

**CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY**

**(A COMPONENT UNIT OF THE  
CITY OF PEEKSKILL, NEW YORK)**

**FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY INFORMATION**

**AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF PEEKSKILL, NEW YORK)

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O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the  
City of Peekskill Industrial Development Agency:

We have audited the accompanying statements of net assets of the City of Peekskill Industrial Development Agency ("Agency") (a component unit of the City of Peekskill, New York) 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 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 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 the Agency as of December 31, 2011 and 2010 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information 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 it.

*O'Connor Davies Munns & Dobbins, LLP*

**O'Connor Davies Munns & Dobbins, LLP**

Harrison, New York

February 17, 2012

**City of Peekskill Industrial Development Agency  
(A component unit of the City of Peekskill, New York)  
Management's Discussion and Analysis  
Year Ended December 31, 2011**

Compliance and Accountability

The City of Peekskill Industrial Development Agency's ("Agency") management is under the direction of the seven appointed members of the Board. Pursuant to Article II, Section 1 and Section 2 of the Agency's bylaws, the Agency's Board members are appointed by the Common Council of the City of Peekskill, New York. The term of office of each Board member of the Agency shall be at the pleasure of the Council, and each Board member shall continue to hold office until his/her successor is appointed and has qualified.

Following the passage of the 2005 Public Authority Accountability Act ("PAAA"), the Agency adopted new by-laws, policies and procedures consistent with the PAAA.

The Agency has established its own financial systems separate from those of the City of Peekskill, New York ("City"). The Agency has an Executive Director who has the general supervision over the administration of the business and affairs of the Agency. He also serves as compliance officer. The Compliance Officer is responsible for insuring that the Agency complies with all financial and other reporting requirements imposed by structure, including those requirements in General Municipal Law and the PAAA. The Agency also appoints a Treasurer, a non-voting member, who has the care and custody of all funds of the Agency and keeps regular books of accounts for all its receipts and expenses. The Treasurer also renders financial reports during each of the Agency's regular meetings.

An Audit Committee of three Board members is responsible for the appointment, compensation and oversight of the public accounting firm. The Audit Committee offers its recommendations to the full Agency for action and/or adoption.

Financial Highlights

*Change in Net Assets*

The change in net assets was a decrease of \$11,376 in 2011 compared to the 2010 increase in net assets of \$144,349. The \$11,376 decrease is primarily due to a decrease in total revenues of \$200,209, and a decrease in expenses of \$44,484. Decrease in revenues and expenditures were caused by the fact that in 2010 a \$10,000,000 bond was issued by Barham House LLC. No bonds were issued in 2011.

*Liquidity*

Cash and equivalents decreased by \$172,846 in 2011. The overall decrease in cash and equivalents is primarily due to a decrease in revenues.

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF PEEKSKILL, NEW YORK)

STATEMENTS OF NET ASSETS  
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 727,560	\$ 900,406
Loans receivable	191,998	208,140
Accrued interest	1,217	1,217
Property held for investment	<u>365,750</u>	<u>365,750</u>
 Total Assets	 <u>\$ 1,286,525</u>	 <u>\$ 1,475,513</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 4,500	\$ 51,550
Accrued liabilities	520	-
Due to other governments	<u>-</u>	<u>131,082</u>
 Total Liabilities	 <u>5,020</u>	 <u>182,632</u>
 Net Assets:		
Invested in property	365,750	365,750
Unrestricted	<u>915,755</u>	<u>927,131</u>
 Total Net Assets	 <u>1,281,505</u>	 <u>1,292,881</u>
 Total Liabilities and Net Assets	 <u>\$ 1,286,525</u>	 <u>\$ 1,475,513</u>

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY  
 (A COMPONENT UNIT OF THE CITY OF PEEKSKILL, NEW YORK)

STATEMENTS OF ACTIVITIES  
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Rental of real property	\$ 21,056	\$ 21,056
Interest income	9,098	13,056
Service income	-	189,400
Miscellaneous	-	6,851
	<u>30,154</u>	<u>230,363</u>
Total Revenues		
Expenses:		
Salaries	14,202	13,544
Professional services	6,242	6,539
Planning services	16,425	15,453
Bond issuance charge	-	50,447
New York State administrative service fee	4,500	-
Other	161	31
	<u>41,530</u>	<u>86,014</u>
Total Expenses		
Change in Net Assets	(11,376)	144,349
Net Assets - Beginning of Year	<u>1,292,881</u>	<u>1,148,532</u>
Net Assets - End of Year	<u>\$ 1,281,505</u>	<u>\$ 1,292,881</u>

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF PEEKSKILL, NEW YORK)

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Cash receipts from tenants	\$ 21,056	\$ 21,056
Cash received from operating revenues	-	202,880
Cash received from interest	9,098	13,056
Cash received from other governments	-	131,082
Cash paid to employees and for benefits	(14,202)	(13,544)
Cash paid for administrative costs	<u>(204,940)</u>	<u>(20,920)</u>
Net Cash From by Operating Activities	(188,988)	333,610
Cash Flows from Investing Activities:		
Principal from loan receivable	<u>16,142</u>	<u>18,505</u>
Net Change in Cash and Cash Equivalents	(172,846)	352,115
Cash and Cash Equivalents - Beginning of Year	<u>900,406</u>	<u>548,291</u>
Cash and Cash Equivalents - End of Year	<u>\$ 727,560</u>	<u>\$ 900,406</u>
Reconciliation of Change in Net Assets to Net Cash from Operating Activities -	\$ (11,376)	\$ 144,349
Changes in operating assets and liabilities:		
Accounts receivable	-	13,480
Accounts payable	(47,050)	51,550
Accrued liabilities	520	-
Due to other governments	<u>(131,082)</u>	<u>124,231</u>
Net Cash From Operating Activities	<u>\$ (188,988)</u>	<u>\$ 333,610</u>



NOTES TO FINANCIAL STATEMENTS (Concluded)

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**Note 1 - Organization**

The City of Peekskill Industrial Development Agency ("Agency"), a corporate governmental agency constituting a public benefit corporation, was created to assist the City of Peekskill, New York ("City") in financing projects within the City limits that would enhance the social and economic fabric of the City. The Agency is governed by Article 18-A of the General Municipal Law of the State of New York. The Agency is exempt from Federal, State and Local income taxes.

**Note 2 - Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The Agency has been identified as a component unit of the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 14, the Agency's financial statements have been discretely presented in the City's financial statements.

**Basis of Accounting**

The accounting policies of the Agency 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 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.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with maturities of three months or less, at the time of purchase. Collateral is required for these deposits at 100% of all deposits not covered by Federal deposit insurance. The Agency has entered into custodial agreements with the depositories 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 and its municipal and school district subdivisions.

**Net Assets**

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

**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 expenses during the reporting period. Actual results could differ from these estimates.

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF PEEKSKILL, NEW YORK)

NOTES TO FINANCIAL STATEMENTS (Concluded)

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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 February 17, 2012.

**Note 3 - Loans Receivable**

During 2006 the Agency sold its ownership in land and buildings in exchange for a mortgage note receivable in the amount of \$310,000. Under terms of the note, interest and principal are due monthly over the 15 year duration of the note. The note is secured by the land and building and bears interest at 5% per annum. Future amounts expected to be received in the next five years and thereafter are as follows:

<u>Year Ending</u> <u>December 31,</u>		
2012	\$	23,756
2013		21,393
2014		22,593
2015		23,749
Thereafter		<u>100,507</u>
	\$	<u>191,998</u>

**Note 4 - Industrial Revenue Bond Transactions**

Certain industrial development revenue bonds issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds are not obligations of the Agency. The Agency does not record the assets or a liability resulting from completed bond issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds.

## **SUPPLEMENTAL INFORMATION**

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF PEEKSKILL, NEW YORK)

OTHER REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF BOND ISSUANCES AND OUTSTANDING BALANCES  
YEAR ENDED DECEMBER 31, 2010

Project Name Owner Name and Address	Interest Rate	Date of Issue	Original Issue Proceeds	Outstanding Balance at January 1, 2011	Retired in 2011	Outstanding December 31, 2011	Maturity Date	Purpose	Federal Tax Status
Drum Hill Senior Living Project Peekskill, NY 10566	6.380 %	10/11/1998	\$ 12,330,000	\$ 11,665,000	\$ 365,000	\$ 11,300,000	9/30/2028	Construction of Senior Living Facility	Exempt
Courtyard Housing, LLC Project 901-907 Main Street Peekskill, NY 10566	5.590	4/28/2005	11,547,920	11,086,334	286,565	10,799,769	2/1/2037	Acquisition and improvement of Courtyard Housing Project	Exempt
Stuhr Gardens Associates LLC Project 121 Vail Avenue Peekskill, NY 10566	5.950	5/18/2007	7,194,081	5,721,634	41,200	5,680,434	11/1/2048	Acquisition and improvement of Stuhr Gardens Multi-Family Housing Project	Exempt
Barham House LLC Project Peekskill, NY 10566	5.400	12/30/2010	10,000,000	10,000,000	696,689	9,303,311	6/30/2042	Construction of Senior Living Facility	Exempt
			<u>\$ 41,072,001</u>	<u>\$ 38,472,968</u>	<u>\$ 1,389,454</u>	<u>\$ 37,083,514</u>			

See Independent Auditors' Report

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY  
 (A COMPONENT UNIT OF THE CITY OF PEEKSKILL, NEW YORK)

OTHER REQUIRED SUPPLEMENTAL INFORMATION  
 YEAR ENDED DECEMBER 31, 2011

**Payments in Lieu of Taxes:**

Project	Project Address	Pilot Payments City	Pilot Payments School	Pilot Payments County
Giuliante Family Limited Partnership	12 John E. Walsh Blvd.	16,160	30,641	7,325
Wesley Hall Apartments	801 South St.	14,559	39,419	8,022
64 JWB LLC	4-6 John E. Walsh Blvd.	53,286	101,033	23,889
Stuhr Gardens Associates LLC	Vail Avenue	34,649	95,576	14,729
Courtyard Housing LLC	901-907 Main Street	40,000	52,154	9,128
Drum Hill Senior Living Project	90 Ringgold Street	5,312	41,565	6,883
Barham House LLC	951-953 Main Street	26,250	-	966

**Estimate of the Number of Full-Time Equivalent (FTE) Jobs Created and Retained by Each Project - 542**



**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***

To the Board of Trustees of the  
City of Peekskill Industrial Development Agency:

We have audited the financial statements of City of Peekskill Industrial Development Agency ("Agency") as of and for the year ended December 31, 2011, and have issued our report thereon dated February 17, 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.

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 Trustees Officials of the City of Peekskill, New York, and the Office of the State Comptroller of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

*O'Connor Davies Munns & Dobbins, LLP*

**O'Connor Davies Munns & Dobbins, LLP**

Harrison, New York

February 17, 2012



O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

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

To the Board of Trustees of the  
City of Peekskill Industrial Development Agency:

We have examined the City of Peekskill Industrial 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 December 31, 2011. 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 December 31, 2011.

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

*O'Connor Davies Munns & Dobbins, LLP*

**O'Connor Davies Munns & Dobbins, LLP**  
Harrison, New York  
February 17, 2012