

**CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY

TABLE OF CONTENTS

---

|   | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report  | 1-2         |
| Management's Discussion and Analysis  | 3           |
| Statements of Financial Position  | 4           |
| Statements of Activities  | 5           |
| Statements of Cash Flows  | 6           |
| Notes to Financial Statements   | 7-8         |
| Supplementary Information   |             |
| Schedule of Bond Issuances and Outstanding Balances   | 9           |
| Other Required Supplemental Information   | 10          |
| Independent Accountants' Report on Compliance with Section 2925(3)(1)<br>of the New York State Public Authorities Law | 11          |



**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of the City of Peekskill Industrial Development Agency (the "Agency") as of December 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2010 and 2009 and the changes in its financial position and its 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 the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our 2010 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*O'Connor Davies Murino & Dobbins, LLP*

Harrison, New York  
March 18, 2011

**City of Peekskill Industrial Development Agency  
Management's Discussion and Analysis  
Year Ended December 31, 2010**

**Compliance and Accountability**

The City of Peekskill Industrial Development Agency's (the "Agency") management was 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. 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 Act.

The Agency has established its own financial systems separate from those of the City of Peekskill. 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 the 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 an increase of \$144,349 in 2010 compared to the 2009 change in net assets of \$29,201. The \$144,349 increase is primarily due to an increase in total revenues of \$166,040, offset by increases in expenses of \$15,453 for planning services and approximately \$36,000 in New York State Administrative service fee. Increases in revenues and expenditures were caused by issuance of new \$10,000,000 bond in December of 2010 by Barham House LLC and all the revenue bond activities for development of Barham House project.

*Liquidity*

Cash and equivalents increased by \$352,115 in 2010. The overall increase in cash and equivalents is primarily due to the increase in revenues:

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009

| <b>ASSETS</b>  | <u>2010</u>                | <u>2009</u>                |
|--|----------------------------|----------------------------|
| Cash and cash equivalents  | \$ 900,406                 | \$ 548,291                 |
| Accounts receivable  | -                          | 13,480                     |
| Loans receivable   | 208,140                    | 226,645                    |
| Accrued interest   | 1,217                      | 1,217                      |
| Due from other governments, net of \$303,439<br>reserved for uncollectible accounts for 2009 | -                          | -                          |
| Property held for investment   | <u>365,750</u>             | <u>365,750</u>             |
| <b>Total Assets</b>  | <u><u>\$ 1,475,513</u></u> | <u><u>\$ 1,155,383</u></u> |
| <br><b>LIABILITIES AND NET ASSETS</b>  |                            |                            |
| <b>Liabilities:</b>  |                            |                            |
| Accounts payable   | \$ 51,550                  | \$ -                       |
| Due to other governments   | <u>131,082</u>             | <u>6,851</u>               |
| <b>Total Liabilities</b>   | <u>182,632</u>             | <u>6,851</u>               |
| <br><b>Net Assets:</b>   |                            |                            |
| Invested in property   | 365,750                    | 365,750                    |
| Unrestricted   | <u>927,131</u>             | <u>782,782</u>             |
| <b>Total Net Assets</b>  | <u>1,292,881</u>           | <u>1,148,532</u>           |
| <b>Total Liabilities and Net Assets</b>  | <u><u>\$ 1,475,513</u></u> | <u><u>\$ 1,155,383</u></u> |

See notes to financial statements

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF ACTIVITIES  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

|   | <u>2010</u>         | <u>2009</u>         |
|---|---------------------|---------------------|
| <b>Revenues:</b>                          |                     |                     |
| Rental of real property                   | \$ 21,056           | \$ 21,056           |
| Interest income                           | 13,056              | 13,319              |
| Marina fees                               | -                   | 2,205               |
| Service income                            | 189,400             | 21,000              |
| Miscellaneous                             | 6,851               | 12                  |
|   | <u>230,363</u>      | <u>57,592</u>       |
| <b>Total Revenues</b>                     |                     |                     |
| <b>Expenses:</b>                          |                     |                     |
| Salaries                                  | 13,544              | 13,618              |
| Professional services                     | 6,539               | 3,430               |
| Planning services                         | 15,453              | -                   |
| Bond issuance charge                      | 50,447              | -                   |
| New York State administrative service fee | -                   | 6,851               |
| Other                                     | 31                  | 4,492               |
|   | <u>86,014</u>       | <u>28,391</u>       |
| <b>Total Expenses</b>                     |                     |                     |
| <b>Change in Net Assets</b>               | 144,349             | 29,201              |
| <b>Net Assets - Beginning of Year</b>     | <u>1,148,532</u>    | <u>1,119,331</u>    |
| <b>Net Assets - End of Year</b>           | <u>\$ 1,292,881</u> | <u>\$ 1,148,532</u> |

See notes to financial statements

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

|   | <u>2010</u>       | <u>2009</u>       |
|---|-------------------|-------------------|
| <b>Cash Flows from Operating Activities:</b>  |                   |                   |
| Cash receipts from tenants  | \$ 21,056         | \$ 21,056         |
| Cash received from operating revenues   | 202,880           | 21,012            |
| Cash received from interest   | 13,056            | 13,319            |
| Cash received due to other governments  | 131,082           | -                 |
| Cash paid to employees and for benefits   | (13,544)          | (13,618)          |
| Cash paid for administrative costs  | (20,920)          | (7,932)           |
|   | <u>333,610</u>    | <u>33,837</u>     |
| <b>Net Cash From by Operating Activities</b>  | <b>333,610</b>    | <b>33,837</b>     |
| <b>Cash Flows from Investing Activities:</b>  |                   |                   |
| Principal from loan receivable  | 18,505            | 17,605            |
|   | <u>18,505</u>     | <u>17,605</u>     |
| <b>Net Change in Cash and Cash Equivalents</b>                                      | <b>352,115</b>    | <b>51,442</b>     |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                                | <b>548,291</b>    | <b>496,849</b>    |
|   | <u>548,291</u>    | <u>496,849</u>    |
| <b>Cash and Cash Equivalents - End of Year</b>                                      | <b>\$ 900,406</b> | <b>\$ 548,291</b> |
|   | <u>\$ 900,406</u> | <u>\$ 548,291</u> |
| <b>Reconciliation of Change in Net Assets to Net Cash from Operating Activities</b> | <b>\$ 144,349</b> | <b>\$ 29,201</b>  |
| <b>Changes in operating assets and liabilities:</b>                                 |                   |                   |
| Accounts receivable   | 13,480            | (2,205)           |
| Accounts payable  | 51,550            | -                 |
| Due to other governments  | 124,231           | 6,841             |
|   | <u>144,349</u>    | <u>6,841</u>      |
| <b>Net Cash From Operating Activities</b>   | <b>\$ 333,610</b> | <b>\$ 33,837</b>  |
|   | <u>\$ 333,610</u> | <u>\$ 33,837</u>  |

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

---

**Note 1 - Organization**

The City of Peekskill Industrial Development Agency (the "Agency"), a corporate governmental agency constituting a public benefit corporation, was created to assist the 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**

**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.

**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.

**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 18, 2011.

NOTES TO FINANCIAL STATEMENTS (Concluded)

**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<br/>December 31,</u> | <u>2010</u>       |
|-------------------------------------|-------------------|
| 2011                                | \$ 19,452         |
| 2012                                | 20,447            |
| 2013                                | 21,393            |
| 2014                                | 22,593            |
| 2015                                | 23,749            |
| Thereafter                          | <u>100,506</u>    |
|                                     | <u>\$ 208,140</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.

**Note 5 - Due from Other Governments - Peekskill Local Development Corporation (LDC)**

The balance due from the LDC as of December 21, 2009 is non-interest bearing during 2010 the IDA passed a resolution to absolve the LDC of this liability.



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 (the "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, 2010. 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, 2010.

This report is intended solely for the information and use of management, the Board of Trustees, officials of the City of Peekskill, 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 Munns & Dobbins, LLP*

Harrison, New York  
March 18, 2011

**SUPPLEMENTAL INFORMATION**

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY  
 SCHEDULE OF BOND ISSUANCES AND OUTSTANDING BALANCES  
 YEAR ENDED DECEMBER 31, 2010

| Project Name<br>Owner Name and Address   | Interest<br>Rate | Date of<br>Issue | Original<br>Issue<br>Proceeds | Outstanding<br>Balance at<br>January 1, 2010 | Issued in<br>2010    | Retired<br>in 2010 | Outstanding<br>12/31/10 | Maturity<br>Date | Purpose   | Federal<br>Tax<br>Status |
|--|------------------|------------------|-------------------------------|--|----------------------|--------------------|-------------------------|------------------|---|--------------------------|
| Drum Hill Senior Living Project<br>Peekskill, NY 10566                         | 6.360 %          | 10/1/1998        | \$ 12,330,000                 | \$ 12,010,000                                | \$ -                 | \$ 345,000         | \$ 11,665,000           | 9/30/2028        | Construction of Senior Living Facility                                    | Exempt                   |
| County Yard Housing, LLC Project<br>901-907 Main Street<br>Peekskill, NY 10566 | 5.590            | 4/28/2005        | 11,547,920                    | 11,334,090                                   | -                    | 247,756            | 11,086,334              | 2/1/2037         | Acquisition and improvement of County Yard Housing Project                | Exempt                   |
| Stuhr Gardens Associates LLC Project<br>121 Vail Avenue<br>Peekskill, NY 10566 | 5.950            | 5/18/2007        | 7,194,081                     | 5,760,460                                    | -                    | 38,826             | 5,721,634               | 11/1/2048        | Acquisition and improvement of Stuhr Gardens Multi-Family Housing Project | Exempt                   |
| Barham House LLC<br>Project<br>Peekskill, NY 10566                             | 5.400            | 12/30/2010       | 10,000,000                    | -  | 10,000,000           | -                  | 10,000,000              | 6/30/2042        | Construction of Senior Living Facility                                    | Exempt                   |
|  |                  |                  | <u>\$ 41,072,001</u>          | <u>\$ 29,104,550</u>                         | <u>\$ 10,000,000</u> | <u>\$ 631,582</u>  | <u>\$ 38,472,968</u>    |                  |   |                          |

See Independent Auditors' Report

CITY OF PEEKSKILL INDUSTRIAL DEVELOPMENT AGENCY

OTHER REQUIRED SUPPLEMENTAL INFORMATION  
YEAR ENDED DECEMBER 31, 2010

**Straight Lease Transactions Executed in 2010**

| <u>Project</u> | <u>Project Address</u>  | <u>Owner</u> | <u>Owner Address</u> | <u>Approximate Cost</u> | <u>Benefit (Sales Tax)</u> | <u>Benefit (Mortgage Tax)</u> | <u>Jobs at Location</u> | <u>Jobs to be Created</u> | <u>Jobs to be Retained</u> |
|----------------|-------------------------|--------------|----------------------|-------------------------|----------------------------|-------------------------------|-------------------------|---------------------------|----------------------------|
| 64 JWB LLC     | 4-6 John E. Walsh Blvd. | 64 JWB LLC   | 4 John Walsh Blvd.   | \$ 14,378,000           | 49,265                     | 27,446                        | 514                     | 0                         | 514                        |

The Amount of Tax Exemptions Authorized for Each Project - Not applicable

**Payments in Lieu of Taxes:**

| <u>Project</u>                       | <u>Project Address</u>  | <u>Pilot Payments City</u> | <u>Pilot Payments School</u> | <u>Pilot Payments County</u> |
|--------------------------------------|-------------------------|----------------------------|------------------------------|------------------------------|
| Giuliante Family Limited Partnership | 12 John E. Walsh Blvd.  | 15,862                     | 43,753                       | 10,112                       |
| Wesley Hall Apartments               | 801 South St.           | 38,979                     | 38,790                       | 8,625                        |
| 64 JWB LLC                           | 4-6 John E. Walsh Blvd. | 132,930                    | 99,238                       | 41,574                       |
| Stuhr Gardens Associates LLC         | Vail Avenue             | 34,601                     | 92,028                       | 15,953                       |
| Courtyard Housing LLC                | 901-907 Main Street     | 40,000                     | 52,513                       | 9,103                        |
| Drum Hill Senior Living Project      | 90 Ringgold Street      | 32,873                     | 32,873                       | 4,844                        |
| Barham House LLC                     | 951-953 Main Street     | 20,680                     | 5,834                        | 9,289                        |

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

See Independent Auditors' Report