

**CITY OF PEEKSKILL LOCAL DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 AND 2009**

**WITH INDEPENDENT AUDITORS' REPORT**



INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
City of Peekskill Local Development Corporation

We have audited the accompanying statements of financial position of the City of Peekskill Local Development Corporation ("Corporation") 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 Corporation'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 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 Corporation'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 and 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Peekskill Local Development Corporation as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Corporation is not currently involved in the funding of any projects but remains available to assist in the funding of projects that will enhance the quality of life in the City of Peekskill.

*O'Connor Davio Munno & Dobbino, LLP*

Harrison, New York  
March 18, 2011

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

**Compliance and Accountability**

The City of Peekskill Local Development Corporation (the "LDC") management was under the direction of the seven appointed members of the Board. Pursuant to Article II, Section 1 and Section 2 of the LDC's bylaws, the LDC's Board members are appointed by the Common Council of the City of Peekskill. The term of office of each Board member of the LDC 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 LDC adopted new by-laws, policies and procedures consistent with the Act.

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

**Financial Highlights**

There are no financial activities to be reported in 2010 and 2009 since LDC did not undertake any development projects due to current unfavorable economic conditions.

CITY OF PEEKSKILL LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
Due to Peekskill Industrial Development Agency	\$ -	\$ 303,439
Net Deficiency, Unrestricted	<u>-</u>	<u>(303,439)</u>
Total Liabilities and Net Deficiency	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

CITY OF PEEKSKILL LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Forgiveness of Debt	\$ 303,439	\$ -
<b>Expenses</b>	<u>-</u>	<u>-</u>
Change in Net Assets	303,439	-
Net Deficiency - Beginning of Year	<u>(303,439)</u>	<u>(303,439)</u>
Net Deficiency - End of Year	<u>\$ -</u>	<u>\$ (303,439)</u>

CITY OF PEEKSKILL LOCAL DEVELOPMENT CORPORATION

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

	<u>2010</u>	<u>2009</u>
Net Cash from Operating Activities		
Net Cash from Operating Activities	\$ -	\$ -
Cash and Cash Equivalents - Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash from by Operating Activities		
Change in net assets	\$ 303,439	\$ -
Forgiveness of Debt	<u>(303,439)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

CITY OF PEEKSKILL LOCAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

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**Note 1 - Organization and Purpose**

The City of Peekskill Local Development Corporation (the "LDC") was incorporated under Sections 102 and 1411 of the Not-For-Profit Corporation Law for the purpose of promoting, coordinating and executing programs in the City of Peekskill aimed at improving the quality of life of the city residents. There has been no activity within LDC in the past two years.

On February 14, 1998, the LDC acquired a parcel of real property located within the boundaries of the city, from the City of Peekskill Industrial Development Agency (IDA) and entered into a contract to adapt this property for office utilization. In conjunction with this project, the LDC issued tax exempt lease revenue bonds in the amount of \$3,000,000.

During September of 1999, the LDC sold its interest in the above referenced property for \$3,550,000. A portion of the proceeds of the sale were used to purchase State and Local Government Securities (SLGS) sufficient to create a cash flow stream that will provide for the debt servicing of the remaining bond principal in the amount of \$2,870,000 as of September 29, 1999 (bond defeasance) and continuing related interest cost thereon. As a result of the bond defeasance, the aforementioned funds and bonds are not included in the accompanying financial statements.

The LDC is not currently involved in the financing of any project for the benefit of the City of Peekskill but remains available to assist in the funding of projects that will enhance the quality of life in the City.

The income of the Corporation is excludable from taxation under Section 115(1) of the Internal Revenue Code.

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

**Basis of Accounting**

The accounting policies of the LDC conform to generally accepted accounting principles as applicable to governmental units. Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The LDC 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 LDC applies all applicable Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 in its accounting and reporting.

**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. The balance is classified as unrestricted.

**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.

CITY OF PEEKSKILL LOCAL DEVELOPMENT CORPORATION

NOTES TO THE 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 March 18, 2011.

**Note 3 - Due to Peekskill Industrial Development Agency (IDA)**

The balance due the IDA in 2009 was non-interest bearing and during 2010 the IDA passed a resolution to absolve the LDC of this liability. As such, the LDC has recorded revenues of this amount in 2010.