

Yonkers Industrial Development Agency

Financial Statements
With Supplementary Information

December 31, 2011 and 2010

**Yonkers Industrial Development Agency
Management's Discussion and Analysis
Years Ended December 31, 2011 and 2010**

The following Management's Discussion and Analysis ("MD&A") of Yonkers Industrial Development Agency's ("YIDA") (the "Agency") activities and financial performance is provided as an introduction and overview of the financial statements of YIDA for the years ended December 31, 2011 and 2010. Following this MD&A are the annual financial statements of YIDA together with the notes which are important to understanding the data presented in the financials statements. This MD&A highlights certain supplementary information to assist with the understanding of the YIDA's financial operations.

OPERATIONS

YIDA is a public benefit corporation established by an act of the New York State Legislature in 1982, under Section 903 of the General Municipal Law. The Agency operates for the benefit of the City of Yonkers, NY and its populace to accomplish any or all of the purposes specified in Title 1 of Article 18A. Specific powers and duties are conferred to the Agency with respect to the acquisition of real property, whether by purchase, condemnation or otherwise, within the corporate limits of the City of Yonkers, NY. All of the local zoning and planning regulations, as well as the regional and local comprehensive land use plans, are taken into consideration to carry out the duties of the Agency.

Organized in a manner consistent with the statute, the Mayor of Yonkers appoints a seven member Board of Directors comprised of both public officials and business leaders. This Board governs the YIDA by establishing official policies, reviewing and approving requests for financial assistance. Operations and activities of the Agency; its members, officers and employees are carried out in accordance with State law.

YIDA's mission is to generate economic development and job growth throughout the City of Yonkers, NY by attracting new businesses; retaining existing ones and helping them all become competitive in a global marketplace. The Agency accomplishes this mission by offering financial assistance in the form of Sales and Use Tax Exemptions, Mortgage Recording Tax Exemptions, Payment-In-Lieu-Of-Tax agreements (PILOTs) and by issuing tax exempt Industrial Development Bonds (IDB's).

Six applications were submitted and processed during the year, eight projects closed.

FINANCIAL OPERATIONS HIGHLIGHTS

The financial statements for years ended December 31, 2011 and 2010 are attached. The chart below provides a condensed summary of revenues and expenses for the past two years.

	<u>2011</u>	<u>2010</u>
YIDA Operating Revenue	\$1,201,292	\$ 986,845
YIDA Operating Expenses	886,911	1,006,586

**Yonkers Industrial Development Agency
Management's Discussion and Analysis
Years Ended December 31, 2011 and 2010
(continued)**

FINANCIAL OPERATIONS HIGHLIGHTS (continued)

Revenue

Revenue was derived from 8 projects which closed and 3 deals that refinanced in 2011. YIDA received management fees for one of the projects. The 2011 projects are as follows:

Commercial Projects:	
Kimber	\$ 10,000
Yonkers Raceway Expansion	400,000
Housing Projects:	
Woodstock	67,960
Kubasek	69,175
Post	25,128
Warburton Wells	49,913
Cromwell	179,870*
Public Parking Garage:	
Larkin Garage	54,325
Refinanced Deals:	
Hudson Park – Collins I	10,000
Collins II	93,750
Yonkers Raceway	200,000

* Management Fee from Yonkers Economic Development Corporation

Assets and Liabilities

At year end, the Agency had \$5,271,154 in assets and \$4,522,466 in liabilities. A complete breakdown of these amounts is provided in the financial statements.

Bonds and Notes

Schedule of Bonds and Notes Issued is provided as supplemental information to the financial statements.

NEW OPERATIONS

YIDA continues to work in tandem with New Main Street Development Corporation to assist in acquiring properties needed for the daylighting of the Saw Mill River – a major Yonkers initiative.



Independent Auditors' Report

Board of Directors Yonkers Industrial Development Agency

We have audited the accompanying statements of net assets of Yonkers Industrial Development Agency (the "Agency") as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. 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 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yonkers Industrial Development Agency as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 4, the Agency has a receivable in the amount of \$670,000 and the timing of its collection is uncertain.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Board of Directors
Yonkers Industrial Development Agency
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We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2012 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* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the accompanying supplementary schedule of industrial revenue bonds and notes issued, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

O'Connor Davies Munno & Dobbins, LLP

Harrison, New York
March 20, 2012

Yonkers Industrial Development Agency

Statements of Net Assets

	December 31,	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 1,056,203	\$ 606,524
Accounts receivable	91,788	178,738
Prepaid expenses	104,977	146,719
Restricted cash	3,344,878	564,860
Due from economic development project	670,000	670,000
Equipment, net	3,308	5,635
	<u>\$ 5,271,154</u>	<u>\$ 2,172,476</u>
LIABILITIES		
Accounts payable	\$ 70,138	\$ 60,461
Accrued expenses	147,450	204,898
Due to other governments	960,000	960,000
Due to other entities	<u>3,344,878</u>	<u>564,860</u>
Total Liabilities	4,522,466	1,790,219
NET ASSETS		
Unrestricted	<u>748,688</u>	<u>382,257</u>
	<u>\$ 5,271,154</u>	<u>\$ 2,172,476</u>

See notes to financial statements

Yonkers Industrial Development Agency

Statements of Activities

	Years Ended	
	December 31,	
	2011	2010
OPERATING REVENUE		
Agency fees	\$ 916,527	\$ 637,225
Management fees	234,595	261,675
Application and administrative fees	3,000	7,800
Miscellaneous income	47,170	80,145
Total Operating Revenue	1,201,292	986,845
OPERATING EXPENSES		
Salaries	315,315	385,116
Payroll taxes and employee benefits	106,762	134,402
Rent	91,485	85,500
Consulting and professional fees	252,338	275,745
Advertising, printing and reproduction	57,308	57,454
Travel	9,108	8,920
Insurance	8,388	8,184
Conferences and meetings	5,689	3,883
Communications	27,219	26,860
Office supplies and other expenses	10,971	16,861
Depreciation	2,328	3,661
Total Operating Expenses	886,911	1,006,586
Gain (Loss) from Operations	314,381	(19,741)
NON-OPERATING REVENUE		
Workforce grant income	971,669	1,138,644
Workforce grant expenses	(971,669)	(1,138,644)
Interest and dividend income	52,049	40,839
Change in Net Assets	366,430	21,098
NET ASSETS		
Beginning of year	382,258	361,159
End of year	\$ 748,688	\$ 382,257

See notes to financial statements

Yonkers Industrial Development Agency

Statements of Cash Flows

	Years Ended December 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,288,243	\$ 836,575
Cash received for workforce grant	971,669	1,138,644
Cash payments for workforce employees	(971,669)	(1,138,644)
Cash payments for goods and services	(411,088)	(375,255)
Cash payments to employees and benefits	(479,525)	(436,370)
	397,630	24,950
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income	52,049	40,839
Net Change in Cash	449,679	65,789
CASH AND CASH EQUIVALENTS		
Beginning of year	606,524	540,735
End of year	\$ 1,056,203	\$ 606,524
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Gain (loss) from operations	\$ 314,381	\$ (19,741)
Adjustments to reconcile gain (loss) from operations to net cash from operating activities		
Depreciation	2,328	3,661
Changes in operating assets and liabilities		
Accounts receivable	86,950	(150,271)
Prepaid expenses	41,742	130,980
Restricted cash	(2,780,018)	1,743,640
Accounts payable	9,676	(18,904)
Accrued expenses	(57,447)	83,149
Scholarship payable	-	(3,924)
Due to other entities	2,780,018	(1,743,640)
Net Cash from Operating Activities	\$ 397,630	\$ 24,950

See notes to financial statements

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2011 and 2010

1. Organization

The Yonkers Industrial Development Agency ("YIDA")(the "Agency") was created in 1982 as a public benefit corporation by the New York State Legislature under the provisions of Chapter 526 for the purpose of promoting and supporting the development of commerce, bolstering employment and stimulating economic growth and prosperity in the City of Yonkers, New York. The Agency is exempt from Federal, State and Local income taxes. The Agency although supported by the City of Yonkers (the "City"), is a separate entity and operates independently from the City. Members of the governing board are appointed by the Mayor of the City for specified terms.

2. Summary of Significant Accounting Policies

Financial Reporting Entity

The Agency has been identified as an organization related to the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 14, the Agency is not considered a component unit of the City.

Basis of Accounting

The accounting policies of the Agency conform to generally accepted accounting principles as applicable to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency applies all applicable Financial Accounting Standards Board ("FASB") guidance issued after November 30, 1989 in its accounting and reporting.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in time and demand deposit accounts. Collateral is required for these deposits at 100% of all deposits not covered by Federal deposit insurance. The Agency has entered into a custodial agreement with its depository which holds its deposits. This agreement authorizes the obligations that may be pledged as collateral. Such obligations include among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At December 31, 2011 and 2010, management has concluded that an allowance is not required.

Fair Value of Financial Instruments

The Agency follows FASB guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Equipment

Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over an estimated useful life of seven years.

Revenue Recognition

YIDA charges an agency fee based on the amount of financing for each project at a predetermined rate. All such agency fees are collected and recognized as revenue at closing.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use. Net assets on the statement of net assets is classified as unrestricted.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 20, 2012.

3. Restricted Cash

Restricted cash consists of funds held in escrow by the Agency for various projects. Funds are released as authorized invoices are presented for payment or reimbursement. The balance of restricted cash at December 31, is as follows:

	<u>2011</u>	<u>2010</u>
Austin Avenue	\$ 38,828	\$ 564,860
Yonkers Larkin Garage	1,546,314	-
Kubasek and Post	<u>1,759,736</u>	<u>-</u>
	<u>\$ 3,344,878</u>	<u>\$ 564,860</u>

4. Economic Development Project

In accordance with an agreement dated November 1, 2002, between Yonkers Baseball Development, Inc. and the Agency, Yonkers Baseball Development, Inc. was advanced \$670,000 (See Note 9). This obligation has been assumed by Struever Fidelco Capelli, LLC under the Master Developer Designation Agreement ("MDDA"). The MDDA was superseded by the Land Disposition Agreement ("LDA") which was executed February 2010 by the City of Yonkers, YIDA and Struever Fidelco Capelli. The LDA is a legal obligation of Struever Fidelco Capelli, LLC to pay City of Yonkers and YIDA at the closing to occur 36 months from the execution of the LDA. At December 31, 2011 and 2010, \$670,000 has been advanced and is still outstanding. In the opinion of management the underlying property development rights are of significant value and YIDA will be successful in getting another developer to pay an amount equivalent to such amount should Struever Fidelco Capelli, LLC not develop this property. Consequently, no allowance has been recorded.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2011 and 2010

5. Equipment

Equipment at December 31, 2011 and 2010 consisted of the following:

	2011	2010
Furniture and fixtures	\$ 20,914	\$ 21,889
Accumulated depreciation	(17,606)	(16,254)
	\$ 3,308	\$ 5,635

6. Pension Plan

The Agency participates in the New York State and Local Employee's Retirement System ("ERS"). This System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

The System is non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary and employees in tier 5 who also contribute 3% of their salary without regard to their years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan.

Contributions consist of a life insurance portion and regular pension contributions. Contribution rates for the plan's year ending in March 2012 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
4 A15	12.6%
1 75G	15.6

Contributions made to the system for the current and two preceding years ending December 31, were as follows:

2011	\$ 106,433
2010	171,647
2009	35,498

Of the 2011 pension payment, \$37,936 was applied to YIDA staff and \$68,497 was attributed to additional Workforce staff. Of the 2010 pension payment, \$57,604 was applied to IDA staff and \$114,043 was attributed to additional Workforce staff.

Yonkers Industrial Development Agency

Notes to Financial Statements
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7. Operating Leases

The Agency is obligated under a non-cancelable operating lease for a vehicle with a lease term of 39 months that expires in January 2013. Lease expense included in operations under auto expense was \$5,760 for the years ended December 31, 2011 and 2010. Minimum future lease payments of \$5,760 are payable at December 31, 2012.

8. Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising there-from are controlled by trustees or banks acting as fiscal agents. Trustees maintain the information for these bonds and notes and no default notices have been generated in the current year. For providing this service, the Agency receives bond administration fees from the borrowing companies. The fee received by the Agency is one percent of the bond amount. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

9. Related Parties

Yonkers Baseball Development, Inc.

The Agency was the sole shareholder of Yonkers Baseball Development, Inc. ("YBDI"), a for profit entity (originally formed by transaction counsel as Yonkers Baseball, Inc.). The purpose of YBDI was to promote recreational activity to assist in the revitalization of downtown Yonkers in an area known as Chicken Island, Yonkers, New York, while obtaining Empire Zone certification to assist in the contemplated financings. YBDI was funded under an agreement from the Agency (Note 4) dated November 1, 2002. In 2008, as part of a plan of dissolution, YBDI assigned all rights to recover funds expended for the Project to the YIDA. YBDI was dissolved by proclamation on January 27, 2010.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2011 and 2010

9. Related Parties (*continued*)

Yonkers Economic Development Corporation

The entity was created in 2007 to provide certain taxable and tax exempt financial assistance on occasions where these incentives are no longer provided by the Agency or in instances where the Agency's ability to assist economic development projects has been significantly limited. Yonkers Economic Development Corporation's ("YEDC") purpose of promoting the creation and preservation of employment opportunities is in line with the Agency's overall objectives and may deliver financial assistance in a more cost effective form through this not-for-profit corporation. In addition, the debt issuances of YEDC will not be liabilities of the State of New York, the City of Yonkers or YIDA. YEDC is comprised of four of the seven YIDA board members. The YIDA staff provided all administrative support for YEDC in 2011 and received \$180,475 in management fees under the Management Agreement. Legal counsel's opinion is that YEDC is an affiliate of YIDA and as such its activities can be reported as part of YIDA's for Public Authorities Accountability Act ("PAAA") purposes. However, NYS OSC has requested YEDC report its annual activity separately under State Public Activities Reporting Information System ("PARIS"). YIDA has notified the NYS ABO that YEDC will begin reporting separately in 2012. For 2011, YEDC will file its own audit and financial statements with NYS ABO.

10. Contingencies

Austin Avenue

In 1979, the City entered into a Consent Order with the New York State Department of Environmental Conservation ("NYSDEC") to remediate the Austin Avenue landfill site located in the City of Yonkers. In December 2004, the City Council approved a plan that would allow the Agency, through the NYSDEC's Brownfield Remediation and Empire Zone Program, to issue bonds to pay for the remediation of the landfill site. The Agency bonds were repaid from the annual proceeds of a supplemental payment in lieu of tax ("PILOT") agreement from a local developer, who owns the property adjacent to the landfill site. The City Council waived the City's right to the receipt of the supplemental PILOT payments in order to pledge those receipts to the repayment of the Agency bonds and/or to use the proceeds directly for remediation. The City Council further agreed that, based on the City's obligation under the Consent Order, the City will pay any shortfalls for costs of environmental remediation in excess of amounts available from the supplemental PILOT payment.

As of December 31, 2011 and 2010 there was \$38,828 and \$564,860 in the remediation account. Remediation efforts have been completed with all physical work required by NYSDEC in the approved Remedial Action Plan having been done in early 2011. As of December 2011, all bills related to this work were paid and YIDA's dedicated account for the Austin Avenue remediation held a balance of \$38,828 to pay final legal bills, insurance costs and NYSDEC fees in 2012.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2011 and 2010

10. Contingencies (*continued*)

Austin Avenue (continued)

The YIDA and NYSDEC anticipate having a Certificate of Completion ("COC") for the site by the summer of 2012. A final engineering report, environmental easement and monitoring report are close to completion and will be signed by WIDA (property owner of the site) and submitted for final NYSDEC approval. Release of the COC will follow.

The Morris Company has served a notice of claim on the City and Agency in an effort to influence how the limited remediation funds are spent. This litigation is still pending.

Litigation

The Agency is involved in litigation arising in the normal course of business. Management estimates that the matters will be resolved without material adverse effect on the Agency's future financial position or results from operations.

NYS Division of Budget – IDA Assessments

On or about February 4, 2010, the NYS Division of Budget sent letters ("DOB letter") to all IDAs in NYS assessing IDAs with their share of the new tax that was added in the 2009-10 budget (see "cost recovery" provisions of Public Authorities Law § 2975-a). This tax was added without the benefit of hearings or debate and first became known weeks after the 2009-10 State Budget was signed on April 7, 2009. Until the recent DOB letter it was unclear as to how this tax would be applied. DOB made the decision to apply the 2009-10 state fiscal year tax against 2008 calendar year revenues (approximately 4.727% of total revenues) as reported under PARIS to the Authority Budget Office by the respective IDAs. To assess a new tax on IDAs based on lagging year revenue data is arbitrary. The DOB letter asked for payment of this tax of \$86,171 by March 31, 2010. Counsel reviewed the consequences of not paying this tax. The YIDA joined with other IDAs under NYSEDC to participate in the Economic Development Defense Fund. YIDA was a Petitioner in a lawsuit challenging that tax. The State Attorney General did not answer the lawsuit but rather agreed that the tax cannot be applied by the State for the March 2010 payment date. Based on the Attorney General's position, YIDA has been relieved of any responsibility to pay the \$86,171 tax. However, on October 28, 2010, YIDA received a bill from NYS DOB seeking "cost recovery" for 2010-2011 state fiscal tax year against 2009 revenues.

The assessment in the amount of \$39,269 was due on March 31, 2011. Similar legal efforts undertaken in 2010 were utilized in 2011 and the assessment was reversed. No payment is due to NYSDOB and YIDA has not received any additional assessments.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2011 and 2010

10. Contingencies (*continued*)

Larkin Garage

YIDA supported a project to construct a new garage facility in downtown Yonkers. Westchester County had awarded infrastructure funds (HIF money) for spaces which would be used by an adjacent affordable housing project. Since the County funding was delayed, a bridge loan was required. As a condition of providing the bridge loan, Hudson Valley Bank required a cash reserve account be maintained for the full amount of the loan in a restricted account, not for YIDA's use. As the loan is paid down, equal amounts from the cash reserve account will be made available for project costs. When the loan is paid off, this account will be closed.

Kubasek and Post Road Housing Projects

YIDA supported 2 projects that resulted in the purchase and renovation of existing affordable housing stock – one family facility (Post Road) and one senior project (Kubasek). As part of this process the company purchasing the assets entered into a memorandum of agreement under which it agreed to enter into certain tax agreements with YIDA; provide \$1,500,000 to the City of Yonkers; and place \$1,869,285 into reserve account(s) to be administered by the Agency for capital improvements to be done at the two locations – Post Road and Kubasek. Money will be drawn down from the accounts as the capital improvements to the facilities are completed. This agreement was approved by City Council resolution in April 2011.

YIDA has established replacement reserve accounts at Hudson Valley Bank. These dedicated accounts were opened with the following balances: \$70,028 on behalf of Post Road (the "Post Reserve") and \$162,597 on behalf of Kubasek (the "Kubasek Reserve") with the balance being held in a separate account of \$1,636,659 held on behalf of Post Road and Kubasek (the "Agency Reserve Account").

The details of the restricted cash related to these projects are disclosed in Note 3.

11. Due to Other Governments

In 2007, in an effort to resolve pending disputes concerning PILOT payments retained by the Agency and claimed by the County, the City Commissioner of Finance provided the County with a letter indicating an intent to pay amounts over to the County. In this letter, the City Commissioner of Finance offered to have the City or YIDA pay the disputed PILOT amounts on a set schedule.

Yonkers Industrial Development Agency

Notes to Financial Statements
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11. Due to Other Governments (*continued*)

The Commissioner of Finance's letter contemplated an initial payment of \$921,608 with additional amounts equal to \$240,000 on July 1st of each year, beginning in 2008, and continuing for a period of five years through 2012. YIDA did not commit to pay the disputed amounts but, with board approval, made the initial payments towards the City/County payment schedule. When the disputed PILOT amounts were paid down to the current balance of \$960,000, it came to the attention of the YIDA counsel, and the City, that the County or County IDA had failed to pay the City its 50% share of rent on Austin Avenue leases since 1999 when the tenants took occupancy and began operation.

Payments which were due July 2009, 2010 and 2011 under the 2007 letter agreement were delayed pending resolution of the disputed rent payment owed by the County IDA to the City for the period covering October 1999 to August 2006.

In 2010, Westchester County, Westchester IDA, City of Yonkers officials and YIDA agreed in principle to forgive debts owed to each entity. To facilitate this amicable resolution, the City Corporation Counsel and County Attorney agreed to commence an action to resolve the disputed rent and disputed PILOT issues. The action involved the County IDA but did not include YIDA as a party. The parties agreed to send the matter to arbitration anticipating that the matter could be settled in arbitration without payment by either side such that the court could order the arbitrated settlement and resolve the matter without legislative action by the County or City. This arrangement allowed the parties to resolve the rent and PILOT dispute amicably without jeopardizing the Agency's claim that it has the legal right to retain the PILOT payments.

The Agency has been advised by counsel since 1997 that it has the right to retain the PILOT amounts paid with respect to the Austin Avenue project because it closed prior to the 1992 legislation that required IDAs to distribute PILOTs to the tax jurisdictions unless otherwise agreed by the tax jurisdictions (see GML Section 874). The legislation has grandfathering language that provided that the provisions would not apply to any projects where the IDA had an existing inducement or bond resolution or had already closed on the transaction.

Since 2010, the City has awaited action by the County to approve a settlement whereby the disputed rent and disputed PILOT amounts are forgiven. Resolutions were passed by the Westchester IDA board agreeing to the terms of the settlement and the matter was passed onto the County Executive, and from there, to the County Board of Legislators for approval.

Yonkers Industrial Development Agency

Notes to Financial Statements
December 31, 2011 and 2010

11. Due to Other Governments (*continued*)

For the foregoing reasons, YIDA executives and Transaction Counsel have argued that the remaining balance under the disputed PILOT amounts agreement between the City and County, reflected in a letter signed only by the City, should not be reflected as a liability on the YIDA statements. Transaction Counsel has opined that it is not a legal liability of YIDA to pay the disputed PILOT amounts to Westchester County.

12. Risk Management

The Agency purchases conventional insurance coverage for directors and officers liability. The current policy reflects a limit of \$1 million per occurrence or \$1 million for the period of the policy. In 2010, The Agency purchased general liability insurance coverage for the 470 Nepperhan Avenue and 20 South Broadway office space, with a policy limit of \$1 million per occurrence or \$2 million in the aggregate. During the 2011 calendar year, the Agency purchased the general liability insurance coverage for 470 Nepperhan Avenue only with policy limits of \$1 million per occurrence or \$2 million in the aggregate.

13. Workforce Investment Board

YIDA is established to advance the job opportunities, health, general prosperity and economic welfare and standard of living of the inhabitants of the City of Yonkers. To further its objectives of economic development the board approved and established a relationship with Workforce Investment Board in May 2009. Its Chairman, as Mayor of the City of Yonkers, was designated as a grant recipient to create and implement workforce investment activities. Grant employees were hired to conduct activities to meet the objectives and are solely funded by grants. These grant employees receive employment benefits of the other YIDA employees to the extent that such benefits are reimbursable to YIDA. The activities related to the workforce grant are reported as non-operating revenue and expenses on the statement of activities.

Yonkers Industrial Development Agency

Supplementary Information

December 31, 2011 and 2010

Yonkers Industrial Development Agency
 Schedule of Industrial Revenue Bonds and Notes Issued
 December 31, 2011

Project	Date of Issue	Original Issue Value	Outstanding Balance at January 1, 2011	New Issues	Payments	Outstanding Balance at December 31, 2011
Consumer Union	December 2005	\$ 47,300,000	\$ 47,300,000	\$ -	\$ 1,125,000	\$ 46,175,000
St. Joseph's Medical Center	March 1998	28,500,000	13,700,000	-	1,800,000	11,900,000
St. Joseph's Medical Center	March 1993	4,715,000	1,275,000	-	390,000	885,000
Westchester School for Special Children	November 1993	4,055,000	2,880,000	-	2,880,000	-
Hudson Scenic Studios, Inc.	June 1999	6,360,000	3,805,000	-	325,000	3,480,000
Michael Malotz Skilled Nursing Pavilion	June 1999	15,000,000	11,685,000	-	700,000	10,985,000
Phillipsburgh Hall Associates, L.P.	December 1999	2,800,000	1,525,000	-	35,000	1,490,000
St. John's Riverside	February 2001	26,295,000	22,925,000	-	510,000	22,415,000
Greyston Bakery	December 2001	3,125,000	2,160,000	-	2,160,000	-
Monastery Manor Association, L.P.	September 2005	9,500,000	9,020,000	-	175,000	8,845,000
Sacred Heart A	September 2006	7,600,000	7,035,000	-	140,000	6,895,000
Sacred Heart B	September 2006	1,900,000	1,400,000	-	190,000	1,210,000
Center of Family Svcs T/E	January 2008	1,190,000	985,000	-	105,000	880,000
11-23 Saint Casimir Ave, L.P	December 2000	9,695,000	8,960,000	-	8,900,000	60,000
Jefferson Terrace- 2006 A	December 2006	3,600,000	3,536,627	-	26,472	3,510,155
Whitney Young- 2006 A	December 2006	2,645,000	1,175,000	-	435,000	740,000
Whitney Young- 2006 B	December 2006	17,155,000	14,760,000	-	240,000	14,520,000
JME Associates	May 2006	8,160,000	7,120,000	-	280,000	6,840,000
Salgra Realty	May 2006	3,840,000	3,315,000	-	130,000	3,185,000
Herriot Street Housing L.P. Project	March 2004	16,400,000	13,655,000	-	465,000	13,190,000
Main Street Lofts	December 2005	44,600,000	44,600,000	-	-	44,600,000
Sarah Lawrence College, Series A	Dec 2009	-	43,500,000	-	-	43,500,000
Sarah Lawrence College, Series B	Dec 2009	-	1,950,000	-	-	1,950,000
Total Indebtedness		\$ 264,435,000	\$ 268,266,627	\$ -	\$ 21,011,472	\$ 247,255,155

See independent auditors' report