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CITY OF YONKERS
INDUSTRIAL DEVELOPMENT AGENCY

AUDIT COMMITTEE MEETING

March 18, 2015

9:15 a.m.

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- PRESENT: CECILE SINGER, CHAIRPERSON
ROBERT MACCARIOLO, Member
MARTIN BALL, SR., Member(Absent)
KEN JENKINS, IDA President, CEO
PATRICK SERENSON, Accountant
DEEPIKA MEHRA, IDA CFO
JAIME MCGILL, IDA
CHARLIE MANGIARACINA, O'Conner Davies
ROBERT DANIELE, O' Connor Davies

LYNN FARRELL-MILEO
830 Bronx River Road
Bronxville, NY 10708
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MS. SINGER: I'd like to call the meeting of the Audit Committee of the IDA to order. The first order of business is roll call?

MS. MEHRA: Cecile Singer.

MS. SINGER: Here.

MS. MEHRA: Robert Maccariello?

MR. MACCARIELLO: Here.

MS. MEHRA: Martin Ball is excused. We have a quorum. We have Charles Mangiaracina and Rob Daniele from O'Connor Davies, as well as Pat Serenson.

MS. SINGER: You have the minutes before you. Is there a motion?

MR. MACCARIELLO: Motion to accept the minutes.

MS. SINGER: Second. All in favor?

(Chorus of Ayes)

MS. SINGER: Then you have review and discussion of the financial statement.

MR. DANIELE: We'll begin with the IDA report. I have hard copies if anyone needs them. In terms of the first two pages entitled, Independent Auditors Report. Before I begin I wanted to thank the Executive Director, Deepika

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2 and Pat for really being available even with the
3 cell phones. We began the audit late in January
4 and up until yesterday we communicated on a
5 weekly, if not daily, basis. The first two pages
6 entitled, Independent Auditors' Report, I'll walk
7 through the independent auditors' report.

8 Basically describes the reports that we are on.

9 The financial statements that are referred to as
10 statements of net position, statements of
11 activities, and statement of cash flows and
12 related notes to the financial statements.

13 Included in the Independent Auditors' report are
14 the management's responsibility for the
15 preparation and fair presentation of the
16 financial statements in accordance to what we
17 call accounting principles generally accepted in
18 the United States of America.

19 Also included in the Independent
20 Auditors' report is our responsibility as
21 external auditors. And again, our responsibility
22 is to express an opinion on the finances based on
23 our audit and, again, in accordance with auditing
24 standards generally accepted in the United States
25 of America and Government Auditing standards.

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2 Again, those standards require we plan and
3 perform the audit to obtain reasonable assurance
4 whether the financial statements are free from
5 material misstatement.

6 The next caption is the opinion we
7 have issued what is referred to as unmodified
8 opinion. An unmodified opinion is the highest
9 level of opinion that an entity can receive and
10 basically states that the financial statements
11 are presented fairly and in all material
12 respects, the financial position of IDA at a
13 specific time in the December 31, 2014 in
14 accordance with accounting principles generally
15 accepted in the United States of America.

16 If you turn the page of the report
17 what is referred to as, "other matters." There
18 are certain required supplementary information,
19 such as the Management Discussion and Analysis,
20 MD&A. That MD&A is not part of the basic
21 financial statement. The Government Accounting
22 Standards Board feels that's a required part of
23 the financial statement, kind of describes what
24 happened specifically in 2014. There is also
25 certain other supplementary information that's

1
2 attached to the back of the report, Schedule of
3 Indebtedness, Industrial Revenue Bond Notes,
4 bonds and notes issued, Schedule of lease
5 transactions and Schedule of PILOTS. Again,
6 those are the responsibility of Management.
7 Those are not what we refer to as an audited
8 document and we don't express any opinion on
9 them. We also issue a report in terms of
10 Government Auditing Standards of our
11 consideration of internal control matters, we'll
12 discuss later, and also report on the other
13 regulatory requirements in accordance with the
14 Public Authority Accountability Act. Again, what
15 that is the Public Authority Act.

16 MS. SINGER: Are you missing a date in
17 the other reporting?

18 MR. DANIELE: The dates are left out.
19 They will be populated upon approval. Once you
20 accept the report we'll date it today.

21 Page three and four, again, is
22 Management Discussion and Analysis prepared by
23 management. Again, not an audited document but
24 review it to make sure that the numbers that
25 appear in the document coincide with what's

1
2 reported in the financial statements.

3 To give a brief overview, the MD&A
4 describes the operations of the Agency and the
5 current year financial statement highlights with
6 comparative numbers for 2013.

7 If you turn to page four you can see
8 there is a lot of activity in 2014. The Agency
9 closed on 11 projects, four refinancings and one
10 recapture of monies related to a property. In
11 total, the Agency generated approximately \$1.4
12 million in these transactions. We'll discuss
13 that. Basically the other caption is just to
14 tell you that the Agency has assets of \$2.5
15 million. Liabilities a little over \$880,000 and
16 a net position fund balance of \$1.6 million.
17 Included in that \$1.6 million, we'll discuss that
18 in a minute, \$500,000 that was received from
19 Yonkers Racing Corporation. Those funds are set
20 aside, restricted for specific purposes. The
21 other just last piece is what IDA describes as
22 new operations or existing operations, and IDA
23 works with New Main Street Development
24 Corporation to acquire properties needed for
25 daylighting of the Saw Mill River.

Page five, six and seven are your actual financial statements. If you turn to page six, the statement of activities here, we describe the operating revenues, the operating expenses and nonoperating revenues with comparative amounts for 2013. If you look at the top, Total Operating Revenue, a little over \$1.4 million as compared to just under a half million dollars last year. As I mentioned, the Agency really closed on Many projects in the current year and able to generate close to \$1.4 million with those transactions. Also, 2014 there is an item called, Management Administration Fees, where that just began 2014, to where the Agency charges a flat fee for development, these types of transactions. There were certain application fees, certain miscellaneous income, and a new caption there called, donated rent. As you know, late in 2013 the IDA moved to this building. This building is owned by the City of Yonkers. Currently, the IDA does not pay rent for these offices. So based on discussion with Management fair market value would be for rent and we have to record that as an entire contribution grant,

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2 really has no effect on the bottom line but
3 required to be recorded.

4 On the expense side, everything is
5 pretty much consistent with the prior year.
6 Salaries are down a little bit. A couple folks
7 that were terminated at some point in 2014. So
8 you see it's a slight decline in salaries and
9 payroll taxes. Again, the rent is what we
10 recorded as in kind contribution to offset the
11 revenue. Consulting and professional fees
12 consistent with the prior year a little increase
13 in costs. I believe the Agency hired an
14 additional attorney, Robinson Cole, to perform
15 some additional analysis. The other expenses are
16 pretty much in line. When you get to the last
17 item, bad debt expense, \$670,000. The Agency was
18 owed \$670,000 from the Yonkers Baseball
19 Corporation. As we discussed with management, we
20 felt or they felt the Agency may recover these
21 costs but not in the next operating segment. So
22 they set up an allowance so that was recorded as
23 a bad debt expense, \$670,000. That doesn't mean
24 that the IDA will not recover those costs, just
25 means they won't get them in the near future.

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2 That's disclosed in note four. There was a
3 termination agreement with the developer, SFC,
4 which basically said that if a new developer
5 comes in and develops that property which is
6 Chicken Island and receives the Brownfield
7 credits, the IDA has first dibs. Then you get to
8 nonoperating revenues. The IDA runs the
9 Workforce investment grant, so as expenses are
10 incurred they are claimed for usually for
11 salaries. That's usually a wash. There are
12 timing differences at December 31st, 2014. A
13 couple new things actually good things.

14 MS. SINGER: I just want to stop you if
15 anyone has a question as we go along. I know Bob
16 is the official person, but certainly ask as we
17 go along because there are differences. What was
18 pointed out, the \$670,000, we want to be sure
19 that everybody understands it and is not
20 questioning any part of it and where there are
21 any differentials between 2013 and 2014 you want
22 to look at it very carefully and see that that is
23 understood why there is a differential. You also
24 will understand that this year economically there
25 is some pick up and that we are seeing that a

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2 result of that in the IDA operations and so we
3 should all be aware of that. But please, stop at
4 any point that you have a question.

5 MR. JENKINS: On that point to go back
6 a second on the donated rent, because that's new
7 for this year. Between Pat and Bob, can you just
8 explain that since the building was acquired by
9 the city but the IDA actually had prepaid rent in
10 the building that was acquired.

11 MR. SERENSON: IDA originally had a 10
12 year lease on this building, prepaid \$450,000 for
13 over a 10 year period. We had moved in 2013 over
14 to the Health Building, Nepperhan, right next
15 City Hall for nine months. We came back here for
16 three months. So we weren't paying rent because
17 we had prepaid \$450,000 and people recognize the
18 fact that we had already paid for the space.
19 What happened when we moved over to the Health
20 Center building last year I wrote off the prepaid
21 balance because I didn't know we were coming
22 back. That was the most conservative thing to
23 do, so being we came back here and we couldn't
24 use the old schedules we used to use so we
25 established a guestimate for 2015 for three

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months here.

MS. SINGER: As the correct apportioning of the amount?

MR. DANIELE: That's right, occurred in 2013. Continuing with nonoperating revenues, there are two new captions there as you can see, entitled transaction settlement in Yonkers Racing Corporation. The Agency received a one time revenue related to an old PILOT dispute that the racing corporation, I believe, as well as City of Yonkers, received a good portion of that to took \$500,000 was recorded as income, one time income and has been restricted for educational and other purposes that we discussed.

MR. MACCARIELLO: That's the \$500,000 have on page four?

MR. DANIELE: Correct.

MR. MACCARIELLO: I am not 100 percent sure how this works but I know that income from gambling is targeted for education. Is this above and beyond that? Is this specifically set just for Yonkers?

MR. SERENSON: The settlement came to IDA specifically for education and/or economic

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development.

MS. MCGILL: This is the Raceway agreement, this \$500,000, to be used for educational development purposes.

MR. MACCARIELLO: That's the City's judgement how they are going to distribute the funds. As long as it's within the restrictions.

MR. JENKINS: Correct.

MR. DANIELE: The next item, Austin Avenue is a PILOT settlement, again, footnote 11. Just to give you a brief history, several years back there was a dispute with Westchester County related to Austin Avenue where I believe the count owed the City and/or the IDA rents, sometime back. And in addition, the City of Yonkers, as well as the Agency, collected PILOT payments that were owed to the County. The Austin Avenue rents were never received from the County, never received by the Agency from Westchester County. The PILOT payment, the amount I believe \$2.1 million, the amount they started to pay those back until it determined that it hadn't received revenue from the Austin Avenue rents, so that stopped. There was a

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2 balance of \$960,000 that was owed to Westchester
3 County. In 2014 all the parties got together,
4 the County, Westchester County IDA, City of
5 Yonkers and Yonkers IDA, reached an agreement to
6 say, hey, those rents that were owed to the IDA
7 approximating 900 and change, pretty close to
8 what we owed the County so the agreement was
9 reached where we would forgive these amounts on
10 both ends.

11 MS. SINGER: That's a big deal because
12 it went on for years, back and forth and back and
13 forth, and we were carrying something and there
14 were a lot of questions about it all the time.
15 So it's very good that we came to a conclusion,
16 successful conclusion.

17 MR. DANIELE: Overall operating
18 revenues generating just under \$1.5 million
19 dollars, nonoperating revenue \$1.4 million,
20 expenses under \$1.3 million ending the year with
21 income or change in net position of \$1.6 million.
22 When you add that to your beginning net
23 possession which is \$22,00, end the year a little
24 over \$1.6 million.

25 If you turn to the top of page five,

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2 this is a snap shot of your statement of net
3 position and balance sheet at December 31, 2014.
4 You can see at the bottom the net position total,
5 net position is that \$1.6 million. If you go to
6 the top, the Agency has \$2.5 million in assets,
7 mostly cash. \$1.7 million and also restricted
8 cash of \$722,000 set aside for certain projects.
9 The Austin Avenue landfill remediation, Kubasek,
10 Post Road housing projects. The Agency also has
11 \$880,000 in liabilities and declined due to that
12 write off of forgiveness of \$960,000. And again,
13 with a balance to balance the net position of
14 \$101.6 million.

15 MR. MACCARIELLO: Is the bad debt part
16 of that liability?

17 MR. DANIELE: That bad debt is recorded
18 up on top, economic development project. If you
19 look at 2013 you see the 670, that's where it
20 came off. That's really the activities of the
21 IDA in 2014.

22 Pages eight through 15 are detailed
23 notes that kind of follow the flow of the
24 statement of net position. I don't believe
25 anything has changed, donated rent. We have

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2 added a note where we have taken the allowance
3 for the Yonkers baseball \$670,000, everything
4 else is pretty consistent with the prior year.

5 MS. SINGER: You remember the Yonkers
6 Baseball was part of the Cappelli agreement, and
7 that was our first tier, and of course, when we
8 loss the first tier it was a very major thing for
9 the City and all of the efforts now are to
10 replace what was going to be in the first tier in
11 a way that will allow the City to go forward and
12 develop and have the area look the way it should.
13 And so that's why you have the daylighting and
14 some of the agreements that we now have. So the
15 past is prolonged. A lot of things that we are
16 doing now depending on what happened. So it's a
17 very nice plan and very ambitious one but like so
18 many things when 2008 came along everything went
19 in another direction. That's Yonkers Baseball at
20 the top of the building.

21 MR. DANIELE: Pages 16 through 20,
22 other supplementary information. Again, this as
23 we say this is the responsibility of management.
24 We don't form an opinion on these statements,
25 however, these amounts are confirmed and we went

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2 back and forth. I think we have got it down to a
3 science now. These balances, again, are not
4 reported on your balance sheet but facilitated
5 the findings of the financials. So page 16, you
6 have your schedule of indebtedness, for
7 industrial revenue bonds and notes issued,
8 outstanding or retired. Again, those statements
9 were prepared until these bonds are paid down.
10 Page 17 and 18 are Schedule of Lease transactions
11 executed in 2014 and all of these transactions
12 are what you see in the Agency's fees, and
13 Statement of Activities. These are half a
14 percent of the approximate cost. Page 19 and 20
15 are just schedules of PILOT payment of taxes.

16 MS. SINGER: Page 19 is a very good
17 look if you're looking at what we have done and
18 where we are at. Certainly is a very good look at
19 all of the activity.

20 MR. DANIELE: The last two pages we are
21 required to report control over financial
22 reporting and on compliance and other matters
23 based on an audit of financial statements
24 performed in accordance with government auditing
25 standards.

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2 We discussed the Management letter for
3 our communications of internal control matters.

4 MS. SINGER: So we go on to the
5 internal control.

6 MR. DANIELE: I just want to make
7 reference to the last page, to the opinion
8 regarding Public Authorities Law, 2925(3)(f).
9 Again, the Agency has to adopt an investment
10 policy, it's approved by the governing Board and
11 done on an annual basis. We have those
12 documents, we reviewed them. Basically the
13 Agency has cash at Hudson Valley Bank. There
14 really are no investments, per se. Those
15 accounts are confirmed by us, collateral for
16 those accounts so everything is in compliance
17 with the Public Authorities Law.

18 The next report is our communications,
19 internal control matters, often referred to as a
20 Management Letter. And in the back pages there
21 is some required communications. The first page,
22 again, we consider the Agency's internal control
23 for the purposes of designing our audit program.
24 We don't offer an opinion on the Agency's
25 internal control, but I am happy to report there

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2 were no deficiencies in the internal control and
3 we consider there to be no material weaknesses or
4 significant deficiencies.

5 Pages two through five we include some
6 other required communications that are documented
7 here. We have communicated our responsibility of
8 professional standards, again, that's the form
9 expresses an opinion on a financial statement.
10 They are presented fairly in accordance with the
11 accounting principles, acting according to
12 accounting standards of the United States of
13 America. At the time the audit was consistent
14 with what we agreed upon as far as the audit
15 dates and Agency being able to accept this
16 report, the financial statement, before the end
17 of March, March 31st deadline, in accordance with
18 the Public Authorities Law.

19 MS. SINGER: As you go down the
20 representations you requested from management.
21 We should really have a copy of that.

22 MR. DANIELE: I do have that provided
23 that to you. We'll need that in order to release
24 this report.

25 MS. MEHRA: It's in your packet.

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2 MR. DANIELE: Briefly, significant
3 accounting policies, those are all documented,
4 note two of the financial statements. Again,
5 some of those include 2014, would be setting up
6 the allowance for \$670,000.00 as we know, the
7 Agency probably will not get that money Until
8 some time possibly in the future. As well as the
9 forgiveness of the amounts owed to the
10 Westchester County, \$960,000. Significant
11 estimates in 2014 financial statements
12 disclosures are clear and consistent, no set
13 financial statements. There were no difficulties
14 in dealing with management. There were no
15 uncorrected or corrected misstatements. What
16 does that mean? During the course of the audit
17 if we determine there are entries that we need
18 for management we prepare those and Management
19 accept them. There can be entries passed on, we
20 have to develop those entries and management can
21 pass on those. However, there was no such
22 entries for the IDA in 2014. Again, there was no
23 disagreements with management. We provided
24 management with the representation letter,
25 probably date the report today if it's accepted

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2 by the Audit Committee. And that's it, we are
3 independent with respect to the Agency in
4 accordance with professional standards.

5 MR. MACCARIELLO: I have one question,
6 you said that the money is in Hudson Valley Bank
7 and it's not investments. Are we allowed to
8 invest that money? Can that money make money for
9 us or does it have to be in just a main interest
10 bearing account?

11 MR. DANIELE: Really has to be kind of,
12 can't be a risky investment.

13 MR. MACCARIELLO: That answers my
14 question, that you.

15 MS. SINGER: Of any questions?

16 MR. MACCARIELLO: I'd like to say that
17 for someone that doesn't really understand this
18 you guys did a great job. I understood
19 everything you said and I was able to follow
20 along. Any questions I had you answered
21 professionally. I appreciate that from my
22 standpoint, thank you.

23 MS. SINGER: That's very good, they are
24 very glad to hear that because this is an era of
25 transparency. So the objective is to make this

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transparent so it is understandable.

MR. MACCARIELLO: Having said that I make a motion to accept the review and discussions of the items three, four and five.

MS. MEHRA: You have to make motions to accept those items separately.

MR. JENKINS: Deepika, there needs to be a motion on each of the items?

MS. MEHRA: Yes.

MR. MACCARIELLO: I make a motion on item three.

MS. SINGER: I second.

MS. SINGER: All in favor?

(Chorus of Ayes)

MR. MACCARIELLO: I also motion on four?

MS. SINGER: Yes, on the internal controls?

MR. MACCARIELLO: Correct.

MS. SINGER: Yes, I second that.

MR. MACCARIELLO: And also a motion on five, the discussion of investment report.

MS. SINGER: I second.

MS. MEHRA: I think you're suppose to

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go into Executive Session.

MS. SINGER: Yes. Now we have step
out. All the staff.

MR. MACCARIELLO: Second.

(Executive Session)

MS. SINGER: I would like to request
there being no further business, I would like to
request a motion to adjourn the meeting of the
IDA.

MR. MACCARIELLO: Motion to adjourn.

MS. SINGER: I second.

(Adjourned)

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C E R T I F I C A T I O N

STATE OF NEW YORK)

) SS.

COUNTY OF WESTCHESTER)

I, Lynn Farrell, Court Reporter and Notary Public within and for the County of Westchester, State of New York, do hereby certify:

That I reported the proceedings that are hereinbefore set forth, and that such transcript is a true and accurate record of said proceedings

AND, I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand.

Lynn Farrell