HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

HUDSON COMMUNITY DEVELOPMENT & PLANNING AGENCY

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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, 2015, 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.

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

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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, 2015, 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 it's 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, 2015, 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 February 25, 2016 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

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.

Seidler, Pavelis, Allen + Churchill, CPA's, P.C.

Hudson, New York
February 25, 2016

HUDSON COMMUNITY DEVELOPMENT PLANNING AGENCY
COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2015

	Governmental Fund Types		Non-Current		Totals (Memorandum Only)
	General	Reserve Fund	Governmental Assets	Governmental Liabilities	Reporting Entity
ASSETS					
Cash:					
Unrestricted	$ 44,171	$ -	$ -	$ -	$ 44,171
Restricted	38,316	-	-	-	38,316
Receivables:					
Local Aid	96,160	-	-	-	96,160
Other, Net of Allowance	-	-	-	-	-
Other Assets	-	-	-	-	-
Loans Receivable	179,956	-	-	-	179,956
Land, Building and Equipment, Net	-	-	523,552	-	523,552
Total Assets	$ 358,603	$ -	$ 523,552	$ -	$ 882,155
LIABILITIES					
Payables:					
Accounts Payable	$ 2,805	$ -	$ -	$ -	$ 2,805
Deferred Revenue:					
Deferred Revenue - Real Estate Sales	33,338	-	-	-	33,338
Deferred Revenue - Revolving Loans	135,227	-	-	-	135,227
Long-Term Liabilities:					
Other Liabilities	-	-	-	-	-
Total Liabilities	171,370	-	-	-	171,370
FUND EQUITY					
Investment in General Fixed Assets	-	-	523,552	-	523,552
Non-Spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	38,316	-	-	-	38,316
Unassigned	148,917	-	-	-	148,917
Total Fund Equity	187,233	-	523,552	-	710,785
Total Liabilities and Fund Equity	$ 358,603	$ -	$ 523,552	$ -	$ 882,155

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, 2015

	Governmental Fund Types		Totals (Memorandum Only)
	General	General Fund-Reserves	Reporting Entity
REVENUES			
Use of Money and Property			
Interest	$ 2,209	$ -	$ 2,209
Rentals	-	-	-
Sale of Property and Compensation for Loss	16,669	-	16,669
Miscellaneous			
Donations	-	-	-
Principle Reductions in Revolving Loans	2,928		2,928
Local Aid	109,619	-	109,619
Total Revenues	131,425	-	131,425
EXPENDITURES			
Insurance	1,252	-	1,252
Professional Fees	15,319	-	15,319
Management Fees	59,180	-	59,180
Property Maintenance	1,404	-	1,404
Community Service Expense	220	-	220
Grant Program Expenses			
Dunn Warehouse Project	52,663	-	52,663
Kayak Grant	20,507	-	20,507
Employee Benefits	(358)	-	(358)
Operating Expense	607	-	607
Total Expenditures	150,794	-	150,794
Excess (Deficiency) of Revenues Over Expenditures	(19,369)	-	(19,369)
OTHER FINANCING SOURCES AND USES			
Operating Transfers In	-	-	-
Operating Transfers Out to Fixed Assets	-	-	-
Rounding	-	-	-
Total Other Sources (Uses)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(19,369)	-	(19,369)
Fund Equity - Beginning of Year	206,602	-	206,602
Fund Equity - End of Year	$ 187,233	$ -	$ 187,233

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, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
REVENUES				
Operating Revenues	$ -	$ -	$ -	$ -
Investment Earnings	800	800	2,209	1,409
State Subsidiaries / Grants	200,000	200,000	109,619	(90,381)
Federal Subsidiaries / Grants	8,000	8,000	-	(8,000)
Municipal Subsidiaries / Grants	-	-	-	-
Other Nonoperating Revenues	22,000	22,000	19,597	(2,403)
Total Revenues	230,800	230,800	131,425	(99,375)
OTHER FINANCING SOURCES				
Transfers from Other Funds	-	-	-	-
Appropriated Reserves	-	-	-	-
Designated Fund Balance and Encumbrances Carried Forward From Prior Year	-	-	-	-
Total Revenues and Other Financing Sources	$ 230,800	$ 230,800	$ 131,425	$ (99,375)

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, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
EXPENDITURES					
Salaries & Wages	$ 40,000	$ 40,000	$ -	$ -	$ 40,000
Other Employee Benefits	5,000	5,000	(358)	-	5,358
Professional Services Contracts	34,500	34,500	74,499	-	(39,999)
Supplies & Materials	-	-	406	-	(406)
Other Operating Expenditures	-	-	3,077	-	(3,077)
Other Nonoperating Expenditures	208,000	208,000	73,170	-	134,830
Total Expenditures	287,500	287,500	150,794	-	136,706
OTHER USES					
Operating Transfers Out	-	-	-	-	-
Total Expenditures and Other Uses	$ 287,500	$ 287,500	$ 150,794	$ -	$ 136,706

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

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 (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.

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:

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.

B. Fund Balances:

The Agency follows Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). GASB 54, changed 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 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.

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

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, 2015.

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.

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 Agency 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, C for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

See independent auditor's report.

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

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.

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.

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

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.

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.

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, 2015, the Organization implemented the following new standards issued by GASB:

--GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*

--GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.*

GASB has issued Statement 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. 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 to as trusts) that meet certain criteria. The requirements of Statements 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 Town has adopted the Statement. There is no impact on the Statement of Non-Current Governmental Liabilities for the December 31, 2015 financial statements.

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

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 No. 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, and have been applied in the December 31, 2015, financial statements.

L. Future Changes in Accounting Standards:

GASB has issued Statement No. 72, *Fair Value Measurement and Application.* This Statement finalizes Exposure Draft (ED) No. 26-5E, and addresses how state and local governments should account and report issues related to fair value measurements. Among other principles, Statement No. 72 notes that a government determining a fair value measurement should consider the unit of account of the asset or liability. The unit of account refers to the level at which an asset or a liability is aggregated or disaggregated for measurement, recognition, or disclosure purposes as provided by the accounting standards. For example, the unit of account for investments held in a brokerage account is each individual security, whereas the unit of account for an investment in a mutual fund is each share in the mutual fund held by a government. Further, Statement No. 72 requires a government to deploy one of three valuation techniques described therein that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Those valuation techniques are the market approach, the cost approach, or the income approach. According to Statement No. 72, valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The Organization is currently studying the Statement and plans on adoption if and when required, which will be for the December 31, 2016, financial statements.

GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement seeks to improve financial reporting by establishing a single framework for the presentation of information concerning pensions that will enhance the comparability of pension-related information reported by employers and non-employer contributing entities. In particular, Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27,* as well as for the assets accumulated for purposes of providing those pensions. Additionally, it (1) establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68, and (2) amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans-an Amendment of GASB Statement No. 25*, and Statement No. 68 for pension plans and

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

pensions that are within their respective scopes. In fact, the requirements of this Statement No. 73 extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions provided through pension plans that are not administered through trusts and that satisfy the criteria specified in Statement No. 68 should not be considered pension plan assets. This Statement also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities. Finally, this Statement clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to, among other issues, information that is required to be presented as notes to the ten-year schedules of required supplementary information regarding investment-related factors that significantly affect trends in the amounts reported. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The Organization is currently studying the Statement and plans on adoption if and when required, which will be for the December 31, 2016, financial statements.

GASB has issued Statement 74 – *Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans.* This Statement seeks to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information to be presented by plans for post-employment benefits other than pensions (OPEB) that are administered through trusts and satisfy certain criteria noted below, thereby enhancing the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency. This Statement No. 74 replaces Statements No. 43, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, as amended,* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for such plans in Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended,* No. 43, and No.50, *Pension Disclosures.* In particular, Statement No. 74 establishes financial reporting standards for state and local governmental OPEB plans – defined benefit OPEB plans and defined contribution OPEB plans – that are administered through trusts or equivalent arrangements in which (1) contributions from employers and non-employer contributing entities to the OPEB plan, as well as earnings on those contributions, are irrevocable; (2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms; and (3) OPEB plan assets are legally protected form the creditors of employers, non-employer contributing entities, and the OPEB plan administrator, and if the plan is a defined benefit OPEB plan, plan assets are also legally protected from creditors of the plan members. This Statement further establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are

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

not administered through trusts or equivalent arrangements that satisfy the foregoing criteria. The Town is currently studying the Statement and plans on adoption if and when required, which will be for the December 31 2017, financial statements.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.* This Statement, which replaces Statements No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, as amended,* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* establishes new accounting and financial reporting requirements for governments whose employees are provided with other post-employment benefits (OPEB) and for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. In particular, Statement No. 75 establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements in which (1) contributions from employers and non-employer contributing entities to the OPEB plan, as well as earnings on those contributions, are irrevocable; (2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms; and (3) OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator, and if the plan is a defined benefit OPEB plan, plan assets are also legally protected from creditors of the plan members. This Statement further establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are proved to the employees of state and local governmental employers through OPEB plans that are not administered through trusts that meet the foregoing criteria. Additionally, Statement No. 75 (1) establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures; (2) identifies, for defined benefit OPEB, the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service; (3) addresses note disclosure and supplementary information requirements concerning defined benefit OPEB; (4) details that recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts satisfying the foregoing criteria and for employers whose employees are provided with defined contribution OPEB; and (5) addresses certain circumstances in which a non-employer entity provides financial support of OPEB of employees of another entity. The Organization is currently studying the Statement and plans on adoption if and when required, which will be for the December 31, 2018, financial statements.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement, which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* aims to identify – in the context of the current governmental financial

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

reporting environment- the hierarchy of U.S. GAAP, which consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with U.S. GAAP, as well as the framework for selecting those principles. In particular, Statement No. 76 reduces the U.S. GAAP hierarchy to two categories of authoritative U.S. GAAP, and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative U.S. GAAP. This improves financial reporting by (1) raising the category of GASB Implementation Guides in the U.S. GAAP hierarchy, thereby providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative U.S. GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. As a result, governments will apply financial reporting guidance with less variation, which, in turn, will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Organization is currently studying the Statement and plans on adoption if and when required, which will be for the December 31, 2016, financial statements.

GASB has issued Statement 77 – *Tax Abatement Disclosure.* This Statement establishes financial reporting standards for tax abatement entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments that reduce the reporting government's tax revenues. The provisions of the Statement should be applied to all state and local governments subject to such tax abatement agreements. For financial statement purposes, a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more government promises to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. This Statement aims to improve financial reporting by giving users of financial statements essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (1) whether current-year revenues were sufficient to pay for current-year services, (2) compliance with finance-related legal or contractual requirements, (3) where a government's financial resources come from and how it uses them, and (4) financial position and economic condition and how they have changed over time. The Organization is currently studying the Statement and plans on adoption if and when required, which will be for the December 31, 2016, financial statements.

GASB has issued Statement 78 – *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial

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

Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Organization is currently studying the Statement and plans on adoption if and when required, which will be for the December 31, 2016, financial statements.

GASB has issued Statement 79 – *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those

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

disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The Organization is currently studying the Statement and plans on adoption if and when required, which will be for the December 31, 2016, 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.

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 statues. 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.

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

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, 2015, $-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 $38,316 within the governmental funds and $0 in the fiduciary funds.

II. Loans Receivable:

Loans receivable at December 31, 2015 totaled $179,956 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 December 31, 2015, $1,730.11 has been received for this loan. The principal balance at December 31, 2015 is $10,995 and accrued interest of $2,160.

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, 2015 is $33,338.

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

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, 2015, $3,746 has been received for this loan. The principal balance at December 31, 2015 is $19,233 and accrued interest of $9,230.

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 $168,565 at December 31, 2015, consists of the following:

33-35 Green Street Property Sale	33,338
HRCC 2nd Street Property Sale	10,995
HRCC Revolving Loan	19,233
HRCC 43-47 North 5th Street Sale	105,000
Total Deferred Tax Revenue	$ 168,566

II. Long-Term Debt:

At December 31, 2015, 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.

See independent auditor's report.

NOTE 4 – RELATED PARTIES:

During the year ended December 31, 2015 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, 2015 is $59,180. 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.

NOTE 6 – SUBSEQUENT EVENTS:

A) The date to which events after December 31, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 25, 2016, which is the date the financial statements were available to be issued.

See independent auditor's report.

Sickler, Torchia
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Your Partner When It Counts

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Joseph J. Montalto, CPA

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, 2015, 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 February 25, 2016.

***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.

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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.

Sickle, Loeslin, Allen + Churchill, CPA's, P.C.

Hudson, New York
February 25, 2016

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February 25, 2016

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

In planning and performing our audit of the basic financial statements of the Hudson Community Development & Planning Agency, for the year ended December 31, 2015, 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, we considered the Hudson Community Development & Planning Agency's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We have separately reported on the Hudson Community Development & Planning Agency's internal control in our report dated February 25, 2016. This letter does not affect our report dated February 25, 2016, on the basic financial statements of the Hudson Community Development & Planning Agency.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the Executive Director and the Executive Assistant of the Hudson Community Development & Planning Agency and we will be pleased to discuss them in further detail at your convenience to perform any additional study of these matters, or to assist in implementing the recommendations.

Sickler, Torchia, Allen & Churchill, CPA's P.C.
Hudson, New York

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MEMORANDUM

CURRENT YEAR MEMORANDUM ITEMS

Grant Disallowances

During the current year audit procedures, we noted that there was at least one incidence of disallowance for grant expenditures which were submitted for reimbursement. Specifically, the expense noted related to the Charles Williams Park. Ultimately, the grant disallowance had no impact on the Agency's eligibility for reimbursement. However, it was noted that there is currently no policy in place regarding expense criteria. Although the board is required to approve expenditures, the board must also exercise oversight with regards to the purpose of expenditures.

We recommend the adoption of a policy that:

1. ensures expenditures are in accordance with grant agreements, and
2. ensures expenditures are in compliance with the Agency's fiduciary duties.

PRIOR YEAR MEMORANDUM ITEMS

There were no comments during the prior year.