

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

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Albany Community Development Agency

We have audited the accompanying financial statements of the governmental activities and each major fund of the Albany Community Development Agency (Agency), a blended component unit of the City of Albany as of and for the year ended December 31, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's 2009 financial statements and, in our report dated June 11, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2011 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Albany Community Development Agency taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

UHY LLP

Albany, New York
June 24, 2011

**Management Discussion & Analysis for Albany Community Development Agency (ACDA)
A Component Unit of the City of Albany, New York
As Supplemental Information for ACDA Financial Statements for
December 31, 2010 and the Year then Ended**

As management of the Albany Community Development Agency (Agency; ACDA), this discussion and analysis is offered to assist readers in understanding the financial operations of ACDA in conjunction with the financial statements for the year ended December 31, 2010. The goal of this discussion and analysis is to highlight how the organization has financially met its goals and objectives and what changes have been occurring within ACDA. We encourage readers to use this Management Discussion and Analysis in conjunction with the financial statements and notes contained within those statements. This Discussion and Analysis will provide comparative analysis of data between 2009 and 2010 and for the years then ended.

Introduction:

ACDA is a public benefit corporation established by the City of Albany, New York (Albany), and is governed by a board of directors appointed by the Mayor of Albany. ACDA is a component entity of the City of Albany. As a component unit, ACDA employees are City of Albany employees and abide by City of Albany personnel policies and procedures. ACDA's goal is to provide suitable living environments and economic opportunities for persons of low and moderate income.

Funds used by ACDA come primarily from the U.S. Department of Housing and Urban Development (HUD). The major sources of HUD funds are the Community Development Block Grant (CDBG), which is ACDA's largest funding source, the HOME Investment Partnership Program (HOME), the Emergency Shelter Grant (ESG), the Housing Opportunities for Persons with Aids Grant (HOPWA), Homeless Prevention & Rapid Rehousing (HPRP) and the Lead Paint Abatement Program. These programs account for approximately 91% of 2009 revenue and 83% of 2010 revenue. During the year ended December 31, 2010, Federal flow-through monies representing approximately 10.5% of 2010 revenue were received through New York State for the Neighborhood Stabilization Program (NSP). Other smaller sources of revenue are funded through Federal and some non-Federal sources.

ACDA provides direct assistance to meet the goals stated above and also provides funding to sub-recipients, based on the merit of their applications, to meet the objectives as well. ACDA operates based on HUD's National Program Objectives and ensures that funding source requirements and compliance needs are met. Decisions about how to spend monies are made through a defined process during which City of Albany citizens are involved. The process involves submittal of a publically reviewed Consolidated Plan every 5 years that states broad goals and objectives. ACDA's consolidated plan currently goes through 2015.

Each year an Annual Plan, also subject to public review and comment, is developed and adopted as based on the Consolidated Plan. The Annual Plan gets more specific in the implementation of the 5-Year Plan. Any significant changes are required to go through a public review and amendment process.

Financial Highlights:

- ACDA's financial statements are prepared on a calendar year basis. However the Federal Aid awards (entitlements) that are the primary source of revenue for ACDA are provided on a program year basis. The Federal program year runs from June 1 to May 31 each year. As a result, the 2009 calendar year financial statements include 5 months of the program year ended May 31, 2009 (Program Year 34) and 7 months of the program year beginning June 1, 2009 (Program Year 35). The 2010 calendar year financial statements include 5 months of the program year ended May 31, 2010 (Program Year 35) and 7 months of the program year beginning June 1, 2010 (Program Year 36).
- ACDA's entitlements for Year 36 increased approximately 8% for both CDBG and HOPWA over Year 35. Other entitlements remained relatively stable between Year 35 and Year 36. ACDA did receive an allocation of \$996,140 of what are known as CDBG-R funds during program Year 35. CDBG-R funds are Federal Economic Recovery funds. Homeless Prevention and Rapid

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Rehousing Program (HPRP) funds in the amount of \$1,523,772 for use during a 2 year period were allocated to ACDA during Year 35. These are also Federal Economic Recovery funds. Expenditures for these programs appear in the financial statements.

- During 2009 ACDA was awarded \$4,924,775 of Neighborhood Stabilization Program funds in order to complete two programs: a homeownership program and a low-income rental project. As the projects began late in 2009, there was immaterial overall activity for these projects during 2009 whereas the projects were active for all of 2010. These funds are awarded through New York Homes, although the funds are considered Federal pass-through funds.
- The Neighborhood Strategy Area grant (formerly known as Arbor Hill Improvement Program) was completed during 2009. This grant was replaced by a similar grant through the same agency for \$300,000.
- Lead monies are awarded by HUD on a competitive application basis and cover a three year time period. Award time periods do not coincide with a fiscal or calendar year. ACDA was awarded continued lead funds in the amount of \$3,000,000 and began the new grant during 2009. During 2009 ACDA received an extension into 2010 in order to complete additional lead project units as costs savings had been achieved during the prior lead grant. As such, for a portion of 2010 the two lead grants were active simultaneously.
- Program income, which is income that is earned based on leveraging the use of Federal award funds, tends to fluctuate substantially over time.
- It should be noted that there are often timing differences between when the entitlement period is and when actual funds are drawn down. Funds are drawn down as projects are completed and expenditures incurred.
- The net assets of ACDA are more representative of timing differences as ACDA does not have a profit goal such as would be found in the 'corporate world'.
- With regard to expenditures, in most cases spending remained relatively consistent between 2009 and 2010. Areas where there were material changes are described as follows:
 - Overall housing expenditures increased between 2010 and 2009 as a product of the projects and in-house program usage which are more fully explained in the analysis section.
 - Expenditures related to the homeless increased due to the activity of expenditures related to the HPRP program as described above.

Overview of the Financial Statements:

This Discussion and Analysis is provided as an introduction to the General Purpose Financial Statements. The General Purpose Financial Statements consist of a Balance Sheet which outlines the assets, liabilities, and net assets of the Agency by types of fund, a Statement of Revenues, Expenditures and Changes in Fund Balances which provides information on where revenues come from and how they are expended by broad category and by type of fund, and the notes to the financial statements which provide additional information on the financial statements and explain the different types of funds presented and the significant accounting policies used. Governmental fund balance financial reports are included as part of the set of financial statements as well.

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

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

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

Administration includes the oversight of ACDA as a whole, the operation of offices to house ACDA staff and equipment, and the costs of staff performing such tasks as accounting, clerical functions, overall operational management, and budgeting and planning. HUD requires that no more than 20% of all revenue from Federal sources be used for administration. ACDA administrative costs are within the HUD requirements.

The financial statements presented here are for calendar years 2010 and 2009. As described previously, program years are fiscal years which end each May 31. Program years coincide with the availability of Federal funds.

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

Condensed Financial Information:

The following condensed financial information summarizes the financial statements for the calendar years of 2010 and 2009 and the years then ended:

	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 3,171,000	\$ 3,043,000
Mortgage Loans Receivable, Net	11,809,000	12,512,000
Capital Assets	2,465,000	2,358,000
Total Assets	<u>17,445,000</u>	<u>17,913,000</u>
Current Liabilities	1,601,000	1,550,000
Deferred Revenues	11,082,000	11,545,000
Due to NYS Housing Trust Fund	644,000	757,000
Other Liabilities	1,666,000	1,851,000
Total Liabilities	<u>14,993,000</u>	<u>15,703,000</u>
Net Assets	<u>\$ 2,452,000</u>	<u>\$ 2,210,000</u>

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	<u>2010</u>	<u>2009</u>
Grant Revenue	\$ 9,211,000	\$ 7,873,000
Expenses:		
Program Related	8,639,000	6,049,000
Administrative	<u>330,000</u>	<u>564,000</u>
Total Governmental Activities	242,000	1,260,000
Other Revenue (Expense):		
Interest and Other Income	-	-
Loss on Disposal of Assets	<u>-</u>	<u>-</u>
Change in Net Assets	242,000	1,260,000
Net Assets, Beginning of Year	<u>2,210,000</u>	<u>950,000</u>
Net Assets, End of Year	<u><u>\$ 2,452,000</u></u>	<u><u>\$ 2,210,000</u></u>

Financial Analysis

Information is required to be separated into governmental activities and business-type activities. ACDA operations are all governmental activities except for one program known as the Albany Down Payment Assistance Program (ADAP).

ADAP began in 2002 and with a goal to encourage homeownership in the City of Albany through the provision of 0% interest loans for down payments. 2010 and 2009 had minimal activity related to the program. In order to generate the funds originally required to make the down payment loans for ADAP, bonds totaling \$700,000 were issued by ACDA and sold to Fannie Mae. The Albany Local Development Corp. (ALDC), provided \$100,000 of required collateral for this program. There are interest shortfall payments required on the bonds which are the responsibility of ACDA. Interest shortfall is incurred because the earnings on the funds are not sufficient to cover the full interest payments to bondholders. \$12,000 of interest shortfall was funded by ACDA during 2009. Activity related to ADAP is recorded within the Special Revenue Fund. The Special Revenue Fund is a fund where the monies that flow through the fund can only be expended for specific purposes. As the ADAP program is not a program eligible for use of HUD funds, the accounting for the ADAP program is separately recorded from HUD funded activities. Remaining bond proceeds will be loaned under the provisions of the ADAP program until fully depleted. The program will cease at that time, or in the year 2013, as 2013 is when the bonds are fully due. The repayments from loans are used to repay the bondholders.

ACDA's most significant asset is mortgage loans receivable. Mortgage loans receivable represent the amounts outstanding in mortgages made for various programs of ACDA that encourage homeownership and rehabilitation of housing for low to moderate income individuals. The majority of the loans are in the form of grants and deferred pro-rated loans where upon meeting certain conditions, such as length of ownership or occupancy and income levels, the loans are forgiven ratably over time. When an ability to repay the loan exists, traditional type loans are established with repayment terms and are serviced currently by Bank of America. These loans are low interest loans and are often combined with the use of granted funds as more fully described in this analysis.

Loans made through the special revenue fund are related to Housing Trust Fund (HTF) monies. All of these loans are deferred types of loans. No new HTF loans have been made in several years. ACDA currently only monitors compliance for the existing loans.

Allowances for doubtful loans are computed based on knowledge of the status of loans and an estimate of potential doubtful loans. With respect to the deferred (forgiven) loans, in the event of non-compliance a

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pro-rated portion of the loan is to be repaid to ACDA. In the event of default on a Bank of America loan, the remaining balance on the loan becomes immediately due.

ACDA's most significant liability is deferred revenue. Deferred revenue consists almost entirely of outstanding loans generated through CDBG and HOME fund entitlements. Deferred revenue is related to the mortgage loans receivable and is used as an account to manage the funds available to loan out in the future. See the notes to the financial statements for additional information.

To assist the reader of this Discussion and Analysis and the corresponding financial statements and their notes, it is helpful to have a brief overview of the mortgage programs being referred to. As noted above, many of the mortgage programs entail mortgages that are forgiven over a length of time and with each portion forgiven, essentially become a grant. Because the mortgages receivable and the associated deferred revenue are so significant to the finances of ACDA, knowing the primary types of assistance currently available will help offer perspective on the operations of ACDA.

Type of Assistance	Information about the Terms
Home Acquisition Program (HAP)	Low-income acquisition program available to households and non-profits that assist low-income households. The maximum loan amount per home is \$14,900. HAP's are forgiven ratably over 5 years, subject to certain conditions, such as occupancy and income levels.
Home Owner Assistance Program (HOAP)	Assists low-income homeowners in rehabilitating their homes to meet local housing standards and codes. Maximum assistance is \$5,000 for the building itself and \$20,000 for the rehabilitation costs. The first \$5,000 is in the form of a grant which is forgiven ratably over a 5 year time period. The remaining balance may be in the form of a mortgage with repayments made at low to no interest over the course of from 5 to 20 years or, if the ability to repay does not exist, it may be deferred and is then forgiven ratably over a 10 year time period. The decision on how that remaining balance is handled is based on a review of the best method to ensure the home is affordable to the homeowner. The property must be owner-occupied to qualify.
Neighborhood Strategy Area Home Improvement Program (NSAHIP)	Is a non-Federally funded program through the NYS Affordable Housing Corporation. The program is to assist with the acquisition, construction, rehabilitation, or improvement of one to four unit family dwellings which will be owner occupied.
Senior Housing Rehabilitation Program (SRP)	Provides low-to-moderate income persons over the age of 62 owning homes in the City of Albany up to \$5,000 for substantial repairs to housing units in order to eliminate conditions that pose a threat to the healthy, safety and welfare of their occupants. Assistance is in the form of a deferred grant to be ratably forgiven over a 5 year period unless the occupant must vacate the property to reside in a nursing home or becomes deceased, in which case the grant is immediately forgiven.

Fixed assets consist of 'Land and Buildings' and 'Equipment'. Included in land and buildings are condominium units used to provide temporary housing for participants of the lead abatement program. Properties are purchased (or received via donation) in order to reclaim substandard neighborhoods and discourage the use of vacant sites for negative activities. The goal is to stabilize the buildings/lots and market them for future use. During 2009, the primary change in fixed assets, specifically land and buildings, entailed the purchase of 4 properties for approximately \$97,000 on Henry Johnson Boulevard for future project purposes. 2010 land and building additions primarily included the purchase of 3 Morris Street buildings.

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

Accounts payable and accrued expenses represent balances for unpaid expenditures. Accrued expenses primarily relate to sub-recipients who are allowed to submit periodic vouchers to claim monies awarded to them.

With respect to the analysis of the revenue and expenses for the years ended December 31, 2009 and 2010, certain items can be further identified in this Management Discussion and Analysis to provide an increased understanding for the users of the financial statements. This information should be taken in conjunction with the information provided previously about the mortgage loan activity running through ACDA.

Program income is income that ACDA generates outside the entitlement monies and which can then be utilized to further the mission of ACDA. The primary sources of program income consist of repayments of mortgage loans and rental income from the rental of ACDA owned properties.

The expenditures of ACDA are based on a budget that is approved by the City of Albany Common Council on an annual basis. ACDA does a zero-based budget whereby expected income is fully budgeted for expenditure. Typically approximately 80 to 85% of expenditures are for program related purposes. Significant changes to individual expenditure line items during 2009 and 2010 consist of the following:

- During 2009 \$1,523,772 was awarded under the HPRP (part of the Federal Recovery Act) to be spent over a two year period for homeless assistance. Of the awarded amount approximately \$65,000 was spent during 2009 and \$1,049,000 was spent during 2010.
- During 2010 Lead Paint Abatement program expenditures were approximately \$376,000 higher than in 2009 as the most current \$3,000,000 grant was fully underway during 2010 while the previous grant was being completed in the beginning portion of 2010.
- Housing expenditures represent the largest category of expenditure. Significant changes within the housing category of expenditures between 2009 and 2010 are:
 - HOPWA expenditures increased approximately 52%.
 - Demolition costs were lower than typical during 2009 and increased in 2010. During 2009 there were only 4 demos whereas in 2010 there were 17. The number of demolitions is a product of the demolition needs within the low-to-moderate income areas within the City of Albany at any given time.
 - During 2009 \$4,924,775 was awarded for NSP (Neighborhood Stabilization Program). A portion is designated for the purchase of homes in foreclosure that can then be rehabbed as necessary and resold to qualified purchasers in an effort to quickly turn foreclosure properties back into occupied homes. One such home was purchased in 2009, fully rehabilitated in 2010 and ultimately sold in 2011. The majority of the award is being used for the purchase and rehabilitation of a large block of properties into low-income rental units. During 2010, approximately \$930,000 was expended primarily on the rental project (known as the Arbor Hill Apartments).
 - In 2010 ACDA was awarded \$300,000 for the Neighborhood Improvement Program through New York State similar to previous area improvement programs. The prior program was completed during 2010 and of this new award, approximately \$180,000 was spent during 2010.
 - The funding for economic development sub-recipients was decreased for program year 36, which correlated to a decrease in 2010 expenditures.
 - Overall administrative costs decreased between 2009 and 2010. This was achieved primarily through staff reductions and not filling vacant positions.

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Analysis of Balances and Transactions of Individual Funds

ACDA has primarily general funds. As described more fully elsewhere in the Management Discussion and Analysis, the Special fund primarily consists of activity related to the ADAP program. Additionally, awards made several years ago through the NYS Housing Trust Fund are considered Special fund activity.

Analysis of the Budget

As described elsewhere in this Management Discussion and Analysis, ACDA financial statements are on the calendar year basis. The program year that ACDA operates on with respect to Federal revenues is a fiscal year that ends each May 31. Because ACDA is obtaining primarily Federal funds and needs to allocate those funds out for the various programs and services it funds, the budget is maintained on the program year (fiscal year). The budget is based on the amount the Federal government awards ACDA (which is the majority of all revenue received) and other estimates that are immaterial to revenue as a whole. The specifics of how ACDA's entitlement monies will be spent go through a public process which entails presentation of a budget, a time for public comment on the budget and the ultimate approval by the City of Albany Common Council. With respect to the portion of the budget dedicated to public service, an RFP (request for proposal) process is utilized whereby submitted proposals are reviewed and graded by a committee of individuals consisting of ACDA employees as well as citizen reviewers.

The Lead Paint Abatement Program goes through a separate application process. A portion of the application includes a budget for the funding being requested. This budget is based on historical figures for what it costs to make a typical home lead safe and the costs associated with housing the families during the process as well as the operational and administrative costs. Actual expenditures are based on the federally approved budget.

There are times that an initial budget exceeds the actual need for funds. In these cases, the funds are 'recaptured' which is the process of making final calculations of what was paid and due for a program or to a sub-recipient and determining if there are excess funds that were allocated in the budget that can be used for other program purposes. Any changes within the budget fit within the Annual Plan and thus the Five Year Consolidated Plan.

Sub-recipient monitoring takes place to ensure that goals for projects are being accomplished. In cases where a sub-recipient does not meet their goals, a portion of the initial awarded funding will be recaptured. As with all recaptured monies, these allocations will be re-programmed for an allowable purpose.

Other than the re-programming of funds as explained, there were no significant changes to the budget during the year 2009 or 2010 with the exception of the Federal Recovery Act monies described previously. As those awards did not correspond with other Federal awards, ACDA was required to go through a separate public approval process for those funds.

Capital Asset Activity and Long-term Debt Activity

As described in the analysis of financial statements section, there was immaterial activity with respect to capital assets during both 2009 and 2010. That section provided the specifics of the most significant changes within capital assets.

No additional long-term debt was incurred by ACDA during 2009 or 2010.

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Infrastructure Assets

ACDA has no infrastructure assets.

Currently Known Facts, Decisions, and Conditions

The HUD entitlements for Program Year 37 will be:

- \$3,363,652 for CDBG
- \$1,231,902 for HOME
- \$163,205 for ESG
- \$508,035 for HOPWA

For CDBG, the entitlement for Year 37 represents a 16.5% decrease from Year 37. For HOME, the decrease is 11.33%. Due to the significance of the decreases, ACDA will be required to reduce funding for both sub-recipients, in-house programs, and administration accordingly.

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STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 1,436,056	\$ 1,089,324
Restricted cash	105,675	105,359
Mortgage loans receivable, net of allowance for loan losses of \$2,107,473 in 2010 and \$2,246,044 in 2009	11,808,525	12,511,999
Due from federal government	1,281,858	1,224,802
Due from the City of Albany	-	374,630
Capital assets, net of depreciation	2,465,329	2,358,205
Other assets	<u>347,847</u>	<u>249,246</u>
Total assets	<u>\$ 17,445,290</u>	<u>\$ 17,913,565</u>
LIABILITIES AND FUND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,308,446	\$ 794,123
Long-term obligations	1,625,882	1,810,744
Deferred revenues	11,082,025	11,545,373
Due to New York State Housing Trust Fund	644,213	757,499
Due to federal government	149,503	238,858
Due to the City of Albany	142,656	516,728
Other liabilities	<u>40,240</u>	<u>40,704</u>
Total liabilities	<u>14,992,965</u>	<u>15,704,029</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,075,676	841,312
Unrestricted	<u>1,376,649</u>	<u>1,368,224</u>
Total net assets	<u>2,452,325</u>	<u>2,209,536</u>
Total liabilities and net assets	<u>\$ 17,445,290</u>	<u>\$ 17,913,565</u>

See notes to financial statements.

ALBANY COMMUNITY DEVELOPMENT AGENCY
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STATEMENTS OF ACTIVITIES
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	<u>Governmental Activities</u>			<u>2010</u>	<u>2009</u>
	<u>Expenses</u>	<u>Program Revenues</u>			
		<u>Charges for Services</u>	<u>Operating Grants</u>		
Lead paint abatement	\$ 1,235,742	\$ -	\$ 1,235,742	\$ -	\$ -
Housing	3,743,756	-	-	(3,743,756)	(2,303,658)
Public service	502,789	-	-	(502,789)	(466,927)
Public service - neighborhood revitalization	53,032	-	-	(53,032)	(43,829)
Housing direct delivery	1,168,881	-	-	(1,168,881)	(1,241,812)
Economic development	186,886	-	-	(186,886)	(279,206)
Homeless	1,258,203	-	-	(1,258,203)	(302,176)
Public facilities	32,266	-	-	(32,266)	(39,889)
Public improvements	217,025	-	-	(217,025)	(217,025)
Administration	329,542	-	-	(329,542)	(564,118)
Environmental restoration	70,676	-	-	(70,676)	(59,276)
Interest expense	85,744	-	-	(85,744)	(98,203)
Depreciation	83,917	-	-	(83,917)	(87,013)
	<u>\$ 8,968,459</u>	<u>\$ -</u>	<u>\$ 1,235,742</u>	<u>\$ (7,732,717)</u>	<u>\$ (5,703,132)</u>
General revenues:					
Grants and entitlements not restricted to specific programs				\$ 7,975,183	\$ 6,962,638
Interest income				323	462
Total general revenues				<u>7,975,506</u>	<u>6,963,100</u>
Excess (deficiency) of revenues over expenses				242,789	1,259,968
Net assets - beginning				<u>2,209,536</u>	<u>949,568</u>
Net assets - ending				<u>\$ 2,452,325</u>	<u>\$ 2,209,536</u>

See notes to financial statements.

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
BALANCE SHEETS - GOVERNMENTAL FUNDS
December 31, 2010 and 2009

	General Fund	Special Revenue Fund	Total Governmental Funds 2010	Total Governmental Funds 2009
ASSETS				
Cash and cash equivalents	\$ 1,355,098	\$ 80,958	\$ 1,436,056	\$ 1,089,324
Restricted cash	-	105,675	105,675	105,359
Mortgage loans receivable, net of allowance for loan losses of \$2,246,044 in 2009 and \$2,488,049 in 2008	11,092,267	716,258	11,808,525	12,511,999
Due from federal government	1,281,858	-	1,281,858	1,224,802
Due from the City of Albany	-	-	-	374,630
Other assets	184,721	-	184,721	197,355
Total assets	\$ 13,913,944	\$ 902,891	\$ 14,816,835	\$ 15,503,469
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued liabilities	\$ 1,254,556	\$ -	\$ 1,254,556	\$ 698,623
Deferred revenues	11,082,025	-	11,082,025	11,545,373
Due to the City of Albany	142,656	-	142,656	516,728
Due to federal government	149,503	-	149,503	238,858
Other liabilities	40,240	-	40,240	40,704
Due to New York State Housing Trust Fund	-	644,213	644,213	757,499
Total liabilities	12,668,980	644,213	13,313,193	13,797,785
Commitments and Contingencies				
Fund Balance				
Reserved for:				
Downpayment Assistance Program	-	100,000	100,000	100,000
Unreserved	1,244,964	158,678	1,403,642	1,605,684
Total fund balance	1,244,964	258,678	1,503,642	1,705,684
Total liabilities and fund balance	\$ 13,913,944	\$ 902,891		
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			2,465,329	2,358,205
Other assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds.			163,126	51,891
Non-current liabilities are not due and payable currently and, therefore, are not reported in the funds.			(53,890)	(95,500)
Long-term obligations are not due and payable currently and, therefore, are not reported in the funds.			(1,625,882)	(1,810,744)
Net assets of governmental activities			\$ 2,452,325	\$ 2,209,536

See notes to financial statements.

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
December 31, 2010 and 2009

	General Fund	Special Revenue Fund	Total Governmental Funds 2010	Total Governmental Funds 2009
REVENUES				
Grant income	\$ 8,879,304	\$ -	\$ 8,879,304	\$ 6,903,406
Program income	310,677	323	311,000	516,172
Other	20,944	-	20,944	453,572
Total revenues	<u>9,210,925</u>	<u>323</u>	<u>9,211,248</u>	<u>7,873,150</u>
EXPENDITURES				
Grant programs:				
Lead Paint Abatement Program	1,235,742	-	1,235,742	910,050
Housing	3,743,756	-	3,743,756	2,303,658
Public service	502,789	-	502,789	466,927
Public service - neighborhood revitalization	53,032	-	53,032	43,829
Housing direct delivery	1,168,881	-	1,168,881	1,241,812
Economic development	186,886	-	186,886	279,206
Homeless	1,258,203	-	1,258,203	302,176
Public facilities	32,266	-	32,266	39,889
Public improvements	217,025	-	217,025	217,025
Environmental restoration	70,676	-	70,676	59,276
Debt service	206,207	64,399	270,606	307,747
Administration	673,428	-	673,428	720,357
Total expenditures	<u>9,348,891</u>	<u>64,399</u>	<u>9,413,290</u>	<u>6,891,952</u>
Excess of expenditures over revenues	(137,966)	(64,076)	(202,042)	981,198
Beginning fund balance	<u>1,382,930</u>	<u>322,754</u>	<u>1,705,684</u>	<u>724,486</u>
Ending fund balance	<u>\$ 1,244,964</u>	<u>\$ 258,678</u>	<u>\$ 1,503,642</u>	<u>\$ 1,705,684</u>

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ (202,042) \$ 981,198

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	191,041		
Depreciation expense	(83,917)	107,124	22,122

Governmental funds report certain capitalized other assets as expenditures.		111,235	51,891
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Governmental funds do not report non-current liabilities		41,610	(4,787)
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The issuance of long-term debt (e.g. notes, bonds) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Principal payments on long-term debt		184,862	209,544
Change in net assets of governmental activities		<u>\$ 242,789</u>	<u>\$ 1,259,968</u>

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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

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

Basis of Presentation

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

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

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

Restricted Net Assets – This category represents funds restricted by the funding source or law. The Agency has no restricted net assets at December 31, 2010.

Government-Wide Statements

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

In the government-wide Statement of Net Assets, governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net assets are reported in two parts – invested in capital assets and unrestricted net assets.

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Statements (Continued)

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

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

Fund Financial Statements

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

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

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

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

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

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

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

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Budget Basis of Accounting

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

Cash and Cash Equivalents

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

Mortgage Loans Receivable and Allowance for Loan Losses

The Agency uses the allowance method for uncollectible mortgage loans and other receivables. When the allowance account is increased, the offset is a reduction of deferred revenue which has the effect of reducing the amount of funds expected to be collected and available for new loans. The Agency recorded a total allowance for uncollectible mortgage loans of approximately \$2,107,000 and \$2,246,000 at December 31, 2010 and 2009, respectively.

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

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

Capital Assets

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

Buildings	27.5 years
Furniture and equipment	5-7 years

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue consists principally of mortgage loan principal amounts to be collected in future periods and loan amounts that are being forgiven annually as described in Note 3. When loan payments are received, revenue is recognized to the extent of principal received. When grant funds are reloaned, a corresponding expenditure is recorded. When the allowance for loan losses is increased, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

Use of Estimates

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

Reclassification

Certain 2009 amounts have been reclassified to conform to current year presentation.

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

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

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

NOTE 2 — CASH AND CASH EQUIVALENTS

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

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

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 — CASH AND CASH EQUIVALENTS (Continued)

At December 31, 2010, the carrying amounts of the Agency's deposits were \$1,355,098 and \$186,633 (\$1,003,229 and \$191,454 at December 31, 2009) for the General and Special Revenue Funds, respectively. All deposits in excess of FDIC limits, except for money market funds totaling \$80,958 are adequately collateralized at December 31, 2010.

NOTE 3 — MORTGAGE LOANS RECEIVABLE, NET

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

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

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

The balance of mortgage loans receivable, net of the related allowance, is comprised of the following at December 31, 2010 and 2009:

<u>Program</u>	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
HUD, net of allowance	\$ 6,599,377	\$ 6,545,782
HUD, forgivable grant loans, net of allowance	4,564,935	5,208,718
NYSHTFC, net of allowance	644,213	757,499
	<u>\$ 11,808,525</u>	<u>\$ 12,511,999</u>

NOTE 4 — DUE FROM FEDERAL GOVERNMENT

Due from federal government represents grant-eligible expenses incurred by the Agency through December 31, 2010 and 2009 that have yet to be reimbursed by applicable federal grant funding programs.

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 — CAPITAL ASSETS

Property and equipment is comprised of the following:

	<u>Balance</u> <u>December 31,</u> <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2010</u>
Land	\$ 312,164	\$ 168,844	\$ -	\$ 481,008
Furniture and equipment	244,320	-	-	244,320
Buildings	<u>2,559,118</u>	<u>22,197</u>	<u>-</u>	<u>2,581,315</u>
	3,115,602	191,041	-	3,306,643
Less: accumulated depreciation - furniture and equipment	177,449	13,093	-	190,542
Less: accumulated depreciation - buildings	<u>579,948</u>	<u>70,824</u>	<u>-</u>	<u>650,772</u>
Net property and equipment	<u>\$ 2,358,205</u>	<u>\$ 107,124</u>	<u>\$ -</u>	<u>\$ 2,465,329</u>

NOTE 6 — DUE TO FEDERAL GOVERNMENT

Due to federal government represents grant monies received by the Agency, principally related to the lead paint abatement program, that have not been applied to qualified grant expenses as of December 31, 2010 and 2009.

NOTE 7 — LONG-TERM OBLIGATIONS

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

The following is a summary of long-term obligation transactions of the Agency for the year ended December 31, 2010:

	<u>December 31,</u> <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u> <u>2010</u>
Bond payable (A)	\$ 193,851	\$ -	\$ (57,622)	\$ 136,229
Note payable (B)	100,000	-	-	100,000
Capitalized lease obligation (C)	1,165,000	-	(100,000)	1,065,000
Note payable (D)	194,000	-	(19,000)	175,000
Note payable (E)	<u>157,893</u>	<u>-</u>	<u>(8,240)</u>	<u>149,653</u>
	<u>\$ 1,810,744</u>	<u>\$ -</u>	<u>\$ (184,862)</u>	<u>\$ 1,625,882</u>

- (A) During 2003, the Agency issued \$500,000 in General Obligation Bonds which are outstanding at December 31, 2010 and 2009 in the amounts of \$136,229 and \$193,851, respectively. The interest rate on the bonds is 4.07%. The bonds have a maturity date of October 2013. Bond proceeds are used to fund loans granted through the Albany Down Payment Assistance Program. Principal payments are required to be paid in conjunction with payments received from loan beneficiaries.

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 7 — LONG-TERM OBLIGATIONS (Continued)

- (B) During 2002, the Agency borrowed the sum of \$100,000 from the Albany Local Development Corporation (ALDC) to establish a fund for collateral for the Albany Down Payment Assistance Program. The proceeds of this note are required to be maintained in a segregated bank account until note maturity. The term of the note shall be the length of the City of Albany Down Payment Assistance Program but no longer than August 9, 2013. The Agency will pay interest earned on the secured funds upon repayment of the note. There are no scheduled monthly payments until maturity.
- (C) Capital lease for the Agency's facility located at 200 Henry Johnson Boulevard. The lease has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to the Albany Local Development Corporation through 2018. The interest portion of future minimum lease payments is \$262,344 and the net present value of the lease payments at December 31, 2010 is \$1,065,000.
- (D) As part of the capitalized lease obligation, described in (C) above, the Agency executed a note payable to ALDC to pay for all previously unreimbursed tenant expenses. The note has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to the ALDC through 2018.
- (E) Note payable from ALDC to fund improvements made to one of the Agency's properties located at 388 Clinton Avenue. The note is collateralized by a mortgage agreement on the building located at 388 Clinton Avenue. The note is being amortized over a period of twenty years, with monthly principal and interest payments. The interest rate for the first five years of the note is fixed at 4%, and is subject to every five years thereafter to prime plus 1%.

A summary of future minimum debt payments is as follows at December 31, 2010:

	<u>Notes</u>	<u>Bonds</u>	<u>Capitalized Lease Obligations</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2011	\$ 28,597	\$ -	\$ 110,000	\$ 138,597	\$ 80,132	\$ 218,729
2012	28,970	-	115,000	143,970	69,841	213,811
2013	130,358	136,229	120,000	386,587	58,546	445,133
2014	30,764	-	130,000	160,764	49,245	210,009
2015	32,187	-	135,000	167,187	39,996	207,183
2016-2020	128,952	-	455,000	583,952	63,757	647,709
2021-2024	44,825	-	-	44,825	3,246	48,071
	<u>\$ 424,653</u>	<u>\$ 136,229</u>	<u>\$ 1,065,000</u>	<u>\$ 1,625,882</u>	<u>\$ 364,763</u>	<u>\$ 1,990,645</u>

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Federal and State Grant Funding

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

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
<i>Direct Programs:</i>		
Community Development Block Grants/Entitlement Grants	14.218	\$ 3,769,305
ARRA - Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	141,597 *
Emergency Shelter Grant Program	14.231	150,557
HOME Investment Partnerships Program	14.239	881,078
Housing Opportunities for Persons with AIDS	14.241	745,472 *
ARRA - Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	1,049,141 *
Brownfield Pilots Cooperative Agreements	66.811	64,828
Pass-Through NAYS Division of Housing and Community Renewal		
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	1,226,699
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	14.256	<u>1,019,506 *</u>
Total U.S. Department of Housing and Urban Development		<u><u>\$ 9,048,183</u></u>

*DENOTES MAJOR PROGRAM

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2010

NOTE 1 — BASIS OF PRESENTATION

Reporting Entity

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

Pass-Through Programs

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

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

American Recovery and Reinvestment Act of 2009

In 2009, the American Recovery and Reinvestment Act of 2009 (ARRA, Recovery Act) was enacted. The Recovery Act provides for appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, State and local fiscal stabilization and for other purposes. Recovery Act funded federal expenditures consisted of the following for the period ended December 31, 2010:

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	\$ 141,597
Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	1,049,141
Neighborhood Stabilization Program (Recovery Act Funded)	14.256	<u>1,019,506</u>
Total Recovery Act Funded Expenditures		<u><u>\$ 2,210,244</u></u>

NOTE 2 — BASIS OF ACCOUNTING

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

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

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2010

NOTE 3 — INDIRECT COSTS

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

NOTE 4 — MATCHING COSTS

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

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

The Board of Directors
Albany Community Development Agency

We have audited the financial statements of governmental activities and each major fund of the Albany Community Development Agency (Agency) as of and for the year ended December 31, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

UHY LLP

Albany, New York
June 24, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors
Albany Community Development Agency

Compliance

We have audited the compliance of the Albany Community Development Agency (Agency) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2010. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

UHY LLP

Albany, New York
June 24, 2011

ALBANY COMMUNITY DEVELOPMENT AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF ALBANY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2010

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

D. Major programs

	<u>CFDA Number</u>
U.S. Department of Housing and Urban Development Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253
Housing Opportunities for Persons with AIDS	14.241
Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257
Pass-Through NYS Division of Housing and Community Renewal Neighborhood Stabilization Program (Recovery Act Funded)	14.256

E. Dollar threshold to determine between Type A and Type B programs:	\$300,000
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ALBANY COMMUNITY DEVELOPMENT AGENCY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2010

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Status of Prior Year Finding

None reported.