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CITY OF YONKERS
ECONOMIC DEVELOPMENT CORPORATION

AUDIT COMMITTEE MEETING

March 18, 2015

9:45 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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2 MS. SINGER: I'd like to call the
3 meeting of the YEDC to order. Deepika, roll
4 call.

5 MS. MEHRA: Cecile Singer?

6 MS. SINGER: Here.

7 MS. MEHRA: Robert Maccariello?

8 MR. MACCARIELLO: Here.

9 MS. MEHRA: Martin Ball is excused. We
10 have a quorum. Let the record reflect we have
11 Charles Mangiaracina and Robert Daniele from
12 O'Connor Davies, as well as Pat Serenson, our
13 accountant from YEDC.

14 MS. SINGER: You have the minutes
15 before you. Are there any additions or
16 corrections?

17 MR. MACCARIELLO: Motion to approve the
18 minutes.

19 MS. SINGER: Motion to approve the
20 minutes as accepted. I second that. Any
21 contrary?

22 I would just I'd like to interrupt the
23 sequence because there is something in the
24 minutes that I'd like to back over. You were
25 going to get me a list of the local development

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2 corporations that you are auditing. If you look
3 in the minutes you will see that. I haven't
4 received that.

5 MR. DANIELE: I will get that to you.

6 MS. SINGER: Anything know about
7 anywhere even in the state I would like to have a
8 list of local development corporations. Because
9 it gives us a context we can look and see this
10 one is doing it, that one isn't. Are there any
11 our size that are doing it or are all of them
12 much smaller? The YEDC there are a lot of
13 questions and it's a very interesting structure
14 and it has enabled us to do very important
15 things. I always questioned the difficulty is to
16 provide funding for certain types of housing and
17 so we now have a not for profit with a structure
18 that permits us to do those things where under
19 the IDA law that was very questionable. There
20 were questions about it. So YEDC considers
21 because they are a creature of the IDA, there are
22 always concerns about the structure, the
23 operation and how we do this. We now received a
24 legal opinion which we'll consider at the next
25 Board meeting and that clearly I believe more

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clearly delineates the differences and how they are.

We also ask you for the IRS section, I think, 15 something, that allows a local development corporation to do bonding. I would like that, it would complete it in my mind, I think.

MR. MANGIARACINA: To answer that last statement, I asked my tax partner, Gary Higgins, to look at the IRS sections. We were only able to find admission on the other side of the fence, relates to 501C-3's applies for tax exempt bonding, to demonstrate they are eligible to get that funding. That process is done internally here, you facilitate the YEDC facility dates that bonding as far as putting together the bonds issued and you monitor the determined bonds.

MS. SINGER: Can you send us a communication saying that?

MR. MANGIARACINA: I handed out something before the meeting, there is an e-mail, they both are talking about Section 145.

MS. SINGER: I see.

MR. MANGIARACINA: Those are

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specifically questions as to what enables a C-3d organization to seek bonding.

MS. SINGER: So at least we have a reference and we have the attorney's opinion so we have done what we can do to clarify and understand the structure, to ensure we are operating within the law.

MR. MANGIARACINA: We have supplied copy of the draft memorandum prepared by Robinson and Cole clearly states what each entity, YIDA and YEDC can do in the way of facilitating go bonds?

MS. SINGER: I think that was a major step forward for us.

MR. MANGIARACINA: I know that's been a concern of yours repeatedly, your committee level, to make sure there is no chance of someone second guessing what the LDC was doing in operating the way it operates.

MS. SINGER: That was the objective because it's a Murky area and we want to be very sure that as you go forward there are not many questions about it. But that's also why I would like a list of the local development

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corporations.

MR. MANGIARACINA: I will get that for you. The list is going to include operations to do specific projects like daylighting or the waterfront development. YEDC is the only one issuing bonds for tax exempt bonds for not for profits. We do Westchester IDA but for Yonkers.

MS. SINGER: At the state level there have been so many questions about IDAs all by themselves. So it behooves us to in every way that we can to button this up and say this is what we did. We have a legal opinion. We had a tax opinion and so we have done the thing that make us comfortable in operating the YEDC, that's a critical piece. So it's very nice that we do the business but you have to understand where the authority comes from and what it is and what the difference is. Now we can go on to the discussion of the draft audit, you had financial statements.

MR. MANGIARACINA: Everyone has a copy of the draft audited statements in the copy sent out by management. Results of audit of Yonkers

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2 Economic Development Corporation, which is a
3 component unit of the City of Yonkers means we
4 role up into the consolidated financials for the
5 City of Yonkers, New York. We have concluded our
6 audit for the year ending December 2014 and the
7 statements that are presented to the committee
8 for review today are a draft of the reports that
9 cover both 2014 compared to 2013. The Auditor's
10 Report, as Rob said before, we are responsible
11 for making sure that disclosures are precise and
12 clear, responsibilities of management are met and
13 management statements. We come in and audit your
14 books and records and render our opinion on the
15 statements. Based on the procedures that we
16 perform we have included in the draft report an
17 Auditors' Report which is an unmodified opinion,
18 meaning clean opinion. Like I said before, it's
19 the best opinion you can get. And the opinion is
20 broken down as to the report of the basic
21 financial statements of YEDC, as well as our
22 report on supplementary data, some of which we do
23 not opine on but it's included in your report.
24 Mainly the MD&A, management responsibility we do
25 not opine on that, we read it into the financial

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2 statements, make sure it doesn't say anything
3 different and supplementary at that time to see
4 the schedule of bonds to show it is not
5 inconsistent with financial statements. And the
6 last piece, the Public Authority Law and how you
7 handle your investments and cash. Those are all
8 within our Auditors' Report for December 2014.
9 Because you're a governmental agency to conduct
10 the audit according to Government Auditing
11 Standards, issue a report for financial reporting
12 and compliance and other matters. That's another
13 document, has language very similar that we put
14 into our internal control letter.

15 Moving on to the discussion and
16 analysis, this is a overview, I had a
17 conversation briefly this morning with
18 management. There is one section as it relates
19 to grants, it seems to be getting old, it's
20 dated. That direct activity wasn't really
21 something that happened in 2014. It has a
22 legacy, there are receivables on the books for
23 those transactions. But I think in years to come
24 the MD&A should be dusted off a little better.

25 MS. SINGER: That it would be current,

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you mean?

MR. MANGIARACINA: Correct.

MS. SINGER: Deepika, do you both feel that's in the works?

MR. SERENSON: Yes, we'll take care of that.

MR. MANGIARACINA: The most important part of the MD&A this is supposed to put a framework around the statements that follow and it's clearly saying in this organization you're concerned about what the EDC is doing. This operates for the benefit of the City of Yonkers. It's telling why we exist and what we are doing and how they come to be able to do it under IRC Section 115. Years ago when developed it was a 501C-3. Now it's an IRC 115 entity. It definitely puts a framework on how the organization is structured and what's it allowed to do, the highlights and final operations. We had a bond issue with Leake and Watts, generated about \$211,000 in additional fees. That's on page four of the MD&A operating revenues. Exactly higher by that amount from the prior year. There was no such fee generated in the

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2 prior year. Also, Management fees are
3 consistently for services provided to the Yonkers
4 IDA, \$70,000 per year, and there is a note on
5 that on the bottom of page four.

6 Moving to the statement of net
7 position, which is the balance sheet of YEDC, you
8 will see there was an increase in the cash this
9 year going from \$133,000 to \$291,000. Most a
10 result of the fees collected for that additional
11 bond issue.

12 The rest of the balance sheet remains
13 the same. The liabilities were pretty well
14 stagnant, \$2,756,000 in 2013 compared to
15 \$2,791,000 in 2014. Basically no change in all
16 other liabilities other than the cash and on the
17 change on the asset side. Net possession
18 increased, obviously, because of the increase in
19 the net position, result of operations which is
20 on the detailed next page, \$137,000 change from
21 2013 to 2014. Revenue went from \$70,000 to
22 \$282,000 agency fees collected on that bond
23 issue. Expenses remained consistent with year to
24 year, \$198,000 in 2013 and \$196,000 in 2014
25 yielding a result from operations of \$86,000.

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2 Profit or excess in 2014 as compared to \$128,000
3 loss in 2013. Very good year operationally for
4 YEDC, simply because of the fees on the bond.
5 The other operating nonoperating section of the
6 statement of change of net position statement of
7 activities remained exactly the same. The
8 interest expense and interest income remain the
9 same. Bottom line, for the year \$137,000 profit
10 as compared to \$76,000 loss in 2013. Pass by the
11 cash flow statement, really just takes the items,
12 accrual basis accounting but for the ending
13 December 2014 the Agency had an increase in cash
14 of a \$157,000 talked about on the balance sheet.

15 The remainder of the statements
16 are the notes. The notes are there to supplement
17 the information already included in the balance
18 sheet and income statements and follow the same
19 order that the items in balance sheet are
20 presented. There was some tweaking of language
21 in the notes, not a lot. These are management's
22 notes. We believe that some of these notes are
23 very detailed. You talk about clarity and
24 transparency, if somebody wanted to know what's
25 going on this is way more information they could

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ever imagine. They would need to understand the financial statements. We recommend in the future some of these notes may be culled back, states too much information and is not a good thing to do.

MS. SINGER: So what do you think?

MR. MANGIARACINA: I think that some of the notes, like note number five, for example, which goes on for three pages and obviously was written again to give full disclosure but I think disclosure is really more than necessary for a financial statement. So I would recommend in the future you talk to either management or legal counsel to try to cull that back a little bit. It's very wordy, hard to read, hard to follow.

MS. SINGER: As you know, with one of notes on the leverage issue, leverage, leverage, leverage which essentially doesn't make it transparent, either looked like somebody was doing something to hide where the funds were coming from. And that was exactly, it was the antithesis of what was intended.

MR. MANGIARACINA: Note five is the note we would truly like to have rewritten in the

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future audit. Goes on for three plus pages and it's a lot of details. A lot of parts, involve a lot of numbers being disclosed. I think you can cut back.

MS. SINGER: Warburton Wells certainly an illustration of that. The others I had a concern about that because you used the word, leverage, leverage, leverage which are signals for people to go and look, so that I think that has to be a simplification of the notes. So we'll ask going forward.

MR. MANGIARACINA: Maybe there was a place for it in the initial transaction year so that someone who came in to read the statements that year would understand it but after the unusual transaction year I think a lot of what is being said doesn't need to be said.

MS. SINGER: It may help, do you have some illustrations in context how people are using it. If you just look at other notes how they consolidate and which things they put in. We can use those as a model.

MR. SERENSON: We'll look at it and work with Shawn for the next year.

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2 MS. SINGER: That is more concise and
3 factual.

4 MR. MANGIARACINA: There were no
5 additional notes this year to the financial
6 statements. Supplementary information consists
7 of your scheduled of indebtedness. There are
8 only three organizations that have come to you to
9 get financing, Riverview II, Charter School of
10 Excellence and Leake and Watts, all not for
11 profits, all operating here in Yonkers. So
12 again, they meet the criteria of conducting
13 business with any bond issues through the YEDC.

14 The report following that schedule is
15 our report required by the Government Audit
16 Standards for our review of financial reporting
17 and compliance in other matters and the language
18 in that letter very similar to the language we
19 have in our report on internal controls and no
20 material weaknesses, no significant deficiencies

21 The last report is about Public
22 Authorities Law which you're in compliance with,
23 and how you have an investment policy to invest
24 your assets. You have no real investments, it's
25 just cash. Any questions on the financial

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statements or the reports?

MS. SINGER: Do you have any questions?

MR. MACCARIELLO: No.

MR. MANGIARACINA: Separate document on the report internal controls also in your package, there is based on the information that we looked at and the tests we performed nothing came to our attention to make us believe there were any internal control deficiencies, any material deficiencies, significant deficiencies. Our letters says not to say controls are preferable we don't test everything but the ones we looked at seemed to be fine. And then we have a required audit to communicate with the Audit Committee to communicate about the audit.

The last two pages are all the responsibilities you have, and we have, are spelled out in our engagement letter which is signed by management before the audit starts. And then scope and perform our in Engagement according to that letter.

MR. MANGIARACINA: And timing of the audit in line with what was envisioned going in. There were no changes in the accounting estimates

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2 or significant accounting systems during the
3 year. All the estimates were found to be
4 reasonable, and collection of recievables and
5 estimates as relate to any collection of
6 recievables and estimates relating to long term
7 liabilities.

8 Financial statement disclosures that
9 talk about those items are clear and consistent
10 year to year. No difficulties in conducting the
11 audit with good time working with management. No
12 uncorrected misstatements. Any adjustments that
13 were proposed management accepted. No
14 disagreements with management. We have requested
15 management, representation from management will
16 be dated once the reports are accepted in draft
17 and we, as your auditors, remain to this day
18 independent of the organization. We are allowed
19 to render our opinion on your financial
20 statements.

21 MS. SINGER: Bob, do you have any
22 questions?

23 MR. MACCARIELLO: No.

24 MS. SINGER: So then let's consider
25 that you have gone out for the YEDC portion,

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2 as well, because we did ask all the questions in
3 Executive Session. May I have a motion to accept
4 the report?

5 MR. MACCARIELLO: Motion on review and
6 discussion number three. I also motion on number
7 four, review and discussion of the internal
8 control letter.

9 MS. SINGER: We can do it on the whole
10 thing.

11 MR. MACCARIELLO: Three, four and five,
12 I a motion on that.

13 MS. SINGER: I second. Is there any
14 other business? I would also like to thank the
15 accountants for their cooperation. It's been
16 really exemplary and working so well with us and
17 helping us to define what we think is new
18 territory with the YEDC. So I think that now we
19 have achieved an operating structure and going
20 forward that all of those statements will be
21 current and that we'll be in compliance with all
22 of the both the spirit and the letter of the law.
23 I do thank you for helping us develop all of this
24 and I look forward to seeing the list. May have
25 a motion to adjourn.

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MR. MACCARIELLO: Motion.

MS. SINGER: Second. We are 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