

City of New Rochelle Corporation for Local Development

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Financial Statements
and Supplementary Information

Year Ended December 31, 2020

**City of New Rochelle Corporation for Local Development
(A Discretely Presented Component Unit of the City of New Rochelle, New York)**

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	2
Required Supplementary Information Management's Discussion and Analysis	3
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information Schedule of Budget with Actual Operating Amount	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17



Independent Auditors' Report

**The Board of Directors of the
City of New Rochelle Corporation for Local Development**

Report on the Financial Statements

We have audited the accompanying financial statements of the City of New Rochelle Corporation for Local Development ("CLD"), a discretely presented component unit of the City of New Rochelle, New York, as of and for the year ended December 31, 2020 and the related notes to the financial statements which collectively comprise the CLD's financial statements as listed in the table of contents. The financial statements of the CLD as of December 31, 2019, were audited by other auditors whose report dated March 19, 2020 expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CLD'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 CLD's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the CLD, as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 in the notes to financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of COVID-19 (“Coronavirus”). Our opinion is not modified with respect to this matter.

Other Matters

As part of our audit of the 2020 financial statements, we also audited the adjustment described in Note 7 that was applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2019 financial statements of the CLD other than with respect to the adjustment and accordingly, we do not express an opinion or any other assurance on the 2019 financial statements as a form of whole.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CLD’s financial statements. The schedule of budget with actual operating amounts 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 audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 24, 2021 on our consideration of the CLD’s internal control over financial reporting and on 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 solely 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 effectiveness of the CLD’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CLD’s internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 24, 2021

CITY OF NEW ROCHELLE CORPORATION FOR LOCAL DEVELOPMENT
(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2020

The following is a discussion and analysis of the City of New Rochelle Corporation for Local Development ("Corporation") financial performance for the fiscal year ended December 31, 2020. The section is a summary of the Corporation's financial activities based on currently known facts, decisions, or conditions. This section is only an introduction and should be read in conjunction with the Corporation's financial statements, which immediately follow this section.

Organization

The City of New Rochelle Corporation for Local Development, Corporation for Local Development (the Corporation) created in 2013 under Sections 402 and 1411 of the New York Not-for-Profit Corporation Law for the purposes of relieving unemployment, bettering job opportunities and attracting or retaining business in the City of New Rochelle. The Board of Directors ("Board") of the Corporation consist of the members of the Board of the New Rochelle Industrial Development Agency and are appointed by the City of New Rochelle. As such, the Corporation board members have complete responsibility for management of the Agency and accountability for all fiscal matters.

The Corporation is a separate entity and operates independently from the City of New Rochelle ("City"). However, because the City appoints its board of directors, the Corporation is financially accountable to the City and is also included in the City's financial statements as a component unit.

Financial Highlights

- During the current year of operations, the Corporation's net position decreased by \$247,802.
- Total revenues for the fiscal year 2020 were \$1,437,310, an increase of \$22,827 or 1.6%.
- Total expenses for fiscal year 2020 were \$1,685,112, a decrease of \$14,728 or 0.9% from the prior year.

Overview of the Financial Statements

The basic financial statements include the statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements. The Corporation also includes in this report additional information to supplement the basic financial statements.

The first of these statements is the Statement of Net Position. This is the statement of financial position presenting information that includes all of the Corporation's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation as a whole is improving or deteriorating. Evaluation of the overall economic health of the Corporation must include other non-financial factors such as the economic picture of the City and the State, in addition to the financial information provided in this report.

The second statement is the Statement of Revenues, Expenses and Changes in Net Position, which reports how the Corporation's net position changed during the current and previous fiscal period. Revenue and expenses are included when earned or incurred, regardless of when cash is received or paid.

The third statement is the Statement of Cash Flows, which shows the sources and uses of cash.

The accompanying Notes to the Financial Statements provide information essential to a full understanding of the financial statements.

Below is a summary of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2020:

Summary of Net Position

	Fiscal Year		Dollar Change	Percent Change
	2020	2019		
Current assets	\$ 6,167,848	\$ 770,323	\$ 5,397,525	700.7%
Noncurrent assets	17,091,900	23,068,217	(5,976,317)	-25.9%
Total assets	<u>23,259,748</u>	<u>23,838,540</u>	<u>(578,792)</u>	<u>-2.4%</u>
Current liabilities	548,492	367,769	180,723	49.1%
Noncurrent liabilities	24,052,081	24,065,959	(13,878)	-0.1%
Total liabilities	<u>24,600,573</u>	<u>24,433,728</u>	<u>166,845</u>	<u>0.7%</u>
Net position:				
Net investment in capital assets	(2,098,850)	(1,352,742)	(746,108)	55.2%
Unrestricted	<u>758,025</u>	<u>757,554</u>	<u>471</u>	<u>0.1%</u>
Total net position	<u>\$ (1,340,825)</u>	<u>\$ (595,188)</u>	<u>\$ (745,637)</u>	<u>125.3%</u>

Current and Noncurrent Liabilities increased and decreased by approximately \$181 thousand and \$14 thousand, respectively. This was primarily due to the recognition of \$355,000 in principal as current in 2020. Net investment in capital assets decreased an additional \$746,108 primarily as the result of debt service interest payments that were partially offset by interest earnings from the limited use asset.

Summary of Changes in Net Position

	Fiscal Year		Dollar Change	Percent Change
	2020	2019		
Revenues:				
Charges for services	\$ 1,001,547	\$ 786,878	\$ 214,669	27.3%
Interest income	57,628	627,605	(569,977)	-90.8%
Rental income	378,135	-	378,135	100.0%
Total revenues	1,437,310	1,414,483	22,827	1.6%
Expenses:				
Contractual	384,195	330,486	53,709	16.3%
Insurance	182	182	-	0.0%
Professional fees	7,432	14,745	(7,313)	-49.6%
Miscellaneous	2,540	2,500	40	1.6%
Interest expense	1,174,713	1,180,927	(6,214)	-0.5%
Tactical urbanism	116,050	171,000	(54,950)	-32.1%
Total expenses	1,685,112	1,699,840	(14,728)	-0.9%
Change in net position	\$ (247,802)	\$ (285,357)	\$ 37,555	-13.2%

Charges for services increased by \$214,669 or 27.3% primarily as a result of increased application fees received in 2020.

Interest income decreased by \$569,977 or 90.8% primarily as a result of the usage of restricted cash being used for the core and shell construction and tenant fit-out of 70 Nardozzi Place.

Interest expense decreased by \$6,214 or 0.5%. (Refer to Note 5).

Budgetary Highlights

The Corporation adopts an annual budget and reports the results of operations on a budgetary comparison basis.

During 2020, seven projects closed resulting in a total transaction fee of \$1,000,047 to the New Rochelle Corporation for Local Development. These projects were: BRP 10 Commerce, LLC; New Rochelle Birch Development, LLC; CH New Rochelle, LLC; WBLM 25 Maple Owner, LLC; MJ Garden, LLC; Georgica Green Ventures, LLC; and Lincoln Renaissance, LLC. The total transaction fee constitutes a percentage of the total transaction fees that closed under the Uniform Joint Application and fee schedule. In January of 2018, the New Rochelle Industrial Development Agency (IDA) and the New Rochelle Corporation for Local Development adopted the Uniform Joint Application and fee schedule authorizing a percentage of closings fees from projects approved under the Joint Application to be allocated between the IDA and the Corporation, determined on a case by case basis.

In preparing its Budget, the Corporation attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditure appropriations and activities in a prudent manner. The FY 2020 budget anticipated the completion of six transactions with estimated transaction fees of \$947,962. Pursuant to the Joint Application, seven projects closed generating transaction fees in the amount of \$1,000,047. Five additional projects are anticipated to close in 2021 with an estimated transaction fee total of \$764,906, which constitutes a 60% split of the transaction fee with the New Rochelle Industrial Development Agency, pursuant to the adoption of the Unified Joint Application and

fee schedule. Operating expenses were \$378,401 less than the final budget offset by non-operating expenses exceeding budget by \$923,135 as a result of the \$24 million bond issuance. (Refer to Note 5).

On April 18, 2018, The City of New Rochelle Corporation for Local Development issued bonds Series 2018 A-1 & A- 2 totaling \$24,000,000. The bonds are not guaranteed by the City; however, the City is obligated in a related sublease.

The Sublease does not constitute a general debt or liability obligation of the City, or a pledge of the faith and credit or taxing power of the City, but shall be a special obligation expressly subject to appropriation by the City and terminable by the City by reason of its failure or refusal to so appropriately.

The obligation of the City to make payments under the Sublease does not constitute an obligation for which the City has levied or pledged any form of taxation.

The City shall pay to the Issuer Base Ground Rent equal to \$260,000 for the first Lease Year and for each subsequent Lease Year, the immediate prior Sublease Base Rental Rate increased by 1.65%. In addition, the City shall pay additional rent including, without limitation. Amounts related to applicable CAM charges, real estate taxes, and the additional rent amounts pursuant to Section 3.1 of the Sublease. Additional details may be found in the executed Sub-Lease.

Economic Factors

The Corporation will continue to look for funding opportunities to further its mission of promoting local development. Each year, the Corporation will evaluate opportunities for investment of its resources in furthering this mission.

Long-Term Liabilities

Long Term debt is reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

Contacting Administration

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Corporation's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact the City of New Rochelle Corporation for Local Development's Board at the City Hall, 515 North Avenue, New Rochelle, New York.

City of New Rochelle Corporation for Local Development

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Statement of Net Position

December 31, 2020

ASSETS

Cash and equivalents	\$ 1,303,479
Accounts receivable	3,000
Prepaid expenses	38
Restricted cash	4,861,331
Non-current assts	
Capital assets - not being depreciated	<u>17,091,900</u>
Total Assets	<u>23,259,748</u>

LIABILITIES

Accounts payable	56,870
Accrued interest payable	491,622
Non-current liabilities	
Bonds payable, due within one year	370,000
Bonds payable, due in more than one year	<u>23,682,081</u>
Total Liabilities	<u>24,600,573</u>

NET POSITION

Net investment in capital assets	(2,098,850)
Unrestricted	<u>758,025</u>
Total Net Position	<u>\$ (1,340,825)</u>

See notes to financial statements

City of New Rochelle Corporation for Local Development

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2020

OPERATING REVENUES

Charges for services	\$ 1,001,547
Rental income	378,135
	<u>1,379,682</u>

Total Operating Revenues

OPERATING EXPENSES

Contractual	384,195
Insurance	182
Professional fees	7,432
Miscellaneous	2,540
	<u>394,349</u>

Total Operating Expenses

Operating Income

985,333**NON-OPERATING REVENUES (EXPENSE)**

Interest income	57,628
Interest expense	(1,174,713)
Tactical urbanism	(116,050)
	<u>(1,233,135)</u>

Total Non-Operating Expenses

Change in Net Position

(247,802)**NET POSITION**

Beginning of Year, as reported	(595,188)
Prior Period Adjustment	(497,835)
	<u>(1,093,023)</u>
Beginning of Year, as restated	(1,093,023)
End of Year	<u><u>\$ (1,340,825)</u></u>

See notes to financial statements

City of New Rochelle Corporation for Local Development

(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Statement of Cash Flows

Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from charges for services	\$ 1,378,182
Cash payments for goods and services	<u>(350,248)</u>
Net Cash from Operating Activities	<u>1,027,934</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(12,616,900)
Repayment of bonds payable	(368,878)
Tactical Urbanism Downtown	(116,050)
Interest paid	<u>(1,180,926)</u>
Net Cash from Capital and Related Financing Activities	<u>(14,282,754)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>57,628</u>
Net Change in Cash and Equivalents	(13,197,192)

CASH AND EQUIVALENTS

Beginning of Year	<u>19,362,002</u>
End of Year	<u><u>\$ 6,164,810</u></u>

**RECONCILIATION OF CASH AND EQUIVALENTS
TO THE STATEMENT OF NET POSITION**

Cash and equivalents	\$ 1,303,479
Restricted cash	<u>4,861,331</u>
Total Cash and Equivalents	<u><u>\$ 6,164,810</u></u>

**RECONCILIATION OF INCOME FROM OPERATIONS TO
NET CASH FROM OPERATING ACTIVITIES**

Operating Income	\$ 985,333
Change in operating assets and liabilities	
Accounts receivable	(1,500)
Accounts payable	56,870
Accrued liabilities	<u>(12,769)</u>
Net Cash from Operating Activities	<u><u>\$ 1,027,934</u></u>

See notes to financial statements

City of New Rochelle Corporation for Local Development
(A Discretely Presented Component Unit of the City of New Rochelle, New York)

Schedule of Budget with Actual Operating Amounts
Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUE				
Charges for services	\$ 943,468	\$ 943,468	\$ 1,001,547	\$ 58,079
Rental	-	-	378,135	378,135
	<u>943,468</u>	<u>943,468</u>	<u>1,379,682</u>	<u>436,214</u>
OPERATING EXPENSES				
Contractual	367,450	367,450	384,195	(16,745)
Insurance	300	300	182	118
Professional fees	400,000	400,000	7,432	392,568
Miscellaneous	5,000	5,000	2,540	2,460
	<u>772,750</u>	<u>772,750</u>	<u>394,349</u>	<u>378,401</u>
Total Operating Expenses	<u>772,750</u>	<u>772,750</u>	<u>394,349</u>	<u>378,401</u>
Operating Income	<u>170,718</u>	<u>170,718</u>	<u>985,333</u>	<u>814,615</u>
NON-OPERATING REVENUES (EXPENSE)				
Interest income	-	-	57,628	57,628
Interest expense	-	-	(1,174,713)	(1,174,713)
Tactical urbanism	(310,000)	(310,000)	(116,050)	193,950
	<u>(310,000)</u>	<u>(310,000)</u>	<u>(1,233,135)</u>	<u>(923,135)</u>
Total Non-Operating Expenses	<u>(310,000)</u>	<u>(310,000)</u>	<u>(1,233,135)</u>	<u>(923,135)</u>
Deficiency of revenues over expenses	<u>(139,282)</u>	<u>(139,282)</u>	<u>(247,802)</u>	<u>(108,520)</u>
NET POSITION				
Beginning of Year, as reported	139,282	139,282	(595,188)	(734,470)
Prior Period Adjustment	-	-	(497,835)	(497,835)
Beginning of Year, as restated	<u>139,282</u>	<u>139,282</u>	<u>(1,093,023)</u>	<u>(1,232,305)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,340,825)</u>	<u>\$ (1,340,825)</u>

**City of New Rochelle Corporation for Local Development
(A Discretely Presented Component Unit of the City of New Rochelle, New York)**

Notes to the Financial Statements
December 31, 2020

Note 1 - Organization and Purpose

The City of New Rochelle Corporation for Local Development Corporation ("CLD") is a Corporation for Local Development created in 2013 under Sections 402 and 1411 of the New York Not-for-Profit Corporation Law for the purposes of relieving unemployment, bettering job opportunities and attracting or retaining business in the City of New Rochelle, New York ("City"). The Board of Directors of the Corporation consist of the members of the Board of the New Rochelle Industrial Development Agency and are appointed by the City. As such, the Corporation for Local Development Corporation members have complete responsibility for management of the CLD and accountability for all fiscal matters. Accordingly, the CLD, although established by the City, is a separate entity and operates independently of the City. The CLD is exempt from Federal, State and local income taxes.

Note 2 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The CLD has been identified as an organization related to the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 61, as such is reported as discretely presented component unit of the City.

B. Basis of Accounting

The accounting policies of the CLD conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The CLD 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.

C. Assets, Liabilities and Net Position

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The CLD's deposits and investment policies are governed by State statutes. The CLD has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The CLD is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

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. The CLD has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize 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 of New York and its municipal and school district subdivisions.

City of New Rochelle Corporation for Local Development

Notes to the Financial Statements (Continued)
December 31, 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The CLD follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", 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.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The CLD does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the CLD does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the CLD's deposits may not be returned to it. GASB Statement No. 40, "*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*", 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 CLD's name. The CLD's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2020.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The CLD does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The CLD's investment policy limits the amount on deposit at each of its banking institutions.

Capitalization and Depreciation

Capital Assets are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over their estimated useful lives. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight line method. Costs incurred in relation to development of the project for interest, property taxes and insurance are capitalized only during periods in which activities necessary to

City of New Rochelle Corporation for Local Development

Notes to the Financial Statements (Continued)
December 31, 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

prepare the property for its intended use are in progress. Expenditures for maintenance and repairs are charged to expense as incurred. Capital assets not being depreciated include construction-in-progress.

Net Position - represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is comprised of three components: restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either through the enabling legislation adopted by the CLD or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted net position is the amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that does not meet the definition of the two preceding categories.

D. 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 disclosure 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 those estimates. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 ("Coronavirus") pandemic and the mitigation responses, and such differences may be material. (See Note 6).

Note 3 - Transactions with the City of New Rochelle

As a component unit of the City of New Rochelle, New York, transactions occur between the CLD and the City throughout the year in the ordinary course of operations. Below is a summary of significant transactions:

Contract services - The City provides executive and administrative services as defined in an annual contract agreed to between the City and the CLD. These services are billed semi-annually and totaled \$384,195 during 2020.

During 2018 the City of New Rochelle Corporation for Local Development ("CLD") entered into a lease agreement for a mixed use building being constructed at 70 Nardozzi Place, New Rochelle, New York. Once the building is completed the lease will become effective. The lease is for an initial term of forty-

City of New Rochelle Corporation for Local Development

Notes to the Financial Statements (Continued)
December 31, 2020

Note 3 - Transactions with the City of New Rochelle (Continued)

five (45) years with two ten (10) year options. The initial lease payment is for \$260,000 annually with a 1.65% increase in each year the lease is in effect. In addition, the CLD has sub-let the premises to the City of new Rochelle for the same forty-five (45) year term with 2 ten (10) year options. The lease payment that is due the CLD shall be sufficient to cover the debt service necessary to retire the annual principle and interest due on the 2018 A-1 and 2018 A-2 revenue bonds issued for the leasehold improvements made by the CLD to the premises and the annual required lease payment made by the CLD to the landlord.

Note 4 - Capital Assets

Changes in the CLD’s capital assets are as follows:

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
Construction-in-Progress	\$ 4,475,000	\$ 12,616,900	\$ -	\$ 17,091,900

Note 5 - Long-Term Liabilities

The following table summarizes changes in the CLD’s long-term liabilities for the year ended December 31, 2020:

	Balance January 1, 2020	New Issues/ Additions	Maturities and/or Payments and Other	Balance December 31, 2020	Due Within One Year
Revenue bonds	\$ 3,805,000	\$ -	\$ 355,000	\$ 3,450,000	\$ 370,000
Revenue bonds	20,195,000	-	-	20,195,000	-
Unamortized premium on revenue bonds	420,959	-	13,878	407,081	-
Long-Term Liabilities	\$ 24,420,959	\$ -	\$ 368,878	\$ 24,052,081	\$ 370,000

Bonds payable are comprised of the following:

Bond Issue	Issued	Maturity	Interest Rate	Balance December 31, 2020
Tax exempt revenue bond 2018A-1	4/18/2018	8/1/2028	4.20%	\$ 3,450,000
Tax exempt revenue bond 2018A-2	4/18/2018	8/1/2050	5.13%	20,195,000
				<u>\$ 23,645,000</u>

City of New Rochelle Corporation for Local Development

Notes to the Financial Statements (Continued)
December 31, 2020

Note 5 - Long-Term Liabilities (Continued)

The annual requirement to amortize all bonded debt outstanding as of December 31, 2020, including interest payments of \$22,906,459 are as follows:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 370,000	\$ 1,179,894
2022	390,000	1,164,354
2023	405,000	1,147,974
2024	420,000	1,130,964
2025	440,000	1,113,324
2026-2030	2,485,000	5,269,955
2031-2035	3,165,000	4,595,588
2036-2040	4,060,000	3,696,663
2041-2045	5,215,000	2,544,306
2046-2050	6,695,000	1,063,437
	<u>\$ 23,645,000</u>	<u>\$ 22,906,459</u>

Note 6 - Conduit Debt Obligations, Revenue Bonds and Note Transactions

The CLD has issued Revenue Bonds to local non-profit organizations, which provides the organizations the opportunity to utilize tax-exempt financing for eligible projects. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the facilities transfers to the non-profit organization serviced by the bond issuance.

Neither the CLD or the City of New Rochelle, New York is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2020, there were two series of Revenue Bonds outstanding, with an aggregate principal amount payable of \$45,155,000.

Note 7 - Prior Period Adjustment

The net position as of December 31, 2019 has been decreased by \$497,835 to recognize the interest payable on the Revenue Bonds.

Note 8 - Contingencies

Coronavirus

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of COVID-19 ("Coronavirus"). The pandemic has resulted in substantial economic volatility on a global scale. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

City of New Rochelle Corporation for Local Development

Notes to the Financial Statements (Concluded)
December 31, 2020

Note 9 - 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 March 24, 2021.

* * * * *



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditors' Report

**The Board of Directors of the
City of New Rochelle Corporation for Local Development**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of New Rochelle Corporation for Local Development ("CLD") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the CLD's financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 24, 2021