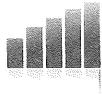


**HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF  
THE CITY OF HUDSON, NEW YORK)  
AUDIT REPORT AND  
FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
AUDIT REPORT AND  
FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

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To the Chairman and Board of Hudson  
Industrial Development Agency

## INDEPENDENT AUDITOR'S REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Hudson Industrial Development Agency (the "Agency"), a component unit of the City of Hudson, New York, as of and for the years ended December 31, 2012 and 2011, which collectively comprise the Agency's basic 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Chairman and Board of Hudson  
Industrial Development Agency

***Basis for Qualified Opinion***

Management does not have adequate records regarding Property and Plant assets that the Agency may or may not hold title to. Accordingly, we were not able to obtain sufficient information supporting the year-end balances for the Agency's Property and Plant, nor were we able to satisfy ourselves through the use of alternate auditing procedures.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Hudson Industrial Development Agency as of December 31, 2012 and 2011, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages sixteen through eighteen, which were extracted for the Annual Financial Report to the New York State Comptroller, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages four, five, and sixteen be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who 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 audits 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.

To the Chairman and Board of Hudson  
Industrial Development Agency

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, on our consideration of the Hudson Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Agency's internal control over financial reporting and compliance.



SHALLO, GALLUSCIO, BIANCHI & FUCITO  
CERTIFIED PUBLIC ACCOUNTANTS, PC  
June 24, 2013  
Hudson, New York

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012 AND 2011

**1. Introduction**

Within this section of the Hudson Industrial Development Agency's (the Agency) financial statements, the Agency's management provides narrative discussion and analysis of the financial activities of the Agency for the years ended December 31, 2012 and 2011. This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements for the years ended December 31, 2012 and 2011.

**2. Overview of the Financial Statements**

The Agency's basic financial statements include: (1) financial statements, (2) notes to the financial statements, and (3) supplementary information.

**A. Financial Statements**

The Agency's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. These statements are designed to afford an overview of the Agency's finances and consist of the Statements of Net Position, Statements of Revenue, Expenses and Change in Net Position, and the Statements of Cash Flows.

**B. Notes to Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements.

**C. Supplementary Information**

The Statement of Revenues and Expenses - Budget and Actual provides a comparison of budget and actual information for the Agency's operating accounts. Supplementary information begins immediately following the notes to the financial statements.

**3. Financial Highlights**

The following items are the financial highlights experienced by the Hudson Industrial Development Agency during the year ended December 31, 2012:

The overall net position of the Agency decreased by \$103,903 and increased by \$8,327 during the years ended December 31, 2012 and 2011, respectively.

The Agency's total revenue was \$7,331 during 2012 as compared with \$19,655 during 2011, due to a decrease in lease income as a result of the settlement reached on the Concra PILOT.

The Agency's total operating expenditures were \$10,965 during 2012 as compared to \$11,328 during 2011. In 2012, the Agency incurred additional legal fees due to the settlement reached on the Concra PILOT but it did not incur depreciation expense. The Agency showed it disposed of the infrastructure assets in 2012. Title to these assets was transferred, resulting in a \$100,269 decrease to net position. The transfer of these assets resulted in the elimination of depreciation expense.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012 AND 2011

**4. Financial Statement Analysis**

Below is a comparative summary of the Agency's Statement of Net Position as of December 31:

	<u>2012</u>	<u>2011</u>
Assets:		
Cash in banks	\$ 30,319	\$ 21,710
PILOTS Receivable	6,755	63,113
Capital assets, net of accumulated depreciation	<u>40,000</u>	<u>140,269</u>
Total assets	<u>\$ 77,074</u>	<u>\$ 225,092</u>
Liabilities:		
Current liabilities	<u>\$ 19,162</u>	<u>\$ 63,277</u>
Total liabilities	19,162	63,277
Net Assets:		
Invested in capital assets	40,000	140,269
Net assets, unrestricted	<u>17,912</u>	<u>21,546</u>
Total net assets	<u>57,912</u>	<u>161,815</u>
Total liabilities and net assets	<u>\$ 77,074</u>	<u>\$ 225,092</u>

The Agency's current assets consist of cash in banks and PILOTS receivable. Funds received from various entities that participate in the Agency's PILOT program are deposited and then disbursed to the appropriate taxing jurisdictions. Current liabilities decreased primarily due to the timing of payments of PILOTS payable for 2011. Net position decreased by \$103,903 and increased by \$8,327 during the years ended December 31, 2012 and 2011, respectively, as a result of activities of the Agency in 2012 and 2011 as summarized below.

	<u>2012</u>	<u>2011</u>
Revenues		
Interest	\$ 520	\$ 603
Lease income	<u>6,811</u>	<u>19,052</u>
Total revenue	<u>7,331</u>	<u>19,655</u>
Expenditures	<u>10,965</u>	<u>11,328</u>
Total revenue in excess of (deficiency) of expenditures	(3,634)	8,327
Net assets, beginning of the year	<u>161,815</u>	<u>153,488</u>
Prior period adjustment	<u>(100,269)</u>	<u>None</u>
Net assets, end of the year	<u>\$ 57,912</u>	<u>\$ 161,815</u>

Revenues are derived primarily from administrative fee income and interest income. Expenditures consist primarily of professional fees for legal and accounting services. The Agency's interest in the infrastructure improvements on the Emsig property, which became Hudson Fabrics, was terminated as the project closed in 2009. This resulted in a book loss on the property of \$100,269 to reflect the transfer of title (i.e. prior period adjustment).

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
 STATEMENTS OF NET POSITION  
 DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
Current assets:		
Cash and cash equivalents	\$ 30,319	\$ 21,710
PILOTS receivable	6,755	63,113
Total current assets	37,074	84,823
Property and plant, net of accumulated depreciation	40,000	140,269
Total assets	\$ 77,074	\$ 225,092

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 2,000	\$ 2,500
Deferred revenue	10,317	10,317
PILOTS payable	6,845	50,460
Total current liabilities	19,162	63,277
Net assets:		
Unrestricted, invested in property and plant	40,000	140,269
Unrestricted	17,912	21,546
Total net assets	57,912	161,815
Total liabilities and net assets	\$ 77,074	\$ 225,092

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenues:		
Interest	\$ 520	\$ 603
Lease income	6,811	19,052
Total revenues	7,331	19,655
Expenses:		
Accounting and auditing fees	2,415	2,500
Legal fees	8,550	955
Depreciation	None	7,873
Total expenses	10,965	11,328
Net increase (decrease) in net assets	(3,634)	8,327
Net assets, beginning	161,815	153,488
Prior period adjustment	(100,269)	None
Net assets, ending	\$ 57,912	\$ 161,815

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Interest received	\$ 520	\$ None
Operating expenses paid	(11,466)	603
PILOT receipts	297,222	(8,554)
PILOT payments	(284,478)	(282,346)
Lease income received	6,811	6,399
Net cash used for operating activities	8,609	(283,898)
Cash flows from investing activities:	None	None
Cash flows from financing activities:	None	None
Net increase in cash and cash equivalents	8,609	(283,898)
Cash and cash equivalents at beginning of year	21,710	305,608
Cash and cash equivalents at end of year	\$ 30,319	\$ 21,710
Reconciliation of change in Net Assets to Net Cash		
Change in net assets	\$ (103,903)	\$ 8,328
Depreciation	None	7,873
Prior period adjustment	100,269	None
Changes in assets and liabilities:		
(Increase) Decrease in PILOTS receivable	56,358	(63,113)
Increase (Decrease) in accounts payable	(500)	(5,100)
Increase in deferred revenues	None	10,317
Decrease in PILOTS payable	(43,615)	(242,203)
Net cash used for operating activities	\$ 8,609	\$ (283,898)

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE A - NATURE OF THE ORGANIZATION**

The Hudson Industrial Development Agency (the "Agency") was created in 1975 by the City of Hudson under the provisions of the Laws of New York State for the purpose of encouraging economic growth in the City of Hudson. The Agency is exempt from federal, state and local income taxes. The Agency is a component unit of the City of Hudson.

The Agency's present function is to promote, develop and encourage reconstructing, improving and maintaining manufacturing, warehousing, and commercial facilities to promote job opportunities and economic welfare for the people of the City of Hudson, New York. This is done through administering PILOTS and bond agreements.

Payment in lieu of taxes (PILOTS):

The Agency enters into and administers Payments In Lieu of Tax ("PILOT") agreements for various companies in the City of Hudson. The PILOT agreements are entered into between the Agency and a third party business. Title to Property owned by the third party business is transferred to the Agency for a period of time. During the term of the agreement when the Agency holds the title to the property, the third party business pays the Agency an annual amount based on a calculation derived by a formula in the agreement. Certain requirements are to be met by the company to be able to maintain their PILOT. These requirements, stated in the PILOT agreement, can be comprised of reaching and maintaining certain employee goals and paying their PILOT in a timely fashion. This promotes employment and economic development. The Agency will in turn pay the respective tax authorities. At the completion of the PILOT program, title to the property is transferred back to the business owner and the property goes back on the tax rolls.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

Basis of Accounting:

The financial statements of the Agency have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements to the extent these pronouncements do not conflict with GASB pronouncements. The Agency applies FASB pronouncements issued on or after November 30, 1989.

In June, the GASB approved Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which changes how governments will organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet). Under these new standards, financial statements will include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and will report net position instead of net assets.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED**

Basis of Accounting - Continued:

GASB Concepts Statement No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4.

Based on those definitions, Statement 63 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition:

Income generated from administrative and lease fees are recognized in the period the services are performed. PILOT receipts and PILOT payments related to the property not owned by the Agency to the respective taxing authorities are accounted for as pass through transactions and are not included in revenues or expenses of the Agency. The Agency has the responsibility for collections and remitting the funds but the City of Hudson, New York ultimately bears the risk of loss if PILOT payments are not paid to the Agency by the respective companies.

Property and Plant:

Property and plant recorded on the financial statements are stated at cost. The Agency does not have complete records regarding assets that the Agency may or may not hold title to. The assets' recorded values are based on historic costs paid for these projects. It is the Agency's policy to capitalize new expenditures for additions, improvements and major renewals, which extend the life of an asset, whereas expenditures for maintenance and repairs are charged to operations when incurred. Gains and losses from sales or other dispositions of depreciable property are included in current operations.

Depreciation:

Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets. Depreciation expense for the years ended December 31, 2012 and 2011 was \$0 and \$7,873, respectively.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED**

Concentrations of Credit Risk:

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of temporary cash investments and Payment in Lieu of Taxes (PILOT) receivables. The Agency maintains its cash balances in Federal Deposit Insurance Corporation insured accounts at local financial institutions. The balances are fully insured by the FDIC based on regular coverage up to \$250,000 and temporary unlimited coverage until December 31, 2012. The Agency has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of these institutions, management believes that the risk of loss on any unsecured balances is minimal.

<u>Financial Institution</u>	<u>Bank</u> <u>Balance</u>	<u>Book</u> <u>Balance</u>
First Niagara Bank	<u>\$ 30,319</u>	<u>\$ 30,319</u>

PILOT Receivables:

At December 31, 2012 and 2011, PILOTS Receivable was \$6,755 and \$63,113, respectively. No provisions for doubtful accounts have been made at December 31, 2012 and 2011, as management considers all amounts fully collectible.

**NOTE C - PROPERTY AND PLANT**

Property and plant recorded on the financial records are stated at cost and consist of the following at December 31, 2012 and 2011. The Agency does not have any records regarding any assets that the Agency may or may not hold title to. The assets listed below are recorded based on historic costs paid for these projects. For these assets the Agency provides for depreciation on a straight-line basis at annual rates that will depreciate the property over the respective estimated useful lives. Depreciation expense amounted to \$0 and \$7,873 for the years ended December 31, 2012 and 2011, respectively. Title to the improvements transferred in 2009 as the project was terminated.

	<u>Cost</u>	<u>Depreciable</u> <u>Lives</u>
Land	\$ 40,000	n/a
Site preparation costs	-	15 years
Infrastructure improvements	-	31.5 years
Total property, plant and equipment	<u>40,000</u>	
Accumulated depreciation	-	
Total property, plant and equipment - net	<u>\$ 40,000</u>	

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE C - PROPERTY AND PLANT - CONTINUED**

Land – North Second Street Industrial Park:

In December 1985, a transfer of ownership of land, North Second Street Industrial Park, from the Hudson Development Corporation to Hudson Industrial Development Agency was made. Cost of the land was \$60,000 and consisted of 75 acres of land on North Second Street Industrial Park. This transfer was made in order to facilitate the deal between Emsig Corporation and the Hudson Industrial Development Agency. In 2003 the Hudson Community Development and Planning Agency and the Hudson Development Corporation forgave \$20,000 of debt with the Hudson Industrial Development Agency that was originally used to finance the purchase of the land. The cost of the land at December 31, 2003 was \$40,000.

Infrastructure Improvements – Emsig Manufacturing Corp.:

As part of the Emsig Manufacturing Corp. UDAG Project, the Hudson Industrial Development Agency had agreed to provide up to \$250,000 of costs for infrastructure improvements. Total expenditures for construction of road, water and sewer systems, and the backflow valve building amounted to \$292,399 at July 31, 1987. The Hudson Industrial Development Agency provided \$248,000 toward these infrastructure improvements.

In 2009, the project related to this property was terminated. The title to the property was transferred, resulting in a loss on the books of \$100,269. This loss of \$100,269 is recorded on the 2012 financial statements as a prior period adjustment to reflect that the asset has been transferred.

**NOTE D - PILOT PAYABLE**

The Agency has several PILOT payments that it received/or accrued during the years ended December 31, 2012 and 2011 for which \$6,845 and \$50,460, respectively, are owed to the City of Hudson, Columbia County and the Hudson City School District.

**NOTE E – CONDUIT DEBT OBLIGATIONS**

From time to time, the Hudson Industrial Development Agency has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the interest of the public. The bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City of Hudson, Hudson Industrial Development Agency, the State of New York, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE F - INDUSTRIAL REVENUE BONDS**

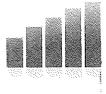
It should also be noted that the Agency has issued various Industrial Revenue Bonds to help finance expansion and new business projects in the City of Hudson. It has been determined that the Hudson Industrial Development Agency is used primarily as a vehicle for the issuance of Industrial Revenue Bonds and according to the Agency's attorney, the Agency's liabilities with respect to these bonds are minimal.

**NOTE G - SUBSEQUENT EVENTS**

Events that occur after the date of the Statement of Net Position but before the date that the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the Statement of Net Position are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that arose after the date of the Statement of Net Position, require disclosure in the accompanying notes. Management evaluated the activity of the Agency through June 24, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Agency's financial instruments consist primarily of cash, PILOT receivables and payables. The Agency estimates that the fair value of all its financial instruments does not differ materially from the aggregate carrying values recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Agency using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of the fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Agency could realize in a current market exchange.



To the Chairman and the Board of  
Hudson Industrial Development Agency

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*

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 Hudson Industrial Development Agency, which comprise the basic financial statements as listed in the table of contents as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Hudson Industrial Development 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 Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hudson Industrial Development 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, 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. 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.

To the Chairman and the Board of  
Hudson Industrial Development Agency

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hudson Industrial Development 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, 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 audits, 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*.

**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 that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Shallo Galluscio Bianchi & Fucito CPAs PC*

SHALLO, GALLUSCIO, BIANCHI & FUCITO  
CERTIFIED PUBLIC ACCOUNTANTS, PC  
Hudson, New York  
June 24, 2013

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
 SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest	\$ 600	\$ 520	\$ (80)
Other income	<u>6,811</u>	<u>6,811</u>	<u>None</u>
Total revenues	<u>7,411</u>	<u>7,331</u>	<u>(80)</u>
Expenses:			
Professional service contracts	6,875	10,965	(4,090)
Depreciation	<u>7,873</u>	<u>None</u>	<u>7,873</u>
Total expenses	<u>14,748</u>	<u>10,965</u>	<u>3,783</u>
Change in net assets	<u>\$ (7,337)</u>	<u>\$ (3,634)</u>	<u>\$ 3,703</u>

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
 SUPPLEMENTAL INFORMATION  
 SCHEDULE OF PROJECTS AND EXEMPTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

Project Owner	Real Property Tax Exemptions			Sales Tax	Mortgage Recording	Total Exemptions
	County	Local	School			
Schuyler Court	\$ 14,342	\$ 31,881	\$ 39,061	\$ None	\$ None	\$ 85,284
Providence Hall	25,931	57,643	70,625	None	None	154,199
Hudson Housing Authority	29,115	64,720	79,296	None	None	173,131
Hudson Terrace	22,336	49,652	60,834	None	None	132,822

HUDSON INDUSTRIAL DEVELOPMENT AGENCY  
 SUPPLEMENTAL INFORMATION  
 SCHEDULE OF PILOTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

Project Code	County		School	Total
	PILOT	Local PILOT	PILOT	PILOTS
Hudson Terrace	\$ 18,578	\$ 47,132	\$ 57,710	\$ 123,420
Schuyler Court	None	11,700	None	11,700
Providence Hall	None	29,568	None	29,568
Hudson Housing Authority	3,357	8,518	10,429	22,304
North 5th Street	790	2,005	2,454	5,249
Hudson Homesteads	2,648	6,410	7,337	16,395