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AUDIT COMMITTEE MEETING
OF THE
YONKERS INDUSTRIAL DEVELOPMENT AGENCY

March 20, 2017
9:12 a.m.
470 Nepperhan Avenue
Yonkers, New York 10701

TRANSCRIPT OF PROCEEDINGS

AGENDA

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- 1. Roll Call
- 2. Approval of Minutes for December 9, 2016 Meeting
- 3. Review and Discussion of Draft Audited Financial Statements for 2016
- 4. Review and Discussion of 2016 Internal Control Letter
- 5. Review and Discussion of Investment Report
- 6. Other Business
- 7. Adjournment

Reported By:

Margaret Prendergast
902 Pleasantville Road
Briarcliff, New York 10510

2 A P P E A R A N C E S

3 COMMITTEE MEMBERS

4 CECILE SINGER - CHAIRPERSON

5 MELISSA NACERINO - MEMBER

6 PETER KISCHAK - MEMBER

7

8 IDA STAFF

9 KEN JENKINS - IDA PRESIDENT

10 JAIME MCGILL - IDA EXECUTIVE DIRECTOR

11 MARY LYRAS - IDA CHIEF FISCAL OFFICER

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13 OTHER

14 PATRICK SERENSON - IDA ACCOUNTANT

15 CHARLES MANGIARACINA - PKF O'CONNOR DAVIES

16 ROBERT DANIELE - PKF O'CONNOR DAVIES

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1 Proceedings

2 MS. SINGER: We're going to call the
3 meeting of the IDA to order.

4 MS. LYRAS: Cecile Singer?

5 MS. SINGER: Here.

6 MS. LYRAS: Melissa Nacerino?

7 MS. NACERINO: Here.

8 MS. LYRAS: And Peter Kischak.

9 MR. KISCHAK: Here.

10 MS. LYRAS: We have a quorum.

11 MS. SINGER: All right. I hope you all
12 had the time to read the minutes.

13 Are there any additions or corrections
14 to the minutes?

15 MR. KISCHAK: I have none.

16 MS. NACERINO: No.

17 MR. KISCHAK: I want to make a motion to
18 accept them.

19 MS. SINGER: Yes.

20 MS. NACERINO: Second.

21 MS. SINGER: Thank you.

22 The minutes are approved as submitted.

23 Then we will go to the Review and
24 Discussion of the 2016 Internal Control Letter.

25 MR. KISCHAK: Cecile, is this the letter

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where you asked to change a couple of words
around? Is that with last meeting?

Yes?

MR. JENKINS: Yes.

MR. KISCHAK: Okay. So, it was done?

MR. JENKINS: Yes.

MS. SINGER: Okay. So, you have the
Internal Control Letter before you.

Do you all have a copy?

MS. NACERINO: Yes.

MS. SINGER: Are there any -- is there
anything that you would like to question?

MS. NACERINO: No, I don't have any
questions.

MR. KISCHAK: I have no questions.

MR. JENKINS: Control Letter, it's in
there.

MS. SINGER: No comments?

MR. DANIELE: There is a separate letter
that we also incorporated into a PowerPoint. So,
we can briefly touch upon it when we get there.

Do you want to go through the
PowerPoint?

MS. SINGER: Yes.

Proceedings

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2 MR. DANIELE: So, everyone should have a
3 copy of the PowerPoint. If not, I have extras.

4 First of all, good morning and thank you
5 for having us present the audit results for the
6 City of Yonkers Industrial Development Agency for
7 the year ended December 31, 2016.

8 Before I begin, I just wanted to thank
9 and acknowledge Mary, Jaime and Pat for their
10 professionalism and their audit readiness.
11 Getting us to this point so that you could file
12 your reports with the state under the Public
13 Authorities Act and Law.

14 If you turn to the Table of Contents, I
15 guess it's the second page in. We're going to
16 briefly discuss the stats of the audit and any
17 outstanding items. We'll go through the financial
18 statement highlights. There are certain required
19 communications that we'll go through as well as
20 our communication of Internal Control Matters
21 Letter which I think that you were just
22 discussing. We've also included a Management
23 Representation Letter that we get at the
24 conclusion of the audit which basically describes
25 that you have given us the information so that we

Proceedings

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2 can performed the audit, certain representations.
3 Then, we just include a little firm overview about
4 our firm, PKF O'Connor Davies.

5 If you turn to Page 1 of the PowerPoint.
6 As we stated before, the fieldwork is complete.
7 The scope of our fieldwork is the same,
8 substantially the same, as described in our
9 planning back in January. The financial
10 statements have been drafted and they've been
11 reviewed by management. They have gone through
12 our quality review. These outstanding items that
13 you see were addressed. Management's Discussion
14 and Analysis was received Friday. We just didn't
15 have time. We had produced all these reports
16 before we could incorporate that in there. There
17 was one related party from the Mayor. That came
18 in also on Friday. So, that addresses those
19 issues. The only -- there's one thing outstanding
20 is a legal response we need from Mr. Young, Greg
21 Young. Apparently, I think he's in the process of
22 getting that to us. As soon as we get that, and
23 hopefully there are no disclosures, we can
24 finalize the reports.

25 Included in the reports are the

Proceedings

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2 Independent Auditors Report and, as you mentioned,
3 the report on Internal Control for financial
4 reporting and compliance. We will discuss those
5 briefly. The bottom of the page is just a quick
6 audit approach. Again, we take a risk-based
7 approach. We first come in and we update our
8 understanding of the agency, it's controls and
9 information flow. We kind of look at your cash
10 receipts disbursements, your cash receipts, your
11 payroll, your cash disbursements. We do it in the
12 form of a narrative. Then we sample those
13 transactions throughout the year, make sure they
14 are in accordance with our understanding that we
15 documented when we were there. Then we assess
16 financial risks. Again, we take a risk-based
17 approach. Some of the significant areas that we
18 looked at are cash and your restricted cash, your
19 revenues and associated receivables, certain loans
20 receivable and loans payable. We design our audit
21 program after we assess the financial recording
22 risk. We come in and test those controls. If
23 everything is according to what we expect, we go
24 ahead and we finalize the report. We do our
25 required communications and report on any internal

Proceedings

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2 control findings. If the results are unexpected,
3 we come in and either expand our scope as far as
4 our test of controls or we drill down and do
5 substantive testing which means an account
6 analysis.

7 Page 2 --

8 MS. SINGER: All right. Do you have any
9 questions about the process?

10 MR. KISCHAK: No.

11 MS. SINGER: Melissa?

12 MS. NACERINO: No.

13 MR. DANIELE: Page 2 and 3 are the
14 financial statements. I'm going to start with
15 Page 3 first. Page 3 is your statement of
16 activities for 2016 with the compare of 2015
17 column. As you can see, your total operating
18 expenses are up about 145,000 from last year. The
19 agency had a good year that closed on -- as far as
20 agency fees, the agency closed on eight projects
21 and there were six refinancings generating a
22 little over 1.5 million dollars in income. The
23 largest being RKR Risk --

24 MS. LYRAS: RXR, I'm sorry.

25 MR. DANIELE: What is it?

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MS. LYRAS: RXR.

MR. DANIELE: RXR, okay. That generated over \$900,000 alone. You had certain agency fees which were consistent and application fees which were consistent with the prior year. You see a line item for donated grant from the period January to June. The IDA did pay rent. Management calculated what it would cost based on square footage. So, there's a corresponding revenue within the rent expense and the operating expenses. That \$41,000 is also included in there. You have a licensing fee with the Yonkers Pier. You currently pay 21,250 per month. The difference between '16 and '15 is that it started back in June of 2015. So, you had seven months in '15 and a full year in 2016. And then there's some miscellaneous income. Your operating expenses are consistent. Your salaries are up about 8 or 9 percent from last year. As we mentioned before, as far as rent, the IDA did enter into an agreement with the City of Yonkers. That is effective July to December. I believe it's \$5,600 and change per month. As well as some utilities expenses and that's included in the

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2 rent. Your consulting and professional fees are a
3 little bit up from last year. But, although there
4 was an increase in consulting fees, that was
5 offset with less legal fees occurred in 2016.

6 Everything else is consistent until you
7 get to the bottom where you had your depreciation
8 expense. Again, these are leasehold improvements
9 at the Yonkers Pier. Those leasehold
10 improvements -- the activities of the Pier came
11 over to the IDA back in November 2015. So, you
12 had two months of depreciation expense in '15
13 verses a full year in 2016.

14 At the bottom in non-operating revenues,
15 you see the Workforce Investment Grant Income and
16 Expenses. YIDA runs the Workforce Investment
17 Board Program. So, employees are hired and
18 they're paid through grants, so, there's a
19 matching principle there. So, whatever is
20 incurred as far as expenditures through the year,
21 it's either accrued or deferred at the end of the
22 year. In this case, there was a little bit of a
23 accrual in the receivable.

24 The Yonkers Racing Corporation expense
25 began in 2015. The IDA received \$500,000 to be

Proceedings

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2 spent for educational purposes. That money is
3 restricted. It is to be talked about on page 2.
4 In 2016, the IDA expended only \$16,760 for those
5 educational purposes.

6 Interest income, since the IDA purchased
7 the note from Sterling Bank for YEDC, the Larkin
8 Garage note pays, I believe it's about 20 to 30
9 thousand dollars a month, give or take. And those
10 are four quarters of interest income paid to the
11 IDA for that note receivable. And then the other
12 large item is the transfer to the Yonkers
13 Community Development Agency regarding the note
14 receivable they have for the Larkin Garage. Those
15 are interest only payments about \$54,315 per
16 quarter. And those are four quarters that would
17 transfer over to the YCDA.

18 The other items were -- you see the
19 transfer to New Main Street and the transfer to
20 Yonkers Pier, those were all activities that
21 occurred in '15. Because the IDA absorbed those
22 activities as well as the contribution of donated
23 land. The YCDA contributed some land and the IDA
24 used that money to purchase the note back in 2015.
25 So, we should see those activities going forward.

Proceedings

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2 In all senses, it's comparative and you'll see it
3 here.

4 You get to the bottom, we change in Net
5 Position, the agency overall earned \$480,000. You
6 add that to the beginning of Net Position of 9.5
7 million dollars. The agency ends the year with a
8 little over \$10,000,000 in final balance of Net
9 Position.

10 If you turn to Page 2. It's a quick
11 snapshot of the balance sheet or statement Net
12 Position as of December 31, 2016. You can see
13 that total assets are up about \$150,000 or so.
14 You can see that your cash and equivalents are
15 actually up about \$1,000,000. You do have the new
16 loan receivable that you purchased from Sterling
17 Bank with regard to the Larkin Garage. And you
18 see that the restricted cash has gone down
19 significantly because two and a half million
20 dollars was set aside last year from the sale of
21 the property and that was restricted for debt
22 service and that was used to buy the note, if you
23 will. Capital assets are the leasehold
24 improvements at the Yonkers Pier. Again, those
25 are depreciated for a full year. And that's going

Proceedings

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2 down about the same amount you see here from the
3 PNL which is the \$550,000. Liabilities are
4 consistent with the prior year. Due to other
5 entities, it's gone down. There was some work
6 done with the Cuba Sec and Post Road Housing
7 Projects which absorbed those funds and the
8 related reductions of restricted cash. And then
9 you have your loans payable to NYPA, New York
10 Power Authority. Those were absorbed from the
11 Pier as well as to the National Development Corp.
12 Again, part of the New Market Tax Credits. We
13 also have the Net Pension Liability. You can see
14 that has skyrocketed. And that's because the
15 actuaries have dropped their rate of return from
16 seven and a half percent to seven percent. So,
17 that drop of a half percent had a significant
18 impact on --

19 MS. SINGER: It's having an impact in
20 many places.

21 Melissa, do you have a question about
22 any of this?

23 MS. NACERINO: No.

24 MS. SINGER: Pete?

25 MR. KISCHAK: No.

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MS. SINGER: Okay.

MR. DANIELE: As we mentioned before, the Net Position is \$10,000,000. However, not all of that is in the form of cash. We have your Net Investment and Capital Projects, a little over \$4,000,000. And those are the leasehold improvements at the Pier less than standard debt related to those assets. You have certain funds that are restricted. Again, the Yonkers Racing Corporation. Those funds are restricted for educational purposes. You seen that that's dropped by the \$17,000 for expenditures that were incurred in 2016. The Yonkers Pier activity is tracked separately as well and any excess of revenues over expenses are restricted for that purpose. You can see that the restricted for debt service is no longer there. That money was used to purchase the note, the loan receivable. And then your unrestricted is 5.3 million dollars, a significant increase from 2015 which gets you to the \$10,000,000 in total of Net Position.

So again, the agency had a great year overall from an operating standpoint. Income from operations is up over \$600,000 when you factor in

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2 the non-operating revenues and expenses. You were
3 just under about a half a million dollars for the
4 year.

5 Page 4 through 8 are certain required
6 communications. I'll just start off with what our
7 responsibilities are under the professional
8 standards and those are all communicated in the
9 Engagement Letter that we had -- that was dated
10 November 10th. That we went through back in
11 January when we had our planning session. Again,
12 just -- I'm not going to read every bullet but
13 we're required to form and express an opinion on
14 the overall financial statements. We're required
15 to obtain reasonable assurance that the financial
16 statements are free from material misstatements
17 whether caused by error or fraud. We are required
18 to communicate any uncorrected misstatements,
19 meaning any journal entries that are developed or
20 any journal entries that were passed on. There
21 were no such entries that we passed on.

22 As far as supplementary information, in
23 the back you'll see there's certain required
24 supplementary information such as Management's
25 Discussion and Analysis. Again, we do increase of

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2 management. We evaluate those. We don't really
3 -- we make sure that the numbers agree with what's
4 in the financial statements. And we compare that
5 to the underlying information that are in the
6 financial statements. Then there's certain other
7 supplementary information. And again, with
8 respect to that information, we review it but we
9 don't apply any opinion towards it, express any
10 opinion or any assurance on it but it is a
11 requirement that's required by the Public
12 Authority Law.

13 Page 5, just responsibilities of
14 management and TCWB those charged with governance.
15 Again, management is responsible for the pier
16 presentation of the following disclaimers
17 including the selection of the Appropriate
18 Accounting Policies and since we assist management
19 in the preparing the financial statements, we make
20 sure that they are in accordance with the
21 accounting standards. Management is responsible
22 to establish and maintain the effect of the
23 internal control and to comply with the laws,
24 regulations and the contracts. And really
25 providing us with the information of financial

Proceedings

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2 records or anything in the form of the above.

3 As far as qualitative aspects of
4 accounting practices, there have been no changes
5 in significant accounting policies or their
6 applications in the period, during the reporting
7 period that had any significant impact on the
8 financial statements. As far as significant --
9 there were no unusual significant transactions.
10 There are certain accounting estimates and
11 judgments that are made in the financial
12 statements. Examples include interest receivable
13 calculations and payable calculations. And again,
14 we review those assumptions that are used to
15 develop those and we determine what they were used
16 for in relation to the financial statements as a
17 whole. As far as financial statement disclosures,
18 they are very detailed, consistent and clear.
19 Some involved some judgment. But the most
20 sensitive disclosures are in Note 2 which
21 summarizes your Significant Accounting Policies.
22 And Note 5 which summarizes your long term
23 liabilities including your pension liability.
24 Again, we encountered no difficulties in dealing
25 with management relating to the performance of the

Proceedings

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2 audit.

3 Page 7, there were no corrected or
4 uncorrected misstatements. Meaning that if we
5 developed an entry that was reported by
6 management, we didn't pass on any journal entries.
7 There were no disagreements that arose during the
8 course of the audit. We did require management to
9 give us a Representation Letter saying that they
10 complied with our demands in giving us the
11 information. That's included in the packet and
12 you'll get that as a concluding item to the audit.
13 There was no communications or consultations with
14 other accountants regarding any accounting matters
15 only internal communications with Pat. We are
16 independent with respect to the agency in
17 accordance with professional standards. And
18 again, we do discuss issues during the course of
19 the year, business conditions that we affect to
20 going forward but none of those matters that we
21 discussed were a condition to retain an outside
22 audit.

23 The next page is just our communication
24 of internal control matters. Again, we consider
25 the agency's internal controls for financial

Proceedings

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2 purposes for a basis for designing our audit
3 program. But we don't express an opinion on the
4 effectiveness on the agency's internal controls.
5 I'm happy to report that there were no material
6 weaknesses or significant deficiencies to report
7 for 2016.

8 Again, page 10 through 14 is the
9 Representation Letter that we get at the
10 conclusion of the audit. And it just describes
11 what our responsibilities are, the financial
12 statements that we referred to, any information
13 that was provided, any government specific
14 information as well as certain other
15 representations. That's pretty standard in the
16 accounting world. Nothing has changed really from
17 the prior year.

18 And that's it. The last page summarizes
19 PKF O'Connor Davies.

20 The financial statements are very
21 detailed. You've got thirty pages or so. If
22 anyone has any questions, I'll certainly go over
23 them. If some questions arise after the fact,
24 please contact us. We'll surely get back to you.

25 MS. SINGER: I assume you looked at the

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financial statements, et cetera.

MS. NACERINO: Yes.

MS. SINGER: Do you have any questions?

MS. NACERINO: I don't have any questions at this time.

MS. SINGER: Do you?

MR. KISCHAK: I don't have any questions.

MS. SINGER: And Mary, you've been involved in this, so --

MR. JENKINS: Deep.

MS. LYRAS: Yes, yes.

MR. KISCHAK: Do you need a motion on this, Cecile?

MS. SINGER: Yes.

May I have a motion to accept the report as submitted?

MR. KISCHAK: I make a motion.

MS. NACERINO: Second that motion.

MS. SINGER: Will you just -- management, just leave for a moment.

(Whereupon, an off-the-record discussion was held.)

MS. SINGER: Is there any other

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business?

MS. NACERINO: No.

MS. SINGER: If there's no further
business, may I have a motion to adjourn the IDA
Meeting?

MR. KISCHAK: Motion.

MS. NACERINO: Second.

(Whereupon, the Board Meeting
concludes at 9:40 a.m.)

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

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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.

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 this _____ day of. _____, 2017.

MARGARET PRENDERGAST