

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

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AUDIT COMMITTEE MEETING
OF THE
YONKERS INDUSTRIAL DEVELOPMENT AGENCY

December 2, 2015
8:30 a.m.
470 Nepperhan Avenue
Suite 200
Yonkers, New York 10701

TRANSCRIPT OF PROCEEDINGS

AGENDA

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1. Roll Call
2. Approval of Minutes for March 18, 2015
3. Review and Discussion of Engagement Letter for External Auditing Services for (YIDA & YPDI)
4. Review and Discussion of Audit Plan
5. Other Business
6. Adjournment

Reported By:

Margaret Prendergast

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

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A P P E A R A N C E S

COMMITTEE MEMBERS

CECILE SINGER - CHAIRPERSON

MARTIN BALL, SR. - MEMBER

ROBERT MACCARIELLO - MEMBER

IDA STAFF

KEN JENKINS - IDA PRESIDENT

JAIME MCGILL - IDA EXECUTIVE DIRECTOR

DEEPIKA MEHRA - IDA/YEDC CHIEF FISCAL OFFICER

OTHER

PATRICK SERENSON - IDA ACCOUNTANT

CHARLES MANGIARACINA - O'CONNOR DAVIES

ROBERT DANIELE - O'CONNOR DAVIES

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

3

1 Proceedings

2 MS. SINGER: Okay. I'm going to call the
3 meeting to order.

4 The first order of business is the roll
5 call.

6 MS. MEHRA: Cecile Singer?

7 MS. SINGER: Here.

8 MS. MEHRA: Martin Ball?

9 MR. BALL: Here.

10 MS. MEHRA: Robert Maccariello?

11 MR. MACCARIELLO: Here.

12 MS. MEHRA: We have quorum.

13 Please let the record reflect we have
14 representatives from O'Connor Davies, Charles
15 Mangiaracina and Robert Daniele as well as IDA
16 accountant, Pat Serenson.

17 MS. SINGER: All right. And the minutes
18 are before you.

19 MR. BALL: I make a motion to accept.

20 MR. MACCARIELLO: Second.

21 MS. SINGER: Well, there's -- all right. No
22 corrections or additions?

23 A motion was made to accept and you
24 second it?

25 MR. MACCARIELLO: Yes.

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

4

1 Proceedings

2 MS. SINGER: Any objections?

3 (No response.)

4 MS. SINGER: And then our accountants are going
5 to review the discussion of our engagement letter.

6 MR. MANGIARACINO: I'm assuming you started the
7 IDA meeting first.

8 MS. MCGILL: Yes.

9 MR. MANGIARACINO: Okay. Rob will take you
10 through the --

11 MS. SINGER: Are you distributing anything to us?

12 MR. MANGIARACINO: It's actually -- we didn't
13 have copies but they told us this morning that
14 it's also incorporated in the package that was
15 presented to you by management.

16 MS. MCGILL: It might be easier if you just
17 pass along the --

18 MR. MANGIARACINO: They did such a nice job
19 with the color copy.

20 MS. MCGILL: Yes.

21 MS. SINGER: We're going to begin with your
22 overview?

23 MR. MANGIARACINO: Yes. We'll begin with
24 the Yonkers IDA (inaudible).

25 MS. SINGER: Yes. That's what we're in

1 Proceedings

2 session now, the Yonkers IDA.

3 MR. DANIELE: If you turn to page two of the
4 PowerPoint, we just put together a little
5 agenda. We're going to briefly describe our
6 overview of the audit process, the auditor
7 reports that we're going to issue, the audit
8 scope and focus. We'll go through the audit
9 timing, what our responsibilities are as the
10 external auditors, and what management's
11 responsibilities are.

12 On page three, there's a flow chart of
13 our audit process. Again, we will come to, I think
14 it's mid to late December, we're going to send in
15 a team to do some preliminary testing. Here's
16 where we update our understanding of the IDA, its
17 controls, and its information flow. We look at
18 your significant accounts, different transactions.
19 We perform what we call walk-throughs to look at
20 your payroll, look at your tax receipts, tax
21 disbursements. We perform -- you know, we do a
22 preliminary risk assessment at that point and we
23 decide on an audit plan. When we go through our
24 walk-throughs, if everything is executed according
25 to our plan, we'll go on; you know, we have an

1 Proceedings

2 audit base that will perform the audit and issue
3 the audit statements. If we find that there are
4 problems, there are issues, we go back and reassess
5 risk and expand our samples to make sure that
6 those items are addressed. It could be an
7 isolated problem and not a systematic problem.

8 On page four, again, I plan to pretty
9 much discuss that. We come in and we update and
10 document our understanding of the IDA's business
11 environment, its new leases, its new pilot
12 agreements, different things of that nature. We
13 identify significant audit areas, and we'll discuss
14 that in a later slide. We perform selective tests
15 of internal controls. Again, we assess risk. We
16 develop the audit plan. We go through our audit
17 plan and perform the audit with substantive
18 testing and analytical reviews. We will document
19 our findings at that point. We will communicate
20 any internal control matters that we identify
21 during the audit, and we go on and issue our
22 reports and financial statements.

23 On page five, the reports that we will
24 issue, again, we issue an independent auditor's
25 report on the financial statement.

1 Proceedings

2 What's new in 2015 is that first bullet
3 there or the first highlighted item, the Yonkers
4 Pier Development Corp. kind of was dissolved in
5 2015 and the IDA did assume some of its assets and
6 liabilities. We will discuss that. We're also
7 required to report on certain required
8 supplementary information, such as Management's
9 Discussion and Analysis.

10 Once the financial statements are reviewed with
11 management, the MD&A, Management Discussion and
12 Analysis, is prepared by management. It really gives
13 you an overview of the financial statements as seen
14 through the eyes of management. Also included in
15 the back schedules of the financial statements,
16 there is certain supplementary information.
17 There are schedules of Industrial Revenue bonds
18 and Notes issued, schedules of straight lease
19 transactions that were executed in 2015, a schedule
20 of payments, payroll and taxes. Again, these are
21 items that are not audited per se on our part,
22 but we confirm these balances because we're
23 recording them.

24 We also issue what is called a "yellow
25 book" report, where we report on internal control

1 Proceedings
2 and compliance in accordance with government
3 auditing standards but we also report on
4 compliance with Section 2925 of the New York State
5 Public Authorities Law. That deals with
6 investments, and that's a separate thing.

7 Page six is our audit scope and focus.
8 What's new in 2015 would be the implementation of
9 a new pronouncement that's effective for 2015. The
10 County and Financial Reporting for Pensions. What
11 will happen is New York State will send you a
12 confirmation letter portal. What's really
13 happening is you're part of the New York State
14 Retirement System. In the past, they've never
15 required you to record a liability. What they're
16 doing is just saying, Hey, what's the IDA's
17 piece among all reported New York State
18 municipalities? We're going to extract that and
19 report it as a liability.

20 MS. SINGER: So they're moving towards what
21 they do with whether you're a for-profit or not-
22 for-profit.

23 MR. DANIELE: Correct. Absolutely.

24 MS. SINGER: And that's the transparency
25 again.

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

9

1 Proceedings

2 MR. DANIELE: Right. You're still getting a
3 bill, and you're still paying based on salaries and
4 the rates, but it appears that the New York
5 State system is probably ninety-seven percent
6 funded. So there is a percentage of unfunding
7 and that piece of it will be recorded.

8 Some of the risk areas that we look at,
9 cash and your restricted cash. That would include
10 the new taxes coming over from the Yonkers Pier
11 that you've assumed. We'll look at accounts
12 receivable, estimates related to collections. The
13 IDA did assume some rents receivable from Peter
14 Kelly, from the Yonkers Pier. So that would be
15 another item that we would focus on.

16 I've included Due from Economic
17 Development Projects, and that was the \$670,000 due
18 from Yonkers Baseball. We have addressed that
19 last year. It shouldn't be an issue this year.

20 MS. SINGER: So, are we going to be able to
21 close the books on the Yonkers Baseball?

22 MR. DANIELE: Yes. I mean, we set up an
23 allowance; we wrote it down last year. I don't
24 think we need to show it because, you know,
25 there's language in the resolution that says if a

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

10

1 Proceedings

2 new developer comes in and decides to develop
3 that Chicken Island, you would get first dibs on
4 that money that's outstanding. So, we don't
5 think that's going to happen within the next
6 operating cycle. So, we've taken an allowance.
7 It hasn't happened, obviously, over the past
8 couple of years. So if it does happen, that will
9 be income to you that will hit the bottom line.
10 Once that does, that's fine.

11 I've also included the dispute with the
12 other governments which was the dispute with
13 Westchester County, and that was resolved last
14 year. Shouldn't be an issue this year. I've
15 included that here. That was money owed from
16 grants and pilots. The Westchester County got
17 together and the Westchester County IDA, the City
18 of Yonkers, the City of Yonkers IDA got together
19 and said, You owe us money, we owe you money.
20 We're going to have a resolution to forgive all
21 these. So, that won't be an issue in 2015.

22 What I didn't include in here, and I
23 should have, is the IDA did absorb some loans from
24 the closing of the Yonkers Pier. So they will be
25 receiving some rental income from the Yonkers

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

11

1 Proceedings

2 Pier from Peter Kelly, but they're also going to
3 assume two loans, The New York Power Authority
4 Loan and the Section 108 Loan.

5 The Power Authority Loan is just under a
6 million dollars, and the Section 108 Loan is
7 \$950,000. So we want to make sure that the rents
8 that you are collecting are sufficient to cover
9 the --

10 MS. SINGER: So that itself would (inaudible.)

11 MR. DANIELE: Correct, right. And obviously,
12 if there's an issue, we bring it here.

13 And then we look at agency fee
14 revenues, the one percent collected on those.
15 We look at operating expenses, salaries, payroll,
16 employee benefits, and we also look at the
17 workforce that's also a part of the IDA. Those
18 are items that are claimed for and monies
19 received. So, there's usually no affect on the
20 bottom line.

21 Page seven is our audit timing. We are
22 here today going through our audit committee
23 communications related to the audit approach. We
24 have scheduled a team to come in in a couple of
25 weeks to perform some preliminary testing to

1 Proceedings

2 review and evaluate the internal controls. The
3 audit is scheduled for later in January. We will
4 come in and then we will roll into February, or
5 toward the end of January into February, to perform
6 the actual audit and substantive testing. Toward
7 the end of February, we'll have a draft of the
8 financial statements where we will review the
9 financials. It's expected that we will issue our
10 reports in March, well before the ninety days,
11 according with the New York State Authority Law,
12 ninety days after we close.

13 Then page eight, nine, ten, and eleven
14 are really what our responsibilities are. I'm not
15 going to read every bullet. You know, our
16 ultimate goal is to form and express an opinion on
17 the financial statements based on our audit and
18 with accordance with generally accepted accounting
19 principles.

20 Again, we perform the audit which contain a
21 reasonable assurance that the financial statements
22 are free of material misstatements. We are
23 required to accumulate any known and likely
24 misstatements that are identified here in the
25 audit. So, if there are entries that we uncover,

1 Proceedings

2 we are required to attach that to our
3 communications. We are also required to
4 communicate and identify any material we consider
5 significant deficiencies. Over the past couple of
6 years, we have not identified any materials we
7 consider deficiencies. We may have had a couple of
8 comments but that was just areas for improvement.

9 Again, we are required to communicate
10 any fraud or any illegal acts that are noted
11 during the course of our audit. Again, the audit
12 is not -- you know, the audit is not -- it's not --
13 the audit process is not that, you know, we're
14 here to find fraud but if we uncover it, we must
15 communicate that.

16 And then management responsibilities are
17 the selection and use -- I'm on page eleven -- the
18 selection and use of appropriate accounting
19 policies. This is to assist management in
20 preparing the financial statements to make sure
21 that those are in accordance with generally
22 accepted accounting principles. Management is
23 responsible for any design and implementation of
24 programs to prevent fraud and to comply with laws,
25 regulations, contracts and grant agreements.

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

14

1 Proceedings

2 That's really our communication at this
3 point.

4 If there are any questions?

5 MS. SINGER: Do you have any questions?

6 MR. BALL: I do have one, just for clarity.
7 Rental income from Kelly?

8 MR. DANIELE: Right.

9 MR. BALL: Is that considered accounts
10 receivable or is that revenue due?

11 MR. DANIELE: There's two pieces. Back a
12 couple of years ago, Mr. Kelly stopped paying his
13 rent. There was a dispute. The City of Yonkers
14 reached an agreement so there's some back rent.
15 There was a new agreement that was developed.
16 There's some back rent which I think is about
17 \$220,000. You'll assume that as a receivable.
18 However, he is paying his current rent and that
19 would be considered revenue. He still has twelve
20 months on that, moving forward, if you will.

21 MS. SINGER: So there's the debt.

22 MR. SERENSON: We've been putting all of
23 that money into a revenue account.

24 MR. BALL: Okay.

25 MR. SERENSON: Because we haven't gotten the

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

15

1 Proceedings

2 opening numbers from the auditors yet. When I
3 get that, what I'll do is I'll take the \$2,500
4 each month, put that against the receivable, and
5 the balance will be revenue.

6 MR. BALL: Okay.

7 MR. MANGIARACINO: It's only going to be two
8 months by the 15th to catch up. No, 'cause the YPDI
9 ceases its operations on October 26th and the IDA
10 picks up the operations on October 27th. So you're
11 going to have two months' worth of income.

12 MR. SERENSON: No, we'll be getting the
13 rents in June.

14 MR. MANGIARACINO: But on your books
15 (inaudible.)

16 MR. SERENSON: Okay.

17 MR. MANGIARACINO: We're picking up all
18 transactions throughout --

19 MR. SERENSON: So you're going to make
20 it either a revenue or a receivable?

21 MR. MANGIARACINO: Correct.

22 MR. SERENSON: Okay.

23 MS. SINGER: So the prior, the prior debt
24 will be incorporated into the present rental
25 payments? How is it working?

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

16

1 Proceedings

2 MR. DANIELE: We're going to pick up the
3 receivable from the back rent. We're going to
4 pick up income for his current rent, and you're
5 going to pick up the liability for the loan. So
6 hopefully, when we look at this, the rents that
7 you are receiving are sufficient to pay back that
8 loan. You're even, per se.

9 MS. SINGER: Right. So what's the annual
10 amount that we will receive?

11 MR. SERENSON: Twenty-one-five a month.

12 MR. MANGIARACINO: Twenty-one thousand five
13 hundred a month on what he's currently paying and
14 at least \$500 a month on the old stuff.

15 MS. SINGER: So, it's now twenty-one-five. He's
16 paying what a month now?

17 MR. BALL: Twenty-one thousand five hundred.

18 MR. DANIELE: It's roughly about 250,000 a
19 year. It should be enough to cover the two
20 loans.

21 MR. BALL: Expense towards the old loan.

22 MS. SINGER: Right. So hopefully that will
23 be over. I mean, that was a big negotiation and
24 an important resolution.

25 MR. DANIELE: Right.

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

17

1 Proceedings

2 MS. SINGER: Are there any other questions?

3 Can I have a motion to adjourn the
4 meeting of the IDA?

5 MS. MCGILL: Do you want to see if they
6 want to present the engagement letter?

7 MR. DANIELE: Yes. Included in the packet
8 is the engagement letter. So what we did with
9 the engagement letter is we included a couple of
10 captions, and I'm on page six of the IDA's
11 engagement letter. If you look at the top, basic
12 audit, I think last year's basic audit fee was
13 23,700. It went up slightly; I believe it was
14 two percent on the basic fee. We did include a
15 piece to cover the assumption of the YPDI's --

16 MS. SINGER: Of the tier, yes.

17 MR. DANIELE: -- assets, liabilities and rental
18 income for the few months in 2015. We also
19 included a one-time implementation fee that's the
20 standard. It's going to require several pages
21 for those disclosures.

22 MS. SINGER: Under GASP?

23 MR. DANIELE: I'm sorry?

24 MS. SINGER: Under GASP, we have a charge as
25 well?

Yonkers Industrial Development Agency Audit Committee
December 2, 2015

18

1 Proceedings

2 MR. DANIELE: Yes. That's the new pension
3 reporting. You know, we want to do this one-time
4 charge. Hopefully, we're not going to pass this
5 along the tier. But the setup is going to take,
6 you know, several days to kind of gather the
7 information, record the --

8 MS. SINGER: So it's a one-time charge.

9 MR. DANIELLE: Yes.

10 MS. SINGER: Are there any questions?

11 So, can I have a motion to accept?

12 MR. BALL: I make a motion to accept.

13 MR. MACCARIELLO: I second.

14 (Indications of acceptance.)

15 MS. SINGER: Any objections?

16 (No response.)

17 Is there any other business?

18 MR. BALL: I make a motion to adjourn.

19 MS. SINGER: Second.

20 (Indications of acceptance.)

21 (Whereupon, the Board Meeting
22 concludes at 9:55 a.m.)

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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, MARGARET PRENDERGAST, 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.

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 this 14th day of December, 2015.

MARGARET PRENDERGAST

**Yonkers Industrial Development Agency Audit Committee
December 2, 2015**

A		
a.m (2) 1:7 18:22	Authorities (1) 8:5	come (4) 5:13 6:9 11:24 12:4
able (1) 9:20	Authority (3) 11:3,5 12:11	comes (1) 10:2
Absolutely (1) 8:23	Avenue (1) 1:8	coming (1) 9:10
absorb (1) 10:23	B	comments (1) 13:8
accept (4) 3:19,23 18:11,12	back (7) 6:4 7:15 14:11,14,16 16:3	committee (3) 1:3 2:3 11:22
acceptance (2) 18:14,20	16:7	communicate (4) 6:19 13:4,9,15
accepted (2) 12:18 13:22	balance (1) 15:5	communication (1) 14:2
account (1) 14:23	balances (1) 7:22	communications (2) 11:23 13:3
accountant (2) 2:14 3:16	Ball (12) 2:5 3:8,9,19 14:6,9,24	compliance (2) 8:2,4
accountants (1) 4:4	15:6 16:17,21 18:12,18	comply (1) 13:24
accounting (3) 12:18 13:18,22	base (1) 6:2	concludes (1) 18:22
accounts (3) 5:18 9:11 14:9	Baseball (2) 9:18,21	confirm (1) 7:22
accumulate (1) 12:23	based (2) 9:3 12:17	confirmation (1) 8:12
accurate (1) 19:13	basic (3) 17:11,12,14	consider (2) 13:4,7
action (1) 19:15	believe (1) 17:13	considered (2) 14:9,19
acts (1) 13:10	benefits (1) 11:16	contain (1) 12:20
actual (1) 12:6	big (1) 16:23	contracts (1) 13:25
additions (1) 3:22	bill (1) 9:3	control (2) 6:20 7:25
addressed (2) 6:6 9:18	blood (1) 19:16	controls (3) 5:17 6:15 12:2
adjourn (2) 17:3 18:18	Board (1) 18:21	copies (1) 4:13
Adjournment (1) 1:20	bonds (1) 7:17	copy (1) 4:19
affect (1) 11:19	book (1) 7:25	Corp (1) 7:4
agency (2) 1:5 11:13	books (2) 9:21 15:14	Correct (3) 8:23 11:11 15:21
agenda (2) 1:13 5:5	bottom (2) 10:9 11:20	corrections (1) 3:22
ago (1) 14:12	briefly (1) 5:5	County (6) 8:10 10:13,16,17 19:6,9
agreement (2) 14:14,15	bring (1) 11:12	couple (6) 10:8 11:24 13:5,7 14:12
agreements (2) 6:12 13:25	bullet (2) 7:2 12:15	17:9
allowance (2) 9:23 10:6	business (4) 1:19 3:4 6:10 18:17	course (1) 13:11
amount (1) 16:10	C	Court (1) 19:8
Analysis (2) 7:9,12	C (3) 2:2 19:2,2	cover (3) 11:8 16:19 17:15
analytical (1) 6:18	call (4) 1:14 3:2,5 5:19	current (2) 14:18 16:4
annual (1) 16:9	called (1) 7:24	currently (1) 16:13
appears (1) 9:4	captions (1) 17:10	cycle (1) 10:6
approach (1) 11:23	cash (2) 9:9,9	D
appropriate (1) 13:18	catch (1) 15:8	Daniele (16) 2:16 3:15 5:3 8:23 9:2
Approval (1) 1:15	cause (1) 15:8	9:22 11:11 14:8,11 16:2,18,25
areas (3) 6:13 9:8 13:8	ceases (1) 15:9	17:7,17,23 18:2
assess (1) 6:15	Cecile (2) 2:4 3:6	DANIELLE (1) 18:9
assessment (1) 5:22	certain (2) 7:7,16	Davies (3) 2:15,16 3:14
assets (2) 7:5 17:17	certify (2) 19:10,14	day (1) 19:19
assist (1) 13:19	CHAIRPERSON (1) 2:4	days (3) 12:10,12 18:6
assume (4) 7:5 9:13 11:3 14:17	charge (3) 17:24 18:4,8	deals (1) 8:5
assumed (1) 9:11	Charles (2) 2:15 3:14	debt (2) 14:21 15:23
assuming (1) 4:6	chart (1) 5:12	December (3) 1:7 5:14 19:19
assumption (1) 17:15	Chicken (1) 10:3	decide (1) 5:23
assurance (1) 12:21	CHIEF (1) 2:11	decides (1) 10:2
attach (1) 13:2	City (3) 10:17,18 14:13	DEEPIKA (1) 2:11
audit (30) 1:3,18 5:6,7,8,13,23 6:2	claimed (1) 11:18	deficiencies (2) 13:5,7
6:2,3,13,16,16,17,21 8:7 11:21	clarity (1) 14:6	describe (1) 5:5
11:22,23 12:3,6,17,20,25 13:11	close (2) 9:21 12:12	design (1) 13:23
13:11,12,13 17:12,12	closing (1) 10:24	develop (2) 6:16 10:2
audited (1) 7:21	collected (1) 11:14	developed (1) 14:15
auditing (2) 1:16 8:3	collecting (1) 11:8	developer (1) 10:2
auditor (1) 5:6	collections (1) 9:12	Development (3) 1:5 7:4 9:17
auditor's (1) 6:24	color (1) 4:19	dibs (1) 10:3
auditors (2) 5:10 15:2		different (2) 5:18 6:12

**Yonkers Industrial Development Agency Audit Committee
December 2, 2015**

<p>DIRECTOR (1) 2:10 disbursements (1) 5:21 disclosures (1) 17:21 discuss (3) 6:9,13 7:6 discussion (5) 1:16,18 4:5 7:9,11 dispute (3) 10:11,12 14:13 dissolved (1) 7:4 distributing (1) 4:11 document (2) 6:10,18 doing (1) 8:16 dollars (1) 11:6 draft (1) 12:7 due (3) 9:16,17 14:10</p>	<p>form (1) 12:16 forth (1) 19:12 forward (1) 14:20 four (1) 6:8 fraud (3) 13:10,14,24 free (1) 12:22 funded (1) 9:6 further (1) 19:14</p>	<p>16:4 17:18 incorporated (2) 4:14 15:24 independent (1) 6:24 Indications (2) 18:14,20 Industrial (2) 1:5 7:17 information (4) 5:17 7:8,16 18:7 interested (1) 19:17 internal (4) 6:15,20 7:25 12:2 investments (1) 8:6</p>
<p align="center">E</p> <p>E (3) 2:2,2 19:2 easier (1) 4:16 Economic (1) 9:16 effective (1) 8:9 eight (1) 12:13 either (1) 15:20 eleven (2) 12:13 13:17 employee (1) 11:16 engagement (6) 1:16 4:5 17:6,8,9 17:11 entries (1) 12:25 environment (1) 6:11 estimates (1) 9:12 evaluate (1) 12:2 executed (2) 5:24 7:19 EXECUTIVE (1) 2:10 expand (1) 6:5 expected (1) 12:9 Expense (1) 16:21 expenses (1) 11:15 express (1) 12:16 external (2) 1:16 5:10 extract (1) 8:18 eyes (1) 7:14</p>	<p align="center">G</p> <p>GASP (2) 17:22,24 gather (1) 18:6 generally (2) 12:18 13:21 getting (2) 9:2 15:12 gives (1) 7:12 go (6) 5:8,23,25 6:4,16,21 goal (1) 12:16 going (22) 3:2 4:4,21 5:5,7,14 8:18 9:20 10:5,20 11:2,22 12:15 15:7 15:11,19 16:2,3,5 17:20 18:4,5 gotten (1) 14:25 government (1) 8:2 governments (1) 10:12 grant (1) 13:25 grants (1) 10:16</p>	<p>Island (1) 10:3 isolated (1) 6:7 issue (11) 5:7 6:2,21,24,24 7:24 9:19 10:14,21 11:12 12:9 issued (1) 7:18 issues (1) 6:4 item (2) 7:3 9:15 items (3) 6:6 7:21 11:18</p>
<p align="center">F</p> <p>F (1) 19:2 February (3) 12:4,5,7 fee (4) 11:13 17:12,14,19 financial (10) 6:22,25 7:10,13,15 8:10 12:8,17,21 13:20 financials (1) 12:9 find (2) 6:3 13:14 findings (1) 6:19 fine (1) 10:10 first (5) 3:4 4:7 7:2,3 10:3 FISCAL (1) 2:11 five (3) 6:23 16:12,17 flow (2) 5:12,17 focus (3) 5:8 8:7 9:15 for-profit (2) 8:21,22 forgive (1) 10:20</p>	<p align="center">H</p> <p>hand (1) 19:19 happen (3) 8:11 10:5,8 happened (1) 10:7 happening (1) 8:13 hereinbefore (1) 19:12 hereunto (1) 19:18 Hey (1) 8:16 highlighted (1) 7:3 hit (1) 10:9 hopefully (3) 16:6,22 18:4 hundred (2) 16:13,17</p>	<p align="center">J</p> <p>JAIME (1) 2:10 January (2) 12:3,5 JENKINS (1) 2:9 job (1) 4:18 June (1) 15:13</p>
	<p align="center">I</p> <p>IDA (17) 2:8,9,10,14 3:15 4:7,24 5:2,16 7:5 9:13 10:17,18,23 11:17 15:9 17:4 IDA's (3) 6:10 8:16 17:10 IDA/YEDC (1) 2:11 identified (2) 12:24 13:6 identify (3) 6:13,20 13:4 illegal (1) 13:10 implementation (3) 8:8 13:23 17:19 important (1) 16:24 improvement (1) 13:8 inaudible (3) 4:24 11:10 15:15 include (3) 9:9 10:22 17:14 included (7) 7:14 9:16 10:11,15 17:7,9,19 income (6) 10:9,25 14:7 15:11</p>	<p align="center">K</p> <p>Kelly (4) 9:14 11:2 14:7,12 KEN (1) 2:9 kind (2) 7:4 18:6 know (8) 5:21,25 9:24 12:15 13:12 13:13 18:3,6 known (1) 12:23</p>
		<p align="center">L</p> <p>language (1) 9:25 late (1) 5:14 Law (2) 8:5 12:11 laws (1) 13:24 lease (1) 7:18 leases (1) 6:11 letter (7) 1:16 4:5 8:12 17:6,8,9,11 liabilities (2) 7:6 17:17 liability (3) 8:15,19 16:5 line (2) 10:9 11:20 little (1) 5:4 loan (7) 11:4,4,5,6 16:5,8,21 loans (3) 10:23 11:3 16:20 look (10) 5:17,19,20 9:8,11 11:13 11:15,16 16:6 17:11</p> <p align="center">M</p> <p>Maccariello (6) 2:6 3:10,11,20,25 18:13 management (8) 4:15 7:11,11,12 7:14 13:16,19,22 management's (2) 5:10 7:8 Mangiaracina (2) 2:15 3:15</p>

**Yonkers Industrial Development Agency Audit Committee
December 2, 2015**

MANGIARACINO (10) 4:6,9,12,18
4:23 15:7,14,17,21 16:12
March (2) 1:15 12:10
Margaret (3) 1:22 19:8,23
marriage (1) 19:16
Martin (2) 2:5 3:8
material (2) 12:22 13:4
materials (1) 13:6
matter (1) 19:17
matters (1) 6:20
McGILL (5) 2:10 4:8,16,20 17:5
MD&A (1) 7:11
mean (2) 9:22 16:23
meeting (5) 1:3 3:3 4:7 17:4 18:21
MEHRA (5) 2:11 3:6,8,10,12
MEMBER (2) 2:5,6
MEMBERS (1) 2:3
mid (1) 5:14
million (1) 11:6
minutes (2) 1:15 3:17
misstatements (2) 12:22,24
money (5) 10:4,15,19,19 14:23
monies (1) 11:18
month (5) 15:4 16:11,13,14,16
months (3) 14:20 15:8 17:18
months' (1) 15:11
morning (1) 4:13
motion (6) 3:19,23 17:3 18:11,12
18:18
moving (2) 8:20 14:20
municipalities (1) 8:18

N

N (2) 2:2 19:2
nature (1) 6:12
need (1) 9:24
negotiation (1) 16:23
Nepperhan (1) 1:8
never (1) 8:14
new (19) 1:9 6:11,11 7:2 8:4,8,9,11
8:13,17 9:4,10 10:2 11:3 12:11
14:15 18:2 19:4,10
nice (1) 4:18
nine (1) 12:13
ninety (2) 12:10,12
ninety-seven (1) 9:5
not- (1) 8:21
Notary (1) 19:9
noted (1) 13:10
Notes (1) 7:18
numbers (1) 15:2

O

O (1) 19:2
O'Connor (3) 2:15,16 3:14
objections (2) 4:2 18:15
obviously (2) 10:7 11:11

October (2) 15:9,10
OFFICER (1) 2:11
Okay (6) 3:2 4:9 14:24 15:6,16,22
old (2) 16:14,21
Once (2) 7:10 10:10
one-time (3) 17:19 18:3,8
opening (1) 15:2
operating (2) 10:6 11:15
operations (2) 15:9,10
opinion (1) 12:16
order (2) 3:3,4
outcome (1) 19:17
outstanding (1) 10:4
overview (3) 4:22 5:6 7:13
owe (2) 10:19,19
owed (1) 10:15

P

P (2) 2:2,2
package (1) 4:14
packet (1) 17:7
page (9) 5:3,12 6:8,23 8:7 11:21
12:13 13:17 17:10
pages (1) 17:20
part (3) 7:21 8:13 11:17
parties (1) 19:15
pass (2) 4:17 18:4
Pat (1) 3:16
PATRICK (1) 2:14
pay (1) 16:7
paying (5) 9:3 14:12,18 16:13,16
payments (2) 7:20 15:25
payroll (3) 5:20 7:20 11:15
pension (1) 18:2
Pensions (1) 8:10
percent (3) 9:5 11:14 17:14
percentage (1) 9:6
perform (8) 5:19,21 6:2,14,17
11:25 12:5,20
Peter (2) 9:13 11:2
pick (3) 16:2,4,5
picking (1) 15:17
picks (1) 15:10
piece (3) 8:17 9:7 17:15
pieces (1) 14:11
Pier (5) 7:4 9:10,14 10:24 11:2
pilot (1) 6:11
pilots (1) 10:16
plan (6) 1:18 5:23,25 6:8,16,17
Please (1) 3:13
point (3) 5:22 6:19 14:3
policies (1) 13:19
portal (1) 8:12
Power (2) 11:3,5
PowerPoint (1) 5:4
preliminary (3) 5:15,22 11:25
Prendergast (3) 1:22 19:8,23

prepared (1) 7:12
preparing (1) 13:20
present (2) 15:24 17:6
presented (1) 4:15
PRESIDENT (1) 2:9
pretty (1) 6:8
prevent (1) 13:24
principles (2) 12:19 13:22
prior (2) 15:23,23
probably (1) 9:5
problem (2) 6:7,7
problems (1) 6:4
proceedings (19) 1:11 3:1 4:1 5:1
6:1 7:1 8:1 9:1 10:1 11:1 12:1
13:1 14:1 15:1 16:1 17:1 18:1
19:11,13
process (3) 5:6,13 13:13
programs (1) 13:24
Projects (1) 9:17
pronouncement (1) 8:9
Public (2) 8:5 19:9
put (2) 5:4 15:4
putting (1) 14:22

Q

questions (4) 14:4,5 17:2 18:10
quorum (1) 3:12

R

R (2) 2:2 19:2
rates (1) 9:4
reached (1) 14:14
read (1) 12:15
really (4) 7:12 8:12 12:14 14:2
reasonable (1) 12:21
reassess (1) 6:4
receipts (1) 5:20
receivable (7) 9:12,13 14:10,17
15:4,20 16:3
receive (1) 16:10
received (1) 11:19
receiving (2) 10:25 16:7
record (4) 3:13 8:15 18:7 19:13
recorded (1) 9:7
recording (1) 7:23
reflect (1) 3:13
regulations (1) 13:25
related (3) 9:12 11:23 19:15
rent (6) 14:13,14,16,18 16:3,4
rental (4) 10:25 14:7 15:24 17:17
rents (4) 9:13 11:7 15:13 16:6
report (6) 6:25 7:7,25,25 8:3,19
reported (3) 1:21 8:17 19:11
Reporter (1) 19:8
reporting (2) 8:10 18:3
reports (4) 5:7 6:22,23 12:10
representatives (1) 3:14

**Yonkers Industrial Development Agency Audit Committee
December 2, 2015**

<p>require (1) 17:20 required (7) 7:7,7 8:15 12:23 13:2 13:3,9 resolution (3) 9:25 10:20 16:24 resolved (1) 10:13 response (2) 4:3 18:16 responsibilities (4) 5:9,11 12:14 13:16 responsible (1) 13:23 restricted (1) 9:9 Retirement (1) 8:14 revenue (6) 7:17 14:10,19,23 15:5 15:20 revenues (1) 11:14 review (5) 1:16,18 4:5 12:2,8 reviewed (1) 7:10 reviews (1) 6:18 right (8) 3:17,21 9:2 11:11 14:8 16:9,22,25 risk (4) 5:22 6:5,15 9:8 Rob (1) 4:9 Robert (4) 2:6,16 3:10,15 roll (3) 1:14 3:4 12:4 roughly (1) 16:18</p> <hr/> <p align="center">S</p> <hr/> <p>S (1) 2:2 salaries (2) 9:3 11:15 samples (1) 6:5 saying (1) 8:16 says (1) 9:25 schedule (1) 7:19 scheduled (2) 11:24 12:3 schedules (3) 7:15,17,18 scope (2) 5:8 8:7 se (2) 7:21 16:8 second (4) 3:20,24 18:13,19 Section (3) 8:4 11:4,6 see (1) 17:5 seen (1) 7:13 selection (2) 13:17,18 selective (1) 6:14 send (2) 5:14 8:11 separate (1) 8:6 Serenson (9) 2:14 3:16 14:22,25 15:12,16,19,22 16:11 Services (1) 1:16 session (1) 5:2 set (3) 9:22 19:12,18 setup (1) 18:5 seven (1) 11:21 show (1) 9:24 significant (3) 5:18 6:13 13:5 Singer (29) 2:4 3:2,6,7,17,21 4:2,4 4:11,21,25 8:20,24 9:20 11:10 14:5,21 15:23 16:9,15,22 17:2,16 17:22,24 18:8,10,15,19</p>	<p>six (2) 8:7 17:10 slide (1) 6:14 slightly (1) 17:13 sorry (1) 17:23 SR (1) 2:5 ss (1) 19:5 STAFF (1) 2:8 standard (1) 17:20 standards (1) 8:3 started (1) 4:6 State (8) 8:4,11,13,17 9:5 12:11 19:4,10 statement (1) 6:25 statements (9) 6:3,22 7:10,13,15 12:8,17,21 13:20 stopped (1) 14:12 straight (1) 7:18 stuff (1) 16:14 substantive (2) 6:17 12:6 sufficient (2) 11:8 16:7 Suite (1) 1:8 supplementary (2) 7:8,16 sure (3) 6:5 11:7 13:20 system (2) 8:14 9:5 systematic (1) 6:7</p> <hr/> <p align="center">T</p> <hr/> <p>T (2) 19:2,2 take (3) 4:9 15:3 18:5 taken (1) 10:6 tax (2) 5:20,20 taxes (2) 7:20 9:10 team (2) 5:15 11:24 ten (1) 12:13 testing (4) 5:15 6:18 11:25 12:6 tests (1) 6:14 thing (1) 8:6 things (1) 6:12 think (5) 5:13 9:24 10:5 14:16 17:12 thousand (2) 16:12,17 three (1) 5:12 tier (2) 17:16 18:5 timing (2) 5:9 11:21 today (1) 11:22 told (1) 4:13 top (1) 17:11 transactions (3) 5:18 7:19 15:18 transcript (2) 1:11 19:12 transparency (1) 8:24 true (1) 19:13 turn (1) 5:3 twelve (1) 14:19 Twenty-one (2) 16:12,17 twenty-one-five (2) 16:11,15 two (7) 5:3 11:3 14:11 15:7,11 16:19 17:14</p>	<hr/> <p align="center">U</p> <hr/> <p>ultimate (1) 12:16 uncover (2) 12:25 13:14 understanding (2) 5:16 6:10 unfunding (1) 9:6 update (2) 5:16 6:9 use (2) 13:17,18 usually (1) 11:19</p> <hr/> <p align="center">V</p> <hr/> <p align="center">W</p> <hr/> <p>walk-throughs (2) 5:19,24 want (4) 11:7 17:5,6 18:3 way (1) 19:16 we'll (7) 4:23 5:8,25 6:13 9:11 12:7 15:12 we're (14) 4:21,25 5:5,7,14 7:6,22 8:18 10:20 13:13 15:17 16:2,3 18:4 we've (2) 10:6 14:22 weeks (1) 11:25 went (1) 17:13 Westchester (5) 10:13,16,17 19:6 19:10 WHEREOF (1) 19:18 WITNESS (1) 19:18 workforce (1) 11:17 working (1) 15:25 worth (1) 15:11 wrote (1) 9:23</p> <hr/> <p align="center">X</p> <hr/> <p align="center">Y</p> <hr/> <p>year (6) 9:19,19,23 10:14,14 16:19 year's (1) 17:12 years (3) 10:8 13:6 14:12 yellow (1) 7:24 YIDA (1) 1:16 Yonkers (14) 1:5,9 4:24 5:2 7:3 9:10,14,18,21 10:18,18,24,25 14:13 York (10) 1:9 8:4,11,13,17 9:4 11:3 12:11 19:4,10 YPDI (2) 1:17 15:8 YPDI's (1) 17:15</p> <hr/> <p align="center">Z</p> <hr/> <p align="center">0</p> <hr/> <p align="center">1</p> <hr/> <p>1 (1) 1:14 10701 (1) 1:9 108 (2) 11:4,6 14th (1) 19:19</p>
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Yonkers Industrial Development Agency Audit Committee
December 2, 2015

15th (1) 15:8
18 (1) 1:15

2

2 (2) 1:7,15
2,500 (1) 15:3
200 (1) 1:8
2015 (10) 1:7,15 7:2,5,19 8:8,9
10:21 17:18 19:19
220,000 (1) 14:17
23,700 (1) 17:13
250,000 (1) 16:18
26th (1) 15:9
27th (1) 15:10
2925 (1) 8:4

3

3 (1) 1:16

4

4 (1) 1:18
470 (1) 1:8

5

5 (1) 1:19
500 (1) 16:14

6

6 (1) 1:20
670,000 (1) 9:17

7

8

8:30 (1) 1:7

9

9:55 (1) 18:22
950,000 (1) 11:7