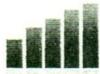


**HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF
THE CITY OF HUDSON, NEW YORK)
AUDIT REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
AUDIT REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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Shallo, Galluscio & Bianchi

Certified Public Accountants, P.C.

To the Chairman and Board of Hudson
Industrial Development Agency

INDEPENDENT AUDITOR'S REPORT

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, 2015 and 2014, 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 the State of New York Office of State Comptroller, Division of Local Government and School Accountability, a special purpose framework; 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.

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, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with the State of New York Office of State Comptroller, Division of Local Government and School Accountability, a special purpose framework.

Other Matters***Required Supplementary Information***

The State of New York Office of State Comptroller, Division of Local Government and School Accountability, a special purpose framework, requires that the management's discussion and analysis and budgetary comparison information on pages four through six and sixteen through eighteen 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 sixteen through eighteen, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2016 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 CPAs PC

SHALLO, GALLUSCIO, & BIANCHI
CERTIFIED PUBLIC ACCOUNTANTS, PC
Hudson, New York
July 6, 2016

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014

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, 2015 and 2014. This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements for the years ended December 31, 2015 and 2014.

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 State of New York Office of the State Comptroller, Division of Local Government and School Accountability, Albany, New York, a special purpose framework. 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. The schedules of Projects and Exemptions and Payment in Lieu of Taxes (PILOTS) are required by the Office of the State Comptroller for Industrial Development Agencies

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014

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 \$3,261 during the year ended December 31, 2015 and increased by \$3,394 for the year ended December 31, 2014.

The Agency's total revenue was \$7,574 during 2015 as compared with \$7,601 during 2014, due to a decrease in lease and interest income.

The Agency's total operating expenditures were \$4,313 during 2015 as compared to \$4,207 during 2014, due an increase in accounting, auditing, and legal fees.

4. Financial Statement Analysis

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

	2015	2014
Assets:		
Cash in banks	\$ 31,662	\$ 38,618
Capital assets	40,000	40,000
Total assets	\$ 71,662	\$ 78,618
Liabilities:		
Current liabilities	\$ 2,621	\$ 12,838
Total liabilities	2,621	12,838
Net Position:		
Invested in capital assets	40,000	40,000
Net position, unrestricted	29,041	25,780
Total net position	69,041	65,780
Total liabilities and net position	\$ 71,662	\$ 78,618

The Agency's current assets consist of cash in banks. 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 due to the City of Hudson. Net position increased by \$3,261 during December 31, 2015 because of activities of the Agency in 2015 as summarized below.

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

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014

4. Financial Statement Analysis (Continued):

	2015	2014
Revenues		
Interest	\$ 275	\$ 287
Lease income	7,299	7,314
Total revenue	<u>7,574</u>	<u>7,601</u>
Expenditures	<u>4,313</u>	<u>4,207</u>
Total revenue in excess of (deficiency) of expenditures	3,261	3,394
Net position, beginning of the year	<u>65,780</u>	<u>62,386</u>
Net position, end of the year	<u>\$ 69,041</u>	<u>\$ 65,780</u>

Revenues are derived primarily from lease income and interest income. Expenditures consist primarily of professional fees for legal and accounting services.

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
(a component unit of the City of Hudson, New York)
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 and 2014

ASSETS

	2015	2014
Current assets:		
Cash and cash equivalents	\$ 31,662	\$ 38,618
Total current assets	31,662	38,618
 Property and plant	 40,000	 40,000
Total assets	\$ 71,662	\$ 78,618

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable	\$ 2,100	\$ 2,000
Due to City of Hudson	521	10,838
Total current liabilities	2,621	12,838
 Net position:		
Unrestricted, invested in property and plant	40,000	40,000
Unrestricted	29,041	25,780
Total net position	69,041	65,780
Total liabilities and net position	\$ 71,662	\$ 78,618

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

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Revenues:		
Interest	\$ 275	\$ 287
Lease income	7,299	7,314
Total revenues	<u>7,574</u>	<u>7,601</u>
Expenses:		
Accounting and auditing fees	3,700	3,445
Office Expense	None	274
Legal Fees	613	488
Total expenses	<u>4,313</u>	<u>4,207</u>
Net increase (decrease) in net position	3,261	3,394
Net position, beginning	<u>65,780</u>	<u>62,386</u>
Net position, ending	<u>\$ 69,041</u>	<u>\$ 65,780</u>

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

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Cash flows from operating activities:	2015	2014
Interest received	\$ 275	\$ 354
Operating expenses paid	(4,358)	(4,421)
PILOT receipts	234,110	232,878
PILOT payments	(244,282)	(232,707)
Lease income received	7,299	7,314
Net cash used for operating activities	<u>(6,956)</u>	<u>3,418</u>
Cash flows from investing activities:	<u>None</u>	<u>None</u>
Cash flows from financing activities:	<u>None</u>	<u>None</u>
Net increase in cash and cash equivalents	(6,956)	3,418
Cash and cash equivalents at beginning of year	38,618	35,200
Cash and cash equivalents at end of year	<u>\$ 31,662</u>	<u>\$ 38,618</u>
Reconciliation of change in Net Position to Net Cash		
Change in net position	\$ 3,261	\$ 3,394
Changes in assets and liabilities:		
Increase (Decrease) in accounts payable	100	24
Increase (Decrease) in due to City of Hudson	(10,317)	None
Net cash used for operating activities	<u>\$ (6,956)</u>	<u>\$ 3,418</u>

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

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE A - NATURE OF THE ORGANIZATION

The Hudson Industrial Development Agency (the "Agency", "IDA") 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 State of New York Office of the State Comptroller, Division of Local Government and School Accountability, Albany, New York, a special purpose framework, 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).

Deferred Outflows/Inflows of Resources

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.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

Deferred Outflows/Inflows of Resources – Continued

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).

The Agency's implementation of GASB Statement No. 65 had no material impact on the Agency's 2015 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 is in conformity with State of New York Office of the State Comptroller, Division of Local Government and School Accountability, Albany, New York, a special purpose framework, 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.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

PILOT Receivables:

There are no outstanding PILOT receivables at December 31, 2015 or 2014.

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.

	2015	<u>Bank</u>	<u>Book</u>
<u>Financial Institution</u>		<u>Balance</u>	<u>Balance</u>
Bank of Greene County		<u>\$ 115,681</u>	<u>\$ 31,662</u>
	2014	<u>Bank</u>	<u>Book</u>
<u>Financial Institution</u>		<u>Balance</u>	<u>Balance</u>
Bank of Greene County		<u>\$ 38,618</u>	<u>\$ 38,618</u>

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, 2015 and 2014. 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>Cost</u>	<u>Depreciable</u>
Land	<u>\$ 40,000</u>	<u>Lives</u>
		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
(a component unit of the City of Hudson, New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE D – DUE TO CITY OF HUDSON

The Agency has amounts due to the City of Hudson for the years ended December 31, 2015 and 2014 in the amounts of \$521 and \$10,838, respectively.

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.

NOTE G - SUBSEQUENT EVENTS

The Hudson IDA partnered with the Columbia County IDA to develop a financial assistance package for 41 Cross Street LLC/Redburn Development Companies LLC for the Wick Hotel. In addition to returning the property to the tax rolls, the Wick Hotel will restore an important historical building. The project consists of converting a former soap and candle factory into a 55-room boutique hotel which will be a keystone in the revitalization of Hudson's waterfront. The Hudson IDA proposed the PILOT terms to the Columbia County IDA; the County IDA is responsible for issuing the PILOT and will serve as the administrator. The two IDAs will share equally the agency fee of 1%.

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 6, 2016 (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.

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE H - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Agency's financial instruments consist primarily of cash, accounts payable and an amount due to the City of Hudson. 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 necessary 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.



Shallo, Galluscio & Bianchi

Certified Public Accountants, P.C.

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, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents, and have issued our report thereon dated July 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America, we considered Hudson Industrial Development Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness Hudson Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of effectiveness Hudson Industrial Development Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

- Policies on internal control are not documented, therefore there is no access to these policies to follow and implement, enabling the potential for misstatements due to fraud or error.
- Policies on segregation of duties are not documented; therefore there is no access to these policies to follow and implement, which could lead to the potential of misstatement due to fraud or error.
- Policies on information technology are not documented; therefore there is no access to the policies to be followed and implemented, which could lead to exposure of sensitive information about the Organization to unintended or prying parties (e.g. no documented policies on requirements for computer anti-virus software, and firewalls etc.)

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
CERTIFIED PUBLIC ACCOUNTANTS, PC
Hudson, New York
July 6, 2016

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
 (A component unit of the City of Hudson, New York)
 SUPPLEMENTARY INFORMATION
 STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Interest	\$ 400	\$ 275	\$ (125)
Other income	<u>7,314</u>	<u>7,299</u>	<u>(15)</u>
Total revenues	<u>7,714</u>	<u>7,574</u>	<u>(140)</u>
Expenses:			
Professional service contracts	4,245	4,313	(68)
Office Expense	<u>10</u>	<u>None</u>	<u>10</u>
Total expenses	<u>4,255</u>	<u>4,313</u>	<u>(58)</u>
Change in net position	<u>\$ 3,459</u>	<u>\$ 3,261</u>	<u>\$ (198)</u>

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
(a component unit of the City of Hudson, New York)
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS AND EXEMPTIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

2015

Project Owner	Real Property Tax Exemptions County	Real Property Tax Exemptions Local	Real Property Tax Exemptions School	Sales Tax	Mortgage Recording	Total Exemptions
Hudson Terrace	20,288	43,957	57,517	None	None	121,762

2014

Project Owner	Real Property Tax Exemptions County	Real Property Tax Exemptions Local	Real Property Tax Exemptions School	Sales Tax	Mortgage Recording	Total Exemptions
Hudson Terrace	19,947	43,353	58,180	None	None	121,480

HUDSON INDUSTRIAL DEVELOPMENT AGENCY
 (a component unit of the City of Hudson, New York)
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PILOTS
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

2015

<u>Project Code</u>	County PILOT	Local PILOT	School PILOT	Total PILOTS
Hudson Terrace	\$ 23,818	\$ 51,606	\$ 68,303	\$ 143,727

2014

<u>Project Code</u>	County PILOT	Local PILOT	School PILOT	Total PILOTS
Hudson Terrace	\$ 23,059	\$ 50,114	\$ 67,255	\$ 140,428