O'CONNOR DAVIES

City of Peekskill Local Development Corporation

Financial Statements

December 31, 2013 and 2012

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City of Peekskill Local Development Corporation

Financial Statements

December 31, 2013 and 2012

City of Peekskill Local Development Corporation

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Independent Auditors' Report

The Board of Directors of the
City of Peekskill Local Development Corporation

Report on Financial Statements

We have audited the accompanying statements of net position of the city of Peekskill Local Development Corporation ("LDC") as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements which collectively comprise the LDC'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 LDC, 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 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.

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 LDC'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 LDC's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 14, 2014 on our consideration of the LDC'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

Compliance and Accountability

The City of Peekskill Local Development Corporation ("LDC") management is 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 PAAA.

The LDC has established its own financial systems separate from those of the City of Peekskill, New York. 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 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 Board for action and/or adoption.

Financial Highlights

There are no financial activities to be reported in 2013 and 2012 since the LDC did not undertake any development projects due to current unfavorable economic conditions.

City of Peekskill Local Development Corporation

Statements of Net Position
December 31,

	2013	2012
ASSETS	$ -	$ -
LIABILITIES AND NET POSITION	$ -	$ -

See notes to financial statements

City of Peekskill Local Development Corporation

Statements of Activities
Years Ended December 31,

	2013	2012
REVENUES	$ -	$ -
EXPENSES	-	-
Change in Net Position	-	-
NET POSITION		
Beginning of Year	-	-
End of Year	$ -	$ -

See notes to financial statements

City of Peekskill Local Development Corporation

Statements of Cash Flows
Years Ended December 31,

	2013	2012
Net Cash from Operating Activities	$ -	$ -
Cash and Equivalents - Beginning of Year	-	-
Cash and Equivalents - End of Year	$ -	$ -

See notes to financial statements

Note 1 - Summary of Significant Accounting Policies

The City of Peekskill Local Development Corporation ("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 the LDC for the past three 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 ("Agency") 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, New York 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.

A. Basis of Accounting

The accounting policies of the LDC 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 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.

B. Asset, Liabilities and Net Position

Net Position - Net position represents the difference between assets and liabilities, net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the LDC or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the statement of net position is classified as unrestricted.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. 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.

D. Application of Accounting Standards

For the year ended December 31, 2013, the LDC 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.

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, 2014.

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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 Local Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America, of the City of Peekskill Local Development Corporation, New York ("LDC") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the LDC'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 LDC'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 LDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the LDC'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LDC'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

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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 Local Development Corporation

We have examined the City of Peekskill Local Development Corporation's ("LDC") 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 LDC's compliance with those requirements. Our responsibility is to express an opinion on the LDC'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 LDC'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 LDC's compliance with specified requirements.

In our opinion, the LDC 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. It 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

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