City of Peekskill Industrial Development Agency

(A Component Unit of the
City of Peekskill, New York)

Financial Statements
and Supplementary Information

Years Ended December 31, 2012 and 2011

City of Peekskill Industrial Development Agency
(A Component Unit of the City of Peekskill, New York)

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O'CONNOR DAVIES

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Independent Auditors' Report

The Board of Directors of the
City of Peekskill Industrial Development Agency

We have audited the accompanying statements of net position of the City of Peekskill Industrial Development Agency ("Agency"), a component unit of the City of Peekskill, New York, as of and for the years ended December 31, 2012 and 2011 and the related notes to the financial statements, which collectively comprise the Agency's financial statements as listed in the table of contents.

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 opinions 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 entity'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 entity'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 opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of December 31, 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Bond Issuances and Outstanding Balances and the Schedule of Payments in Lieu of Taxes 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 and other entities, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2013 on our consideration of the Agency'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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
March 14, 2013

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 Position

The change in net position was an increase of $48,328 in 2012 compared to the 2011 decrease of $11,376. The $48,328 increase is primarily due to an increase in total revenues of $79,503, offset by an increase in expense of $19,799. The increase in revenues was due, in part, to the sale of a parcel of land as part of a development project.

Liquidity

Cash and equivalents increased by $90,189 in 2012. The overall increase in cash and equivalents is primarily due to a increase in revenues.

City of Peekskill Industrial Development Agency
(A Component Unit of the City of Peekskill, New York)

Statements of Net Position
December 31,

	2012	2011
ASSETS		
Cash and cash equivalents	$ 817,749	$ 727,560
Accounts receivable	27,528	-
Loans receivable	175,171	191,998
Accrued interest	1,217	1,217
Property held for investment	308,750	365,750
Total Assets	1,330,415	1,286,525
LIABILITIES		
Accounts payable	-	4,500
Accrued liabilities	582	520
Total Liabilities	582	5,020
NET POSITION		
Investment in property	308,750	365,750
Unrestricted	1,021,083	915,755
Total Net Position	$ 1,329,833	$ 1,281,505

See notes to financial statements

City of Peekskill Industrial Development Agency
(A Component Unit of the City of Peekskill, New York)

Statements of Activities
Years Ended December 31,

	2012	2011
OPERATING REVENUES		
Rental of real property	$ 21,056	$ 21,056
Marina fees	7,795	-
Administrative fees	45,327	-
Total Operating Revenues	74,178	21,056
OPERATING EXPENSES		
Salaries	15,288	14,202
Professional services	6,242	6,242
Planning services	8,699	16,425
New York State administrative service fee	31,000	4,500
Other	100	161
Total Operating Expenses	61,329	41,530
Gain (Loss) from Operations	12,849	(20,474)
NON-OPERATING REVENUES		
Interest income	8,535	9,098
Gain on sale of property	26,944	-
Total Non-Operating Revenues	35,479	9,098
Change in Net Position	48,328	(11,376)
Net Position - Beginning	1,281,505	1,292,881
Net Position - Ending	$ 1,329,833	$ 1,281,505

See notes to financial statements

City of Peekskill Industrial Development Agency
(A Component Unit of the City of Peekskill, New York)

Statements of Cash Flows
Years Ended December 31,

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from tenants	$ 21,056	$ 21,056
Cash received from operating revenues	25,594	-
Cash paid to employees and for benefits	(15,288)	(14,202)
Cash paid for administrative costs	(50,479)	(204,940)
Net Cash from Operating Activities	(19,117)	(198,086)
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal from loan receivable	16,827	16,142
Interest income	8,535	-
Gain on sale of property	26,944	-
Net Cash from Investing Activities	52,306	16,142
Net Change in Cash and Cash Equivalents	33,189	(198,086)
Cash and Cash Equivalents - Beginning of Year	702,320	900,406
Cash and Cash Equivalents - End of Year	$ 735,509	$ 702,320
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FROM OPERATING ACTIVITIES		
Change in net position	$ 12,849	$ (20,474)
Changes in operating assets and liabilities		
Accounts receivable	(27,528)	-
Accounts payable	(4,500)	(47,050)
Accrued liabilities	62	520
Due to other governments	-	(131,082)
Net Cash From Operating Activities	$ (19,117)	$ (198,086)

See notes to financial statements

Note 1 - Summary of Significant Accounting Policies

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.

A. 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.

B. 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.

C. Assets Liabilities and Net Position

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 of 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.

Account Receivables - Receivables include amounts due from other governments and individuals for services provided by the Agency. Receivables are recorded and revenues recognized as earned or as specific program expenses are incurred.

Land - Land was contributed to the Agency by the County of Westchester, New York. The land is recorded at fair market value as of the date received.

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position - Net position represent the difference between assets and liabilities. Net position is reported as restricted only when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The net position on the Statement of Net Position include, Investment in property the balance is classified as unrestricted.

D. 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.

E. 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 14, 2013.

Note 2 - 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:

Year Ending December 31,	
2013	$ 28,423
2014	22,593
2015	23,749
2016	22,931
2017	24,104
Thereafter	53,371
	$ 175,171

Note 3 - 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 4 - Gain on Sale of Property

During 2012, the Agency sold its ownership in land located at 2 John E. Wash Boulevard for development of a hotel project. The Agency received administration fees of $43,977 from the developer and in addition a gain on sale of the property was recognized in the amount of $26,944.

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SUPPLEMENTARY INFORMATION

City of Peekskill Industrial Development Agency
(A Component Unit of the City of Peekskill, New York)

Other Required Supplementary Information
Schedule of Bond Issuances and Outstanding Balances
Year Ended December 31, 2012

Project Name Owner Name and Address	Interest Rate	Date of Issue	Original Issue Proceeds	Outstanding Balance at January 1, 2012	Retired in 2012	Outstanding December 31, 2012	Maturity Date	Purpose	Federal Tax Status
Drum Hill Senior Living Project Peekskill, NY 10566	6.380 %	10/1/1998	$ 12,330,000	$ 11,300,000	$ 390,000	$ 10,910,000	09/30/2028	Construction of Senior Living Facility	Exempt
Courtyard Housing, LLC Project 901-907 Main Street Peekskill, NY 10566	5.590	04/28/2005	11,547,920	10,799,769	258,187	10,541,582	02/1/2037	Acquisition and improvement of Courtyard Housing Project	Exempt
Stuhr Gardens Associates LLC Project 121 Vail Avenue Peekskill, NY 10566	5.950	05/18/2007	7,194,081	5,680,434	43,719	5,636,715	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	9,303,311	429,490	8,873,821	06/30/2042	Construction of Senior Living Facility	Exempt
			$ 41,072,001	$ 37,083,514	$ 1,121,396	$ 35,962,118			

City of Peekskill Industrial Development Agency
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Other Required Supplementary Information
Schedule of Payments in Lieu of Taxes
Year Ended December 31, 2012

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.	$ 17,773	$ 37,849	$ 7,197
Wesley Hall Apartments	801 South St.	14,716	39,546	7,739
64 JWB LLC	4-6 John E. Walsh Blvd.	58,605	124,801	23,727
Stuhr Gardens Associates LLC	Vail Avenue	35,561	99,676	15,943
Courtyard Housing LLC	901-907 Main Street	40,000	48,886	7,819
Drum Hill Senior Living Project	90 Ringgold Street	11,945	86,062	13,672
Barham House LLC	951-953 Main Street	16,608	46,550	7,446

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

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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 Peekskill Industrial Development Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the City of Peekskill Industrial Development Agency ("Agency"), a component unit of the City of Peekskill, New York as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated March 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") to determine the 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
March 14, 2013

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

The Board of Directors 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, 2012. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2012.

This report is intended solely for the information and use of management, the Board of Directors, 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, LLP

O'Connor Davies, LLP
Harrison, New York
March 14, 2013

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