



## **MEMORANDUM**

**To: Yonkers Industrial Development Agency Audit Committee  
Members**

**From: Fiona Rodriguez, Administrative Assistant**

**Re: IDA Audit Committee Meeting  
Wednesday, December 2, 2015**

**Date: November 25, 2015**

.....

**Enclosed please find the Agenda and related draft materials for your review.**

**The next meeting of the Yonkers IDA Audit Committee is scheduled for Wednesday, December 2, 2015 at 8:30 a.m. in the Yonkers IDA Office located at 470 Nepperhan Avenue, Suite 200, Yonkers New York.**

**Should you have any questions, please contact me at (914) 509-8651.**

**Thank you.**



## **Audit Committee Meeting**

### ***Preliminary*** **Agenda**

Wednesday, December 2, 2015  
9:00 a.m.

*Agenda Subject to Change*

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

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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  
914-776-1318

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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. MACCARIOLO: 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. MACCARIOLO: 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

1  
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

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

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

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

Page three and four, again, is Management Discussion and Analysis prepared by management. Again, not an audited document but review it to make sure that the numbers that 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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result of that in the IDA operations and so we should all be aware of that. But please, stop at any point that you have a question.

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

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

1  
2 months here.

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

5 MR. DANIELE: That's right, occurred in  
6 2013. Continuing with nonoperating revenues,  
7 there are two new captions there as you can see,  
8 entitled transaction settlement in Yonkers Racing  
9 Corporation. The Agency received a one time  
10 revenue related to an old PILOT dispute that the  
11 racing corporation, I believe, as well as City of  
12 Yonkers, received a good portion of that to took  
13 \$500,000 was recorded as income, one time income  
14 and has been restricted for educational and other  
15 purposes that we discussed.

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

18 MR. DANIELE: Correct.

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

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

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2 development.

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

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

9 MR. JENKINS: Correct.

10 MR. DANIELE: The next item, Austin  
11 Avenue is a PILOT settlement, again, footnote 11.  
12 Just to give you a brief history, several years  
13 back there was a dispute with Westchester County  
14 related to Austin Avenue where I believe the  
15 count owed the City and/or the IDA rents,  
16 sometime back. And in addition, the City of  
17 Yonkers, as well as the Agency, collected PILOT  
18 payments that were owed to the County. The  
19 Austin Avenue rents were never received from the  
20 County, never received by the Agency from  
21 Westchester County. The PILOT payment, the  
22 amount I believe \$2.1 million, the amount they  
23 started to pay those back until it determined  
24 that it hadn't received revenue from the Austin  
25 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 \$22,000, end the year a little  
24 over \$1.6 million.

25 If you turn to the top of page five,

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

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

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

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



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

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

MR. DANIELE: Pages 16 through 20, other supplementary information. Again, this as we say this is the responsibility of management. We don't form an opinion on these statements, 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)



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

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**DRAFT**

November 19, 2015

**Board of Directors  
Yonkers Industrial Development Agency**

This letter sets forth our understanding of the terms and objectives of our engagement, and the nature and scope of the services we will provide to Yonkers Industrial Development Agency (the "Organization").

**Audit objectives**

We will audit the Organization's statement of net position and the related statement of activities, and cash flows as of and for the year ended December 31, 2015 issue our report thereon as soon as reasonably possible after completion of our work.

Accounting principles generally accepted in the United States of America ("US GAAP") provide for certain required supplementary information ("RSI"), such as management's discussion and analysis to supplement the Organization's financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Organization's RSI in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by US GAAP and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- Schedule of Industrial Revenue Bonds and Notes Issued
- Schedule of Straight-Lease Transactions Executed in 2015
- Schedule of Payments in Lieu of Taxes

The objective of an audit is the expression of an opinion on whether these financial statements are presented fairly, in all material respects, in conformity with US GAAP and to report on the fairness of the supplementary information referred to in the preceding paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

We will conduct the audit in accordance with US GAAS, the standards for financial audits contained in Government Auditing Standards ("GAGAS") issued by the Comptroller General of the United States. Those standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraudulent financial reporting; misappropriation of assets, or violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of abuse is subjective, GAGAS do not expect auditors to provide reasonable assurance of detecting abuse. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us even though the audit is properly planned and performed in accordance with US GAAS and GAGAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Organization's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to GAGAS.

If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement.

In making our risk assessments, we consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to GAGAS. An audit is also not designed to identify significant deficiencies or material weaknesses. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control and other internal control related matters relevant to the audit of the financial statements that we have identified during the audit, as required by US GAAS and GAGAS.

We will also provide a report (which does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the Organization, and specific legislation or regulatory bodies and is not intended to be and should not be used by anyone other than those specified parties. If during our audit we become aware that the Organization is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with US generally accepted auditing standards established by Auditing Standards Board (United States) and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We will also communicate with those charged with governance any (a) fraud involving senior management and other fraud that causes a material misstatement of the financial statements; (b) violations of laws or governmental regulations that come to our attention (unless they are clearly inconsequential); (c) disagreements with management and other serious difficulties encountered in performing the audit; and, (d) various matters related to the Organization's accounting policies and financial statements.

As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. Management, however, has final responsibility for reviewing the proposed entries and understanding the nature and impact of the proposed entries to the financial statements. It is our understanding that management has designated qualified individuals with the necessary expertise to be responsible and accountable for overseeing the acceptance and processing of such journal entries.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

### **Management's responsibilities**

The financial statements and their fair presentation in accordance with US GAAP, including all informative disclosures, RSI and supplementary information, are the responsibility of the Organization's management. Management is also responsible for: (1) the selection and application of accounting policies; (2) establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge; (3) Identifying and ensuring the Organization complies with the laws and regulations applicable to its activities (4) making all financial records and related information available us, and (5) adjusting the financial statements and supplementary information to correct material misstatements. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Management responsibilities include informing us of their

knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the audit objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. The Organization is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

At the conclusion of the engagement, we will request from management written confirmation concerning representations made to us in connection with the audit. The representation letter, among other things, will confirm management's responsibility for: (1) the preparation of the financial statements in conformity with US GAAP, (2) the availability of financial records and related data, and (3) the completeness and availability of all minutes of board meetings. Management's representation letter will further confirm that: (1) the effects of any uncorrected misstatements aggregated by us during the engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, and (2) we have been informed of, or that there were no incidences, of fraud involving management or those employees who have significant roles in the Organization's internal control. We will place reliance on these representations in issuing our report.

In the event that we become obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, as a direct or indirect result of an intentional, knowing or reckless misrepresentation or provision to us of inaccurate or incomplete information by the Organization or any director, officer or employee thereof in connection with this engagement, and not any failure on our part to comply with professional standards, you agree to indemnify us against such obligations.

To the best of your knowledge, you are unaware of any facts which might impair our independence with respect to this engagement.

If you intend to publish or otherwise reproduce our report on the financial statements and make reference to our firm, you agree to provide us with printer's proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed. If you intend to distribute the material in electronic format, you must provide us with the electronic version as well as an actual print-out for our approval. Because our engagement does not contemplate the foregoing, there may be an additional fee in connection with our review. In the event our auditor/client relationship has been terminated when the Organization seeks such consent, we will be under no obligation to grant such consent or approval.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

We understand that your accounting department personnel will assist us to the extent practicable in completing the audit. They will provide us with detailed trial balances, supporting schedules, and other information we deem necessary. A list of these schedules and other items of information will be furnished to you shortly before we begin the audit. The timely and accurate completion of this information is an essential condition to our completion of the audit and the issuance of the audit report.

We keep documents related to this engagement in accordance with our records retention policy and applicable regulations. However, we do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

### **Non-Reliance on Oral Advice**

It is our policy to put all advice on which a client intends to rely in writing. We believe that is necessary to avoid confusion and to make clear the specific nature and limitations of our advice. You should not rely on any advice that has not been put in writing by our firm after a full supervisory review.

### **Electronic and other communication**

During the course of the engagement, we may communicate with you or with Organization personnel via fax or e-mail. You should be aware that communication in those media may be unsafe to use and contains a risk of misdirection and/or interception by unintended third parties, or failed delivery or receipt. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of e-mail or other electronic transmissions, including any consequential, incidental, direct, indirect or special damages.

### **Access to working papers**

During the course of this engagement, we will develop files of various documents, schedules and other related engagement information known as our working papers. As we are sure you can appreciate, these working papers may contain confidential information and our firm's proprietary data. You understand and agree that these working papers are, and will remain, our exclusive property. Except as discussed below, any requests for access to our working papers will be discussed with you before making them available to requesting parties:

- (1) Our firm, as well as other accounting firms, participates in a peer review program covering our audit and accounting practices. This program requires that once every three years we subject our system of quality control to an examination by another accounting firm. As part of this process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected for review. If it is, the other firm is bound by professional standards to keep all information confidential.
- (2) We may be requested to make certain working papers available to regulators pursuant to authority given to them by law, regulation or subpoena. Such regulators may include (i) a federal agency providing direct or indirect funding or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities; (ii) the American Institute of Certified Public Accountants; and (iii) the State Education Department. If requested, access to such working papers will be provided under the supervision of our personnel. Furthermore, upon request, we may provide photocopies of selected working papers to them. The regulator may intend, or

decide, to distribute the photocopies or information contained therein to others, including other government agencies.

### **Fees and billing**

Our fees are based on actual time expended at our standard hourly rates, plus travel and other out-of-pocket costs. We estimate our fees to be as follows:

Basic audit	\$ 24,250
Assumption of YPDI activities including rental income and loans payable	1,750
Implementation of GASB Statement No. 68 "Accounting and Reporting for Pensions"	<u>2,500</u>
	<u>\$ 28,500</u>

Progress billing will be submitted periodically and will be payable upon presentation. In addition, if the condition of the accounting records is such that it would require excessive time on our part, we will consult with you beforehand regarding any possible additional charge for the time involved.

In accordance with our firm policies, work may be suspended if your account becomes overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

### **Liability**

Any and all claims by the Organization arising under this engagement must be commenced by the Organization within one year following the date on which our firm delivered our report on the financial statements associated with this engagement, or the date the Organization is informed of the engagement's termination in the event our report is not delivered, for any reason.

Our firm's maximum liability to the Organization for any reason relating to the services under this letter shall be limited to three times the fees paid to the firm for the services or work product giving rise to liability, except to the extent it is finally determined that such liability resulted from the willful or intentional misconduct or fraudulent behavior of the firm. In no event shall the firm be liable to the Organization, whether a claim be in tort, contract or otherwise, for any consequential, indirect, lost profit or similar damages.

You agree to indemnify our firm, its partners, principals and employees, to the fullest extent permitted by law for any expense, including compensation for our time at our standard billing rates and reimbursement for our out-of-pocket expenses and reasonable attorneys' fees, incurred in complying with or responding to any request (by subpoena or otherwise) for testimony, documents or other information concerning the Organization by any governmental agency or investigative body or by a party in any litigation or dispute other than litigation or disputes involving claims by the Organization against the firm. This indemnification will survive termination of this engagement.

### **Dispute resolution**

Any claim or controversy ("dispute") arising out of or relating to this engagement, the services provided thereunder, or any other services provided by or on behalf of the firm or any of its subcontractors or agents to the Organization or at its request (including any dispute involving any

person or entity for whose benefit the services in question are or were provided), shall first be submitted in good faith for mediation administered by the American Arbitration Association ("AAA") under its Mediation Rules. Each party shall bear its own costs in the mediation. Absent an agreement to the contrary, the fees and expenses of the mediator shall be shared equally by the parties.

If the dispute is not resolved by mediation within 90 days of its submission to the mediator, then, and only then, the parties shall submit the dispute for arbitration administered by the American Arbitration Association under its Professional Accounting and Related Services Dispute Resolution Rules (the "Rules"). The arbitration will be conducted before a single arbitrator selected from the AAA's Panel of Accounting Professionals and Attorneys and shall take place in New York, New York.

Any discovery sought in connection with the arbitration must be expressly approved by the arbitrator upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitrator may disclose the existence, content or result of the arbitration only as expressly provided by the Rules.

The arbitrator shall issue his or her final award in a written and reasoned decision to be provided to each party. In his or her decision, the arbitrator will declare one party the prevailing party. The arbitrator shall have the power to award to the prevailing party reasonable legal fees associated with the arbitration and prior mediation. The arbitrator shall have no authority to award non-monetary or equitable relief of any sort. The arbitrator shall not have authority to award damages that are punitive in nature, or that are not measured by the prevailing party's actual compensatory loss.

The award reached as a result of the arbitration will be binding on the parties and confirmation of the arbitration award may be sought in any court having jurisdiction.

This engagement will be governed by the laws of the State of New York, without giving effect to any provisions relating to conflict of laws that would require the laws of another jurisdiction to apply.

#### **Confirmation and other**

Robert Daniele is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

GAGAS require that we provide you with a copy of our most recent external peer review report, and any subsequent peer review reports received during the period of the contract. Our latest peer review report accompanies this letter.

We will provide copies of our reports to the Organization; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Our audit engagement for December 31, 2015 ends on delivery of our audit report covering that period. Requests for services other than those included in this engagement letter will be agreed upon separately.



All rights and obligations set forth herein shall become the rights and obligations of any successor firm to O'Connor Davies, LLP by way of merger, acquisition or otherwise.

If this letter correctly expresses your understanding of the terms of our engagement, including our respective responsibilities, please sign the enclosed copy where indicated and return it to us.

We are pleased to have this opportunity to serve you.

Very truly yours,

*O'Connor Davies, LLP*

The services and terms described in the foregoing letter are in accordance with our requirements and are acceptable to us.

**YONKERS INDUSTRIAL DEVELOPMENT AGENCY**

**BY:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

This document, including any attachments, was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

\*\*\*\*

O'Connor Davies, LLP, is a member firm of PKF International Limited, a network of legally independent firms. Neither the other member firms nor PKF International Limited are responsible or accept liability for the work or advice which O'Connor Davies, LLP provides to its clients.

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## System Review Report

May 15, 2014

To the Partners of O'Connor Davies, LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of O'Connor Davies, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (Service Organizations Control (SOC) 1 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of O'Connor Davies, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. O'Connor Davies, LLP has received a peer review of *pass*.

*Davi Kaplan, CPA, P.C.*

Davie Kaplan, CPA, P.C.

Davie Kaplan, CPA, P.C.  
1000 First Federal Plaza • Rochester, New York 14614  
Tel: 585-454-4161 • Fax: 585-454-2573 • [www.daviekaplan.com](http://www.daviekaplan.com)

September 18, 2015

**Board of Directors  
Yonkers Pier Development, Inc.**

This letter sets forth our understanding of the terms and objectives of our engagement, and the nature and scope of the services we will provide to Yonkers Pier Development, Inc. (the "Organization").

**Audit objectives**

We will audit the Organization's statement of financial position and the related statement of activities, and cash flows as of and for the year ended December 31, 2015 and issue our report thereon as soon as reasonably possible after completion of our work. The objective of an audit is the expression of an opinion on whether these financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS") and the standards for financial audits contained in Government Auditing Standards ("GAGAS") issued by the Comptroller General of the United States. Those standards require that we obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraudulent financial reporting; misappropriation of assets, or violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of abuse is subjective, GAGAS do not expect auditors to provide reasonable assurance of detecting abuse. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us even though the audit is properly planned and performed in accordance with US GAAS and GAGAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

O'CONNOR DAVIES, LLP

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

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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Organization's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If during our engagement, we find that we are unable to express an unqualified opinion on the financial statements; we will discuss the reasons with the Organization's management.

While an audit includes obtaining an understanding of the entity and its environment, including its internal control sufficient to assess the risks of material misstatement of the financial statements necessary to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed, it is not designed to provide assurance on internal control or identify any significant deficiency or material weakness. Tests of controls may be performed to test the effectiveness of certain control that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing or detecting misstatement resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statement. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. However, we will communicate to you and those charged with governance internal control related matter that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

We will also provide a report (which does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the Organization, and specific legislation or regulatory bodies and is not intended to be and should not be used by anyone other than those specified parties. If during our audit we become aware that the Organization is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with US generally accepted auditing standards established by Auditing Standards Board (United States) and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We will also communicate with those charged with governance any (a) fraud involving senior management and other fraud that causes a material misstatement of the financial statements; (b) violations of laws or governmental regulations that come to our attention (unless they are clearly inconsequential); (c) disagreements with management and other serious difficulties encountered in performing the audit; and, (d) various matters related to the Organization's accounting policies and financial statements.

As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. Management, however, has final responsibility for reviewing the proposed entries and understanding the nature and impact of the proposed entries to the financial statements. It is our understanding that management has designated qualified individuals with the necessary expertise to be responsible and accountable for overseeing the acceptance and processing of such journal entries.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

### **Management's responsibilities**

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Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Management responsibilities include informing us of their knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the audit objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. The Organization is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

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aggregate, to the financial statements taken as a whole, and (2) we have been informed of, or that there were no incidences, of fraud involving management or those employees who have significant roles in the Organization's internal control. We will place reliance on these representations in issuing our report.

In the event that we become obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, as a direct or indirect result of an intentional, knowing or reckless misrepresentation or provision to us of inaccurate or incomplete information by the Organization or any director, officer or employee thereof in connection with this engagement, and not any failure on our part to comply with professional standards, you agree to indemnify us against such obligations.

To the best of your knowledge, you are unaware of any facts which might impair our independence with respect to this engagement.

If you intend to publish or otherwise reproduce our report on the financial statements and make reference to our firm, you agree to provide us with printer's proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed. If you intend to distribute the material in electronic format, you must provide us with the electronic version as well as an actual print-out for our approval. Because our engagement does not contemplate the foregoing, there may be an additional fee in connection with our review. In the event our auditor/client relationship has been terminated when the Organization seeks such consent, we will be under no obligation to grant such consent or approval.

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## **Non-Reliance on Oral Advice**

It is our policy to put all advice on which a client intends to rely in writing. We believe that is necessary to avoid confusion and to make clear the specific nature and limitations of our advice. You should not rely on any advice that has not been put in writing by our firm after a full supervisory review.

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- (2) We may be requested to make certain working papers available to regulators pursuant to authority given to them by law, regulation or subpoena. Such regulators may include (i) a federal agency providing direct or indirect funding or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities; (ii) the American Institute of Certified Public Accountants; and (iii) the State Education Department. If requested, access to such working papers will be provided under the supervision of our personnel. Furthermore, upon request, we may provide photocopies of selected working papers to them. The regulator may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.

## **Fees and billing**

Our fees are based on actual time expended at our standard hourly rates, plus travel and other out-of-pocket costs. We estimate our fees will be \$13,000. Progress billings will be submitted periodically and will be payable upon presentation. In addition, if the condition of the accounting records is such that it would require excessive time on our part, we will consult with you beforehand regarding any possible additional charge for the time involved.

In accordance with our firm policies, work may be suspended if your account becomes overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

## **Liability**

Any and all claims by the Organization arising under this engagement must be commenced by the Organization within one year following the date on which our firm delivered our report on the financial statements associated with this engagement, or the date the Organization is informed of the engagement's termination in the event our report is not delivered, for any reason.

Our firm's maximum liability to the Organization for any reason relating to the services under this letter shall be limited to three times the fees paid to the firm for the services or work product giving rise to liability, except to the extent it is finally determined that such liability resulted from the willful or intentional misconduct or fraudulent behavior of the firm. In no event shall the firm be liable to the Organization, whether a claim be in tort, contract or otherwise, for any consequential, indirect, lost profit or similar damages.

You agree to indemnify our firm, its partners, principals and employees, to the fullest extent permitted by law for any expense, including compensation for our time at our standard billing rates and reimbursement for our out-of-pocket expenses and reasonable attorneys' fees, incurred in complying with or responding to any request (by subpoena or otherwise) for testimony, documents or other information concerning the Organization by any governmental agency or investigative body or by a party in any litigation or dispute other than litigation or disputes involving claims by the Organization against the firm. This indemnification will survive termination of this engagement.

## **Dispute resolution**

Any claim or controversy ("dispute") arising out of or relating to this engagement, the services provided thereunder, or any other services provided by or on behalf of the firm or any of its subcontractors or agents to the Organization or at its request (including any dispute involving any person or entity for whose benefit the services in question are or were provided), shall first be submitted in good faith for mediation administered by the American Arbitration Association ("AAA") under its Mediation Rules. Each party shall bear its own costs in the mediation. Absent an agreement to the contrary, the fees and expenses of the mediator shall be shared equally by the parties.

If the dispute is not resolved by mediation within 90 days of its submission to the mediator, then, and only then, the parties shall submit the dispute for arbitration administered by the American Arbitration Association under its Professional Accounting and Related Services Dispute Resolution Rules (the "Rules"). The arbitration will be conducted before a single arbitrator selected from the AAA's Panel of Accounting Professionals and Attorneys and shall take place in New York, New York.

Any discovery sought in connection with the arbitration must be expressly approved by the arbitrator upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitrator may disclose the existence, content or result of the arbitration only as expressly provided by the Rules.



The arbitrator shall issue his or her final award in a written and reasoned decision to be provided to each party. In his or her decision, the arbitrator will declare one party the prevailing party. The arbitrator shall have the power to award to the prevailing party reasonable legal fees associated with the arbitration and prior mediation. The arbitrator shall have no authority to award non-monetary or equitable relief of any sort. The arbitrator shall not have authority to award damages that are punitive in nature, or that are not measured by the prevailing party's actual compensatory loss.

The award reached as a result of the arbitration will be binding on the parties and confirmation of the arbitration award may be sought in any court having jurisdiction.

This engagement will be governed by the laws of the State of New York, without giving effect to any provisions relating to conflict of laws that would require the laws of another jurisdiction to apply.

#### **Confirmation and other**

Robert Daniele is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

GAGAS require that we provide you with a copy of our most recent external peer review report, and any subsequent peer review reports received during the period of the contract. Our latest peer review report accompanies this letter.

We will provide copies of our reports to the Organization; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Our audit engagement for December 31, 2015 ends on delivery of our audit report covering that period. Requests for services other than those included in this engagement letter will be agreed upon separately.

All rights and obligations set forth herein shall become the rights and obligations of any successor firm to O'Connor Davies, LLP by way of merger, acquisition or otherwise.

If this letter correctly expresses your understanding of the terms of our engagement, including our respective responsibilities, please sign the enclosed copy where indicated and return it to us.

We are pleased to have this opportunity to serve you.

Very truly yours,

*O'Connor Davies, LLP*

The services and terms described in the foregoing letter are in accordance with our requirements and are acceptable to us.

**YONKERS PIER DEVELOPMENT, INC.**

**BY:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

This document, including any attachments, was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

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O'Connor Davies, LLP, is a member firm of PKF International Limited, a network of legally independent firms. Neither the other member firms nor PKF International Limited are responsible or accept liability for the work or advice which O'Connor Davies, LLP provides to its clients.

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DRAFT



May 27, 2011

To the Partners of O'Connor Davies Munns & Dobbins, LLP  
and The National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of O'Connor Davies Munns & Dobbins, LLP (the firm) applicable to non-SEC issuers in effect for the year ended December 31, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of O'Connor Davies Munns & Dobbins, LLP applicable to non-SEC issues in effect for the year ended December 31, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. O'Connor Davies Munns & Dobbins, LLP has received a peer review rating of *pass*.

*Davie Kaplan, CPA, P.C.*

DAVIE KAPLAN, CPA, P.C.

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**O'CONNOR  
DAVIES**

**PKF**

**Yonkers Industrial Development Agency  
Audit Planning Meeting**

**Charles Mangiaracina**  
**Partner**  
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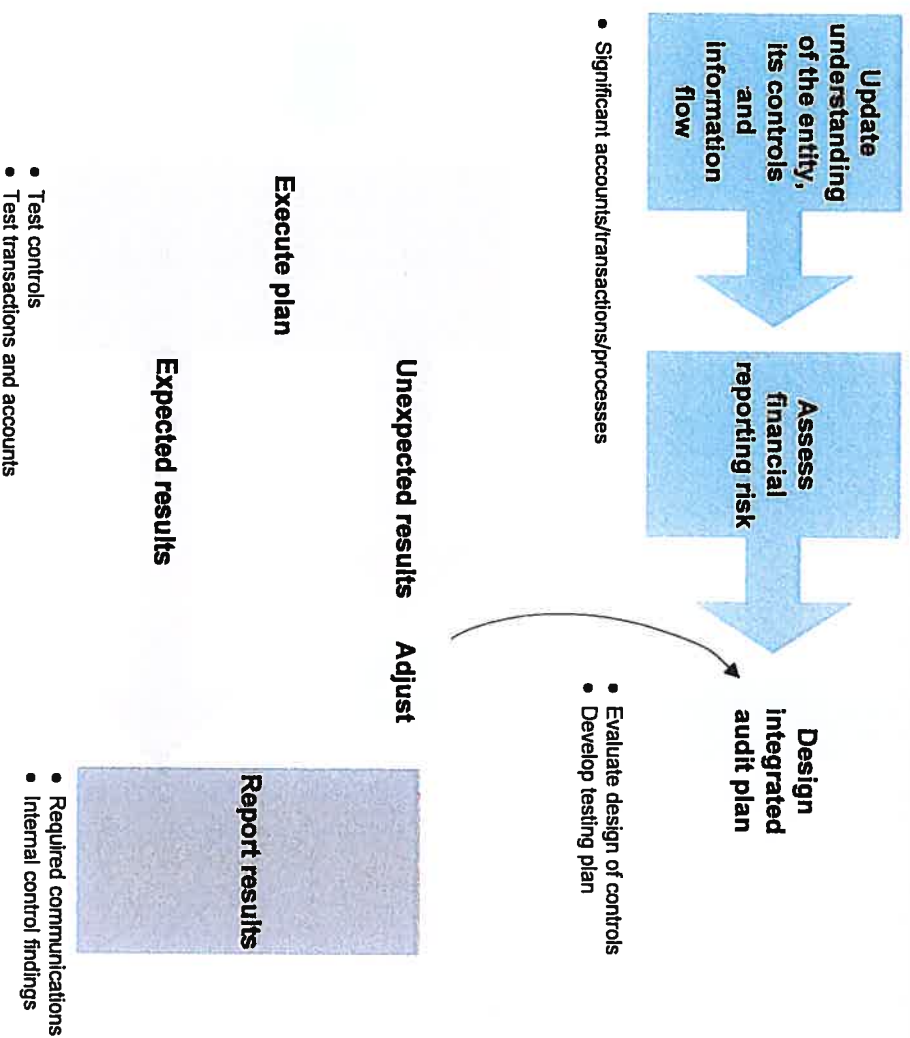
**Robert Daniele**  
**Partner**  
[rdaniele@odpkf.com](mailto:rdaniele@odpkf.com)

**December 2, 2015**

# Agenda

- Our Audit Methodology – Overview of the Audit Process
- Auditor Reports to be Issued
- Audit Scope and Focus
- Audit Timing
- Auditors' Responsibilities
- Management's Responsibilities

# Our Audit Methodology



# Our Audit Methodology

- Update and document our understanding of the IDA's business environment, its policies and procedures and its internal controls
- Identify significant audit areas and level of materiality
- Perform selective tests of internal controls
- Assess risk of misstatement at the assertion level
- Develop audit plan based on risk assessment
- Perform audit plan procedures including substantive tests and analytical review
- Document process and findings
- Communicate internal control matters identified in the audit
- Issue auditors' report on financial statements

# Auditor Reports to be Issued

- Independent Auditors' Report on Financial Statements
  - **Inclusive of the Yonkers Pier Development Corporation activities rolled into YIDA in 2015**
    - Inclusive of Required and Other Supplemental information
      - Managements Discussion and Analysis
      - Schedule of Industrial Revenue Bonds and Notes Issued
      - Schedule of Straight-Lease Transactions Executed in 2015
      - Schedule of Payments in Lieu of Taxes
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Accounts' Report on Compliance with Section 2925(3)(1) of the New York State Public Authorities Law



# Audit Scope and Focus

- **Implementation of GASB Statement No. 68 - Accounting and Financial Reporting for Pensions**
  - Cash and Equivalents/ Restricted Cash
  - Accounts Receivable
    - Estimates related to collections
  - Due from Economic Development Projects
  - Due to Other Governments
    - Westchester County
- Agency Fee Revenue
- Operating Expenses – Salaries, Payroll and employee benefits, rent, consulting and professional fees
  - Non-Operating Revenues (Expenses) – Workforce Grant income and expenses

# Audit Timing

	2015		2016	
	December	January	February	March
<b>Audit Planning</b>				
Audit Committee communications related to audit approach	✓			
<b>Interim Audit Procedures</b>				
Review, evaluation and testing of internal controls	✓			
Risk assessment procedures and development of detailed audit procedures	✓			
<b>Year-End Audit Procedures</b>				
Substantive testing		✓		
Final analytical review			✓	
<b>Report Review</b>				
Report review			✓	
Quality control			✓	
<b>Communication</b>				
Issuance of opinions				✓
Management letter				✓
Audit Committee meeting and public presentation				✓

# Auditors' Responsibilities

- We are responsible to
  - form and express an opinion about whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles
  - perform the audit in accordance with generally accepted auditing standards and ensuring that the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement
  - communicate significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process
  - advise management of the appropriateness of accounting policies and their application

# Auditors' Responsibilities *(continued)*

- We are responsible for
  - accumulating all known and likely significant misstatements identified during the audit and communicating such misstatements to management and those charged with governance
  - communicating in writing to management and those charged with governance all significant deficiencies and material weaknesses identified during the audit
  - communicating any fraud or illegal acts that were noted during the course of our audit to management and those charged with governance. However, our audit cannot be relied upon to identify all instances of fraud or illegal acts
  - informing those charged with governance about the process used by management to formulate particularly sensitive accounting estimates and our conclusions about the reasonableness of such estimates

# Auditors' Responsibilities *(continued)*

- We are responsible for
  - considering the internal control solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control
  - performing tests of compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests are not to provide an opinion on compliance with such provisions

# Management's Responsibility

- **Management is responsible for**
  - the selection and use of appropriate accounting policies
  - ensuring that the financial statements are prepared in accordance with generally accepted accounting principles
  - the design and implementation of programs and controls to prevent and detect fraud.
  - compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the organization

# Contact Information

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