

December 31, 2014, \$456 has been received for this loan. The principal balance at December 31, 2014 is \$12,060.

- b. Promissory Note originating from partial sale of property on August 27, 2009 obtained through foreclosure for \$125,000. The terms of the note were modified on June 21, 2011, reducing the outstanding balance to \$106,383, requiring fourteen equal payments of \$7,599 due on July 1st and December 1st each year beginning July 1, 2011. The note was again modified on January 9, 2013, restating the note as non-interest bearing so long as the loan is not in default. In the event that default occurs, the interest rate shall continue to accrue at the rate of 10.0% per annum for the duration of the term. The revised terms of the loan require semi-annual payments of \$8,334 due July 1st and December 1st year each, commencing on December 1, 2012 and continuing until December 1, 2017 when any outstanding principal, interest, and fees shall be due and payable in full. The principal balance at December 31, 2014 is \$50,006.
- c. Revolving Loan originally for \$22,000 having no due date and no interest for funds advanced for the construction of units for the Affordable Housing Project. The Loan was restated on February 20, 2014, requiring twenty equal payments of \$330 due on July 1st and December 1st each year beginning July 1, 2011 with interest of 4.0% compounded annually. As of December 31, 2014, \$989 has been received for this loan. The principal balance at December 31, 2014 is \$21,096.
- d. Non-Interest Bearing Loan for \$105,000, for funds advanced to Housing Resources of Columbia County, Inc (HRCC) for the rehabilitation of 43-47 North Fifth Street., Hudson, New York. These funds are due upon the property's sale to an unrelated entity.

B. Liabilities:

I. Deferred Revenue:

Total deferred revenue of \$207,139 at December 31, 2014, consists of the following, all of which were uncollected at April 30, 2015:

33-35 Green Street Property Sale	50,006
HRCC 2nd Street Property Sale	12,060
HRCC Revolving Loan	21,096
HRCC 43-47 North 5th Street Sale	105,000
Total Deferred Tax Revenue	<u>\$ 188,161</u>

See independent auditor's report.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED):

II. Long-Term Debt:

At December 31, 2014, the Organization had no outstanding indebtedness.

C. Interfund Balances and Activity:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ -	\$ -	\$ -	\$ -
Reserve Fund	-	-	-	-
Total Government Activities	-	-	-	-
Fiduciary Agency Fund	-	-	-	-
Totals	\$ -	\$ -	\$ -	\$ -

In the normal course of its operations, the Organization budgets for and transfers monies between funds for these budgeted purposes.

NOTE 4 – RELATED PARTIES:

During the year ended December 31, 2014 the Organization shared administrative staff and expenses with Hudson Development Corporation (HDC). The expenses shared include: wages for the Executive Director and the Executive Assistant, related fringe benefits, payroll processing fees, telephone, and the grant writer. Amounts paid as reimbursement to HDC for such expenses are considered management fees. The total amount of HCDPA's portion of the shared expenses for the year ended December 31, 2014 is \$56,635. This agreement does not have a term and is therefore considered month-to-month.

NOTE 5 – COMMITMENTS AND CONTINGENCIES:

- A) The Organization has received grants in varying amounts, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and requests for return of funds to these governments. Based on past audits, the Organization believes disallowances, if any, will be immaterial.
- B) The Organization is subject to litigation in its normal course of operations and carries insurance related to such possibilities. Presently, the Organization is not subject to any matters that require the recognition of a liability in the financial statements.

See independent auditor's report.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014

NOTE 6 – SUBSEQUENT EVENTS:

- A. The date to which events after December 31, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is May 27, 2015, which is the date the financial statements were available to be issued.
- B. On April 21, 2015, Donald Tillson, Jr. retired as the Chairman of the Planning Commission for the City of Hudson, New York. Accordingly, he will no longer sit on the Board of Directors of the Hudson Community Development & Planning Agency.

NOTE 7 – RESTATED BALANCES (PRIOR PERIOD ADJUSTMENTS):

The unrestricted net assets balance as of December 31, 2013 was decreased by \$10,208 for the following adjustments:

Equity as of December 31, 2013	\$ 261,830.00
Plus / Minus Adjustments Made to Retained Earnings:	
Remove Accrued Records Management Grant Income Not Applied For	(220.00)
Reclassify 2013 HDC Management Fees Paid in 2014 as a 2013 Expense	(5,163.00)
To Remove Senior Center Receivable for Grant Not Accepted	(4,825.00)
Equity as of December 31, 2013, Restated	<u>\$ 251,622.00</u>



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 *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
 Hudson Community Development & Planning Agency
 Hudson, New York

We have audited, in accordance with the 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, the financial statements of the Hudson Community Development & Planning Agency, which comprise the statements of combined balance sheet as of December 31, 2014, and the related changes in fund equity, and budgetary accounting for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 27, 2015.

Internal Control Over Financial Reporting:

In planning and performing our audit of the financial statements, we considered the Hudson Community Development & Planning Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Hudson Community Development & Planning Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hudson Community Development & Planning Agency's internal control.

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, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

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 GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Hudson Community Development & Planning Agency's financial statements are free from 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 audits 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*.

Purpose of this Report:

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seibler, Loshkin, Allen + Churchill, CPAs P.C.

Hudson, New York
May 27, 2015