

**Yonkers Industrial Development Agency**

Financial Statements  
With Supplementary Information

December 31, 2013 and 2012

## Independent Auditors' Report

**Board of Directors  
Yonkers Industrial Development Agency**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Yonkers Industrial Development Agency (the "Agency") which comprise the statements of net position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | [www.odpkf.com](http://www.odpkf.com)

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

***Opinion***

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, 2013 and 2012, 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, Schedule of Industrial Revenue Bonds and Notes Issued, Schedule of Straight-Lease Transactions and the Schedule of Payments in Lieu of Taxes, 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 7, 2014 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.

***Report on Other Legal and Regulatory Requirements***

We have also issued our report dated March 7, 2014 on our consideration of the Agency's compliance with Section 2925(3)(1) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

*O'Connor Davies, LLP*

Harrison, New York  
March 7, 2014

# City of Yonkers Industrial Development Agency

## Management's Discussion and Analysis December 31, 2013 and 2012

The following Management's Discussion and Analysis ("MD&A") of City 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, 2013 and 2012. 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 and 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, 2013 and 2012 are attached. The chart below provides a condensed summary of revenues and expenses for the current and prior year.

	<u>2013</u>	<u>2012</u>
YIDA Operating Revenue	\$495,216	\$169,292
YIDA Operating Expenses	738,980	782,063

# Yonkers Industrial Development Agency

Management's Discussion and Analysis  
December 31, 2013 and 2012

## Financial Operations Highlights (continued)

### **Revenue**

Revenue for 2013 was derived from 3 projects which closed, 2 refinancing and one amended PILOT agreement as follows.

<u>Commercial Projects:</u>	
IAC Search	\$ 24,000
Cahokia	20,000
<u>Housing Projects:</u>	
Schoolhouse Terrace P.S. 6	261,996
<u>Refinanced:</u>	
Yonkers Raceway	77,000
Vicky, Inc.	2,500
<u>Amendment</u>	
FC Yonkers	86,041

### **Assets and Liabilities**

At December 31, 2013, the Agency had \$2,012,566 in assets and \$1,989,956 in liabilities. Details of these amounts are provided in the Statement of Net Position.

### **Required Supplementary Information**

The Schedule of Industrial Revenue Bonds and Notes Issued, Schedule of Straight-Lease Transactions and the Schedule of Payments in Lieu of Taxes 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. On August 16, 2013 YIDA, through eminent domain, was granted the petition to acquire title to 155 New Main Street for the condemnation of the property. On January 31, 2014, the City of Yonkers on behalf of New Main Street Development Corporation and YIDA, paid the appraisal value of \$350,000 to City Hall Views and Getty Square Development. YIDA has agreements with New Main Street Development Corporation for acquisition costs.

# Yonkers Industrial Development Agency

## Statements of Net Position

	December 31,	
	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 378,574	\$ 521,684
Accounts receivable	170,250	151,034
Prepaid expenses	20,321	67,640
Restricted cash	769,243	1,466,393
Due from economic development project	670,000	670,000
Equipment, net	4,178	1,352
	<u>\$ 2,012,566</u>	<u>\$ 2,878,103</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 31,084	\$ 29,259
Accrued expenses	225,629	221,254
Unearned revenue	4,000	-
Due to other governments	960,000	960,000
Due to other entities	769,243	1,466,393
Total Liabilities	1,989,956	2,676,906
<b>NET POSITION</b>		
Unrestricted	<u>22,610</u>	<u>201,197</u>
	<u>\$ 2,012,566</u>	<u>\$ 2,878,103</u>

See notes to financial statements

## Yonkers Industrial Development Agency

### Statements of Activities

	Year Ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUE</b>		
Agency fees	\$ 473,038	\$ 108,947
Application and administrative fees	3,000	4,200
Miscellaneous income	<u>19,178</u>	<u>56,145</u>
Total Operating Revenue	<u>495,216</u>	<u>169,292</u>
 <b>OPERATING EXPENSES</b>		
Salaries	215,789	318,114
Payroll taxes and employee benefits	110,988	120,333
Rent	116,620	97,889
Consulting and professional fees	162,878	152,706
Advertising, printing and reproduction	88,288	26,541
Travel	5,353	9,821
Insurance	7,252	7,428
Conferences and meetings	4,874	4,201
Communications	21,214	25,469
Office supplies and other expenses	4,285	17,605
Depreciation	<u>1,439</u>	<u>1,956</u>
Total Operating Expenses	<u>738,980</u>	<u>782,063</u>
Loss from Operations	<u>(243,764)</u>	<u>(612,771)</u>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Workforce grant income	1,379,105	1,360,020
Workforce grant expenses	(1,379,105)	(1,360,020)
Interest and dividend income	<u>65,177</u>	<u>65,280</u>
Total Non-Operating Revenues	<u>65,177</u>	<u>65,280</u>
Change in Net Position	(178,587)	(547,491)
 <b>NET POSITION</b>		
Beginning of year	<u>201,197</u>	<u>748,688</u>
End of year	<u>\$ 22,610</u>	<u>\$ 201,197</u>

See notes to financial statements

## Yonkers Industrial Development Agency

### Statements of Cash Flows

	Year Ended	
	December 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from agency fees	\$ 480,000	\$ 110,046
Cash received for workforce grant	1,379,105	1,360,020
Cash payments for workforce employees	(1,379,105)	(1,360,020)
Cash payments for goods and services	(357,245)	(271,398)
Cash payments for salaries and benefits	(326,777)	(438,447)
Net Cash from Operating Activities	(204,022)	(599,799)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition of equipment	(4,265)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividend income	65,177	65,280
Net Change in Cash and Cash Equivalents	(143,110)	(534,519)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	521,684	1,056,203
End of year	\$ 378,574	\$ 521,684
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Loss from operations	\$ (243,764)	\$ (612,771)
Adjustments to reconcile loss from operations to net cash from operating activities		
Depreciation	1,439	1,956
Changes in operating assets and liabilities		
Accounts receivable	(19,216)	(59,246)
Prepaid expenses	47,319	37,337
Restricted cash	697,150	1,878,485
Accounts payable	1,825	(40,879)
Accrued expenses	4,375	73,804
Unearned revenue	4,000	-
Due to other entities	(697,150)	(1,878,485)
Net Cash from Operating Activities	\$ (204,022)	\$ (599,799)

See notes to financial statements



# Yonkers Industrial Development Agency

Notes to Financial Statements  
December 31, 2013 and 2012

## 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.

## 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. 61, 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 accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which 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. Actual results could differ from these estimates.

### Cash and Cash Equivalents

Cash and 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.

# Yonkers Industrial Development Agency

Notes to Financial Statements  
December 31, 2013 and 2012

## 2. Summary of Significant Accounting Policies (Continued)

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, 2013 and 2012.

The Agency was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

### 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, 2013 and 2012, 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. The net position of the Agency is classified as unrestricted.

### 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 7, 2014.

## Yonkers Industrial Development Agency

Notes to Financial Statements  
December 31, 2013 and 2012

### 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 at December 31 is as follows:

	2013	2012
Austin Avenue	\$ 21,593	\$ 29,956
Kubasek and Post	747,650	1,436,437
	\$769,243	\$ 1,466,393

### 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 ("SFC") 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 SFC. The LDA is a legal obligation of SFC to pay the City and YIDA at the closing to occur 36 months from the execution of the LDA. At December 31, 2013 and 2012, \$670,000 has been advanced and is still outstanding. In years past, management has been confident 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 SFC not develop this property. Management continues to believe that we will be able to cause the repayment of the amount. In December 2013, the City Council and YIDA voted to terminate the existing agreement with SFC, which agreement has not been executed. Under the terms of the termination agreement, YIDA will have all rights under Riverpark Center and Cacace and can solicit new proposals. The termination agreement provides that if there is a new developer and that the developer builds before Brownfield credits expire and the new developer receives State Brownfield Funds, then that new developer will share a portion of those state funds with SFC in an amount not to exceed \$5,000,000 or 15% of the reimbursed funds. The first \$670,000 (or any portion thereof) payable to SFC under this arrangement shall be remitted directly to YIDA. As of the date of this report the termination agreement has not been executed but the Agency expects the execution of the termination agreement by the end of the first quarter, 2014. Consequently, no allowance has been recorded for 2013 and 2012.

### 5. Equipment

Equipment consists of the following at December 31:

	2013	2012
Furniture and fixtures	\$ 24,475	\$ 20,914
Accumulated depreciation	(20,297)	(19,562)
	\$ 4,178	\$ 1,352

# Yonkers Industrial Development Agency

Notes to Financial Statements  
December 31, 2013 and 2012

## 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 2014 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
3/A14	20.8 %
4/A15	20.8
5/A15	16.7
6/A15	11.3

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

2013	\$ 218,432
2012	157,506
2011	106,433

Of the 2013 pension payment, \$50,880 was applied to YIDA staff and \$167,552 was attributed to additional Workforce staff. Of the 2012 pension payment, \$58,552 was applied to YIDA staff and \$98,954 was attributed to additional Workforce staff.

## 7. Operating Leases

The Agency is obligated under a non-cancelable operating lease for a vehicle with a lease term of 24 months that expires in December 31, 2014. Lease expense included in operations was \$4,940 and \$5,760 for the years ended December 31, 2013 and 2012. The monthly payments are \$380 and \$4,180 is due in 2014.

## **Yonkers Industrial Development Agency**

Notes to Financial Statements  
December 31, 2013 and 2012

### **8. Industrial Revenue Bonds and Notes and Straight-Lease 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, the City 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. In addition, the Agency receives closing fees for straight-lease transactions of five percent of project costs. Such administrative fee income is recognized immediately upon issuance of bonds and notes or closing on leases.

### **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 Economic Development Corporation**

The entity 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. Yonkers Economic Development Corporation's ("YEDC") purpose of promoting the creation and reservation 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 federal exempt corporation under IRS Section 115. 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. YEDC hired a Chief Financial Officer ("CFO") in 2013. YEDC's CFO provided all financial support for YIDA in 2013. A management agreement was in place for YEDC's CFO to provide financial services to YIDA. YIDA paid YEDC \$70,000 in management fees under the Management agreement.

## Yonkers Industrial Development Agency

Notes to Financial Statements  
December 31, 2013 and 2012

### 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 of Yonkers. 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.

At December 31, 2013 and 2012 there was \$21,593 and \$29,956 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 2012. As of December 2013, legal bills related to this work were open and YIDA's dedicated account for the Austin Avenue remediation held a balance of \$21,593. YIDA will request a payment from the City to satisfy any final legal bills, insurance costs and NYSDEC fees that are approved for payment; as of December 31, 2013, Morris Company confirmed that they did receive an empire zone refund for 2008 which should be in the amount of up to \$1,850,000 as such an additional payment is now required under the supplemental pilot agreement. YIDA will work to collect the additional supplemental pilot payment from the Morris Company which should be sufficient to cover any outstanding obligations in this matter and reimburse the City for environmental remediation costs at no cost to the City. The Morris company has served a notice of claim on the City and the Agency in an effort to influence how the limited remediation funds are spent. This matter is pending.

The YIDA and NYSDEC anticipated having a Certificate of Completion ("COC") for the site by the summer of 2012. The 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.

#### 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.

## Yonkers Industrial Development Agency

Notes to Financial Statements  
December 31, 2013 and 2012

### 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 indicated a commitment to award Housing Infrastructure Funds ("HIF") for spaces which would be used by an adjacent affordable housing project, but the HIF award was never duly authorized by the County. Since the County funding was delayed, a bridge loan was required. The loan was paid by the City in 2012 and this account was closed in November 2012. The County has failed to fund the HIF to date.

#### 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 December 31, 2013: \$70,175 on behalf of Post Road (the "Post Reserve") and \$163,140 on behalf of Kubasek (the "Kubasek Reserve") with the balance of \$514,335 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.

#### 155 New Main Street Condemnation

On August 16, 2013, YIDA, through Eminent Domain, was granted the petition to acquire title to 155 New Main Street for the condemnation of the property. On January 31, 2014, the City on behalf of New Main Street Development Corporation and YIDA, paid the appraisal value of \$350,000 to City Hall Views and Getty Square Development. YIDA has agreements with New Main Street Development Corporation for acquisition costs. The property owners are disputing the value of the property. The case is ongoing and YIDA awaits a court date.

### 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, 2013 and 2012

### 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 since 1997 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 ("BOL") for approval.

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. It is expected that legislation to approve the settlement agreement will be reintroduced in the recently commenced 2013-14 legislative session of the County Board BOL.



## Yonkers Industrial Development Agency

Notes to Financial Statements  
December 31, 2013 and 2012

### 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 2012, 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 2013, 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.

### 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.

\*\*\*\*\*

**Yonkers Industrial Development Agency**

Supplementary Information

December 31, 2013 and 2012

**Yonkers Industrial Development Agency**

Schedule of Industrial Revenue Bonds and Notes Issued  
December 31, 2013

Project	Date of Issue	Original Issue Value	Outstanding Balance at January 1, 2013	New Issues	Payments	Outstanding Balance at December 31, 2013
Consumer Union	December 2005	\$ 47,300,000	\$ 45,000,000	\$ -	\$ 1,200,000	\$ 43,800,000
St. Joseph's Medical Center	March 1998	28,500,000	10,500,000	-	2,000,000	8,500,000
St. Joseph's Medical Center	March 1993	4,715,000	460,000	-	460,000	-
Hudson Scenic Studios, Inc.	June 1999	6,360,000	3,155,000	-	370,000	2,785,000
Michael Malotz Skilled Nursing Pavilion	June 1999	15,000,000	10,735,000	-	515,000	10,220,000
Philipsburgh Hall Associates, L.P.	December 1999	2,800,000	1,455,000	-	40,000	1,415,000
St. John's Riverside - 2001 A	March 2001	16,690,000	15,920,000	-	425,000	15,495,000
St. John's Riverside - 2001 B	March 2001	9,605,000	5,945,000	-	160,000	5,785,000
Monastery Manor Association, L.P.	September 2005	9,500,000	8,665,000	-	190,000	8,475,000
Sacred Heart A	September 2006	7,600,000	6,925,000	-	150,000	6,775,000
Sacred Heart B	September 2006	1,900,000	840,000	-	-	840,000
Center of Family Services	January 2008	1,190,000	775,000	-	105,000	670,000
Jefferson Terrace - 2006 A	December 2006	3,600,000	3,482,202	-	29,947	3,452,255
Whitney Young - 2006 A	December 2006	2,645,000	320,000	-	320,000	-
Whitney Young - 2006 B	December 2006	17,155,000	14,270,000	-	265,000	14,005,000
JME Associates	May 2006	8,160,000	6,545,000	-	315,000	6,230,000
Salgra Realty	May 2006	3,840,000	3,080,000	-	145,000	2,935,000
Herriot Street Housing L.P. Project	March 2004	16,400,000	12,665,000	-	500,000	12,165,000
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
<b>Total Indebtedness</b>		<b>\$ 293,010,000</b>	<b>\$ 240,787,202</b>	<b>\$ -</b>	<b>\$ 7,189,947</b>	<b>\$ 233,597,255</b>

## Yonkers Industrial Development Agency

### Supplemental Information Schedule of Straight-Lease Transactions Executed in 2013 December 31, 2013

---

<u>Project</u>	<u>Project Address</u>	<u>Owner Address</u>	<u>Approximate Cost</u>
<b>STRAIGHT LEASE TRANSACTIONS</b>			
Cahokia	24 Alexander Street, Yonkers, NY 10701	52 East 78th St, #10C New York, NY 10075	\$ 4,000,000
P.S. 6	33 Ashburton Ave, Yonkers, NY 10701	744 Broadway Albany, NY 12207	52,399,299
IAC Search	29 Wells Ave, Yonkers, NY 10701	555 West 18th Street New York, NY 10011	4,800,000
<b>REFINANCINGS</b>			
Yonkers Raceway	810 Yonkers Ave, Yonkers, NY 10704	810 Yonkers Ave Yonkers, NY 10704	22,000,000
Vicki Inc.	248 South Broadway, Yonkers, NY 10701	120 Oliver Ave Yonkers, NY 10701	4,973,000
<b>SALES TAX EXTENSIONS</b>			
FC Yonkers	1 Ridgehill Yonkers, NY 10710	1 Metro Tech North Brooklyn, NY 11201	28,680,599

<u>Benefit (Sales Tax)</u>	<u>Benefit (Mortgage Tax)</u>	<u>Jobs at Location</u>	<u>Jobs to be Created</u>	<u>Jobs to be Retained</u>
\$ 117,250	\$ N/A	-	1	-
1,331,880	660,946	-	4 to 5	-
402,000	N/A	-	182	-
No additional benefit provided	5,850,000	255 Construction and 675 FTE	696.4	50
No additional benefit provided	No additional benefit provided	14 Construction and 7 FTE	7	14
Time Extension approved	No additional benefit provided	1173 Construction and 1233 FTE	1560	304.3

**Yonkers Industrial Development Agency**

Supplemental Information  
Schedule of Payments in Lieu of Taxes  
December 31, 2013

Project	Total	Pilot Payments	
		City/School	County
104 Ashburton Ave - Greyston Bakery, Inc.	\$ 41,667	\$ 35,500	\$ 6,167
11-23 St. Casmir Avenue	15,000	12,378	2,622
326 Riverdale	109,273	93,844	15,429
86 Main Street	150,000	128,820	21,180
Animal Specialty Center ASCRE	116,223	99,808	16,415
Ashburton Avenue, LP	53,083	43,939	9,144
Austin Avenue / Morris Industries	375,000	120,000	255,000
Brooks Shopping Center, LLC	3,700,000	3,053,240	646,760
Central Ave Nissan (JME Assoc)	74,530	64,003	10,527
Chrysler formerly Central Ave Nissan (Salgra)	85,000	70,358	14,642
Collins II - Hudson Park Investors	1,300,000	1,107,600	192,400
Collins II	2,500,000	2,138,500	361,500
Consumers Union A and B	154,464	154,464	NA
CR Riverdale / Hyatt Corporation (Five Star Premier)	705,008	591,661	113,347
Cromwell Towers	193,999	166,606	27,393
Croton Heights	65,000	53,804	11,196
FC Yonkers (Ridge Hill)	4,358,066	3,670,221	687,844
FSG Yonkers LLC	88,570	76,060	12,509
Herriot Street Housing (Jackson Terrace) - Pilot and Shelter Rent	81,180	69,166	12,015
Highland Senior Housing	135,020	115,955	19,065
Honda	60,000	49,665	10,335
Instock	126,163	108,349	17,814
Jefferson Terrace:Min. + Shelter Rent %	97,294	82,894	14,399
Kimber Manufacturing	39,900	34,264	5,635
Kubasek Owners LLC	155,932	132,854	23,078
Macys	719,147	617,603	101,544
Main Street Lofts	300,000	253,385	46,615
Monastery Manor	64,255	54,745	9,510
Mulford I, LP	2,000	1,704	296
Parkledge Apartments	343,437	283,404	60,033
Philipsburgh Hall Associates	100,469	83,163	17,306
Post Street	63,922	52,911	11,011
Riverview II Preservation LP	243,448	201,513	41,935
Sacred Heart: Min. +Shelter Rent%	52,849	45,027	7,822

**Yonkers Industrial Development Agency**

Supplemental Information  
Schedule of Payments in Lieu of Taxes (Continued)  
December 31, 2013

Project	Total	Pilot Payments	
		City/School	County
St. Casmir's, LP	\$ 72,100	\$ 61,429	\$ 10,671
SUMA Federal Credit Union	73,389	60,588	12,801
Velocity at Greystone LLC	24,148	20,737	3,411
Vicky Inc.	6,418	5,512	906
Warburton Riverview Owners LLC	27,000	23,188	3,812
Warburton Wells Historic	15,000	12,882	2,118
Westchester ALP	30,000	24,832	5,168
Whitney Young	115,927	95,958	19,969
Woodstock	30,000	24,832	5,168
Yonkers Lodging Partners, LLC	71,401	61,319	10,082
Yonkers Racing Corporation	3,944,000	3,387,107	556,893

**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**

**Independent Auditors' Report**

**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 Yonkers Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated March 7, 2014.

**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 opinion 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.

O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | [www.odpkf.com](http://www.odpkf.com)

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.



**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 7, 2014

**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 Yonkers Industrial Development Agency's (the "Agency") compliance with Section 2925(3)(1) of the New York State Public Authorities Law during the year ended December 31, 2013. 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, 2013.

This report is intended solely for the information and use of management, the Board of Directors, officials of the 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 7, 2014

O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | [www.odpkf.com](http://www.odpkf.com)

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.