

**Yonkers Community Development Agency**

Financial Statements

Year Ended June 30, 2013

# Yonkers Community Development Agency

## Table of Contents

---

	<u>Page No.</u>
Independent Auditors' Report	1
Statement of Net Position	3
Statement of Activities	4
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	7
Notes to Financial Statements	8
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Compliance Report Independent Accountants' Report on Compliance with Section 2925 (3) (1) of the New York State Public Authorities Law	17

## **Independent Auditors' Report**

**The Board of Directors of the  
Yonkers Community Development Agency**

### **Report on the Financial Statements**

We have audited the financial statements of the Yonkers Community Development Agency ("Agency") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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.

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

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.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2013, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of a Matter***

We draw attention to Note 1,A in the notes to financial statements which describes that these financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the City of Yonkers, New York as of June 30, 2013 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing 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. Our opinion on the financial statements is not affected by this missing information.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

*O'Connor Davies, LLP*

O'Connor Davies, LLP  
Harrison, New York  
October 11, 2013

# Yonkers Community Development Agency

## Statement of Net Position

June 30,

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 607,457	\$ 316,385
Restricted cash	342,824	342,328
Accounts receivable	-	227,000
Due from City of Yonkers	43,961	2,500,000
Capital assets		
Land and other non-depreciable property	<u>2,828,663</u>	<u>2,828,663</u>
Total Assets	<u>3,822,905</u>	<u>6,214,376</u>
<b>LIABILITIES</b>		
Accounts payable	31,919	8,266
Due to City of Yonkers	-	448
Unearned revenue	159,150	154,000
Revenue anticipation note payable	-	2,500,000
Loan payable - Bank	<u>341,770</u>	<u>341,770</u>
Total Liabilities	<u>532,839</u>	<u>3,004,484</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,828,663	2,828,663
Unrestricted	<u>461,403</u>	<u>381,229</u>
Total Net Position	<u>\$ 3,290,066</u>	<u>\$ 3,209,892</u>

The notes to financial statements are an integral part of this statement.

**Yonkers Community Development Agency**Statement of Activities  
Years Ended June 30,

	<u>2013</u>	<u>2012</u>
<b>EXPENSES</b>		
Contractual expenses	\$ 103,339	\$ 23,550
Rental of space	47,219	68,637
Miscellaneous	895	1,534
	<u>151,453</u>	<u>93,721</u>
Total Expenses		
	<u>151,453</u>	<u>93,721</u>
<b>GENERAL REVENUES</b>		
Rental income	216,550	292,255
Interest income	15,077	1,216
	<u>231,627</u>	<u>293,471</u>
Total General Revenues		
	<u>231,627</u>	<u>293,471</u>
Change in Net Position	<u>80,174</u>	<u>199,750</u>
Net Position - Beginning of Year, as reported	3,209,892	3,085,242
Prior Period Adjustment	-	(75,100)
Net Position - Beginning of Year, as restated	<u>3,209,892</u>	<u>3,010,142</u>
Net Position - End of Year	<u>\$ 3,290,066</u>	<u>\$ 3,209,892</u>

The notes to financial statements are an integral part of this statement.

**Yonkers Community Development Agency**

Balance Sheet  
June 30,

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 607,457	\$ 316,385
Restricted cash	342,824	342,328
Accounts receivable	-	227,000
Due from City of Yonkers	43,961	2,500,000
	<u>994,242</u>	<u>3,385,713</u>
Total Assets	<u>\$ 994,242</u>	<u>\$ 3,385,713</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 31,919	\$ 8,266
Due to City of Yonkers	-	448
Unearned revenue	159,150	154,000
Revenue anticipation note payable	-	2,500,000
	<u>191,069</u>	<u>2,662,714</u>
Total Liabilities	<u>191,069</u>	<u>2,662,714</u>
Fund balance		
Unassigned	461,403	381,229
Restricted	341,770	341,770
	<u>803,173</u>	<u>722,999</u>
Total Fund Balance	<u>803,173</u>	<u>722,999</u>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.</p>		
	2,828,663	2,828,663
<p>Long-term and other liabilities are not due and payable in the current period and, therefore, are not reported in the fund.</p>		
<p>Loan payable - Bank</p>		
	<u>(341,770)</u>	<u>(341,770)</u>
Net Position of Governmental Activities	<u>\$ 3,290,066</u>	<u>\$ 3,209,892</u>

The notes to financial statements are an integral part of this statement.

**Yonkers Community Development Agency**

Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Years Ended June 30,

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Rental of space	\$ 216,550	\$ 292,255
Use of money and property	<u>15,077</u>	<u>1,216</u>
Total Revenues	231,627	293,471
<b>EXPENDITURES</b>		
Current		
Economic opportunity and development	<u>151,453</u>	<u>93,721</u>
Excess of Revenues Over Expenditures	80,174	199,750
<b>OTHER FINANCING SOURCES</b>		
Loans issued	<u>-</u>	<u>341,770</u>
Net Change in Fund Balance	80,174	541,520
Fund Balance - Beginning of Year	<u>722,999</u>	<u>181,479</u>
Fund Balance - End of Year	<u>\$ 803,173</u>	<u>\$ 722,999</u>

The notes to financial statements are an integral part of this statement.

Yonkers Community Development Agency

Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balance  
to the Statement of Activities  
Years Ended June 30,

	<u>2013</u>	<u>2012</u>
Amounts Reported in the Statement of Activities are Different Because		
Net Change in Fund Balance	\$ 80,174	\$ 541,520
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Loans issued	<u>-</u>	<u>(341,770)</u>
Change in Net Position	<u>\$ 80,174</u>	<u>\$ 199,750</u>

The notes to financial statements are an integral part of this statement.

# Yonkers Community Development Agency

Notes to Financial Statements

June 30, 2013

---

## **Note 1 - Summary of Significant Accounting Policies**

The Yonkers Community Development Agency ("Agency") was established to develop and maintain healthy, vibrant neighborhoods that provide economic opportunities for low and moderate income persons living in the City of Yonkers, New York ("City"). The Agency, which is staffed by the City Community Development staff, utilizes an integrated approach by fostering partnerships among all levels of government and the private sector, including non-profit organizations. The Board of Directors are appointed by the City and is the legislative body responsible for the overall operation of the Agency.

The accounting policies of the Agency conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Agency's more significant accounting policies:

### **A. Basis of Presentation**

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. The Agency is a governmental fund.

The accompanying financial statements present only the activities of the Agency and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United State of America.

### **B. Government-Wide Financial Statements**

The Statement of Net Position presents the financial position of the Agency at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of the Agency's functions are offset by program revenues. Direct expenses are those that are clearly identifiable with the Agency's functions. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services or privileges provided by the Agency and (2) grants and contributions that are restricted to meeting the operational or capital requirements of the Agency. Other items not identified as program revenues are reported as general revenues.

### **C. Fund Financial Statements**

The accounts of the Agency are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Agency maintains the minimum number of funds consistent with legal and managerial requirements. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide

**Note 1 - Summary of Significant Accounting Policies (Continued)**

statements, a reconciliation is presented on the statements or the page following, which briefly explains the adjustments necessary to transform the fund based financial statements to the government-wide financial statements presentation. The Agency's resources are reflected in the financial statements in a governmental fund, in accordance with generally accepted accounting principles.

Governmental funds are those through which most general government functions are financed. The Agency's operating fund is a governmental fund in that it includes all revenues and expenditures not required by law to be accounted for elsewhere.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The statement of net position is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A ninety day availability period is used for revenue recognition for all governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance**

**Deposits and Risk Disclosure**

**Cash and Equivalents** - Cash and equivalents consists of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of three months or less.

The Agency's deposits and investment policies are governed by New York State statutes. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Agency is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions, and accordingly, the Agency's policy provides for no credit risk on investments.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Agency's name. The Agency's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2013.

The Agency was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

**Restricted Cash** - Certain assets are classified as restricted because their use is limited. Restricted cash will serve as collateral to fund any shortfalls in debt service payments relating to a financial assistance agreement with the Yonkers Economic Development Corporation ("YEDC") (Note 5).

**Receivables** - Receivables include amounts due from organizations and individuals for services provided by the Agency. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

**Due From/To City of Yonkers** - During the course of its operations, the Agency has numerous transactions with the City to finance operations or provide services. To the extent that certain transactions between the Agency and the City had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded.

**Capital Assets** - Capital assets, which are comprised of land and other non-depreciable property, are reported in the statement of net position. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

**Unearned Revenues** - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. The Agency has reported unearned revenues of \$154,000 for a deposit received on a potential sale of property and \$5,150 for rental income received in advance. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expense) until then.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of June 30, 2013, no amounts were required to be reported as deferred outflows/inflows of resources.

**Net Position** - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed as their use. Net position on the Statement of Net Position includes net investment in capital assets. The balance is classified as unrestricted.

**Fund Balance** - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. Once adopted, these funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment.

Assigned fund balance will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Agency's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Agency's policy to use fund balance in the following order: committed, assigned, and unassigned.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**F. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**G. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 11, 2013.

**Note 2 - Stewardship, Compliance and Accountability**

**A. Application of Accounting Standards**

For the year ended June 30, 2013, the Agency implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" ("GASB Statement No. 63"). This statement provides financial reporting guidance for these elements first introduced in GASB Concept Statement No. 4, "Elements of Financial Statements". Previous financial reporting standards did not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities.

**Note 3 - Detailed Notes on Assets, Liabilities and Net Position or Fund Balance**

**A. Capital Assets**

Changes in the Agency's capital assets are as follows:

<u>Class</u>	<u>Balance July 1, 2012</u>	<u>Increases/ Decreases</u>	<u>Balance June 30, 2013</u>
Capital Assets, not being depreciated			
Land and other non-depreciable property	\$ 2,828,663	\$ -	\$ 2,828,663

**B. Pension Plan**

The Agency does not have any paid employees and, therefore, does not participate in a pension plan.

**Note 3 - Detailed Notes on Assets, Liabilities and Net Assets or Fund Balance (Continued)**

**C. Short-Term Non-Capital Borrowings**

The schedule below details the changes in short-term non-capital borrowings. These borrowings consisted of a revenue anticipation note issued in anticipation of certain grant revenues.

	Balance July 1, 2012	Maturities and/or Payments	Balance June 30, 2013
Revenue Note	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>

The revenue note was paid in full on March 1, 2013 from proceeds received from the City through its issuance of serial bonds. The related interest costs for the current year have been paid by the City.

**D. Loan Payable - Bank**

The Agency has a loan payable to a bank in the amount of \$341,770 which bears interest at 2.16%. The proceeds have been deposited into a restricted cash account. These borrowings were used to fund an interest reserve such that the Agency would pledge the proceeds of the loan as a collateral device for the obligations of the Agency to cover any shortfalls in debt service costs associated with a financial assistance agreement with the YEDC (Note 5). The interest costs, representing an amount equal to 2% over interest earnings on the restricted cash proceeds held on deposit are paid by the YEDC. The loan is secured by a second lien leasehold mortgage and security agreement along with a second lien assignment of leases and rents on a ground lease on property located in Yonkers, New York. The note matures in August 2023.

**E. Other Post Employment Benefit Obligations**

The Agency does not have any paid employees and therefore, does not provide health care benefits for retired employees.

**F. Net Position**

The components of net position are detailed below:

*Net Investment in Capital Assets* - the component of net position that reports the difference between capital assets less the accumulated depreciation.

*Unrestricted* - the difference between assets and liabilities that is not reported in net investment in capital assets.

**Note 4 - Summary Disclosure of Significant Contingencies**

**Risk Management**

The City provides insurance for the Agency's general liability and auto liability policies.

**Note 5 - Economic Development Projects**

**Larkin Garage**

As part of the City's Urban Renewal Plan, the City desired to daylight the Saw Mill River at Larkin Plaza. This in turn displaced 144 public parking spaces and at the same time permitted approximately 92 units of affordable housing to be developed without parking on a nearby site. In order to accommodate both the 144 displaced spaces and the 92 spaces for affordable housing, the City needed a City controlled entity to aggregate funding sources to provide 300 public access parking spaces, which was estimated to be upwards of a \$14,000,000 project with aggregated public resources of only \$7,969,000.

This project was deemed to serve an essential governmental function: to restore parking spaces that were displaced as a result of the City's Urban Renewal Plan and to encourage future economic development in the area. Due to numerous state and local limitations, the City determined the YEDC to be the best qualified City controlled entity to aggregate funding from City, County and State grant sources of \$7,969,000. The YEDC received said amount under a Financial Assistance Agreement with the Agency which required the YEDC to find additional sources and parties to complete the contemplated \$14 million public access project. Upon receipt of said funds and upon taking on said obligations, the YEDC borrowed an additional \$2,696,000 from Hudson Valley Bank such that it could make a \$10,598,000 loan to Yonkers Capital Fund, LLC in a manner that qualified Yonkers Capital Fund, LLC for a New Market Tax Credit ("NMTC") Investment of \$3,822,000 and transferred the obligation to build and operate a 300 space public access parking garage to private parties.

Without this structure, the needed investment of \$3,822,000 in private funding to bring public access parking to the Urban Renewal Area of the City would not have occurred. The YEDC receives payments under the \$10,598,000 loan it made to Yonkers Capital Fund, LLC in amounts sufficient to repay the \$2,629,000 loan it has from Hudson Valley Bank. The loan payable reflected on the books and records of the Agency will serve as collateral in the event that the debt service costs of the \$2,696,000 YEDC loan are not met.

Yonkers Capital Fund, LLC (referred to as the "Upper Tier Fund" or "Investment Fund" when describing the NMTC structure) used the proceeds of the \$10,598,000 loan and the \$3,822,000 NMTC Investment to make a \$14,000,000 Qualified Equity Investment in Solomon Hess NMTC III, LLC and said entity thereafter made a "lower tier loan" to Yonkers Larkin Garage, Inc. (a private not for profit entity not controlled by the City) which will develop and cause a 300 space public access parking garage to be constructed and operated. After seven years, Solomon Hess NMTC III, LLC will liquidate and distribute its lower tier loan to Yonkers Capital Fund, LLC. Thereafter, Yonkers Capital Fund, LLC will offer the lower tier loans it receives as a liquidating payment to the YEDC in satisfaction of its \$10,598,000 loan from the YEDC.

The YEDC will then determine how to handle the lower tier loans but in all events will receive amounts sufficient to repay its \$2,629,000 loan from Hudson Valley Bank. This conduit activity was a critical path activity in bringing this public access parking to this Urban Renewal Area of the City where limited public funding needed to be aggregated to induce private parties to provide the balance of capital needed to construct and operate a public access parking garage.

\*\*\*\*\*

**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 Auditors' Report**

**The Board of Directors of the  
Yonkers Community Development Agency**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Yonkers Community Development Agency ("Agency") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated October 11, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*O'Connor Davies, LLP*

O'Connor Davies, LLP  
Harrison, New York  
October 11, 2013

**Independent Accountants' Report on Compliance with Section 2925(3)(1)  
Of the New York State Public Authorities Law**

**The Board of Directors of the  
Yonkers Community Development Agency**

We have examined the Yonkers Community Development Agency's ("Agency") compliance with Section 2925(3)(1) of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations during the year ended June 30, 2013. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2013.

This report is intended solely for the information and use of management, the Board of Directors and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

*O'Connor Davies, LLP*

**O'Connor Davies, LLP**  
Harrison, New York  
October 11, 2013