GOLDEN HILL LOCAL DEVELOPMENT CORPORATION

(A Component Unit of the County of Ulster, New York)

Financial Statements and Independent Auditors' Report

December 31, 2012

GOLDEN HILL LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Golden Hill Local Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Golden Hill Local Development Corporation (the Corporation), a component unit of the County of Ulster, New York, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for year then ended, 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2012, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2013, on our consideration of the Corporation'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 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 Corporation's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 29, 2013

GOLDEN HILL LOCAL
DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF ULSTER)

Statement of Financial Position

December 31, 2012

Assets

Funds held by Escrow Agent	$ 150,000
Due from Ulster County	36,993
Total assets	186,993

Liabilities and Net Assets

Accounts Payable	36,993
Bid Deposits	150,000
Total liabilities	186,993
Unrestricted Net Assets	-
Total Liabilities and Net Assets	$ 186,993

See accompanying notes to financial statements

GOLDEN HILL LOCAL
DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF ULSTER)

Statement of Activities

For the Year Ended December 31, 2012

Unrestricted revenue:		
Appropriations from Ulster County	$	96,273
Unrestricted expenses:		
Administrative		96,273
Change in Unrestricted Net Assets		-
Unrestricted Net Assets:		
Beginning of year		-
End of year	$	-

See accompanying notes to financial statements

GOLDEN HILL LOCAL
DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF ULSTER)

Statement of Cash Flows

For the Year Ended December 31, 2012

Cash flows from operating activities:	
Change in unrestricted net assets	$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Transfer to escrow agent	(150,000)
Change in:	
Due from Ulster County	(36,993)
Accounts payable	36,993
Bid deposits	150,000
Net cash provided by operating activities	-
Cash at beginning of year	-
Cash at end of year	$ -

See accompanying notes to financial statements

(1) Organization

The Golden Hill Local Development Corporation (the Corporation) is a special purpose, bankruptcy-remote local development corporation organized under the Not-For-Profit Corporation Law of the State of New York (the State). The Corporation was established on October 7, 2011, however there were no substantive operations until February 17, 2012 as discussed herein. The Corporation is an instrumentality of, but separate and apart from the County of Ulster, New York (the County). The Corporation has a board of directors comprised of seven directors; three directors chosen by the Ulster County Executive; three directors from the Ulster County Legislature, of which two selected by the Chairman of the Legislature and one selected by the Minority Leader; and one director who shall be independent. Although legally separate from the County, the Corporation is a component unit of the County and, accordingly, is included in the County's financial statements as a discretely presented component unit.

The Golden Hill Local Development Corporation's mission is to seek and transfer the land and the facilities of the Golden Hill Health Care Center to the highest qualified bidder. In doing so, the Corporation shall examine and consider, where applicable, the bidders' competency and character, history of employee relations and practices, quality of care of residents, record of retaining facilities subsequent to acquisition, willingness to agree to build a new facility at the site, willingness to continue to care for all existing residents at the time of acquisition (unless otherwise indicated by the New York State Department of Health criteria), financial stability, and willingness to consider existing staff as potential employees.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Corporation has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation had only unrestricted net assets in 2012.

(b) Measurement Focus and Basis of Accounting

The Corporation has prepared its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Cash and Cash Equivalents

The Corporation considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(d) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America require the Corporation's management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(f) Subsequent Events

The Corporation has evaluated events after December 31, 2012, and through March 29, 2013, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(g) Tax Status

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment to its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities.

(3) Appropriations from Ulster County

Ulster County provides operating support from the property tax levy and other resources to the Corporation in support of the Corporation's specified purpose. During 2012, the Corporation received $96,273 in Appropriations from Ulster County's General Fund.

(4) Transactions with Ulster County

The Corporation uses office space and telephone services from the County, and shares overhead and operating services and expenses with the County (including employees, consultants and agents).

(5) Lease/Leaseback

The Corporation leases the land, buildings and equipment of the Golden Hill Health Care Center from Ulster County. Ulster County leases back the land, buildings and equipment and will continue to operate the health care center until the sale of the facility is finalized.

(6) Sale of the Golden Hill Health Care Center

During 2012, the Corporation entered into a contract with a potential purchaser for the Golden Hill Health Care Center. The terms of the sale call for a purchase price of $11.25 million, payable in three separate deposits and the balance due at closing. The sale of the Health Care Center is expected to be finalized in 2013.

A bid deposit in the amount of $150,000 was received by the Corporation from the potential purchase and was transferred to an escrow agent pending the sale being finalized.

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INDEPENDENT AUDITORS' 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
Golden Hill Local Development Corporation:

We have audited, 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, the financial statements of Golden Hill Local Development Corporation (the Corporation), a component unit of the County of Ulster, New York, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 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.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 29, 2013