

**MOUNT VERNON INDUSTRIAL
DEVELOPMENT AGENCY**

MOUNT VERNON, NEW YORK

**AUDITORS' REPORT ON
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2015 AND 2014

**Mount Vernon Industrial
Development Agency
December 31, 2015**

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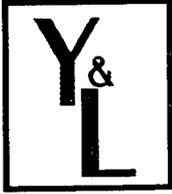
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Independent Auditors' Report On Financial Statements

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, 2015, and 2014, 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's Responsibility

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.

Auditor's Responsibility

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 On Financial Statements (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, 2015 and 2014 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 30, 2016 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
Pelham, New York
March 30, 2016

**Mount Vernon Industrial
Development Agency
Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)**

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets:		
Cash (Note 3 and 9)	\$ 4,615,067	\$ 3,437,975
Pilot receivable (Notes 4)	-	437,541
Other receivables (Note 5)	<u>450,944</u>	<u>557,686</u>
Total current assets	<u>5,066,011</u>	<u>4,433,202</u>
Long-term assets (Note 2):		
Buildings	2,205,000	2,205,000
Less: accumulated depreciation	<u>(705,375)</u>	<u>(650,250)</u>
Net building and equipment	1,499,625	1,554,750
Land	<u>245,000</u>	<u>245,000</u>
Total Long-Term Assets	<u>1,744,625</u>	<u>1,799,750</u>
Total assets	<u><u>\$ 6,810,636</u></u>	<u><u>\$ 6,232,952</u></u>
<u>Liabilities and net assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,927	\$ 19,337
Other liabilities (Note 6)	399,267	156,907
Deferred revenue (Note 7)	15,745	-
Due to other agent Note 8)	20,000	20,000.0
Security deposits (Notes 9 and 3)	<u>754,477</u>	<u>841,585</u>
Total current liabilities	<u>\$ 1,205,416</u>	<u>1,037,829</u>
Contingencies (Note 10)		
<u>Net assets</u>		
Unreserved-undesignated	4,850,743	4,353,538
Reserved	<u>754,477</u>	<u>841,585</u>
Total net assets	<u>5,605,220</u>	<u>5,195,123</u>
Total liabilities and net assets	<u><u>\$ 6,810,636</u></u>	<u><u>\$ 6,232,952</u></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, 2015
(With Comparative Totals for 2014)**

	<u>2015</u>	<u>2014</u>
Operating Revenue:		
Income from services provided	983,384	1,371,367
Interest income	2,312	2,102
Total operating revenue	<u>985,696</u>	<u>1,373,469</u>
Expenses:		
Salaries	86,000	86,000
Payroll taxes	6,621	8,077
Employee benefits	14,960	7,422
Disability insurance	523	513
Professional fees	15,500	22,800
Contractual services	3,052	1,116
Administrative overhead	-	356
Office expense	243	502
Real property taxes	-	1,347
Advertising	196	561
Total operating expenses before depreciation expense	<u>127,095</u>	<u>128,694</u>
Total operating income before depreciation expense	<u>858,601</u>	<u>1,244,775</u>
Depreciation expense	<u>55,125</u>	<u>55,125</u>
Total operating income (loss)	<u>803,476</u>	<u>1,189,650</u>
Other income (expense):		
Payments in lieu of taxes	<u>1,106,456</u>	<u>1,098,192</u>
Total other income (expense)	<u>1,106,456</u>	<u>1,098,192</u>
Income before operating transfers	1,909,932	2,287,842
Pilot obligation to other tax jurisdictions	<u>(1,499,835)</u>	<u>(957,426)</u>
Increase (decrease) in net assets	410,097	1,330,416
Net assets, beginning of the year	<u>5,195,123</u>	<u>3,864,707</u>
Net assets, end of the year	<u>\$ 5,605,220</u>	<u>\$ 5,195,123</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, 2015
(With Comparative Totals for 2014)**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash collected from providing services	1,090,126	\$ 940,854
Cash paid for services	(130,505)	(122,356)
Other operating cash receipts	<u>2,312</u>	<u>2,044</u>
Net cash provided by operating activities	<u>961,933</u>	<u>820,542</u>
Cash flows from other non-operating activities:		
Cash collected in lieu of taxes	1,543,897	957,426
Cash collected in advance of billing	15,745	-
Escrow cash refunded	(106,980)	-
Cash collected on behalf of agent	-	20,000
Cash transferred to other jurisdiction	(1,257,474)	(1,575,958)
Increase in escrow cash deposits	<u>20,000</u>	<u>395,315</u>
Net cash used in other non- operating activities	<u>215,188</u>	<u>(203,217)</u>
Cash flows from financing activities:		
Cash flows from investing activities:		
Net increase (decrease) in cash and cash equivalents	1,177,121	617,325
Cash and cash equivalents, beginning of year	<u>3,437,975</u>	<u>2,820,650</u>
Cash and cash equivalents, end of year	<u>4,615,096</u>	<u>3,437,975</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Operating income (loss)	803,476	1,189,650
Depreciation	55,125	55,125
Changes in assets and liabilities:		
(Increase) decrease in other receivable	106,742	(427,686)
Increase (decrease) in accrued expenses	<u>(3,410)</u>	<u>3,453</u>
Net cash provided by operating activities	<u>961,933</u>	<u>\$ 820,542</u>

The accompanying notes are an integral part of these financial statements

**The Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2015**

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 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 Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2015**

Note 1 **Organization (Continued)**

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 various fees charged by the Agency for providing services to project owners. The Agency also receives annual lease payments from active project owner.

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 as of December 31, 2015 and 2014 was \$55,125.

**The Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2015**

Note 2

Summary of Significant Accounting Policies (continued)

Net assets

Unrestricted net assets represent the accumulated reserve of the Agency that is available for future spending. Restricted net assets represent funds that are placed in a special account in the name of the project owners. The funds are escrowed to be used for expenses incurred while the projects remain in active status.

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. The revitalization program was designed to advance the general prosperity and economic welfare of the people of the State of New York.

Note 3

Cash

Cash as of December 31, 2015 and December 31, 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Operating cash	\$ 3,860,590	\$ 2,596,390
Reserved (held in escrow)	<u>754,477</u>	<u>841,585</u>
Total	<u>\$ 4,615,067</u>	<u>\$ 3,437,975</u>

All Agency deposits with financial institutions were covered by the federal depository insurance. All deposits that were in excess of the applicable FDIC coverage were collateralized as part of a custodial undertaking agreement between the Agency and the financial institution. The Agency had operating cash in two accounts and reserve cash held in separate bank accounts for each on-going project.

**The Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2015**

Note 4 **Pilot Receivable**

Pilot receivable represents funds that have not been collected from project owners at the close of the Agency's fiscal year end. Once the funds are received they are turn over to the various taxing jurisdictions. The uncollected portions of the pilots as of December 31, 2015 and 2014 were \$0 and \$437,541 respectively.

Note 5 **Other Receivable**

Other receivable represents the portion of the income earned by the Agency, but were not received at the close of the Agency's fiscal year end. As of December 31, 2015 and 2014, the amounts due to the Agency were \$450,944 and \$557,686 respectively.

Note 6 **Other Liabilities**

The Agency has guardianship over the funds received through payment-in-lieu of taxes. The Agency also has an obligation to disburse the funds to the appropriate tax jurisdictions. As of December 31, 2015 and 2014, funds in the amount of \$399,267 and \$156,907 respectively, were in the custody of the Agency.

Note 7 **Deferred Revenue**

The Agency receives an advance payment for agency fee in the amount of \$15,745. The revenue will be recognized and applied in the next subsequent year.

Note 8 **Due to Other Agent**

Due to other agent represents a fee in the amount of \$20,000 that was collected on behalf of the agent, and had not been disbursed as of December 31, 2015.

Note 9 **Security Deposits**

Cash is being held in escrow accounts for 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 closed out, and any remaining balance is transfer to the owners. As of December 31, 2015 and 2014, the amounts held in the escrow accounts were \$754,477 and \$841,585 respectively.

**The Mount Vernon Industrial
Development Agency
Notes to Financial Statements
December 31, 2015**

Note 10 **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, 2015**

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, 2014	Principal Paid 2015	Balance December 31, 2015	
											Yes
Kings Court, LLC 117 South 2nd Ave. Mount Vernon, NY 10550	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	-	-	\$ -	
			0.044	2014	\$ 35,000	Exempt	\$ 35,000	-	-	\$ -	
			0.045	2015	\$ 40,000	Exempt	\$ 40,000	-	-	\$ -	
			0.045	2016	\$ 40,000	Exempt	\$ 40,000	-	-	\$ -	
			0.0475	2017	\$ 45,000	Exempt	\$ 45,000	-	-	\$ -	
0.0475	2018	\$ 45,000	Exempt	\$ 45,000	-	-	\$ -				
0.05125	2023	\$ 280,000	Exempt	\$ 280,000	-	-	\$ -				
0.052	2033	\$ 955,000	Exempt	\$ 955,000	-	-	\$ -				
							\$ 1,700,000	\$ 1,405,000	\$ 40,000	\$ 1,365,000	
A-Val Architectural 240 Washington Street Mount Vernon, NY 10550	Senior Citizens Housing	11/1/2006		2026	\$ 4,120,000	Exempt	\$ 4,120,000	\$ 3,162,794	\$ 3,162,794	\$ -	
Grace Plaza, LLC 153-163 So. Fifth Ave. Mount Vernon, NY 10550	Senior Citizens Housing	05/30/2008	0.0727	2038	\$ 2,118,000	Exempt	\$ 2,118,000	\$ 1,954,542	\$ 32,709	\$ 1,921,833	
			0.01	2038	\$ 1,386,588	Exempt	\$ 1,386,588	\$ 1,386,588	\$ -	\$ 1,386,588	

**Mount Vernon Industrial
Development Agency
Statement of Indebtedness
December 31, 2015**

Federal Tax Status	Tax Exemption Granted	Purpose of Mortgage	Date of Issue	Interest Rate	Maturity Date	Maturity Amount	Original Proceeds of Issue	Balance		Principal Paid 2015	Balance December 31, 2015	
								December 31, 2014	December 31, 2015			
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	\$ 3,140,000	\$ 3,140,000	\$ 3,140,000	\$ -	
Exempt				0.062	2029	\$ 8,565,000	\$ 8,565,000	\$ 8,565,000	\$ 8,565,000	\$ 8,565,000	\$ -	
Wartburg Senior Housing, Inc. D/B/A Meadowview at the Wartburg Civic Facility Wartburg Place Mount Vernon, NY 10552							\$ 15,000,000	\$ 15,000,000	\$ 11,705,000	\$ 11,705,000	\$ -	\$ -
Macedonia Towers, LLC 150 South Fifth Avenue Mount Vernon, NY 10550							0.033	2005	\$ 90,000	\$ 90,000	\$ -	\$ -
							0.035	2006	\$ 95,000	\$ 95,000	\$ -	\$ -
							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	\$ -	\$ -
							0.044	2014	\$ 125,000	\$ 125,000	\$ -	\$ -
							0.045	2015	\$ 135,000	\$ 135,000	\$ 135,000	\$ -
							0.045	2016	\$ 140,000	\$ 140,000	\$ -	\$ 140,000
							0.0475	2017	\$ 150,000	\$ 150,000	\$ -	\$ 150,000
							0.0475	2018	\$ 160,000	\$ 160,000	\$ -	\$ 160,000
							0.05125	2023	\$ 975,000	\$ 975,000	\$ -	\$ 975,000
							0.052	2033	\$ 3,275,000	\$ 3,275,000	\$ -	\$ 3,275,000
							\$ 5,900,000	\$ 5,900,000	\$ 4,835,000	\$ 4,835,000	\$ 135,000	\$ 4,700,000
Grace Towers II, LLC Mount Vernon, NY 10550							0.059	2040	\$ 11,530,000	\$ 11,530,000	\$ -	\$ 11,530,000
Exempt	Yes	Family Housing	12/13/2007									
Exempt												
Exempt												
Exempt												