NEW YORK JOB DEVELOPMENT AUTHORITY

Combined Financial Statements
and Independent Auditors' Report

March 31, 2013 and 2012

NEW YORK JOB DEVELOPMENT AUTHORITY

Table of Contents

* * * * * *

Toski & Co., P.C.
Certified Public Accountants
A Division of EFP Rotenberg, LLP

300 Essjay Road, Ste. 115
Williamsville, New York 14221
T: 716.634.0700
F: 716.634.0764
W: ToskiCPA.com

INDEPENDENT AUDITORS' REPORT

The Authority Members
New York Job Development Authority:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of New York Job Development Authority (the "Authority"), a component of the State of New York, as of and for the years ended March 31, 2013 and 2012, and the related notes to the combined financial statements, which collectively comprise the Authority's combined financial statements as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the combined 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 Authority'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the net position of New York Job Development Authority as of March 31, 2013 and 2012, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined 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 combined 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2013, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2013 on the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes Rules, and Regulations of the State of New York. The purpose of that report is to provide an opinion as to the Authority's compliance with investment guidelines contained therein. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 7, 2013

Our discussion and analysis of the New York Job Development Authority's ("JDA" or "Authority") financial performance provides an overview of the Authority's financial activities for the year ended March 31, 2013. Please read it in conjunction with the Authority's combined financial statements.

Overview

During the year ended March 31, 2013, the Authority continued its mission to spur job growth and capital investment in New York State by using authority granted to it and by leveraging State-guaranteed bonds to support low interest loans to manufacturers and other targeted industries throughout New York State. The loan program provides financing to encourage the growth of manufacturing and other private sector business in the State without requiring appropriation of taxpayers' funds.

Since 1995, the Authority has done business as Empire State Development ("ESD") and has been administratively consolidated with the New York State Urban Development Corporation ("UDC"). The Authority experienced financial difficulties in the mid-1990's. As a result, from 1997 through March 31, 2004 the Authority received from UDC, also doing business as ESD, an annual operating transfer to assist in meeting its legal obligations. No assistance was required in the years ended March 31, 2013 and 2012 and no assistance is expected to be required in the next fiscal year.

As a result of improvements in collections of the reserved loans in the loan portfolio, the absorption of personnel costs by UDC, and the consolidation of the net assets of New York Liberty Development Corporation ("NYLDC") and Brooklyn Arena Local Development Corporation ("BALDC"), the Authority has achieved a net position balance of $73.9 million at March 31, 2013. NYLDC was created in 2002 to provide a vehicle for the State to issue Liberty Bonds in the wake of the terrorist attacks of September 11, 2001. BALDC was created in November 2008 to finance certain components of the Atlantic Yards land use improvement project.

In October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources.

In June 2010, the Authority authorized the creation of Canal Side Local Development Corporation ("CSLDC") and the certificate of incorporation was filed in February 2012. CSLDC was created to help facilitate the financing of the Canal Side Yards Land Improvement Project in Buffalo.

New Accounting Pronouncements

For the year ended March 31, 2013, the Authority adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements.

- GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". This statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Summarized Statements

A summary of the Authority's financial information as of March 31, 2013 and 2012 is as follows:

Summary of Combined Statements of Net Position

	2013	2012
Assets	(In thousands)	
Cash and equivalents, restricted cash and temporary investments	$ 102,788	96,620
Loans receivable, net	18,935	23,501
Financing leases, net	8,326	9,335
Other assets	302	384
Total assets	130,351	129,840
Liabilities and Net Position		
Liabilities:		
Special purpose bonds	15,435	18,961
Due to New York State Urban Development Corporation	26,171	26,082
Deferred grant revenue	14,572	14,578
Accounts payable and accrued expenses	288	263
Total liabilities	56,466	59,884
Net position - restricted	$ 73,885	69,956

Summary of Combined Statements of Revenue,
Expenses and Changes in Net Position

	2013	2012
	(In thousands)	
Operating revenue:		
Loan interest	$ 2,068	2,355
Grant income	18	19
Bond and note fee income	2,575	10,008
Other revenue	985	147
Total operating revenue	5,646	12,529
Operating expenses:		
Interest, principally bonds	941	1,108
Amortization of deferred financing costs	98	105
Credit and bond related fees	327	294
General and administrative	318	185
Grants	18	19
Pollution remediation	45	-
New York Liberty Development Corporation	-	26
Brooklyn Arena Local Development Corporation	86	138
Total operating expenses	1,833	1,875
Operating income	3,813	10,654
Nonoperating revenue	142	244
Nonoperating expenses	(26)	(33)
Nonoperating revenue, net	116	211
Change in net position	3,929	10,865
Net position - restricted at beginning of year	69,956	59,091
Net position - restricted at end of year	$ 73,885	69,956

Liquidity

The Authority's cash and equivalents and investments totaled approximately $102.8 million and $96.6 million at March 31, 2013 and 2012, respectively. The increase is primarily due to $8.4 million in loan and lease collections and $2.6 million in fees earned on the sale of Liberty Bonds for the World Trade Center project, offset by a $4.5 million debt service disbursement and $0.3 million in credit and bond related fees.

The Authority's loan receivable balance totaled $18.9 million and $23.5 million at March 31, 2013 and 2012, respectively. The decrease is primarily due to approximately $5.6 million in loan collections offset by increases of $0.2 million in deferred loan income amortization and $0.8 million in recoveries against loan loss reserves.

Approximately 46% of the consolidated net position balance results from the net fees earned by NYLDC over the last several years.

Cash generated from operations exceeded the Authority's operating requirements for the year ended March 31, 2013 by approximately $2.9 million, primarily due to the receipt of $2.6 million in bond fees and $1.8 million in loan interest offset by $1.0 million in bond interest disbursements, $0.3 million in credit and bond related fees and $0.2 million in general and administrative expenses.

Capitalization

As of March 31, 2013, the Authority had approximately $15.4 million in bonds outstanding. Total debt decreased by approximately $3.5 million through scheduled maturities of bonds.

Investment Ratings

As of March 31, 2013, the Authority's outstanding debt had the following ratings from the two major rating agencies:

	Ratings	
Issue	FITCH	S&P
Special Purpose Fixed Rate Bonds Series '04 B	AA	AA

Change in Net Position

The change in net position for the fiscal year ended March 31, 2013 amounted to $3.9 million compared with $10.9 million in fiscal 2012. The decrease is primarily due to a decrease in bond fee income of $7.4 million and a decrease of loan interest income of $0.4 million offset by an increase in recoveries against loan loss reserves of $0.8 million.

Revenue

Operating revenue approximated $5.6 million in fiscal 2013 compared to $12.5 million in fiscal 2012. The decrease is primarily due to a decrease in bond and note fee income and a reduction in loan interest collected, offset by an increase in recoveries against loan loss reserves.

Loan interest decreased by approximately $0.3 million as a result of approximately $6.7 million in loan and financing lease payments.

Bond and note fee income decreased by approximately $7.4 million in the fiscal year ended March 31, 2013 primarily due to the fact that there was a $2.6 million fee earned on the sale of Liberty Bonds for the World Trade Center project as compared to a $10.0 million fee earned in the previous fiscal year.

Other revenue increased by approximately $0.8 million due to an increase in recoveries against loan loss reserves.

Nonoperating revenue decreased by $0.1 million due to a decrease in investment income as a result of a decrease in investment rates throughout the year.

Operating Expenses

Operating expenses for the fiscal year ended March 31, 2013 were $1.8 million compared with $1.9 million in the fiscal year ended March 31, 2012. The decrease is primarily due to the fact that operating expenses for NYLDC and BALDC decreased by approximately $0.1 million.

Interest on bonds decreased by $0.2 million due to the maturity of certain bonds.

Credit and bond related fees increased by $0.03 million primarily due to a slight increase in trustee fees.

General and administrative expenses increased by approximately $0.1 million primarily due to an increase in operating costs.

Pollution remediation expense of $0.05 million is the result of a provision related to the liability required by GASB Statement No. 49 - "Accounting and Financial Reporting for Pollution Remediation Obligation."

The Authority's financial position remains strong. No assistance has been received from UDC since the fiscal year ended March 31, 2004. There was no new loan activity for the fiscal year ended March 31, 2013. There are approximately $8.4 million in loans approved but not closed.

In the coming fiscal year, no events are anticipated that would have a significant negative effect on the financial position of the Authority. It is expected that there will be an increase in marketing of the JDA program throughout the State in order to provide additional financing opportunities to businesses.

Anticipated Future Transactions

On May 22, 2013, the closing occurred for the remarketing of $1,681,551,972 of bonds for financing WTC Tower 3, WTC Tower 3-4 and Recovery Zone Bonds for Tower 3. The bonds were originally issued, refunded and remarketed several times to provide a source of funds from which on a future date construction costs for the rebuilding of the WTC can be paid.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the New York Job Development Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial and Administrative Officer, New York Job Development Authority d/b/a Empire State Development, 633 Third Avenue, New York, New York 10017.

COMBINED FINANCIAL STATEMENTS

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Statements of Net Position
March 31, 2013 and 2012

Assets	2013	2012
Cash and equivalents	$ 2,026,599	2,532,236
Cash and equivalents - restricted	87,791	108,604
Temporary investments in marketable securities	100,673,205	93,979,162
Accrued interest receivable	110,758	138,819
Loans receivable, net of allowance of $3,817,461 in 2013 and $8,099,000 in 2012	18,934,779	23,500,682
Financing leases, net of allowance of $782,210 in 2013 and 2012	8,325,740	9,335,493
Pollution remediation receivable	45,000	-
Deferred financing costs, net of accumulated amortization of $2,023,600 in 2013 and $1,925,200 in 2012	138,827	237,229
Prepaid insurance	8,518	7,689
Total assets	130,351,217	129,839,914
Liabilities		
Special purpose bonds	15,435,000	18,960,844
Due to New York State Urban Development Corporation	26,170,706	26,082,490
Deferred grant revenue	14,572,024	14,577,602
Accounts payable and accrued expenses	243,782	263,435
Pollution remediation payable	45,000	-
Total liabilities	56,466,512	59,884,371
Commitments and contingencies (notes 11 and 12)		
Net position - restricted	$ 73,884,705	69,955,543

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY

Combined Statements of Revenue, Expenses and Changes in Net Position

Years ended March 31, 2013 and 2012

	2013	2012
Operating revenue:		
Loan interest	$ 2,068,175	2,355,415
Grant income	18,191	18,993
Bond and note fee income	2,574,990	10,007,977
Other revenue	985,034	146,580
Total operating revenue	5,646,390	12,528,965
Operating expenses:		
Interest, principally bonds	940,815	1,107,773
Amortization of deferred financing costs	98,402	105,323
Credit and bond related fees	326,614	294,305
General and administrative	317,333	185,335
Grants	18,191	18,993
Pollution remediation	45,000	-
New York Liberty Development Corporation	365	25,551
Brooklyn Arena Local Development Corporation	85,939	138,032
Total operating expenses	1,832,659	1,875,312
Operating income	3,813,731	10,653,653
Nonoperating revenue (expenses):		
Investment income, including change in fair value	141,756	244,094
Interest - New York State Urban Development Corporation	(26,325)	(33,653)
Nonoperating revenue, net	115,431	210,441
Change in net position	3,929,162	10,864,094
Net position - restricted at beginning of year	69,955,543	59,091,449
Net position - restricted at end of year	$ 73,884,705	69,955,543

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Statements of Cash Flows
Years ended March 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from interest on loans and financing leases	$ 1,768,728	2,154,640
Cash received from grants	18,191	18,993
Cash received from bond and related fees	2,574,990	10,007,977
Other operating cash receipts	168,130	141,448
Interest paid on bonds payable	(975,613)	(1,171,963)
Cash paid for related bond expenses	(326,614)	(294,305)
Cash paid for general and administrative expenses	(237,256)	(44,713)
Cash paid for grants	(18,191)	(18,993)
Cash paid for NYLDC operating expenses	(4,018)	(21,899)
Cash paid for BALDC operating expenses	(107,002)	(110,150)
Net cash provided by operating activities	2,861,345	10,661,035
Cash flows from noncapital financing activities - special purpose bond retirements	(3,505,000)	(4,280,000)
Cash flows from investing activities:		
Proceeds from sale of temporary investments in marketable securities	739,549,979	193,278,978
Purchase of temporary investments in marketable securities	(746,338,751)	(209,162,574)
Interest on investments	269,911	191,834
Principal collected on loans receivable	5,555,800	6,767,242
Principal collected on financing leases	1,119,270	2,492,211
Reduction of Port Authority appropriation for grant disbursements	(18,191)	(18,993)
Net cash provided by (used in) investing activities	138,018	(6,451,302)
Net decrease in cash and equivalents	(505,637)	(70,267)
Cash and equivalents at beginning of year	2,532,236	2,602,503
Cash and equivalents at end of year	$ 2,026,599	2,532,236

(Continued)

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Statements of Cash Flows, Continued

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 3,813,731	10,653,653
Adjustments to reconcile operating income to net cash provided by operating activities:		
Recovery of provision for loss on loans receivable, loan guarantees and financing leases	(770,905)	(5,132)
Operating expenses paid by UDC	61,890	153,039
Amortization - deferred financing costs	98,402	105,323
Amortization - deferred loan income	(218,991)	(111,483)
Amortization - deferred lease premiums	(109,517)	(140,234)
Amortization - bond premium	(20,844)	(47,827)
Change in:		
Accrued interest receivable	28,061	50,942
Prepaid insurance	(829)	(419)
Accounts payable and accrued expenses	(19,653)	3,173
Net cash provided by operating activities	$ 2,861,345	10,661,035

See accompanying notes to combined financial statements.

Note 1 - Corporate Background and Activities

(a) General

New York Job Development Authority (the "Authority" or "JDA"), doing business as Empire State Development ("ESD"), is a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Authority's mission is to spur job growth and capital investment in New York State by using authority granted to it and by leveraging State-guaranteed bonds to support low interest loans to manufacturers and other targeted industries throughout New York State. As a public benefit corporation, the Authority is tax exempt. The Authority is a component unit of the State and, as such, its combined financial statements are included in the State's general purpose financial statements.

(b) Activities

The principal activities of the Authority are providing business and industrial loans, described in the Authority's enabling legislation as "Special Purpose Loans," and the guarantee of loans made by banking organizations (as defined in the enabling legislation), described as "Special Purpose Loan Guarantees." All such loans and loan guarantees are made to businesses with operations in the State, and are provided for acquisition of real estate or machinery and equipment. The Authority generally requires security for loans and loan guarantees with the underlying assets and other available collateral.

The Authority finances these activities through the issuance of State guaranteed bonds and notes (the "Bonds") limited by the Constitution of the State and applicable legislation to an aggregate principal amount of $900,000,000 outstanding at any time. To date, enabling legislation allows an aggregate principal amount of $750,000,000 to be outstanding at any time.

The guarantee of the Bonds by the State is authorized by the New York Job Development Authority Act, as amended by Section 1813 of Title 8 Article 8 of the Public Authorities Law and Section 8 Article X of the Constitution of New York State. Under these provisions, if the Authority fails to pay, when due, the principal or interest on the Bonds or if sued by any holder of the Bonds, the State Comptroller must set apart from the first revenues thereafter received from any source, applicable to the General Fund of the State, a sum sufficient to pay such principal and interest, and shall so apply the monies thus set apart. Effectively, the State is subrogated to the rights of the bondholders. The net position of the fund is considered restricted.

The Authority has the power to create local development corporations under Section 1804 of the New York Job Development Authority Act and Section 1411 of the New York Not-for-Profit Corporation Law. The Authority has created four Local Development Corporations, New York Liberty Development Corporation ("NYLDC"), Empire State Local Development Corporation ("ESLDC"), Brooklyn Arena Local Development Corporation ("BALDC"), and Canal Side Local Development Corporation ("CSLDC").

Note 1 - Corporate Background and Activities, Continued

(b) Activities, Continued

The Authority substantially controls the operations of the Local Development Corporations. Under Governmental Accounting Standard Board (GASB) Statement No. 39 - "The Financial Reporting Entity," NYLDC, ESLDC, BALDC and CSLDC are considered blended component units of the Authority, and their assets, liabilities, and results of operations are combined with the operations of the Authority for financial reporting purposes.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority follows enterprise fund reporting, accordingly, the accompanying combined financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Authority complies with all applicable pronouncements of GASB as well as with authoritative pronouncements applicable to non-governmental entities (e.g. Financial Accounting Standards Board Statements) that do not conflict with GASB pronouncements.

The Authority's combined financial statements are presented consistent with enterprises whose principal activities are considered a financing enterprise.

(b) New Accounting Pronouncements

For the year ended March 31, 2013, the Authority adopted the provisions of the following GASB Statements:

- GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements.

- GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". This statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

(c) Use of Estimates

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

Note 2 - Summary of Significant Accounting Policies, Continued

(d) Cash and Equivalents

Cash and equivalents include cash deposits with banks and highly liquid temporary investments with original or remaining maturities of 90 days or less.

(e) Investment Securities

Investment securities consist of temporary investments of available cash and debt service reserve funds in marketable securities. Investment securities are reported at fair value in the combined statements of net position, and investment income, including changes in fair value, is reported as nonoperating revenue in the combined statements of revenue, expenses and changes in net position.

The fair value of investment securities, which include United States government and Federal agency obligations, and obligations of state and local governments is generally based on quoted market prices. Interest earning investment instruments, including time deposits and repurchase agreements with maturities of one year or less, are reported at amortized cost. Investment income also includes realized gains and losses from disposition of investments on a specific identification basis. Collateral for these investments is held in the Authority's name by financial institutions as custodians. Investment securities that are not required by bond indentures to be held by independent trustees are maintained and held by the New York State Department of Taxation and Finance.

(f) Loans and Financing Leases Receivable

Loans and financing leases are generally reported at their principal amounts outstanding, net of allowances for possible credit losses. The Authority lends funds for the acquisition of land and buildings which are generally repayable over 15 to 20 years. Loans to fund machinery and equipment are generally repayable over 7 to 10 years. Generally, all loans represent second mortgages or other subordinated positions. Interest revenue on loans and financing leases is credited to interest income based on loan principal amounts outstanding at appropriate interest rates. Interest is not accrued on loans which are delinquent three or more months and which management considers uncollectible. In addition, the Authority provides financing leases for property previously acquired in foreclosure. Financing leases generally require repayment over periods ranging from one to 20 years.

(g) Allowance for Possible Credit Losses and Estimated Loan Guarantee Losses

The allowance for possible credit losses provides for risks of losses inherent in the credit extension process. The Authority maintains this allowance on a specific and general basis at levels considered adequate to meet present and future losses on loans and financing leases. Estimates of loan guarantee losses are based on similar analyses. This evaluation encompasses business and economic conditions, the character, quality and performance of the portfolios, availability of collateral and the risks inherent in these loans. Accordingly, these estimates could change in the near term.

Note 2 - Summary of Significant Accounting Policies, Continued

(h) Foreclosed Properties

The Authority may hold title to properties acquired in satisfaction of loans, including in-substance foreclosures. Such amounts, if any, are carried at the lower of cost or estimated fair market value.

(i) Deferred Financing Costs

Financing costs and bond issuance premiums/discounts are deferred and amortized on a straight line basis, which approximates the effective yield method, over the period of the related debt. Loan origination and commitment fees and certain incremental direct loan costs are deferred and amortized over the estimated remaining lives of the related loans using the straight line basis, which approximates the effective yield method.

(j) Grant Revenue and Expense

ESLDC administers certain grant funds from various sources. These grants are awarded for specifically designated projects and are distributed directly to the projects. ESLDC records revenue upon disbursement of the grants to grantees. Grant advances not disbursed to grantees are recorded as deferred grant revenue.

NYLDC recognizes grant expense upon the disbursement of grants to grantees.

(k) Pollution Remediation Costs

Pollution remediation costs are charged in accordance with the provision of GASB Statement No. 49 (see note 11). An operating expense provision and corresponding liability measured at its current value using the expected cash flow method have been recognized for certain pollution remediation obligations. Pollution remediation obligations occur when any one of the following obligating events takes place: the Authority is in violation of a pollution prevention-related permit or license; an imminent threat to public health due to pollution exists; the Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation; the Authority voluntarily commences or legally obligates itself to commence remediation efforts; or the Authority is named or there is evidence that the Authority will be named in a lawsuit that compels participation in remediation activities.

(l) Subsequent Events

The Authority has evaluated events after March 31, 2013, and through June 7, 2013, which is the date the combined 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 combined financial statements.

Note 3 - Local Development Corporations

(a) New York Liberty Development Corporation

In August 2002, at the request of the Governor, the Authority caused the creation of New York State Liberty Development Corporation ("NYLDC"). NYLDC was created as a conduit for the issuance of qualified New York Liberty Bonds ("Liberty Bonds") and such other non-federally tax-exempt obligations as may be appropriate. Bond proceeds are used to finance private projects primarily in the New York Liberty Zone located in lower Manhattan. NYLDC receives fees in connection with each bond or note issuance. In certain instances, the bond issuance fees earned are shared with other entities. The summarized statements of net position of NYLDC as of March 31, 2013 and 2012 are as follows:

	2013	2012
Cash and equivalents	$ 145,241	1,367,966
Temporary investments in marketable securities	33,778,721	29,951,057
Total assets	33,923,962	31,319,023
Accounts payable	-	(3,653)
Net position	$ 33,923,962	31,315,370

The summarized statements of revenue, expenses and changes in net position of NYLDC for the years ended March 31, 2013 and 2012 are as follows:

	2013	2012
Bonds and note fee income	$ 2,574,991	10,007,977
Other revenue	-	17,430
Investment income	33,966	12,892
Operating expenses	(365)	(25,551)
Changes in net position	$ 2,608,592	10,012,748

During the year ended March 31, 2013, NYLDC issued Liberty Revenue Refunding Bond Series 2012-7 World Trade Center Project in the aggregate face amount of $450 million on behalf of and for the purpose of providing a portion of the funds to refund in whole the New York City Industrial Development Agency's $425,000,000 Liberty Revenue Bonds, Series 2005A (7 World Trade Center, LLC Project) and its $50,000,000 Liberty Revenue Bonds, Series 2005B (World Trade Center, LLC Project), the proceeds of which were used to finance a portion of the costs of the construction and development of the uppermost 42 floors of the 52-story building at the World Trade Center site in New York City known as 7 World Trade Center. In August 2012 (the "Tender Date"), $112,785,000 of the initial Series 2011A Tower 3-4 Bonds were re-designated as the "Series 2011A Tower 3-4 Bonds," $180,000 of the initial Series 2011A Tower 3-4 Bonds were converted to the Weekly Mode and re-designated as the "Series 2011B-2 Tower 3-4 Bonds," and the initial Series 2011B Tower 3-4 Bonds were re-designated as the "Series 2011B-1 Tower 3-4 Bonds." In addition in August 2012, $1,216,525,000 of the initial Series 2011A

Note 3 - Local Development Corporations, Continued

(a) New York Liberty Development Corporation, Continued

Tower 3 Bonds were re-designated as the "Series 2011 A Tower 3 Bonds," $1,970,000 of the initial Series 2011A Tower 3 Bonds were converted to the Weekly Mode and re-designated as the "Series 2011B-2 Tower 3 Bonds," and the initial Series 2011B Tower 3 Bonds were re-designated as the "Series 2011B-1 Tower 3 Bonds." In addition in August 2012, $335,460,000 of initial Series 2010A-1 Tower 3 Recovery Zone Bonds were re-designated as the "Series 2010A-1 Tower 3 Recovery Zone Bonds," $515,000 of the initial Series 2010A-1 Tower 3 Recovery Zone Bonds were converted to the Weekly Mode and re-designated as the "Series 2010B-4 Tower 3 Recovery Zone Bonds."

During the year ended March 31, 2012, NYLDC issued Liberty Revenue Bonds Series 1WTC-2011, secured by Port Authority Consolidated Bonds, in the aggregate face amount of $672 million on behalf of and for the purpose of financing a portion of the costs of the continuing development and construction of One World Trade Center. In April 2011, in order to provide for the staged financing of Tower 3 and Tower 4, to exclude bond financing for Tower 2, and following successive mandatory tenders and re-designation of the Series 2009 Bonds, the Series 2009 Bonds in the aggregate principal amount of $2,593,500,000 were remarketed and re-designated. In October 2011, the Series 2009 Bonds were refunded in whole from the proceeds of NYLDC's Multi-Modal Liberty Revenue Refunding Bonds Series 2011A and 2011B (World Trade Center Project). In addition, in October 2011, $335,975,000 of the initial Series 2010A-1 Bonds (3 World Trade Center Project) were re-designated as the "Series 2010A-1 Bonds"; the $585,000 principal amount of the initial Series 2010A-1 Bonds were converted to the Weekly Mode and re-designated as the "Series 2010A-3 Bonds." In November 2011, NYLDC issued Multi-Modal Liberty Revenue Refunding Bonds, Series 2011A and 2011B (3 World Trade Center Project) in the aggregate principal amount of $1,229,550,000 and Series 2011A and 2011B (World Trade Center Project 3-4) in the aggregate principal amount of $114,000,000 for the purpose of financing a portion of the costs of construction of three office buildings known as Towers 2, 3 and 4. In addition, in November 2011 NYLDC issued Liberty Revenue Bonds, Series 2011 (4 World Trade Center Project) in the aggregate principal amount of $1,225,520,000 for the purpose of refunding a portion of the outstanding Multi-Modal Liberty Revenue Refunding Bonds, Series 2011A and 2011B.

Since inception, NYLDC has issued an aggregate of $6.162 billion of Liberty Bonds (at face amount of $5.958 billion), $338 million of Recovery Zone Bonds, and $730 million of taxable notes excluding remarketing and refunding bonds on behalf of project owners. As of March 31, 2013, the total outstanding conduit debt amounted to $6.5 billion. Liberty bonds, Recovery Zone bonds, and taxable notes are not the obligation of NYLDC, the Authority, or the State. Repayment of the bonds and notes is the obligation of respective project owners.

Note 3 - Local Development Corporations, Continued

(b) Empire State Local Development Corporation

In October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources. The summarized statements of net position of ESLDC as of March 31, 2013 and 2012 is as follows:

	2013	2012
Cash and equivalents	$ 491,445	505,843
Temporary investments in marketable securities	14,080,579	14,071,759
Deferred grant revenue	(14,572,024)	(14,577,602)
Net position	$ -	-

The deferred grant revenue represents grant funds received that have not yet been disbursed to the grantee. The summarized statements of revenue, expenses and changes in net position of ESLDC for the years ended March 31, 2013 and 2012 is as follows:

	2013	2012
Grant revenue	$ 18,191	18,993
Grant expenses	(18,191)	(18,993)
Change in net position	$ -	-

(c) Brooklyn Arena Local Development Corporation

In November 2008, the Authority caused the creation of Brooklyn Arena Local Development Corporation ("BALDC"). BALDC has state-wide jurisdiction and was created as a conduit for the issuance of both taxable and tax exempt bonds to finance the construction and related cost of the Arena. The summarized statements of net position of BALDC at March 31, 2013 and 2012 is as follows:

	2013	2012
Cash and equivalents	$ 256,317	362,602
Accounts payable and accrued expenses	(19,078)	(40,141)
Net position	$ 237,239	322,461

The summarized statements of revenue, expenses and changes in net position of BALDC for the years ended March 31, 2013 and 2012 is as follows:

	2013	2012
Interest income	$ 717	1,132
Operating expenses	(85,939)	(138,032)
Change in net position	$ (85,222)	(136,900)

Note 3 - Local Development Corporations, Continued

(c) Brooklyn Arena Local Development Corporation, Continued

BALDC did not issue bonds during the year ended March 31, 2013. As of March 31, 2013, the total outstanding conduit debt is $511 million. BALDC bonds are not the obligation of BALDC, the Authority or the State. Repayment of the bonds will be made from payment-in-lieu-of taxes and rental payments made by the Arena developer.

(d) Canal Side Local Development Corporation

In June 2010, the Authority authorized the creation of Canal Side Local Development Corporation ("CSLDC") and the certificate of incorporation was filed in February 2012. CSLDC was created to help facilitate the financing of the Canal Side Yards Land Improvement Project in Buffalo. There was no activity during the years ended March 31, 2013 and 2012.

Note 4 - Cash and Equivalents

Demand deposits are secured by surety bonds and collateral held by a bank or trust company as custodians. Securities are either delivered or registered by book entry in UDC's name with bond trustees or custodian banks.

At March 31, 2013, cash held in demand and custodial deposits, as well as cash equivalents were collateralized by the depository, generally with obligations of the United States, its agencies, or New York State obligations with a remaining maturity when purchased of 90 days or less, as follows:

	Carrying amount	Bank balance
Insured (FDIC)	$ 337,791	337,791
Uninsured - collateral held by custodian in UDC's name	1,776,599	1,776,599
Total cash and cash equivalents	$ 2,114,390	2,114,390

Note 5 - Temporary and Debt Service Reserve Fund Investments

Authorization for investments is governed by written internal investment guidelines, statutes, State guidelines and bond resolutions. Permitted investments include:

- Obligations of the United States Treasury, agencies and instrumentalities;
- Direct obligations of the State of New York, its political subdivisions, and public authorities;
- Collateralized investments, which are fully secured as to principal by U.S. Treasury securities and obligations of the U.S. Government, with financial institutions which meet specified criteria;

Note 5 - Temporary and Debt Service Reserve Fund Investments, Continued

- Repurchase agreements with financial institutions doing business in the State of New York which are listed as primary government securities dealers by New York's Federal Reserve Bank and which are collateralized by U.S. Government securities;
- Commercial paper issued by domestic banks, corporations and financial companies rated "A-1" or better by Standard & Poor's Corporation or "P-1" or better by Moody's Investors Services, Inc.;
- Certificates of deposit; and
- Units, shares or interest in a mutual fund or money market fund of regulated investment companies that meet specified criteria.

Temporary and debt service reserve fund investments, reported at fair value, at March 31, 2013 and 2012 consist of the following:

	2013		2012	
	Cost	Fair value	Cost	Fair value
U.S. Government and Federal Agency obligations	$ 100,664,871	100,673,205	45,521,333	45,522,681
NYS and NYC municipal bonds	-	-	12,296,297	12,106,057
Repurchase agreements	-	-	36,350,000	36,350,424
	$ 100,664,871	100,673,205	94,167,630	93,979,162

Note 6 - Financing Leases Receivable

Minimum lease payments to be received under financing lease agreements for each of the next five years and thereafter as of March 31, 2013 were as follows:

2014	$ 1,545,763
2015	1,565,673
2016	1,523,836
2017	1,469,231
2018	1,444,983
Thereafter	4,269,299
	11,818,785
Less:	
Portion attributable to interest	(2,710,835)
Allowance for possible credit losses	(782,210)
Total	$ 8,325,740

Note 7 - Allowances for Possible Credit Losses and Estimated Loan Guarantee Losses

The estimated allowances for possible credit and loan guarantee losses are based primarily on a continuing evaluation of the portfolios, and of current economic conditions and such other factors which management believes require consideration in estimating future risks. Additions to the allowances are made by charges to expense. Reductions of the allowances are reported as other revenue. A summary of loan loss allowance activity for year ended March 31, 2013, with comparative totals for the year ended March 31, 2012, is as follows (in thousands):

	Allowances for losses on				
		Financing	Loan	Totals	
	Loans	leases	guarantees	2013	2012
Beginning balances	$ 8,099	782	-	8,881	8,886
Net provisions (reductions)	(4,282)	-	-	(4,282)	(5)
Ending balances	$ 3,817	782	-	4,599	8,881

Note 8 - Special Purpose Bonds Payable

The principal amount of special purpose bonds outstanding as of March 31, 2013 and 2012 is as follows (in thousands):

	2013	2012	Coupon rate percentage	Maturity date
Fixed rate special purpose bonds:				
2004 Series A	$ -	3,505	4.00 - 4.01	2013
2004 Series B	15,435	15,435	5.06 - 5.41	2014 - 2018
	15,435	18,940		
Add unamortized bond premium	-	21		
Total	$ 15,435	18,961		

Note 8 - Special Purpose Bonds Payable, Continued

The maturities of special purpose bonds outstanding (in thousands) for the five years following March 31, 2013 are as follows:

	Principal	Interest	Total
2014	$ 3,090	808	3,898
2015	3,090	652	3,742
2016	3,085	493	3,578
2017	3,085	331	3,416
2018	3,085	167	3,252
	$ 15,435	2,451	17,886

The Authority has the option, in some cases, to retire bonds prior to maturity as stipulated in the respective debt agreements. Each series of bonds is issued pursuant to a separate trust indenture.

No commercial paper was outstanding at March 31, 2013 and 2012. The Authority has entered into a revolving letter of credit agreement with financial institutions to support commercial paper notes issued in order to facilitate their sale. The letter of credit was left in place in case commercial paper notes are issued in the future, and at March 31, 2013 the total amount of unused letters of credit was $35 million. The letter of credit expired on April 8, 2013 and was not replaced.

Note 9 - Due to New York State Urban Development Corporation

New York State Urban Development Corporation ("UDC") provides all of the management and operational oversight for the Authority. At March 31, 2013 and 2012, amounts due to UDC are primarily attributable to costs, including all payroll and related costs, allocated to or paid by UDC on behalf of the Authority for various general and administrative expenses. These costs, plus interest, approximated $88,000 and $187,000 during the years ended March 31, 2013 and 2012, respectively. The balance due at March 31, 2013 and 2012, excluding grant funds held by the Authority, amounted to $26,170,706 and $26,082,490, respectively. The interest rate used is the annualized average weighted yield earned by UDC on its investment portfolio. The interest portion of the accumulated liability covers the last eighteen fiscal years and amounts to approximately $7,336,000 at March 31, 2013.

Note 10 - Pollution Remediation Obligations

During the year ended March 31, 2013, the Authority recognized a pollution remediation expense provision of $45,000 and a corresponding liability was recorded in the combined statements of net position. The Authority is expecting to recover remediation expense from the tenant "Precision Properties, LLC" and UDC Housing Repair Fund and has also recorded a receivable in the amount of $45,000.

Note 11 - Commitments

Special Purpose Fund loans approved by the Authority, but not yet closed, approximated $8.4 million at March 31, 2013.

Note 12 - Contingencies

The Authority has been named as a defendant in legal actions arising from the operation of various economic development initiatives. In addition, defendants in mortgage loan foreclosure proceedings initiated by the Authority have asserted defenses and counter claims for damages. The Authority believes that the ultimate outcome of such litigation will not have a material adverse effect on its financial condition.

Note 13 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 61 - "The Financial Reporting Entity: Omnibus" is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14 "The Financial Reporting Entity" and No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This statement amends the criteria for including component units by only including those component units for which the elected officials are financially accountable or that the government determines would be misleading to exclude. This statement also amends the criteria for blending of component units to include only those component units that are so intertwined with the primary government that they are essentially the same as the primary government. The requirements of the statement are effective for periods beginning after June 15, 2012, which is the fiscal year beginning April 1, 2013 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

Note 13 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities" establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources such as changes in the determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations. The requirements of this statement are effective for periods beginning after December 15, 2012, which is the fiscal year beginning April 1, 2013 for the Authority. This statement is expected to cause a prior period restatement of net position in the amount of $138,827 on the combined financial statements of the Authority for the fiscal year ended March 31, 2014. This restatement is related to the required adjustments to expense deferred financing costs in the period of issuance.

GASB Statement No. 66 - "Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62" improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. Statements No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" and No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement amends Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this statement are effective for periods beginning after December 15, 2012, which is the fiscal year beginning April 1, 2013 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 67 - "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25" replaces existing standards for financial reporting and note disclosure for most pension plans that are administered through trusts or equivalent arrangements. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

Note 13 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The requirements of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning April 2015 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 69 - "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards for government mergers, acquisitions and disposals. The statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning April 1, 2014 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 70 - "Accounting and Financial Reporting for Nonexchange Financial Guarantees" improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

Toski & Co., P.C.
Certified Public Accountants
A Division of EFP Rotenberg, LLP

300 Essjay Road, Ste. 115
Williamsville, New York 14221
T: 716.634.0700
F: 716.634.0764
W: ToskiCPA.com

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 Authority Members
New York Job Development Authority:

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 combined financial statements of New York Job Development Authority's (the "Authority"), a component unit of the State of New York, which comprise the combined statement of net position as of March 31, 2013, and the related combined statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated June 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Authority'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combined 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.

Buffalo • Rochester • Albany • New York City • Los Angeles

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's combined 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 7, 2013

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
A DIVISION OF EFP ROTENBERG, LLP

300 Essjay Road, Ste. 115
Williamsville, New York 14221
T: 716.634.0700
F: 716.634.0764
W: ToskiCPA.com

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Authority Members
New York Job Development Authority:

Report on Investment Program Compliance

We have audited the New York Job Development Authority's (the "Authority"), a component unit of the State of New York, compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended March 31, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of the Authority's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Investment Program

In our opinion, the New York Job Development Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended March 31, 2013.

Buffalo • Rochester • Albany • New York City • Los Angeles

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 7, 2013