

Yonkers Industrial Development Agency

Financial Statements
With Supplementary Information

December 31, 2012 and 2011

Independent Auditors' Report

**Board of Directors
Yonkers Industrial Development Agency**

We have audited the accompanying financial statements of the Yonkers Industrial Development Agency (the "Agency") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Agency's financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

**Board of Directors
Yonkers Industrial Development Agency**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Industrial Revenue Bonds and Notes Issued, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board and/or others who consider it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the 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 March 27, 2013 on our consideration of the 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 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.

O'Connor Davies, LLP
Harrison, New York
March 27, 2013

Yonkers Industrial Development Agency

Management's Discussion and Analysis Years Ended December 31, 2012 and 2011

The following Management's Discussion and Analysis ("MD&A") of Yonkers Industrial Development Agency's ("YIDA") (the "Agency") activities and financial performance is provided as an introduction and overview of the financial statements of YIDA for the years ended December 31, 2012 and 2011. Following this MD&A are the annual financial statements of YIDA together with the notes which are important to understanding the data presented in the financial statements. This MD&A highlights certain supplementary information to assist with the understanding of the YIDA's financial operations.

Operations

YIDA is a public benefit corporation established by an act of the New York State Legislature in 1982, under Section 903 of the General Municipal Law. The Agency operates for the benefit of the City of Yonkers, New York (the "City") and its populace to accomplish any or all of the purposes specified in Title 1 of Article 18A. Specific powers and duties are conferred to the Agency with respect to the acquisition of real property, whether by purchase, condemnation or otherwise, within the corporate limits of the City. All of the local zoning and planning regulations, as well as the regional and local comprehensive land use plans, are taken into consideration to carry out the duties of the Agency.

Organized in a manner consistent with the statute, the Mayor of Yonkers appoints a seven member Board of Directors comprised of both public officials and business leaders. This Board governs the YIDA by establishing official policies and reviewing and approving requests for financial assistance. Operations and activities of the Agency, its members, officers and employees are carried out in accordance with State law.

YIDA's mission is to generate economic development and job growth throughout the City by attracting new businesses; retaining existing ones and helping them all become competitive in a global marketplace. The Agency accomplishes this mission by offering financial assistance in the form of Sales and Use Tax Exemptions, Mortgage Recording Tax Exemptions, Payment-In-Lieu-Of-Tax agreements (PILOTs) and by issuing tax exempt Industrial Development Bonds (IDB's).

Six applications were submitted and processed during the year and three projects closed.

Financial Operations Highlights

The financial statements for years ended December 31, 2012 and 2011 are attached. The chart below provides a condensed summary of revenues and expenses for the past two years.

	<u>2012</u>	<u>2011</u>
YIDA Operating Revenue	\$169,292	\$1,201,292
YIDA Operating Expenses	782,062	886,911

Yonkers Industrial Development Agency

Management's Discussion and Analysis
Years Ended December 31, 2012 and 2011

Financial Operations Highlights (continued)

Revenue

Revenue for 2012 was derived from 3 projects which closed, 5 refinancings and one amended PILOT as follows.

<u>Commercial Projects:</u>	
Instock	\$ 18,445
<u>Housing Projects:</u>	
244 South Broadway (Vicky)	17,402
Teutonia (no PILOT)	35,000
<u>Refinanced:</u>	
Forest City (Ridge Hill)	10,000
Westchester ALP	24,000
66 Main Street	10,000
Mulford Phase I	10,000
Riverdale Ave	5,000
<u>PILOT amendment:</u>	
Velocity	2,500

Assets and Liabilities

At year end, the Agency had \$2,878,103 in assets and \$2,676,906 in liabilities. Details of these amounts are provided in the financial statements.

Industrial Revenue Bonds and Notes

The Schedule of Industrial Revenue Bonds and Notes Issued is provided as supplemental information to the financial statements.

New Operations

YIDA continues to coordinate with New Main Street Development Corporation to assist in acquiring properties needed for the day lighting of the Saw Mill River, a major Yonkers initiative. YIDA did not acquire or condemn any properties in connection with this initiative in 2012.

Yonkers Industrial Development Agency

Statements of Net Position

	December 31,	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 521,684	\$ 1,056,203
Accounts receivable	151,034	91,788
Prepaid expenses	67,640	104,977
Restricted cash	1,466,393	3,344,878
Due from economic development project	670,000	670,000
Equipment, net	<u>1,352</u>	<u>3,308</u>
	<u>\$ 2,878,103</u>	<u>\$ 5,271,154</u>
LIABILITIES		
Accounts payable	\$ 29,259	\$ 70,138
Accrued expenses	221,254	147,450
Due to other governments	960,000	960,000
Due to other entities	<u>1,466,393</u>	<u>3,344,878</u>
Total Liabilities	2,676,906	4,522,466
NET POSITION		
Unrestricted	<u>201,197</u>	<u>748,688</u>
	<u>\$ 2,878,103</u>	<u>\$ 5,271,154</u>

See notes to financial statements

Yonkers Industrial Development Agency

Statements of Activities

	Year Ended	
	December 31,	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUE		
Agency fees	\$ 108,947	\$ 916,527
Management fees	-	234,595
Application and administrative fees	4,200	3,000
Miscellaneous income	<u>56,145</u>	<u>47,170</u>
Total Operating Revenue	<u>169,292</u>	<u>1,201,292</u>
OPERATING EXPENSES		
Salaries	318,114	315,315
Payroll taxes and employee benefits	120,333	106,762
Rent	97,889	91,485
Consulting and professional fees	152,706	252,338
Advertising, printing and reproduction	26,541	57,308
Travel	9,821	9,108
Insurance	7,428	8,388
Conferences and meetings	4,201	5,689
Communications	25,469	27,219
Office supplies and other expenses	17,605	10,971
Depreciation	<u>1,956</u>	<u>2,328</u>
Total Operating Expenses	<u>782,063</u>	<u>886,911</u>
(Loss) Gain from Operations	<u>(612,771)</u>	<u>314,381</u>
NON-OPERATING REVENUE		
Workforce grant income	1,360,020	971,669
Workforce grant expenses	(1,360,020)	(971,669)
Interest and dividend income	65,280	52,049
Total Non-Operating Revenue	<u>65,280</u>	<u>52,049</u>
Change in Net Position	(547,491)	366,430
NET POSITION		
Beginning of year	<u>748,688</u>	<u>382,258</u>
End of year	<u>\$ 201,197</u>	<u>\$ 748,688</u>

See notes to financial statements

Yonkers Industrial Development Agency

Statements of Cash Flows

	Year Ended December 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 110,046	\$ 1,288,243
Cash received for workforce grant	1,360,020	971,669
Cash payments for workforce employees	(1,360,020)	(971,669)
Cash payments for goods and services	(271,398)	(411,088)
Cash payments to employees and benefits	(438,447)	(479,525)
Net Cash from Operating Activities	(599,799)	397,630
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income	65,280	52,049
Net Change in Cash and Cash Equivalents	(534,519)	449,679
CASH AND CASH EQUIVALENTS		
Beginning of year	1,056,203	606,524
End of year	\$ 521,684	\$ 1,056,203
RECONCILIATION OF (LOSS) GAIN FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
(Loss) gain from operations	\$ (612,771)	\$ 314,381
Adjustments to reconcile (loss) gain from operations to net cash from operating activities		
Depreciation	1,956	2,328
Changes in operating assets and liabilities		
Accounts receivable	(59,246)	86,950
Prepaid expenses	37,337	41,742
Restricted cash	1,878,485	(2,780,018)
Accounts payable	(40,879)	9,676
Accrued expenses	73,804	(57,447)
Due to other entities	(1,878,485)	2,780,018
Net Cash from Operating Activities	\$ (599,799)	\$ 397,630

See notes to financial statements

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 1 - Organization

The Yonkers Industrial Development Agency ("YIDA")(the "Agency") was created in 1982 as a public benefit corporation by the New York State Legislature under the provisions of Chapter 526 for the purpose of promoting and supporting the development of commerce, bolstering employment and stimulating economic growth and prosperity in the City of Yonkers, New York (the "City"). The Agency is exempt from Federal, State and Local income taxes. The Agency although supported by the City, is a separate entity and operates independently from the City. Members of the governing board are appointed by the Mayor of the City for specified terms.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Agency has been identified as an organization related to the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 14, the Agency is not considered a component unit of the City.

Basis of Accounting

The accounting policies of the Agency conform to generally accepted accounting principles as applicable to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency applies all applicable Financial Accounting Standards Board ("FASB") guidance issued after November 30, 1989 in its accounting and reporting.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Application of Accounting Standards

For the year ended December 31, 2012, the Agency implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflow of Resources, Net Position" ("GASB Statement No. 63"). This statement provides financial reporting guidance for these elements first introduced in GASB Concept Statement No.4, "Elements of Financial Statements". Previous financial reporting standards did not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in time deposit accounts, demand deposit accounts and certificates of deposit with original maturities of less than three months. Collateral is required for these deposits at 100% of all deposits not covered by Federal deposit insurance. The Agency has entered into a custodial agreement with its depository which holds its deposits. This agreement authorizes the obligations that may be pledged as collateral. Such obligations include among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Agency's name. The Agency's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2012.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At December 31, 2012 and 2011, management has concluded that an allowance is not required.

Equipment

Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over an estimated useful life of seven years.

Revenue Recognition

The Agency charges an agency fee based on the amount of financing for each project at a predetermined rate. All such agency fees are collected and recognized as revenue at closing.

Net Position

Net Position represents the difference between assets and liabilities. Net position is reported as restricted only when there are limitations imposed on its use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments on the statement of net position. The net position of the Agency on the statement of net position is classified as unrestricted.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 27, 2013.

Note 3 - Restricted Cash

Restricted cash consists of funds held in escrow by the Agency for various projects. Funds are released as authorized invoices are presented for payment or reimbursement. The balance of restricted cash is as follows at December 31:

	<u>2012</u>	<u>2011</u>
Austin Avenue	\$ 29,956	\$ 38,828
Yonkers Larkin Garage	-	1,546,314
Kubasek and Post	<u>1,436,437</u>	<u>1,759,736</u>
	<u>\$ 1,466,393</u>	<u>\$ 3,344,878</u>

Note 4 - Economic Development Project

In accordance with an agreement dated November 1, 2002, between Yonkers Baseball Development, Inc. and the Agency, Yonkers Baseball Development, Inc. was advanced \$670,000 (See Note 9). This obligation has been assumed by Struever Fidelco Capelli, LLC under the Master Developer Designation Agreement ("MDDA"). The MDDA was superseded by the Land Disposition Agreement ("LDA") which was executed February 2010 by the City of Yonkers, YIDA and Struever Fidelco Capelli. The LDA is a legal obligation of Struever Fidelco Capelli, LLC to pay the City and YIDA at the time of closing which is to occur 36 months from the execution of the LDA. At December 31, 2012 and 2011, \$670,000 has been advanced and is still outstanding. In the opinion of management the underlying property development rights are of significant value and YIDA will be successful in getting another developer to pay an amount equivalent to such amount should Struever Fidelco Capelli, LLC not develop this property. The City is currently in discussions to draft a new agreement and this obligation will be included in the latest agreement. Consequently, no allowance has been recorded for 2012 and 2011.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 5 - Equipment

Equipment consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 20,914	\$ 20,914
Accumulated depreciation	<u>(19,562)</u>	<u>(17,606)</u>
	<u>\$ 1,352</u>	<u>\$ 3,308</u>

Note 6 - Pension Plan

The Agency participates in the New York State and Local Employee's Retirement System ("ERS"). This System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

The System is non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary, employees in tier 5 who also contribute 3% of their salary without regard to their years of service and employees in tier 6 who contribute between 3% and 6%, depending on salary levels and also without regard to years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan.

Contributions consist of a life insurance portion and regular pension contributions. Contribution rates for the plan's year ending in March 2013 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
3/A14	18.4 %
4/A15	18.4
5/A15	14.9
6/A15	9.9

Contributions made to the system for the current and two preceding years ending December 31, were as follows:

2012	\$ 157,506
2011	106,433
2010	171,647

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 6 - Pension Plan (continued)

Of the 2012 pension payment, \$58,552 was applied to YIDA staff and \$98,954 was attributed to additional Workforce staff. Of the 2011 pension payment, \$37,936 was applied to YIDA staff and \$68,497 was attributed to additional Workforce staff.

Note 7 - Operating Leases

The Agency is obligated under a non-cancelable operating lease for a vehicle with a lease term of 39 months that expires in January 2013. Lease expense included in operations under auto expense was \$5,760 for the years ended December 31, 2012 and 2011.

Note 8 - Industrial Revenue Bond and Note Transactions

Certain industrial revenue bonds and notes issued by the Agency are secured by property which is leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Agency or the State of New York. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising there-from are controlled by trustees or banks acting as fiscal agents. Trustees maintain the information for these bonds and notes and no default notices have been generated in the current year. For providing this service, the Agency receives bond administration fees from the borrowing companies. The fee received by the Agency is one percent of the bond amount. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

Note 9 - Related Parties

Yonkers Baseball Development, Inc.

The Agency was the sole shareholder of Yonkers Baseball Development, Inc. ("YBDI"), a for profit entity (originally formed by transaction counsel as Yonkers Baseball, Inc.). The purpose of YBDI was to promote recreational activity to assist in the revitalization of downtown Yonkers in an area known as Chicken Island, Yonkers, New York, while obtaining Empire Zone certification to assist in the contemplated financings. YBDI was funded under an agreement from the Agency (Note 4) dated November 1, 2002. In 2008, as part of a plan of dissolution, YBDI assigned all rights to recover funds expended for the Project to YIDA. YBDI was dissolved by proclamation on January 27, 2010.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 9 - Related Parties (continued)

Yonkers Economic Development Corporation

The Yonkers Economic Development Corporation ("YEDC") was created in 2007 to provide certain taxable and tax exempt financial assistance on occasions where these incentives are no longer provided by the Agency or in instances where the Agency's ability to assist economic development projects has been significantly limited. YEDC's purpose of promoting the creation and preservation of employment opportunities is in line with the Agency's overall objectives and may deliver financial assistance in a more cost effective form through this not-for-profit corporation. In addition, the debt issuances of YEDC will not be liabilities of the State of New York, the City or YIDA. YEDC is comprised of four of the seven YIDA board members. The YIDA staff provided all administrative support for YEDC in 2012 and received no management fees under the Management Agreement. A management fee of \$234,595 was received in 2011.

Note 10 - Contingencies

Austin Avenue

In 1979, the City entered into a Consent Order with the New York State Department of Environmental Conservation ("NYSDEC") to remediate the Austin Avenue landfill site located in the City. In December 2004, the City Council approved a plan that would allow the Agency, through the NYSDEC's Brownfield Remediation and Empire Zone Program, to issue bonds to pay for the remediation of the landfill site. The Agency bonds were repaid from the annual proceeds of a supplemental payment in lieu of tax ("PILOT") agreement from a local developer, who owns the property adjacent to the landfill site. The City Council waived the City's right to the receipt of the supplemental PILOT payments in order to pledge those receipts to the repayment of the Agency bonds and/or to use the proceeds directly for remediation. The City Council further agreed that, based on the City's obligation under the Consent Order, the City will pay any shortfalls for costs of environmental remediation in excess of amounts available from the supplemental PILOT payment.

As of December 31, 2012 and 2011 there was \$29,956 and \$38,828 in the remediation account. Remediation efforts have been completed with all physical work required by NYSDEC in the approved Remedial Action Plan having been done in early 2011. As of December 2012, all bills related to this work were paid and YIDA's dedicated account for the Austin Avenue remediation held a balance of \$29,956 to pay final legal bills, insurance costs and NYSDEC fees in 2013.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 10 - Contingencies (continued)

Austin Avenue (continued)

YIDA and NYSDEC anticipate having a Certificate of Completion ("COC") for the site by the summer of 2012. A final engineering report, environmental easement and monitoring report are close to completion and will be signed by Westchester County Industrial Development Agency (property owner of the site) and submitted for final NYSDEC approval. Release of the COC will follow.

The Morris Company has served a notice of claim on the City and Agency in an effort to influence how the limited remediation funds are spent. This litigation is still pending.

Litigation

The Agency is involved in litigation arising in the normal course of business. Management estimates that the matters will be resolved without material adverse effects on the Agency's future financial position or results from operations.

New York State ("NYS") Division of Budget – Industrial Development Agency ("IDA") Assessments

On or about February 4, 2010, the NYS Division of Budget sent letters ("DOB letter") to all IDAs in NYS assessing IDAs with their share of the new tax that was added in the 2009 -10 budget (see "cost recovery" provisions of Public Authorities Law § 2975-a). This tax was added without the benefit of hearings or debate and first became known weeks after the 2009-10 State Budget was signed on April 7, 2009. Until the recent DOB letter it was unclear as to how this tax would be applied. DOB made the decision to apply the 2009-10 state fiscal year tax against 2008 calendar year revenues (approximately 4.727% of total revenues) as reported under PARIS to the Authority Budget Office by the respective IDAs. To assess a new tax on IDAs based on lagging year revenue data is arbitrary. The DOB letter asked for payment of this tax of \$86,171 by March 31, 2010. Counsel reviewed the consequences of not paying this tax. The YIDA joined with other IDAs under NYSEDC to participate in the Economic Development Defense Fund. YIDA was a Petitioner in a lawsuit challenging that tax. The State Attorney General did not answer the lawsuit but rather agreed that the tax cannot be applied by the State for the March 2010 payment date. Based on the Attorney General's position, YIDA has been relieved of any responsibility to pay the \$86,171 tax. However, on October 28, 2010, YIDA received a bill from NYS DOB seeking "cost recovery" for 2010-2011 state fiscal tax years against 2009 revenues.

The assessment in the amount of \$39,269 was due on March 31, 2011. Similar legal efforts undertaken in 2010 were utilized in 2011 and the assessment was reversed. No payment is due to NYSDOB and YIDA has not received any additional assessments.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 10 - Contingencies (continued)

Larkin Garage

YIDA supported a project to construct a new garage facility in downtown Yonkers. The County of Westchester, New York (the "County") had awarded infrastructure funds (HIF money) for spaces which would be used by an adjacent affordable housing project. Since the county funding was delayed, a bridge loan was required. The loan was paid in 2012 and this account was closed in November 2012.

Kubasek and Post Road Housing Projects

YIDA supported two projects that resulted in the purchase and renovation of existing affordable housing stock - one family facility (Post Road) and one senior project (Kubasek). As part of this process the company purchasing the assets entered into a memorandum of agreement under which it agreed to enter into certain tax agreements with YIDA; provide \$1,500,000 to the City and place \$1,869,285 into reserve account(s) to be administered by the Agency for capital improvements to be done at the two locations - Post Road and Kubasek. Funds will be drawn down from the accounts as the capital improvements to the facilities are completed. This agreement was approved by City Council resolution in April 2011.

YIDA has established replacement reserve accounts at Hudson Valley Bank. These dedicated accounts closed with the following balances on Dec. 31, 2012: \$70,104 on behalf of Post Road (the "Post Reserve") and \$162,879 on behalf of Kubasek (the "Kubasek Reserve") with the balance of \$1,203,454 being held in a separate account on behalf of Post Road and Kubasek (the "Agency Reserve Account").

The details of the restricted cash related to these projects are disclosed in Note 3.

Note 11 - Due to Other Governments

In 2007, in an effort to resolve pending disputes concerning PILOT payments retained by the Agency and claimed by the County, the City Commissioner of Finance provided the County with a letter indicating an intent to pay amounts over to the County. In this letter, the City Commissioner of Finance offered to have the City or YIDA pay the disputed PILOT amounts on a set schedule.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 11 - Due to Other Governments (continued)

The Commissioner of Finance's letter contemplated an initial payment of \$921,608 with additional amounts equal to \$240,000 on July 1st of each year, beginning in 2008, and continuing for a period of five years through 2012. YIDA did not commit to pay the disputed amounts but, with board approval, made the initial payments towards the City/County payment schedule. When the disputed PILOT amounts were paid down to the current balance of \$960,000, it came to the attention of the YIDA counsel, and the City, that the County or County IDA had failed to pay the City its 50% share of rent on Austin Avenue leases since 1999 when the tenants took occupancy and began operation.

Payments which were due July 2009, 2010, 2011 and 2012 under the 2007 letter agreement were delayed pending resolution of the disputed rent payment owed by the County IDA to the City for the period covering October 1999 to August 2006.

In 2010, the County, Westchester IDA, City of Yonkers officials and YIDA agreed in principle to forgive debts owed to each entity. To facilitate this amicable resolution, the City's Corporation Counsel and County Attorney agreed to commence an action to resolve the disputed rent and disputed PILOT issues. The action involved the Westchester IDA but did not include YIDA as a party. The parties agreed to send the matter to arbitration anticipating that the matter could be settled in arbitration without payment by either side such that the court could order the arbitrated settlement and resolve the matter without legislative action by the County or City. This arrangement allowed the parties to resolve the rent and PILOT dispute amicably without jeopardizing the Agency's claim that it has the legal right to retain the PILOT payments.

The Agency has been advised by counsel that it has the right to retain the PILOT amounts paid with respect to the Austin Avenue project because it closed prior to the 1992 legislation that required IDAs to distribute PILOTs to the tax jurisdictions unless otherwise agreed to by the tax jurisdictions (see GML Section 874). The legislation has grandfathering language that provided that the provisions would not apply to any projects where the IDA had an existing inducement or bond resolution or had already closed on the transaction.

Since 2010, the City has awaited action by the County to approve a settlement whereby the disputed rent and disputed PILOT amounts are forgiven. Resolutions were passed by the Westchester IDA board agreeing to the terms of the settlement and the matter was passed onto the County Executive, and from there, to the County Board of Legislators for approval.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2012 and 2011

Note 11 - Due to Other Governments (continued)

For the foregoing reasons, YIDA executives and Transaction Counsel have argued that the remaining balance under the disputed PILOT amounts agreement between the City and County, reflected in a letter signed only by the City, should not be reflected as a liability on the YIDA statements. Transaction Counsel has opined that it is not a legal liability of YIDA to pay the disputed PILOT amounts to the County.

Note 12 - Risk Management

The Agency purchases conventional insurance coverage for directors and officers liability. The current policy reflects a limit of \$1 million per occurrence or \$1 million for the period of the policy. In 2011, the Agency purchased general liability insurance coverage for the 470 Nepperhan Avenue and 20 South Broadway office space, with a policy limit of \$1 million per occurrence or \$2 million in the aggregate. During 2012, the Agency purchased general liability insurance coverage for 470 Nepperhan Avenue only, with policy limits of \$5 million per occurrence or \$5 million in the aggregate.

Note 13 - Workforce Investment Board

YIDA is established to advance the job opportunities, health, general prosperity and economic welfare and standard of living of the inhabitants of the City. To further its objectives of economic development, the YIDA Board approved and established a relationship with the Workforce Investment Board in May 2009. Its Chairman, as Mayor of the City, was designated as a grant recipient to create and implement workforce investment activities. Grant employees were hired to conduct activities to meet the objectives and are solely funded by grants. These grant employees receive employment benefits consistent with other YIDA employees to the extent that such benefits are reimbursable to YIDA. The activities related to the workforce grant are reported as non-operating revenues and expenses on the statement of activities.

Note 14 – Concentration of Credit Risk

Financial instruments that subject YIDA to concentrations of credit risk consist principally of temporary cash deposits in excess of Federally insured limits. YIDA maintains cash balances in financial institutions insured by the Federal Deposit Insurance Corporation. Cash on deposit at these institutions may exceed Federally insured limits from time to time.

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**Independent Accountants' Report on Compliance with Section 2925(3)(1)
of the New York State Public Authorities Law**

**Board of Directors
Yonkers Industrial Development Agency**

We have examined the Yonkers Industrial Development Agency's (the "Agency") compliance with Section 2925(3)(1) of the New York State Public Authorities Law and Part 201 of Title Two of the New York code of Rules and Regulations during the year ended December 31, 2012. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2012.

This report is intended solely for the information and use of management, the Board of Directors, officials of the Yonkers Industrial Development Agency, and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies, LLP
Harrison, New York
March 27, 2013

Yonkers Industrial Development Agency

**Statement of Cash Investments
December 31, 2012**

	<u>Balance</u>	<u>Interest Earned</u>
Unrestricted cash		
Hudson Valley Bank		
Certificate of Deposit, dated 12/30/12, due 03/15/13	\$ 316,501	\$ 1,760
Certificate of Deposit, dated 12/30/12, due 04/04/13	<u>108,337</u>	<u>511</u>
	<u>\$ 424,838</u>	<u>\$ 2,271</u>

Unrestricted cash investments are included in cash and cash equivalents on the Statement of Net Position

Yonkers Industrial Development Agency

Note to Schedule of Cash Investments
December 31, 2012

Note A - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the Yonkers Industrial Development Agency's Schedule of Cash Investments follows:

Basis of Accounting

The accompanying Schedule of Cash Investments has been prepared on the accrual basis of accounting with interest on certificates of deposit being accrued as of December 31, 2012.

Use of Estimates

The preparation of the Schedule of Cash Investments in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of cash investments and disclosure of contingent assets and liabilities at the date of the schedule, and the reported amounts of interest earned during the reporting period. Actual results could differ from those estimates.

**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**

**Board of Directors
Yonkers Industrial Development Agency**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Yonkers Industrial Development Agency ("Agency") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated March 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

**Board of Directors
Yonkers Industrial Development Agency**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor Davies, LLP
Harrison, New York
March 27, 2013

Yonkers Industrial Development Agency
Schedule of Industrial Revenue Bonds and Notes Issued
December 31, 2012

Project	Date of Issue	Original Issue Value	Outstanding Balance at January 1, 2012	New Issues	Payments	Outstanding Balance at December 31, 2012
Consumer Union	December 2005	\$ 47,300,000	\$ 46,175,000	\$ -	\$ 1,175,000	\$ 45,000,000
St. Joseph's Medical Center	March 1998	28,500,000	11,900,000	-	1,400,000	10,500,000
St. Joseph's Medical Center	March 1993	4,715,000	885,000	-	425,000	460,000
Hudson Scenic Studios, Inc.	June 1999	6,360,000	3,500,000	-	345,000	3,155,000
Michael Malotz Skilled Nursing Pavilion	June 1999	15,000,000	11,225,000	-	490,000	10,735,000
Philipsburgh Hall Associates, L.P.	December 1999	2,800,000	1,490,000	-	35,000	1,455,000
St. John's Riverside	February 2001	26,295,000	22,415,000	-	550,000	21,865,000
Monastery Manor Association, L.P.	September 2005	9,500,000	8,845,000	-	180,000	8,665,000
Sacred Heart A	September 2006	7,600,000	7,070,000	-	145,000	6,925,000
Sacred Heart B	September 2006	1,900,000	1,035,000	-	195,000	840,000
Center of Family Services	January 2008	1,190,000	880,000	-	105,000	775,000
Jefferson Terrace - 2006 A	December 2006	3,600,000	3,510,155	-	27,953	3,482,202
Whitney Young - 2006 A	December 2006	2,645,000	775,000	-	455,000	320,000
Whitney Young - 2006 B	December 2006	17,155,000	14,520,000	-	250,000	14,270,000
JME Associates	May 2006	8,160,000	6,840,000	-	295,000	6,545,000
Salgra Realty	May 2006	3,840,000	3,215,000	-	135,000	3,080,000
Herriot Street Housing L.P. Project	March 2004	16,400,000	13,190,000	-	525,000	12,665,000
Main Street Lofts	December 2005	44,600,000	44,600,000	-	-	44,600,000
Sarah Lawrence College, Series A	Dec 2009	43,500,000	43,500,000	-	-	43,500,000
Sarah Lawrence College, Series B	Dec 2009	1,950,000	1,950,000	-	-	1,950,000
Total indebtedness		\$ 300,190,000	\$ 247,520,155	\$ -	\$ 6,732,953	\$ 240,787,202