

YONKERS COMMUNITY DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Yonkers Community Development Agency:

We have audited the accompanying financial statements of the Yonkers Community Development Agency (the "Agency") as of and for the year ended June 30, 2012 as listed in the accompanying table of contents. 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 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 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 audit provide a reasonable basis for our opinion.

As discussed in Note 1, the 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, 2012 and the results of its operations for the year then ended in conforming with accounting principles generally accepted in the United States of America.

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, 2012 and the results of its operations 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 September 28, 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.

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

O'Connor Davies, LLP

Harrison, New York
September 28, 2012

YONKERS COMMUNITY DEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
 JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and equivalents	\$ 316,385	\$ 2,662,333
Restricted cash	342,328	-
Accounts receivable	227,000	250,000
Due from City of Yonkers	2,500,000	-
Capital assets -		
Land and other non-depreciable property	<u>2,828,663</u>	<u>2,903,763</u>
 Total Assets	 <u>6,214,376</u>	 <u>5,816,096</u>
LIABILITIES		
Accounts payable	8,266	16,854
Due to City of Yonkers	448	114,000
Unearned revenue	154,000	100,000
Revenue anticipation note payable	2,500,000	2,500,000
Loan payable - Bank	<u>341,770</u>	<u>-</u>
 Total Liabilities	 <u>3,004,484</u>	 <u>2,730,854</u>
NET ASSETS		
Invested in capital assets	2,828,663	2,903,763
Unrestricted	<u>381,229</u>	<u>181,479</u>
 Total Net Assets	 <u><u>\$ 3,209,892</u></u>	 <u><u>\$ 3,085,242</u></u>

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

YONKERS COMMUNITY DEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Expenses:		
Contractual expenses	\$ 23,550	\$ 137,529
Rental of space	68,637	119,849
Miscellaneous	1,534	94
	<u>93,721</u>	<u>257,472</u>
Total Expenses		
General Revenues:		
Rental income	292,255	114,000
Interest income	1,216	424
	<u>293,471</u>	<u>114,424</u>
Total General Revenues		
Change in Net Assets	<u>199,750</u>	<u>(143,048)</u>
Net Assets - Beginning of Year, as reported	3,085,242	3,228,290
Prior Period Adjustment	<u>(75,100)</u>	<u>-</u>
Net Assets - Beginning of Year, as restated	<u>3,010,142</u>	<u>3,228,290</u>
Net Assets - End of Year	<u>\$ 3,209,892</u>	<u>\$ 3,085,242</u>

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

YONKERS COMMUNITY DEVELOPMENT AGENCY

BALANCE SHEET
 JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash - Demand deposits	\$ 316,385	\$ 2,662,333
Restricted cash	342,328	-
Accounts receivable	227,000	250,000
Due from City of Yonkers	<u>2,500,000</u>	<u>-</u>
 Total Assets	 <u>\$ 3,385,713</u>	 <u>\$ 2,912,333</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 8,266	\$ 16,854
Due to City of Yonkers	448	114,000
Deferred revenue	154,000	100,000
Revenue anticipation note payable	<u>2,500,000</u>	<u>2,500,000</u>
 Total Liabilities	 <u>2,662,714</u>	 <u>2,730,854</u>
Fund Balance:		
Unassigned	381,229	181,479
Restricted	<u>341,770</u>	<u>-</u>
 Total Fund Balance	 722,999	 181,479
<p>Amounts reported for governmental activities in the statement of net assets 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	2,903,763
<p>Long-term and other liabilities are not due and payable in the current period and, therefore, are not reported in the fund.</p>		
Loan payable - Bank	<u>(341,770)</u>	<u>-</u>
 Net Assets of Governmental Activities	 <u>\$ 3,209,892</u>	 <u>\$ 3,085,242</u>

The notes to the 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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Revenues:		
Rental of space	\$ 292,255	\$ 114,000
Use of money and property	<u>1,216</u>	<u>424</u>
Total Revenues	293,471	114,424
Expenditures -		
Current -		
Economic opportunity and development	<u>93,721</u>	<u>257,472</u>
Excess (Deficiency) of Revenues Over Expenditures	199,750	(143,048)
Other Financing Sources -		
Loans issued	<u>341,770</u>	<u>-</u>
Net Change in Fund Balance	541,520	(143,048)
Fund Balance - Beginning of Year	<u>181,479</u>	<u>324,527</u>
Fund Balance - End of Year	<u><u>\$ 722,999</u></u>	<u><u>\$ 181,479</u></u>

The notes to the 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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Amounts Reported in the Statement of Activities are Different Because:		
Net Change in Fund Balance	\$ 541,520	\$ (143,048)
<p>Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Loans issued	<u>(341,770)</u>	<u>-</u>
Change in Net Assets	<u>\$ 199,750</u>	<u>\$ (143,048)</u>

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

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, liabilities, 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, 2012 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 Assets 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, liabilities, 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

Note 1 - Summary of Significant Accounting Policies (Continued)

basis of accounting than the government-wide statements, a reconciliation is presented on the statements, 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 assets 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 and Net Assets 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 Agencies 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.

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, 2012.

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 4).

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, 2012, 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 assets. 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/Deferred Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. The Agency has reported deferred revenues of \$154,000 for a deposit received on a potential sale of property. Such amounts have been deemed to be measureable but not "available" pursuant to generally accepted accounting principles.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 include, invested in capital assets and unrestricted net assets.

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. 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. This classification includes certain designations established and approved by the entity's governing board.

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. Assigned fund balance represents any positive remaining amount after classifying non-spendable, restricted or committed fund balance amounts.

Unassigned fund balance, represents amounts not classified as non-spendable, 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.

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 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 September 28, 2012.

Note 2 - Stewardship, Compliance and Accountability

A. Prior Period Adjustment

In the current fiscal year, it was determined that certain land and other non-depreciable property included in the Agency's inventory of capital assets were not Agency assets. Accordingly, a prior period adjustment of \$75,100 has been recorded in the government-wide financial statement for the effect of this change.

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

A. Capital Assets

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

Class	Balance July 1, 2011, as reported	Prior Period Adjustment	Balance July 1, 2011, as restated	Increases/ Decreases	Balance June 30, 2012
Capital Assets, not being depreciated -					
Land and other non-depreciable property	<u>\$ 2,903,763</u>	<u>\$ (75,100)</u>	<u>\$ 2,903,763</u>	<u>\$ -</u>	<u>\$ 2,903,763</u>

B. Liabilities

Pension Plan

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

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, 2011	New Issues	Balance June 30, 2012
Revenue Note	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ 2,500,000</u>

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

The Agency, on March 2, 2012, renewed the revenue anticipation note. The note, in the amount of \$2.5 million, is due on March 1, 2013 with interest at 2.90%. The \$2.5 million proceeds have been released to a developer to proceed with the construction of a parking garage. The related interest costs for the current year aggregate \$ 49,503 and have been paid by the City. It is anticipated that funding to pay the revenue anticipation note will be provided by Westchester County, however, the note is guaranteed by the City.

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 4). 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.

Other Post Employment Benefit Obligations

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

C. Net Assets

The components of net assets are detailed below:

Invested in Capital Assets - the component of net assets that reports the difference between capital assets less the accumulated depreciation.

Unrestricted - the difference between assets and liabilities that is not reported in invested 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 Urban Renewal Plan, the City desired to daylight the Saw Mill River at Larkin Plaza which 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 spaces displaced 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 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***

Board of Directors
Yonkers Community Development Agency:

We have audited the financial statements of Yonkers Community Development Agency (the "Agency") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012. 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.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatements, 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*.

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

O'Connor Davies, LLP

Harrison, New York
September 28, 2012

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

To 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, 2012. 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, 2012.

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

Harrison, New York
September 28, 2012