

YONKERS INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
DECEMBER 31, 2005 AND 2004



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

YONKERS INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2005 AND 2004

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statement of Net Assets	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8
Supplementary Schedule Schedule of Industrial Revenue Bonds and Notes Issued	10-11



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Yonkers Industrial Development Agency

We have audited the accompanying statement of net assets of the Yonkers Industrial Development Agency (the "Agency") as of December 31, 2005 and 2004 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Yonkers Industrial Development Agency. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Yonkers Industrial Development Agency as of December 31, 2005 and 2004, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the accompanying supplementary schedule of industrial revenue bonds and notes issued is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP
White Plains, New York
June 28, 2006

YONKERS INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
DECEMBER 31, 2005 AND 2004

	<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Current Assets			
Cash and equivalents		\$ 3,141,254	\$ 256,491
Accounts receivable, net		300	82,950
Due from City of Yonkers		133,527	166,060
Economic Development Projects		2,085,000	1,895,000
Prepaid expenses		459,956	6,036
Total Current Assets		<u>5,820,037</u>	<u>2,406,537</u>
Investments			
Equipment, net		124,712	116,493
Total Assets		<u>5,944,940</u>	<u>2,523,549</u>
	<u>LIABILITIES</u>		
Accounts payable		\$ 72,271	\$ 16,594
Accrued expenses		42,000	74,185
Scholarship payable		107,195	104,429
Due to other entities		2,000,000	-
Total Liabilities		<u>2,221,466</u>	<u>195,208</u>
	<u>NET ASSETS</u>		
restricted		<u>3,723,474</u>	<u>2,328,341</u>
Total Liabilities and Net Assets		<u>\$ 5,944,940</u>	<u>\$ 2,523,549</u>

Notes to financial statements.

YONKERS INDUSTRIAL DEVELOPMENT AGENCY

**STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Payments in lieu of taxes	\$ 253,527	\$ 302,594
Lease administration fees	1,907,308	591,960
Rent	255,000	255,000
Application and administrative fees	9,900	7,400
Management fees	50,000	50,000
Miscellaneous income	10,680	65,638
	<u>2,486,415</u>	<u>1,272,592</u>
Total Operating Revenues		
Operating Expenses		
Salaries	243,293	278,769
Payroll taxes and employee benefits	48,705	44,893
Payroll service fees	1,732	2,223
Pension	24,941	39,867
Consulting fees	263,315	213,936
Legal fees	166,971	139,619
Audit fees	21,000	20,200
Accounting fees	12,000	10,144
Marketing	55,735	32,441
Advertising, printing and reproduction	61,160	18,530
Auto	7,795	8,808
Insurance	6,152	11,320
Conferences and meetings	28,750	21,119
Dues and subscriptions	2,463	5,238
Postage and delivery	995	1,435
Office supplies and expenses	5,321	5,963
Depreciation	328	1,245
Contributions	126,215	106,333
Bad debt expense	17,950	-
Investment advisory fees	1,733	1,589
Miscellaneous	11,154	-
	<u>1,107,708</u>	<u>963,672</u>
Total Operating Expenses		
Income from Operations	<u>1,378,707</u>	<u>308,920</u>
Non-Operating Revenues		
Interest and dividend income	12,709	4,057
Realized and unrealized gain on marketable securities	3,717	8,285
	<u>16,426</u>	<u>12,342</u>
Total Non-Operating Revenues		
Change in Net Assets	1,395,133	321,262
Net Assets - Beginning of Year	2,328,341	4,178,275
Transfer of Capital Asset	-	(2,171,196)
Net Assets - End of Year	<u>\$ 3,723,474</u>	<u>\$ 2,328,341</u>

See notes to financial statements.

YONKERS INDUSTRIAL DEVELOPMENT AGENCY

**STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 4,411,598	\$ 1,113,035
Cash payments for goods and services	(1,216,371)	(606,559)
Cash payments to employees	<u>(318,671)</u>	<u>(350,395)</u>
Net Cash Provided by Operating Activities	<u>2,876,556</u>	<u>156,081</u>
Cash Flows From Investing Activities:		
Purchase of Investments	(124,712)	-
Sale of Investments	116,493	(10,223)
Interest and dividend income	12,709	4,057
Realized and unrealized gain on marketable securities	<u>3,717</u>	<u>8,285</u>
Net Cash Provided by Investing Activities	<u>8,207</u>	<u>2,119</u>
Net Increase in Cash	2,884,763	158,200
Cash - Beginning of Year	<u>256,491</u>	<u>98,291</u>
Cash - End of Year	<u>\$ 3,141,254</u>	<u>\$ 256,491</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$ 1,378,707	\$ 308,920
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	328	1,245
Changes in operating assets and liabilities:		
Accounts receivable	82,650	(33,110)
Due from City of Yonkers	32,533	(76,447)
Economic development projects	(190,000)	(50,000)
Prepaid expenses	(453,920)	4,280
Accounts payable	55,677	76,594
Accrued expenses	(32,185)	(75,401)
Scholarship payable	2,766	-
Due to other entities	<u>2,000,000</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 2,876,556</u>	<u>\$ 156,081</u>

See notes to financial statements.

YONKERS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization

The Yonkers Industrial Development Agency (the "Agency") was created in 1971 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 Agency is exempt from Federal, State and Local income taxes. The Agency although supported by the City of Yonkers ("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.

Adoption of New Accounting Standards

During the December 31, 2004 fiscal year, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Basis of Accounting

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

Cash and Equivalents

Cash and equivalents consist of funds deposited in time and demand deposit accounts. 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.

Investments

Investments are stated at fair value, which is based on quoted market prices.

Equipment

Furniture and Fixtures - Furniture and fixtures are stated at cost. Depreciation is computed using the straight-line method over an estimated useful life of seven years.

YONKERS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use. Net assets on the statement of net assets is classified as unrestricted.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Note 3 - Economic Development Entities Projects

In accordance with an agreement dated September 30, 2002 between the Yonkers Alexander Street Redevelopment Corporation ("YASR") and the Agency, YASR, whose purpose is to foster economic opportunities to benefit the City of Yonkers, agrees to pay \$1,025,000, with no interest thereon, payable at the earlier of either, three years from the date of the agreement or the sale of the Alexander Street property.

In accordance with an agreement dated November 26, 2002 between YASR and the Agency, the Agency agreed to fund an additional \$100,000 with no interest thereon, payable at the earlier of either, three years from the date of the agreement or the sale of the Alexander Street property.

In accordance with an agreement dated March 3, 2003 between YASR and the Agency, the agency agreed to fund an additional \$50,000 with no interest thereon, payable at the earlier of either, one year from date of the agreement or the sale of the Alexander Street property.

All of the above amounts were repaid to the Agency in 2006.

In accordance with an agreement dated November 1, 2002 between the Yonkers Baseball Development Corporation and the Agency, the Yonkers Baseball Development Corporation was advanced \$670,000 (Note 9).

In accordance with an agreement dated December 9, 2004 between Nepperhan Valley Technology Center (NVTC) and the Agency, the Agency agreed to advance up to \$300,000, with interest at 5% on the unpaid balance, payable on or before December 8, 2006. At December 31, 2005, \$240,000 had been advanced and was outstanding.

Note 4 - Equipment

Equipment at December 31, 2005 and 2004 consisted of furniture and fixtures. Depreciation expense was \$328 and \$1,245 for the years ended December 31, 2005 and 2004 respectively.

YONKERS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5 - Scholarships Payable

The Agency receives funds from private contributors for the establishment of a scholarship fund for Yonkers residents. The criteria for eligibility and award is determined by the Yonkers Public Schools. The amount available for scholarships was \$107,195 and \$104,429 at December 31, 2005 and 2004 respectively.

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.

Funding Policy - The System is non-contributory except for employees who joined after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion ("GTLI") and regular pension contributions. Contribution rates for the plan's year ending in March 2005 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
4 A15	10.2%

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

2005	\$	24,941
2004		39,867
2003		12,255

Note 7 - Operating Leases

The Agency is obligated under a non-cancelable operating lease for a vehicle. Minimum future rental payments under this non-cancelable operating lease are \$2,640 for 2006. Lease expense included in operations under auto expense was \$6,336 and \$5,926 for the years ended December 31, 2005 and 2004 respectively.

Note 8 - Industrial Revenue Bond and Note Transactions

Certain industrial development 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. 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 therefrom are controlled by trustees or banks acting as fiscal agents. 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.

YONKERS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (Concluded)

Note 9 - Related Party - Yonkers Baseball Development Corporation

The Agency is the sole shareholder of the Yonkers Baseball Development Corporation ("YBDC"). The YBDC is a for profit entity whose purpose is to promote recreational activity to assist in the revitalization of downtown Yonkers in an area known as Chicken Island, Yonkers, New York. The YBDC intends to transfer its rights in the project to the developer chosen by the City of Yonkers. The YBDC was funded under an agreement from the Agency (Note 3) dated November 1, 2002.

Note 10 - Contingencies

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. The cost of capping this site is estimated to be approximately \$4.5 million. 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 would be repaid from the annual proceeds of a new supplemental payment in lieu of tax (PILOT) agreement from a local developer, who owns the property adjacent to the landfill site. The City Council has 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. The City Council further agreed that, based on the City's obligation under the Consent Order, the City will pay any shortfalls in debt service payments on the Agency bonds or costs of environmental remediation in excess of amounts available from the Agency bonds. Council has indicated that project costs should remain within the Agency bond authorization limits. Once the project is completed, it is not currently anticipated that this site will require ongoing monitoring operations.

The Agency has been undergoing an audit by the Office of the Comptroller of New York State in conjunction with audits of the City of Yonkers and the Yonkers Board of Education. The outcome of such audit is not currently known, nor is the impact of findings and recommendations of the audit on the financial position of the Agency.

The Agency is currently in negotiations with Westchester County (the County) regarding current and prior years' PILOT payment which may be due to the County. Per legal counsel, the outcome of the negotiations cannot be estimated at this time, but should be resolved during 2006, and could have a significant impact on the financial position of the Agency.

The Agency is defendant in several lawsuits. While the outcome of these lawsuits or other proceedings against the Agency cannot be predicted with certainty, the Agency does not expect that these matters will have a material adverse effect on its financial position.

Note 11 - 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.

Note 12 - Transfer of Capital Asset

The Agency agreed to assist in the development of Nepperhan Valley Technology Center from pre-construction to such time as the project is fully complete and the operating income exceeds operating expenses including debt service payments. In 2004, NVTC was incorporated as a tax-exempt organization under Section 501(C) (3) of the Internal Revenue Code. As such, the cumulative assets and liabilities relating to NVTC were transferred to this newly formed Corporation.

YONKERS INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (Concluded)

Note 13 - Due to Other Entities

During 2005, the Agency received funds totaling \$2,000,000 under an agreement with the Port Authority of New York and New Jersey. In April 2006, the total of these funds was transferred (passed through) to the Yonkers Waterfront Development Corp., to complete the Agency's requirements under the agreement.