

CITY OF PEEKSKILL FACILITIES DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008 AND 2007

WITH INDEPENDENT AUDITORS' REPORT

CITY OF PEEKSKILL FACILITIES DEVELOPMENT CORPORATION

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O'Connor Davies Munns & Dobbins, llp

One Barker Avenue, White Plains, New York 10601

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
City of Peekskill Facilities Development Corporation

We have audited the accompanying statements of financial position of the City of Peekskill Facilities Development Corporation (the "FDC") as of December 31, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the FDC'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 FDC'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Peekskill Facilities Development Corporation as of December 31, 2008 and 2007 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

DRAFT

The Government Services Division of
O'Connor Davies Munns & Dobbins, LLP
White Plains, New York
_____, 2009

Bennett Kielson Storch DeSantis Division

One Barker Avenue, White Plains, New York 10601 914.421.5600 tel 914.421.5099 fax www.odmd.com

CITY OF PEEKSKILL FACILITIES DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS

2008

2007

Cash and cash equivalents

\$ 86,421

\$ 95,797

NET ASSETS

Net assets, Unrestricted

\$ 86,421

\$ 95,797

See notes to financial statements.

CITY OF PEEKSKILL FACILITIES DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Revenues		
Interest income	\$ 1,445	\$ 3,800
Total Revenues	1,445	3,800
Expenses	10,821	750
Changes in Net Assets	(9,376)	3,050
Net Assets - Beginning of Year	95,797	92,747
Net Assets - End of Year	\$ 86,421	\$ 95,797

See notes to financial statements.

CITY OF PEEKSKILL FACILITIES DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Changes in Net Assets	<u>\$ (9,376)</u>	<u>\$ 3,050</u>
Net Cash from Operating Activities	<u>(9,376)</u>	<u>3,050</u>
Net Increase in cash and cash Equivalents	(9,376)	3,050
Cash and Cash Equivalents - Beginning of Year	<u>95,797</u>	<u>92,747</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 86,421</u></u>	<u><u>\$ 95,797</u></u>
Reconciliation of Change in Net Assets to Net Cash from		
Operating Activities		
Changes in net assets	<u><u>\$ (9,376)</u></u>	<u><u>\$ 3,050</u></u>

See notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose

The City of Peekskill Facilities Development Corporation (the "FDC" or "Corporation") 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.

On November 16, 2005, the FDC, the Industrial Development Agency (the "IDA"), and 9 Corporate Drive Peekskill Development (the "Company"), LLC entered into a contract to undertake a redevelopment project to comply with an order from the NYS Department of Environmental Conservation to make remedial improvements for the City owned landfill. In conjunction with this project, the FDC has received approval to acquire 2 independent parcels of real property that total 11.15 acres. In exchange for exclusive development rights, the Company agreed to pay the sum of \$500,000 including a \$50,000 non-refundable deposit.

On April 26, 2006, the City of Peekskill, the FDC, and Gateway Town Homes, LLC (the "Gateway") entered into a contract to undertake a redevelopment project whereby the above-mentioned land would be subdivided to provide fifteen residential housing units, four of which have been proposed to be offered as affordable units subsidized with support from the United States Department of Housing and Urban Development. This project involves participation by the FDC to facilitate the redevelopment of the land through the assumption of ownership of the land by the FDC during the construction phase. After completion of the project, the title to the land and project will be transferred to the Company. In exchange for exclusive development rights, the Gateway agreed to pay the sum of \$400,000, including a \$40,000 non-refundable deposit.

As of the date of these financial statements, the FDC has not acquired title to the above-mentioned land.

Basis of Accounting

The accounts of the FDC are maintained 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.

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 less than three months, when purchased. Collateral is required for these deposits at 100% of all deposits not covered by Federal deposit insurance.

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 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.

Income Tax Status

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