

**MOUNT VERNON INDUSTRIAL
DEVELOPMENT AGENCY**

MOUNT VERNON, NEW YORK

**AUDITORS' REPORT ON
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2013 AND 2012

**Mount Vernon Industrial
Development Agency
December 31, 2013**

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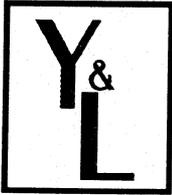
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Independent Auditors' Report

To the Board of Directors
Mount Vernon Industrial Development Agency
Mount Vernon, New York

We have audited the accompanying financial statements of the Mount Vernon Industrial Development Agency which comprise of the statement of financial position as of December 31, 2013, and 2012, and the related statements of activities and its changes in net assets, the statement of cash flows for the years then ended and the related notes to the financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States,

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error.

Independent Auditors' Report (Continued)

In making those risk assessments, the auditor considers internal control relevant to the entity'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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

These financial statements represent only the Mount Vernon Industrial Development Agency, an agency of the City of Mount Vernon, New York and are not intended to present fairly the financial position and results of operations of the City of Mount Vernon in conformity with accounting principles generally accepted in the United States of America.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mount Vernon Industrial Development Agency as of December 31, 2013 and 2012 and the results of its operations and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2013 on our consideration of Mount Vernon Industrial Development Agency's internal control over financial reporting.

That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The required Statement of Indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeboa & Lawrence, CPAs, LLP
Yeboa & Lawrence, CPAs, LLP

Pelham, New York

March 17, 2014

**Mount Vernon Industrial
Development Agency
Statement of Financial Position
December 31, 2013
(With Comparative Totals for 2012)**

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash (Note 3)	\$ 2,820,650	\$ 1,924,818
Pilot receivable (Note 4)	363,228	103,267
Other receivables (Note 5)	<u>130,000</u>	<u>120,000</u>
Total current assets	<u>3,313,878</u>	<u>2,148,085</u>
Long-Term Assets (Note 2):		
Buildings	2,205,000	2,205,000
Equipment	-	5,981
Sub-total	<u>2,205,000</u>	<u>2,210,981</u>
Less: accumulated depreciation	<u>(595,125)</u>	<u>(546,562)</u>
Net building and equipment	1,609,875	1,664,419
Land	<u>245,000</u>	<u>245,000</u>
Total Long-Term Assets	<u>1,854,875</u>	<u>1,909,419</u>
Total assets	<u>\$ 5,168,753</u>	<u>\$ 4,057,504</u>
<u>Liabilities and net assets</u>		
Current liabilities:		
Accrued expenses	\$ 15,884	\$ 11,600
Other liabilities (Note 6)	120,491	120,491
Deferred revenue (Note 7)	66,452	-
Due to other taxing jurisdictions	654,949	233,801
Security deposits (Notes 3 and 8)	<u>446,270</u>	<u>333,869</u>
Total current liabilities	<u>1,304,046</u>	<u>699,761</u>
Commitments and Contingencies (Note 9)		
<u>Net assets</u>		
Unreserved-undesignated	3,404,000	2,637,742
Reserved	<u>446,270</u>	<u>720,001</u>
Total net assets	<u>3,864,707</u>	<u>3,357,743</u>
Total liabilities and net assets	<u>\$ 5,168,753</u>	<u>\$ 4,057,504</u>

The accompanying notes are an integral part of these financial statements

**Mount Vernon Industrial
Development Agency
Statement of Activities
and of Changes in Net Assets
For the year ended December 31, 2013
(With Comparative Totals for 2012)**

	<u>2013</u>	<u>2012</u>
<u>Operating Revenue:</u>		
Income from services provided	\$ 404,738	\$ 314,792
Interest income	2,322	2,363
Total operating revenue	<u>407,060</u>	<u>317,155</u>
<u>Expenses:</u>		
Contractual services	72,830	79,621
Salaries	13,510	-
Professional fees	13,600	11,600
Administrative overhead	103	734
Real property taxes	5,245	7,560
Advertising	223	-
Total operating expenses before depreciation expense	<u>105,511</u>	<u>99,515</u>
Total operating income before depreciation expense	<u>301,549</u>	<u>217,640</u>
Depreciation expense	<u>54,546</u>	<u>55,706</u>
Total operating income (loss)	<u>247,003</u>	<u>161,934</u>
<u>Other income (expense):</u>		
Payments in lieu of taxes	<u>1,211,101</u>	<u>823,702</u>
Total other income (expense)	<u>1,211,101</u>	<u>823,702</u>
Income before operating transfers	1,458,104	985,636
Pilot obligation to other tax jurisdictions	<u>(951,140)</u>	<u>(720,435)</u>
Increase (decrease) in net assets	506,964	265,201
Prior period adjustment	-	(77,570)
Net assets, beginning of the year	<u>3,357,743</u>	<u>3,170,112</u>
Net assets, end of the year	<u>\$ 3,864,707</u>	<u>\$ 3,357,743</u>

The accompanying notes are an integral part of these financial statements

**Mount Vernon Industrial
Development Agency
Statement of Cash Flows
For The Year Ended December 31, 2013
(With Comparative Totals for 2012)**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash collected from providing services	\$ 394,738	\$ 213,174
Cash paid for services	(101,228)	(98,905)
Cash reimbursed the City	-	(360,435)
Other operating cash receipts	<u>2,322</u>	<u>2,363</u>
Net cash provided by operating activities	<u>295,832</u>	<u>(243,803)</u>
Cash flows from other non-operating activities:		
Cash collected in lieu of taxes	965,577	720,435
Cash collected in advance of billing	66,452	-
Cash transferred to other jurisdiction	(529,993)	(486,635)
Increase in escrow cash deposits	<u>112,401</u>	<u>-</u>
Net cash used in other non-operating activities	<u>614,437</u>	<u>233,800</u>
Cash flows from financing activities:		
Cash flows from investing activities:		
Net increase (decrease) in cash and cash equivalents	910,269	(10,003)
Cash and cash equivalents, beginning of year	<u>1,924,818</u>	<u>1,934,821</u>
Cash and cash equivalents, end of year	<u>2,835,087</u>	<u>1,924,818</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Operating income (loss)	247,003	265,201
Prior period adjustment	-	(77,570)
Depreciation	54,545	55,706
Changes in assets and liabilities:		
(Increase) decrease in other receivable	(10,000)	(203,267)
Increase (decrease) in other liabilities	-	(282,865)
Increase (decrease) in security deposits	-	(1,608)
Increase (decrease) in accrued expenses	<u>4,284</u>	<u>600</u>
Net cash provided by operating activities	<u>\$ 295,832</u>	<u>\$ (243,803)</u>

The accompanying notes are an integral part of these financial statements

**The Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2013**

Note 1

Organization

The Mount Vernon Industrial Development Agency (“Agency”) is a Public Benefit Corporation authorized by the State of New York under the Industrial Development Agency Act to issue revenue bonds/notes to support a business project in financing all or part of the cost of acquiring, constructing, improving and equipping both commercial and private firms. The developer (project owner) makes payments to retire these obligations, pursuant to a contractual arrangement. Generally, property involved in a project is legally titled to the Agency until the bond or note is retired or satisfied. Once the financial obligation is liquidated, the lease usually includes a provision for the developer to purchase the property for a nominal fee. The Agency also has the power to acquire by purchase, grant, gift, and pursuant to the provisions of eminent domain procedure law; to lease, equip, furnish and grant options to purchase facilities. In addition to the arranging of long-term financing, the Agency’s purpose is to actively promote, attract, encourage and develop an economically sound commerce and industry to prevent economic deterioration and unemployment in the City of Mount Vernon.

Development projects, which are approved for assistance by the Agency, are financed through the issuance of Industrial Development Bonds and notes. The bonds and notes are obligations of the Agency (they are backed only by a pledge of Agency revenues, including revenues from the lease, sales or other fees collected from projects) but are payable solely out of lease payments made by the developers. All lease payments are made to a trustee for disbursement to lenders. While these bonds are a special obligation of the Agency, they are not an obligation against the general credit of the Agency neither are they a liability or debt of the State of New York nor the City of Mount Vernon. The Agency does not record the assets or liabilities resulting from completed bonds and note issues on its books, since its primary function is to arrange financing between the developers and the bond or note holders. These projects may also receive partial real estate tax exemption.

Collateralization for the bonds is derived from the related property and from the assignment of the Agency’s rights to the Trustee of the bonds.

**The Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2013**

Note 1

Organization (Continued)

The lease agreements provide that payments be made to the designated Bond Trustee in sufficient amounts so as to meet the debt obligations of the bonds while running concurrently with the related bonds. The Trustees are appointed jointly by the Bondholder and the Agency and are independent of the Agency.

The Agency also provides straight leasing agreements with developers. In a straight lease agreement, the Agency takes title to the property or equipment and provides property and sales tax exemptions. The developer obtains his own financing, if necessary.

Note 2

Summary of Significant Accounting Policies

The accounting policies of the Agency, a component unit of the City, conform to generally accepted accounting principles as applicable to an enterprise fund of a governmental unit. The accrual basis of accounting is followed by the Agency. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and become measurable and expenses are recognized in the period incurred.

Payments-In-Lieu-of-Taxes

Payments-In-Lieu-Of-Taxes, (PILOTS) represent negotiated yearly payments by the Agency upon the removal of a property from the City's tax roll. Payments collected by the Agency are then distributed to the tax jurisdictions that are non-exempt from tax revenues, based on a pre-determined mandated allocation issued by the state of New York.

Revenue

Revenue is derived from the various fees charged by the Agency for providing services to the projects that have been approved for redevelopment, annual lease payments from developers and from the sale of Agency properties.

**The Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2013**

Note 2

Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation on property and equipment is computed using the straight-line method over the following useful lives of the assets:

Buildings and improvements	40.0 years
Equipment-computer	3.0 years

Depreciation expense was \$54,546 for the year then ended.

Net assets

Unrestricted net assets represent the undesignated reserve of the Agency. (The amount is available for future spending). There are projects pending that may require the use of the Agency's accumulated resources. Restricted net assets represent funds allocated from pilots to be distributed as they become due.

Cash Flows

For the purpose of the statements of cash flow, cash represents only cash on demand.

Real Estate Owned

The Agency acquired land and buildings located at 215-242 South Fourth Avenue and 204-208 South Fifth Avenue. The Agency proposes to utilize the premises as part of the City's Third Street Revitalization Program to advance the general prosperity and economic welfare of the people of the State of New York by redeveloping the premises at a future date.

**The Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2013**

Note 3 Cash

Cash as of December 31, 2013 and December 31, 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Operating cash	\$ 2,374,380	\$ 1,204,817
Reserved (held in escrow)	<u>446,270</u>	<u>720,001</u>
Total	<u>\$ 2,820,650</u>	<u>\$ 1,924,818</u>

All Agency deposits with financial institutions were covered by the federal depository insurance or collateralized. The Agency had operating cash in two accounts and reserve cash held in separate bank accounts for each on-going project.

Note 4 Pilot Receivable

Pilot receivable represents an amount billed to the project owners, but has not been collected at the close of the Agency's fiscal year end. The uncollected amount as of December 31, 2013 and 2012 were \$363,228 and \$103,267 respectively.

Note 5 Other Receivable

Other receivable as of December 31, consisted of:

	<u>2013</u>	<u>2012</u>
Agency fees	\$ -	\$ 40,000
Rent receivable	<u>130,000</u>	<u>80,000</u>
Total	<u>\$ 130,000</u>	<u>\$ 120,000</u>

Note 6 Other Liabilities

The Agency has in its custody, funds belonging to the other taxing jurisdictions (pilot payments). As of December 31, 2013 and 2012, the outstanding pilot liability was \$120,491 in each of the years.

**The Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2013**

Note 7 **Deferred Revenue**

Deferred revenue represents a pilot payment made to the Agency in advance of the due date. As of December 31, 2013, the amount advanced was \$66,452.

Note 8 **Security Deposits**

Special security accounts are established in the names of the development projects that were approved for assistance by the Agency. The accounts are maintained as a security tool to cover any cost incurred by the Agency during the time the projects remain under the guidance of the Agency. Upon completion of the projects, the security accounts are then closed. As of December 31, 2013 and 2012, the amounts in the security accounts were \$446,270 and \$333,869 respectively.

Note 9 **Commitments and Contingencies**

In the normal course of business, there may be various outstanding contingent liabilities such as lawsuits etc. that are not reflected in the accompanying financial statements. The Agency has been named a party to several material pending and or threatened litigation, claims or assessment. The Agency Council has advised us that at this stage in the proceedings, an opinion cannot be offered as to the probable outcome, however, the Agency is fully indemnified, held harmless and insured by the project developer, which has the obligation to defend and hold the Agency harmless from such claims.

Federal and State income tax regulations have limited the tax advantage of the use of Industrial Development Bonds.

**Mount Vernon Industrial
Development Agency
Statement of Indebtedness
December 31, 2013**

	Tax Exemption Granted	Purpose of Mortgage	Date of Issue	Interest Rate	Maturity Date	Maturity Amount	Federal Tax Status	Original Proceeds of Issue	Balance December 31, 2012	Principal Paid 2013	Balance December 31, 2013	
Kings Court, LLC 117 South 2nd Ave. Mount Vernon, NY 10550	Yes	Senior Citizens Housing	12/10/2003	0.03625	2005	\$ 25,000	Exempt	\$ 25,000	\$ -	\$ -	\$ -	\$ -
				0.0363	2006	\$ 25,000	Exempt	\$ 25,000	\$ -	\$ -	\$ -	\$ -
				0.037	2007	\$ 25,000	Exempt	\$ 25,000	\$ -	\$ -	\$ -	\$ -
				0.0375	2008	\$ 25,000	Exempt	\$ 25,000	\$ -	\$ -	\$ -	\$ -
				0.0405	2009	\$ 30,000	Exempt	\$ 30,000	\$ -	\$ -	\$ -	\$ -
				0.0405	2010	\$ 30,000	Exempt	\$ 30,000	\$ -	\$ -	\$ -	\$ -
				0.0425	2011	\$ 30,000	Exempt	\$ 30,000	\$ -	\$ -	\$ -	\$ -
				0.0425	2012	\$ 35,000	Exempt	\$ 35,000	\$ -	\$ -	\$ -	\$ -
				0.043	2013	\$ 35,000	Exempt	\$ 35,000	\$ 35,000	\$ -	\$ 35,000	\$ -
				0.044	2014	\$ 35,000	Exempt	\$ 35,000	\$ 35,000	\$ -	\$ 35,000	\$ -
				0.045	2015	\$ 40,000	Exempt	\$ 40,000	\$ 40,000	\$ -	\$ 40,000	\$ -
				0.045	2016	\$ 40,000	Exempt	\$ 40,000	\$ 40,000	\$ -	\$ 40,000	\$ -
				0.0475	2017	\$ 45,000	Exempt	\$ 45,000	\$ 45,000	\$ -	\$ 45,000	\$ -
0.0475	2018	\$ 45,000	Exempt	\$ 45,000	\$ 45,000	\$ -	\$ 45,000	\$ -				
0.05125	2023	\$ 280,000	Exempt	\$ 280,000	\$ 280,000	\$ -	\$ 280,000	\$ -				
0.052	2033	\$ 955,000	Exempt	\$ 955,000	\$ 955,000	\$ -	\$ 955,000	\$ -				
				\$ 1,700,000	\$ 1,700,000	\$ -	\$ 1,700,000	\$ 1,475,000	\$ 35,000	\$ 1,440,000		
A-Val Architectural 240 Washington Street Mount Vernon, NY 10550	Yes	Senior Citizens Housing	11/1/2006		2026	\$ -	Exempt	\$ 4,120,000	\$ 3,294,721	\$ 131,927	\$ 3,162,794	
						\$ -		\$ -	\$ -	\$ -	\$ -	\$ -

* Accrued interest on bonds not included.

**Mount Vernon Industrial
Development Agency
Statement of Indebtedness
December 31, 2013**

Federal Tax Status	Tax Exemption Granted	Purpose of Mortgage	Date of Issue	Interest Rate	Maturity Date	Maturity Amount	Original Proceeds of Issue	Balance December 31, 2012	Principal Paid 2013	Balance December 31, 2013
Exempt	Yes	Assisted Living	6/1/1999	0.06	2009	\$ 1,740,000	\$ 1,740,000	\$ -	\$ -	\$ -
Exempt				0.0615	2019	\$ 4,695,000	\$ 4,695,000	\$ 3,565,000	\$ 425,000	\$ 3,140,000
Exempt				0.062	2029	\$ 8,565,000	\$ 8,565,000	\$ 8,565,000	\$ -	\$ 8,565,000
						\$ 15,000,000	\$ 15,000,000	\$ 12,130,000	\$ 425,000	\$ 11,705,000
Wartburg Senior Housing, Inc. D/B/A Meadowview at the Wartburg Civic Facility Wartburg Place Mount Vernon, NY 10552										
Exempt	Yes	Multi-Family Senior Citizens Housing	12/10/2003	0.033	2005	\$ 90,000	\$ 90,000	\$ -	\$ -	\$ -
Exempt				0.035	2006	\$ 95,000	\$ 95,000	\$ -	\$ -	\$ -
Exempt				0.0375	2007	\$ 95,000	\$ 95,000	\$ -	\$ -	\$ -
				0.0375	2008	\$ 95,000	\$ 95,000	\$ -	\$ -	\$ -
				0.04	2009	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -
				0.04	2010	\$ 105,000	\$ 105,000	\$ -	\$ -	\$ -
				0.0425	2011	\$ 115,000	\$ 115,000	\$ -	\$ -	\$ -
				0.0425	2012	\$ 120,000	\$ 120,000	\$ -	\$ -	\$ -
				0.043	2013	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ -
				0.044	2014	\$ 125,000	\$ 125,000	\$ 125,000	\$ -	\$ 125,000
				0.045	2015	\$ 135,000	\$ 135,000	\$ 135,000	\$ -	\$ 135,000
				0.045	2016	\$ 140,000	\$ 140,000	\$ 140,000	\$ -	\$ 140,000
				0.0475	2017	\$ 150,000	\$ 150,000	\$ 150,000	\$ -	\$ 150,000
				0.0475	2018	\$ 160,000	\$ 160,000	\$ 160,000	\$ -	\$ 160,000
			12/10/2003	0.05125	2023	\$ 975,000	\$ 975,000	\$ 975,000	\$ -	\$ 975,000
			12/10/2003	0.052	2033	\$ 3,275,000	\$ 3,275,000	\$ 3,275,000	\$ -	\$ 3,275,000
						\$ 5,900,000	\$ 5,900,000	\$ 5,085,000	\$ 125,000	\$ 4,960,000
Macdonia Towers, LLC 150 South Fifth Avenue Mount Vernon, NY 10550										
Exempt	Yes	Family Housing	12/13/2007	0.059	2040	\$ 19,900,000	\$ 19,900,000	\$ 11,530,000	\$ -	\$ 11,530,000
Grace Towers Housing, LLC										