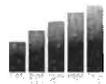


**HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF
THE CITY OF HUDSON, NEW YORK)
AUDIT REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
AUDIT REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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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, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

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 opinion.

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, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 through six and seventeen 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, 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.

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 eighteen and nineteen, which were extracted from 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.

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 July 29, 2014, 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
July 29, 2014
Hudson, New York

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012

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, 2013 and 2012. This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements for the years ended December 31, 2013 and 2012.

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 on the accrual basis in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The Agency is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See notes to the financial statements for a summary of the Agency's financial position.

The *Statements of Net Position* present information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Agency's financial position.

The *Statements of Revenues, Expenses, and Change in Net Position* present information showing how the Agency's net position changed during the most recent years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flow in future periods.

The *Statements of Cash Flows* relate to flows of cash and cash equivalents. Consequently, only transactions that affect the Agency's cash accounts are recorded in these statements. A reconciliation is provided at the bottom of the statements of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

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

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012

3. Financial Highlights

The following items are the financial highlights experienced by the Hudson Industrial Development Agency.

The overall net position of the Agency increased by \$4,474 during the year ended December 31, 2013 and decreased by \$103,903 for the year ended December 31, 2012. In 2012, the Agency showed that it disposed of the infrastructure assets related to a project that was terminated in 2009. Title to these assets was transferred, resulting in a \$100,269 decrease in net position.

The Agency's total revenue was \$7,454 during 2013 as compared with \$7,331 during 2012, due to an increase in lease income.

The Agency's total operating expenditures were \$2,980 during 2013 as compared to \$10,965 during 2012, due to a decrease in legal fees due to the settlement reached on the Concra PILOT.

4. Financial Statement Analysis

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

	<u>2013</u>	<u>2012</u>
Assets:		
Cash in banks	\$ 35,200	\$ 30,319
PILOTS Receivable	7,414	6,755
Capital assets, net of accumulated depreciation	<u>40,000</u>	<u>40,000</u>
Total assets	<u>\$ 82,614</u>	<u>\$ 77,074</u>
Liabilities:		
Current liabilities	<u>\$ 20,228</u>	<u>\$ 19,162</u>
Total liabilities	20,228	19,162
Net Position:		
Invested in capital assets	40,000	40,000
Net position, unrestricted	<u>22,386</u>	<u>17,912</u>
Total net position	<u>62,386</u>	<u>57,912</u>
Total liabilities and net position	<u>\$ 82,614</u>	<u>\$ 77,074</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 increased primarily due to the timing of payments of PILOTS payable for 2013. Net position increased by \$4,474 during December 31, 2013 as a result of activities of the Agency in 2013 as summarized below.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012

4. Financial Statement Analysis (Continued):

	<u>2013</u>	<u>2012</u>
Revenues		
Interest	\$ 396	\$ 520
Lease income	<u>7,058</u>	<u>6,811</u>
Total revenue	<u>7,454</u>	<u>7,331</u>
Expenditures	<u>2,980</u>	<u>10,965</u>
Total revenue in excess of (deficiency) of expenditures	4,474	(3,634)
Net position, beginning of the year	<u>57,912</u>	<u>161,815</u>
Prior period adjustment	<u>None</u>	<u>(100,269)</u>
Net position, end of the year	<u>\$ 62,386</u>	<u>\$ 57,912</u>

Revenues are derived primarily from lease 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).

5. Additional Information:

This report is prepared for use of the Agency's audit committee, management and pass-through entities, and members of the public interested in the affairs of the Agency. Questions with regard to this financial report or requests for additional information may be addressed to the Hudson Industrial Development Agency, 520 Warren Street, Hudson, New York 12534.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	\$ 35,200	\$ 30,319
PILOTS receivable	7,414	6,755
Total current assets	42,614	37,074
Property and plant, net of accumulated depreciation	40,000	40,000
Total assets	\$ 82,614	\$ 77,074

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable	\$ 2,000	\$ 2,000
Prepaid PILOTS	10,317	10,317
PILOTS payable	7,911	6,845
Total current liabilities	20,228	19,162
Net position:		
Unrestricted, invested in property and plant	40,000	40,000
Unrestricted	22,386	17,912
Total net position	62,386	57,912
Total liabilities and net position	\$ 82,614	\$ 77,074

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, 2013 AND 2012

	2013	2012
Revenues:		
Interest	\$ 396	\$ 520
Lease income	7,058	6,811
Total revenues	7,454	7,331
Expenses:		
Accounting and auditing fees	2,980	2,415
Legal fees	None	8,550
Total expenses	2,980	10,965
Net increase (decrease) in net position	4,474	(3,634)
Net position, beginning	57,912	161,815
Prior period adjustment	None	(100,269)
Net position, ending	\$ 62,386	\$ 57,912

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, 2013 AND 2012

Cash flows from operating activities:	2013	2012
Interest received	\$ 396	\$ 520
Operating expenses paid	(2,980)	(11,466)
PILOT receipts	240,802	297,222
PILOT payments	(240,395)	(284,478)
Lease income received	7,058	6,811
Net cash used for operating activities	4,881	8,609
 Cash flows from investing activities:	 None	 None
 Cash flows from financing activities:	 None	 None
 Net increase in cash and cash equivalents	 4,881	 8,609
Cash and cash equivalents at beginning of year	30,319	21,710
Cash and cash equivalents at end of year	\$ 35,200	\$ 30,319
 Reconciliation of change in Net Position to Net Cash		
Change in net position	\$ 4,474	\$ (103,903)
Prior period adjustment	None	100,269
Changes in assets and liabilities:		
(Increase) Decrease in PILOTS receivable	(660)	56,358
Increase (Decrease) in accounts payable	None	(500)
Increase (Decrease) in PILOTS payable	1,067	(43,615)
Net cash used for operating activities	\$ 4,881	\$ 8,609

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

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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. The PILOT agreements allow the participants to make payments at a lower rate than if the company paid the property's assessed value at the current tax rates for county, city, and school district. 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. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was adopted by the Agency in 2012. The government-wide financial statements include the Agency's only governmental fund (single enterprise fund).

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred inflow of resources is an acquisition of net assets that applies to future periods, and as such, will not be recognized as an inflow of resources (revenue) until that time. GASB Statement No. 65 was effective for the first time in 2013.

Statement 63 changed how governments organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

Basis of Accounting - Continued:

The Agency's implementation of GASB Statement No. 65 had no material impact on the Agency's 2013 financial statements.

Budgetary Data

The budget policies are as follows:

In October of each year, the Treasurer submits a tentative budget to the Board of Directors for the next fiscal year, which begins the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing.

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.

Net Position

Net position is an element of proprietary fund financial statements, and is measured by the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

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.

PILOT Receivables:

At December 31, 2013 and 2012, PILOTS Receivable was \$7,414 and \$6,755, respectively. No provisions for doubtful accounts have been made at December 31, 2013 and 2012, as management considers all amounts fully collectible.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013 AND 2012

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 of cash and Payment in Lieu of Taxes (PILOT) receivables. For purposes of reporting cash flows, the Agency considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents. The Agency maintains its cash balances in local financial institutions. The balances are insured by the FDIC up to \$250,000. 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.

	2013		
<u>Financial Institution</u>	<u>Bank</u>	<u>Balance</u>	<u>Book</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
Bank of Greene County	\$ 35,200	\$ 35,200	\$ 35,200
	2012		
<u>Financial Institution</u>	<u>Bank</u>	<u>Balance</u>	<u>Book</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
First Niagara Bank	\$ 30,319	\$ 30,319	\$ 30,319

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, 2013 and 2012. 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.

		<u>Depreciable</u>
	<u>Cost</u>	<u>Lives</u>
Land	\$ 40,000	n/a

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.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE C - PROPERTY AND PLANT - CONTINUED

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 - PILOTS PAYABLE

The Agency has several PILOT payments that it received/or accrued during the years ended December 31, 2013 and 2012 for which \$7,911 and \$6,845, 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.

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.

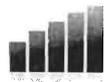
HUDSON INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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 July 29, 2014 (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

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

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 accompanying financial statements of Hudson Industrial Development Agency as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents, and have issued our report thereon dated July 29, 2014.

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
CERTIFIED PUBLIC ACCOUNTANTS, PC
Hudson, New York
July 29, 2014

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
 SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Interest	\$ 285	\$ 396	\$ 111
Other income	<u>7,058</u>	<u>7,058</u>	None
Total revenues	<u>7,343</u>	<u>7,454</u>	<u>111</u>
Expenses:			
Professional service contracts	<u>3,330</u>	<u>2,980</u>	<u>350</u>
Total expenses	<u>3,330</u>	<u>2,980</u>	<u>350</u>
Change in net position	<u>\$ 4,013</u>	<u>\$ 4,474</u>	<u>\$ 461</u>

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF PROJECTS AND EXEMPTIONS
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

2013

Project Owner	Real Property Tax Exemptions	Real Property Tax Exemptions	Real Property Tax Exemptions	Sales Tax	Mortgage Recording	Total Exemptions
	County	Local	School			
Schuyler Court	\$ 5,936	\$ 13,195	\$ 17,299	\$ None	\$ None	\$ 36,430
Providence Hall	10,911	24,253	31,798	None	None	66,962
Hudson Housing Authority	17,016	37,825	49,591	None	None	104,432
Hudson Terrace	12,437	27,646	36,246	None	None	76,329

2012

Project Owner	Real Property Tax Exemptions	Real Property Tax Exemptions	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 YEARS ENDED DECEMBER 31, 2013 AND 2012

2013

Project Code	County		School	Total
	PILOT	Local PILOT	PILOT	PILOTS
Hudson Terrace	\$ 22,245	\$ 49,450	\$ 64,831	\$ 136,526
Schuyler Court	None	14,886	None	14,886
Providence Hall	None	33,797	None	33,797
Hudson Housing Authority	3,842	8,540	11,196	23,578
North 5th Street	864	1,920	2,517	5,301
Hudson Homesteads	2,699	5,998	7,864	16,561

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