

**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, 2013 and 2012

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

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## Independent Auditors' Report

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

### Report on Financial Statements

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, 2013 and 2012 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.

O'CONNOR DAVIES, LLP

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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, 2013 and 2012 and the respective changes in financial position and cash flows thereof for the years 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 financial statements. Such information, although not a part of the 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, 2014 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. In addition, we have also issued our report on compliance with Section 2925 of the New York State Public Authorities Law, dated March 14, 2014. The purpose of that report is to describe our testing of compliance with Section 2925 of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated March 14, 2014 on our consideration of the Agency's compliance with Section 2925(3)(1) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

*O'Connor Davies, LLP*

O'Connor Davies, LLP  
Harrison, New York  
March 14, 2014

**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, 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 \$43,585 in 2013 compared to the 2012 increase of \$48,328. The increases for both years have been fairly consistent. Operating revenues have increased \$33,313 primarily as a result of the collection of Marina fees. Operating expenses have increased as compared to last year while non-operating revenues have decreased. 2012 activity included the sale of 2 John E. Walsh Boulevard.

*Liquidity*

Cash and equivalents increased by \$241,193 in 2013. The overall increase in cash and cash equivalents is primarily due to the collection of an outstanding loan receivable which was satisfied in advance of scheduled payments.

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

Statements of Net Position  
December 31,

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	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 1,058,942	\$ 817,749
Accounts receivable	5,000	27,528
Loans receivable	-	175,171
Accrued interest	1,217	1,217
Property held for investment	<u>308,750</u>	<u>308,750</u>
 Total Assets	 <u>1,373,909</u>	 <u>1,330,415</u>
 <b>LIABILITIES</b>		
Accrued liabilities	<u>491</u>	<u>582</u>
 <b>NET POSITION</b>		
Investment in property	308,750	308,750
Unrestricted	<u>1,064,668</u>	<u>1,021,083</u>
 Total Net Position	 <u><u>\$ 1,373,418</u></u>	 <u><u>\$ 1,329,833</u></u>

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

Statements of Activities  
Years Ended December 31,

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Rental of real property	\$ 26,320	\$ 21,056
Marina fees	29,321	7,795
Administrative fees	51,850	45,327
<b>Total Operating Revenues</b>	<u>107,491</u>	<u>74,178</u>
<b>OPERATING EXPENSES</b>		
Salaries	17,116	15,288
Professional services	5,826	6,242
Planning services	19,150	8,699
New York State administrative service fee	-	31,000
Reimbursement to the City	29,326	-
Other	3,801	100
<b>Total Operating Expenses</b>	<u>75,219</u>	<u>61,329</u>
<b>Income from Operations</b>	<u>32,272</u>	<u>12,849</u>
<b>NON-OPERATING REVENUES</b>		
Interest income	11,313	8,535
Gain on sale of property	-	26,944
<b>Total Non-Operating Revenues</b>	<u>11,313</u>	<u>35,479</u>
<b>Change in Net Position</b>	<u>43,585</u>	<u>48,328</u>
<b>NET POSITION</b>		
Beginning	<u>1,329,833</u>	<u>1,281,505</u>
Ending	<u>\$ 1,373,418</u>	<u>\$ 1,329,833</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,

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from rentals	\$ 36,848	\$ 21,056
Cash received from other operating revenues	93,171	25,594
Cash paid to employees and for benefits	(17,207)	(15,288)
Cash paid for reimbursements to the City	(29,326)	-
Cash paid for administrative costs	(28,777)	(50,479)
	<u>54,709</u>	<u>(19,117)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Principal payment from loan receivable	175,171	16,827
Interest income	11,313	8,535
Gain on sale of property	-	83,944
	<u>186,484</u>	<u>109,306</u>
<b>Net Cash from Investing Activities</b>		
	<u>186,484</u>	<u>109,306</u>
<b>Net Change in Cash and Equivalents</b>	241,193	90,189
<b>Cash and Equivalents - Beginning of Year</b>	<u>817,749</u>	<u>727,560</u>
<b>Cash and Equivalents - End of Year</b>	<u>\$ 1,058,942</u>	<u>\$ 817,749</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income from operations	\$ 32,272	\$ 12,849
Changes in operating assets and liabilities		
Accounts receivable	22,528	(27,528)
Accounts payable	-	(4,500)
Accrued liabilities	(91)	62
	<u>54,709</u>	<u>(19,117)</u>
<b>Net Cash From Operating Activities</b>	<u>\$ 54,709</u>	<u>\$ (19,117)</u>

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

**Notes to Financial Statements**

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**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. 61, 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. 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 Equivalents** - Cash and 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.

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. GASB Statement No. 40 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 Agency's name. The Agency's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2013.

**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. Allowances are recorded as needed.

**Property Held for Investment** - 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 its 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 includes Investment in property of \$308,750. 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. Application of Accounting Standards**

For the year ended December 31, 2013, the Agency implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows/inflows of resources, certain items that were previously reported as assets and liabilities.

As of December 31, 2013, no amounts were required to be reported as deferred outflows/inflows of resources.

**F. 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, 2014.

**Note 2 - 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.

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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, 2013

<u>Project Name Owner Name and Address</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Original Issue Proceeds</u>	<u>Outstanding Balance at January 1, 2013</u>	<u>Retired in 2013</u>	<u>Outstanding December 31, 2013</u>	<u>Maturity Date</u>	<u>Purpose</u>	<u>Federal Tax Status</u>
Drum Hill Senior Living Project Peekskill, NY 10566	6.380 %	10/1/1998	\$ 12,330,000	\$ 10,910,000	\$ 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	10,541,582	324,934	10,216,648	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	5,636,715	50,384	5,586,331	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	8,873,821	97,957	8,775,864	06/30/2042	Construction of Senior Living Facility	Exempt
			<u>\$ 41,072,001</u>	<u>\$ 35,962,118</u>	<u>\$ 11,383,275</u>	<u>\$ 24,578,843</u>			

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

Other Required Supplementary Information  
 Schedule of Payments in Lieu of Taxes  
 Year Ended December 31, 2013

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**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.	\$ 17,540	\$ 37,288	\$ 8,731
Wesley Hall Apartments	801 South St.	14,219	40,303	7,477
64 JWB LLC	4-6 John E. Walsh Blvd.	57,834	122,951	30,255
Stuhr Gardens Associates LLC	Vail Avenue	36,588	103,705	15,620
Courtyard Housing LLC	901-907 Main Street	40,000	59,669	8,987
Drum Hill Senior Living Project	90 Ringgold Street	33,325	70,693	16,759
Barham House LLC	951-953 Main Street	8,670	24,574	3,701

**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**

**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, 2013, 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, 2014.

**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, 2014

**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, 2013. 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, 2013.

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, 2014