

CITY OF PEEKSKILL FACILITIES DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

WITH INDEPENDENT AUDITORS' REPORT



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

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, 2009 and 2008 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, 2009 and 2008 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.

O'Connor Davies Munns & Dobbins, LLP

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White Plains, New York

March 25, 2010

City of Peekskill Facilities Development Corporation
Management's Discussion and Analysis
Year Ended December 31, 2009

Compliance and Accountability

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

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

The change in net assets decreased by \$6,577 in 2009 compared to the 2008 change in net assets of \$9,376. The \$6,577 decrease is due to a decrease in interest revenues of \$1,278 and increases in expenditures of \$5,299 for professional services.

Liquidity

Cash and equivalents decreased by \$15,953 in 2009. The overall decrease in cash and equivalents is primarily due to the increase in cash outflows for operating activities.

CITY OF PEEKSKILL FACILITIES DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	<u>\$ 70,468</u>	<u>\$ 86,421</u>
NET ASSETS		
Net assets, unrestricted	<u>\$ 70,468</u>	<u>\$ 86,421</u>

See notes to financial statements.

CITY OF PEEKSKILL FACILITIES DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Revenues		
Interest income	<u>\$ 167</u>	<u>\$ 1,445</u>
Expenses	<u>16,120</u>	<u>10,821</u>
Change in Net Assets	(15,953)	(9,376)
Net Assets - Beginning of Year	<u>86,421</u>	<u>95,797</u>
Net Assets - End of Year	<u><u>\$ 70,468</u></u>	<u><u>\$ 86,421</u></u>

See notes to financial statements.

CITY OF PEEKSKILL FACILITIES DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Changes in Net Assets	<u>\$ (15,953)</u>	<u>\$ (9,376)</u>
Net Cash from Operating Activities	<u>(15,953)</u>	<u>(9,376)</u>
Net Change in Cash and Cash Equivalents	(15,953)	(9,376)
Cash and Cash Equivalents - Beginning of Year	<u>86,421</u>	<u>95,797</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 70,468</u></u>	<u><u>\$ 86,421</u></u>

See notes to 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 LLC (the "Company"), 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, at the time of purchase. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Tax Status

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

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 25, 2010.