

**SUFFOLK COUNTY INDUSTRIAL  
DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
DECEMBER 31, 2012 AND 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Suffolk County Industrial Development Agency  
Hauppauge, New York

### **Report on the Financial Statements**

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

### *Management's Responsibility for the Financial Statements*

Suffolk County Industrial Development Agency's 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion 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 auditor's 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 opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suffolk County Industrial Development Agency as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

In accordance with *Government Auditing Standards*, we have issued our report dated April 25, 2013 on our consideration of Suffolk County Industrial Development Agency's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that supplementary information, such as management's discussion and analysis and budgetary comparison information 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, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Fuoco Group, LLP*

Hauppauge, New York  
April 25, 2013

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the Suffolk County Industrial Development Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2012. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**Financial Highlights:**

The assets of the Agency exceeded its liabilities at December 31, 2012 by \$4,325,902.

The Agency's total assets decreased by \$29,159 during 2012. The Agency's total liabilities decreased by \$28,169 during 2012.

The Agency's operating revenues decreased by \$13,522 during 2012.

As of December 31, 2012, the Agency reported net assets of \$4,325,902, a decrease of \$990 for the year then ended.

**Basic Financial Statements:**

The financial statements presented herein include all of the activities of the Agency.

The financial statements present the financial picture of the Agency, which is a proprietary type fund and, accordingly, reflects business-type activities. These statements include all assets of the Agency as well as liabilities (including long-term debt).

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the financial statements.

The balance sheets and statements of revenues, expenses and changes in net assets report information about the Agency as a whole and about its activities. These statements include all assets and liabilities of the Agency using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are then taken into account regardless of when cash is received or paid. These two statements report the Agency's net assets and change in net assets. A net asset is the difference between assets and liabilities, which is one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net assets are one indicator of whether its financial health is improving or deteriorating.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Condensed Comparative Financial Statements:

Condensed Balance Sheets at December 31,

	2012	2011	Dollar Change	Percentage Change
Current assets	\$ 4,301,964	\$ 4,330,777	\$ (28,813)	-0.67%
Capital assets	6,800	2,604	4,196	161.14%
Other assets	142,746	147,288	(4,542)	-3.08%
Total assets (B)	<u>\$ 4,451,510</u>	<u>\$ 4,480,669</u>	<u>\$ (29,159)</u>	-0.65%
Current liabilities	\$ 28,696	\$ 26,534	\$ 2,162	8.15%
Long-term liabilities	96,912	127,243	(30,331)	-23.84%
Total liabilities (A)	<u>\$ 125,608</u>	<u>\$ 153,777</u>	<u>\$ (28,169)</u>	-18.32%
Net assets:				
Committed in capital assets	6,800	2,604	4,196	161.14%
Unrestricted	4,319,102	4,324,288	(5,186)	-0.12%
Total net assets	<u>4,325,902</u>	<u>4,326,892</u>	<u>(990)</u>	-0.02%
Total liabilities and net assets	<u>\$ 4,451,510</u>	<u>\$ 4,480,669</u>	<u>\$ (29,159)</u>	-0.65%

Condensed Statements of Revenues, Expenses and  
Change in Net Assets for the Years Ended December 31,

	2012	2011	Dollar Change Favorable (Unfavorable)	Percentage Change Favorable (Unfavorable)
Total operating revenues	\$ 695,323	\$ 708,845	\$ (13,522)	-1.91%
Total operating expenses	716,249	596,786	(119,463)	-20.02%
Operating income (loss)	(20,926)	112,059	(132,985)	118.67%
Non-operating revenues	19,936	22,882	(2,946)	-12.87%
Increase (decrease) in net assets	(990)	134,941	(135,931)	100.73%
Net assets, January 1	4,326,892	4,191,951	134,941	3.22%
Net assets, December 31	<u>\$ 4,325,902</u>	<u>\$ 4,326,892</u>	<u>\$ (990)</u>	-0.02%

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Analysis of Financial Position and Results of Operations:**

There were no significant changes to the Agency's financial position.

The Agency's net assets at December 31, 2012 decreased by \$990 over the December 31, 2011 net assets.

- Operating revenue decreased by \$13,522 from the prior year.

**Analysis of Balances and Transactions:**

The Agency, a proprietary fund, reported net assets of \$4,325,902 at December 31, 2012, a decrease of \$990 for the year ended December 31, 2012.

**Budgetary Analysis:**

There were no differences between the original adopted budget and the final budget.

Actual total revenue was less than budgeted amounts by \$44,741.

Total expenses were under budget by \$23,618.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011**

**ASSETS**

	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>		
Cash and cash equivalents:		
Chase Bank:		
Regular checking	\$ 19,757	\$ 11,320
Payroll checking	33,273	42,897
PILOT account	75,607	74,449
Money market account	4,157,103	4,154,441
Petty cash	150	150
Total cash and cash equivalents	4,285,890	4,283,257
Accounts receivable	4,750	42,476
Prepaid expenses	11,324	5,044
Total Current Assets	4,301,964	4,330,777
<b>Capital Assets</b>		
Furniture and equipment	30,069	22,637
Automobiles	20,649	35,708
	50,718	58,345
Less: accumulated depreciation	(43,918)	(55,741)
Total Capital Assets, Net	6,800	2,604
<b>Other Assets</b>		
Website	10,000	-
Less: accumulated amortization	(3,333)	-
Total Website, Net	6,667	-
Net post retirement health benefit account	136,079	147,288
Total Other Assets	142,746	147,288
<b>Total Assets</b>	<b>\$ 4,451,510</b>	<b>\$ 4,480,669</b>

See notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
BALANCE SHEETS (CONTINUED)  
DECEMBER 31, 2012 AND 2011**

**LIABILITIES AND NET ASSETS**

	<u>2012</u>	<u>2011</u>
<b>Current Liabilities</b>		
Accrued payroll and payroll taxes	\$ 9,696	\$ 11,376
Other accrued expenses	19,000	15,158
<b>Total Current Liabilities</b>	<u>28,696</u>	<u>26,534</u>
 <b>Long-Term Liabilities</b>		
Compensated absences	<u>96,912</u>	<u>127,243</u>
<b>Total Liabilities</b>	<u>125,608</u>	<u>153,777</u>
 <b>Net Assets</b>		
Committed in capital assets	6,800	2,604
Unrestricted	4,319,102	4,324,288
<b>Total Net Assets</b>	<u>4,325,902</u>	<u>4,326,892</u>
 <b>Total Liabilities and Net Assets</b>	 <u><u>\$ 4,451,510</u></u>	 <u><u>\$ 4,480,669</u></u>

See notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Revenues</b>		
Administrative fees	\$ -	\$ 295,193
Application fees	36,000	16,000
Annual reporting compliance fee	14,250	6,000
Bond issuance fees	628,573	362,327
Document processing fees	16,500	29,325
Total Operating Revenues	695,323	708,845
<b>Operating Expenses</b>		
Salaries	388,890	331,288
Payroll taxes	31,232	24,209
Employee benefits	71,415	51,551
Office supplies and expenses	15,080	9,710
Meetings	3,452	422
Conferences and seminars	2,004	5,988
Dues and subscriptions	5,311	3,210
Legal	39,122	24,188
Legal notices	9,160	389
Accounting	19,000	18,500
Depreciation & Amortization	6,570	3,402
Automobile	11,759	7,600
Insurance	74,530	70,231
Grants (refund of grants)	(15,095)	15,000
Compensated absences	32,851	10,120
Marketing	18,391	16,400
Equipment lease	2,577	2,578
Outside services	-	2,000
Total Operating Expenses	716,249	596,786
Operating Income (Loss)	(20,926)	112,059
<b>Non-Operating Revenue (Expenses)</b>		
Interest on deposits	16,638	22,882
Gain on disposition of assets	3,298	-
Total Non-Operating Revenue	19,936	22,882
Change in Net Assets	(990)	134,941
Net Assets, January 1	4,326,892	4,191,951
Net Assets, December 31	<b>\$ 4,325,902</b>	<b>\$ 4,326,892</b>

See notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities:</b>		
<b>Cash received:</b>		
From providing services	\$ 733,049	\$ 708,845
<b>Cash payments:</b>		
Personal services and employee benefits	(489,857)	(365,617)
Contractual services	(243,062)	(256,565)
Net cash provided by operating activities	<u>130</u>	<u>86,663</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of furniture, equipment and intangibles	(17,433)	-
Disposition of automobile	3,298	-
Interest income	16,638	22,882
Net cash provided by investing activities	<u>2,503</u>	<u>22,882</u>
Net increase in cash and cash equivalents	2,633	109,545
Cash and cash equivalents, January 1	<u>4,283,257</u>	<u>4,173,712</u>
Cash and cash equivalents, December 31	<u><u>\$ 4,285,890</u></u>	<u><u>\$ 4,283,257</u></u>

See notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Income (Loss)</b>	\$ (20,926)	\$ 112,059
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</b>		
Depreciation and amortization	6,570	3,402
(Increase) decrease in assets:		
Accounts receivable	37,726	(42,476)
Prepaid expenses	(6,280)	(1,138)
Net post retirement health benefit account	11,209	341
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,162	4,355
Compensated absences	(30,331)	10,120
<b>Net cash provided by operating activities</b>	<b>\$ 130</b>	<b>\$ 86,663</b>

See notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Suffolk County Industrial Development Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**Financial Reporting Entity**

The Agency was created by the New York State Legislature in 1975 and is a corporate governmental agency and public benefit corporation of the State authorized to finance the acquisition, construction and reconstruction of research, commercial and industrial projects. It raises funds to accomplish these purposes by issuing its negotiable bonds and notes.

The Agency is governed by a seven member Board of Directors whose members are appointed by the Suffolk County Legislature and is considered a component unit of Suffolk County.

All governmental activities and functions performed for the Agency are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity includes functions and activities over which appointed Agency directors exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designations of management and ability to significantly influence operations and accountability for fiscal matters.

**Basis of Accounting**

The Agency utilizes the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises and revenues are recorded when earned and expenses are recorded when incurred.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, investments with maturities of three months or less when purchased are considered cash equivalents.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising Costs**

Advertising costs are charged to operations when incurred. Advertising expense for the periods ending December 31, 2012 and 2011 were \$18,391 and \$16,400 respectively.

**Capital Assets**

Capital assets are stated at cost and are being depreciated using accelerated methods over the useful lives of the assets (five and seven years).

**Subsequent Events**

The Agency has evaluated subsequent events and transactions that occurred through April 25, 2013, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**NOTE 2 – CONDUIT DEBT OBLIGATIONS, INDUSTRIAL REVENUE BOND AND NOTE  
TRANSACTIONS**

From time to time, the Agency has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the Agency, the State, nor any political subdivision, thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2012, there were 59 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$558,814,699. As of December 31, 2011 there were 70 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$682,681,003.

**NOTE 3 – PAYMENTS IN LIEU OF TAXES AND FUNDS DUE TO MUNICIPALITIES**

The Agency receives payments in lieu of taxes (PILOT) from the borrowing companies. These receipts are deposited into a separate bank account (the PILOT account) and subsequently are disbursed to the appropriate taxing jurisdictions.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – CASH AND CASH EQUIVALENTS**

The Agency's investment policies are governed by State statutes. In addition, the Agency has its own written investment policy. The Agency's monies must be deposited into Federal Deposit Insurance Corporation (FDIC) insured banks authorized to do business in New York State.

Collateral is required for accounts not fully secured by federal deposit insurance.

Periodically, the Agency determines that the collateral or underlying securities have an adequate market value and have been segregated.

The Agency's cash accounts at December 31, 2012 and 2011 were entirely covered by federal deposit insurance or collateral held in the pledging bank's trust department, but not in the Agency's name.

The Agency's bank balances are categorized to give an indication of the level of custodial risk assumed by the Agency at year-end. Under the criteria of GASB Statement No.3 and 40, Category 1 includes bank balances, which are insured or collateralized with the securities held by the Agency or its agent in the Agency's name, Category 2 includes bank balances, which are collateralized with securities by the pledging financial institution's trust department or agent in the Agency's name and Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by the trust department or agent, but not in the Agency's name.

At December 31, 2012 and 2011, the Agency bank balances were fully insured or collateralized as follows:

	<u>2012</u>	<u>2011</u>
<b>Category 1:</b>		
Insured by FDIC	\$ 250,000	\$ 250,000
<b>Category 2:</b>		
Collateralized by securities held by the Pledging Financial Institution in the Agency's name	-	-
<b>Category 3:</b>		
Collateralized by securities held by the Pledging Financial Institution, but not in the Agency's name	<u>5,160,562</u>	<u>5,236,162</u>
	<u>\$ 5,410,562</u>	<u>\$ 5,486,162</u>

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CAPITAL ASSETS**

Activity for capital assets is summarized as follows:

	<b>2012 Activity</b>			<b>Balance December 31, 2012</b>
	<b>Balance December 31, 2011</b>	<b>Additions</b>	<b>Deletions</b>	
Furniture and equipment	\$ 22,637	\$ 7,432	\$ -	\$ 30,069
Automobiles	35,708	-	15,059	20,649
	<u>58,345</u>	<u>7,432</u>	<u>15,059</u>	<u>50,718</u>
Less: accumulated depreciation	(55,741)	(3,236)	15,059	(43,918)
Capital Assets, Net	<u>\$ 2,604</u>	<u>\$ 4,196</u>	<u>\$ 30,118</u>	<u>\$ 6,800</u>

  

	<b>2011 Activity</b>			<b>Balance December 31, 2011</b>
	<b>Balance December 31, 2010</b>	<b>Additions</b>	<b>Deletions</b>	
Furniture and equipment	\$ 22,637	\$ -	\$ -	\$ 22,637
Automobiles	35,708	-	-	35,708
	<u>58,345</u>	<u>-</u>	<u>-</u>	<u>58,345</u>
Less: accumulated depreciation	(52,339)	(3,402)	-	(55,741)
Capital Assets, Net	<u>\$ 6,006</u>	<u>\$ (3,402)</u>	<u>\$ -</u>	<u>\$ 2,604</u>

Depreciation expense for the years ending December 31, 2012 and 2011 was \$3,237 and \$3,402, respectively.

**NOTE 6 – NET ASSETS**

The Agency's net assets are categorized as follows:

- Committed in capital assets
- Unrestricted

Committed in capital assets include capital assets net of accumulated depreciation.

Unrestricted net assets include all net assets not classified as capital assets and that are not restricted assets.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – PENSION PLAN**

**Plan Description**

The Agency participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost sharing, multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

**Funding Policy**

The Systems are non-contributory except for employees who joined the ERS after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. The required contributions for the current year and two preceding years were:

2012	\$	66,728
2011	\$	47,333
2010	\$	32,063

The Agency's contributions made to the Systems were equal to 100% of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The Agency elected to make the full payment on December 15, 1989.

Chapter 49 of the Laws of 2003 of the State of New York was enacted, which made the following changes to the System:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
  
- Changes the cycle of annual billing, such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – PENSION PLAN (CONTINUED)**

**Funding Policy (Continued)**

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State Fiscal Year (SFY) 2004-05, the amount in excess of 7.0% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
  
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
  
- For SFY 2007-08, the amount in excess of 10.5% of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

**NOTE 8 – LIABILITY FOR COMPENSATED ABSENCES**

The Agency, in conformity with the County of Suffolk, maintains a policy, which permits employees to accumulate a limited amount of earned but unused vacation leave and sick time, which will be used in future years or paid upon separation from the Agency's service. Upon termination, an employee will be paid for a maximum of 420 hours of vacation time and 50% of sick time up to 2,520 hours. The cost of accumulated vacation and sick leave, as well as an amount for salary related payments (i.e. Social Security and Medicare taxes), is recorded as a liability and expense when accrued.

The liability for compensated absences as of December 31, 2012 and 2011 is as follows:

**Liability for compensated absences:**

	2012	2011
Balance, January 1	\$ 127,243	\$ 117,123
Additions (reductions)	(30,331)	10,120
Balance, December 31	\$ 96,912	\$ 127,243

Additions and reductions to compensated absences are shown net, since it is impractical to determine these amounts separately.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

On December 18, 2003, the Agency adopted a resolution authorizing the establishment of the Retiree Health Insurance Fund (RHIF) for retired employees of the Agency. RHIF is a single-employer defined benefit health insurance plan administered by the Agency. The Agency has retained Nyhart to evaluate the 2010 funding requirements of the plan. The plan provides health insurance coverage to all eligible retirees and their eligible dependents. For a retiree to be eligible, he/she should have attained age fifty-five and have a minimum of ten years of service with the Agency. There are currently three active participants and one dependent of a deceased retiree in the plan. All financial activities of the plan are included in the financial statements of the Agency. The RHIF does not issue a separate financial report.

**Funding Policy**

The plan is non-contributory for employees and retirees. The funding requirements of the plan are met by contributions from the Agency. For 2010, the Agency made contributions to the plan amounting to \$36,939. At December 31, 2010, the most recent actuarial valuation date, the plan was over funded by \$147,629.

**Annual OPEB Cost and Net OPEB Obligation**

The Agency's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following shows the components of the Agency's annual OPEB cost for 2010, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation to RHIF:

Annual required contribution	\$ 1,448
Interest on net OPEB obligation	(5,782)
Adjustment to annual required contribution	9,279
Annual OPEB cost (expense)	<u>4,945</u>
Contributions made	<u>(36,939)</u>
Increase (decrease) in net OPEB obligation	(31,994)
Net OPEB obligation - beginning of year	<u>(115,635)</u>
Net OPEB obligation (assets) - end of year, December 31, 2010	<u><u>\$ (147,629)</u></u>

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the five preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
12/31/2005 *	N/A	N/A	N/A
12/31/2006	\$ 74,718	95.8%	\$ 872,636
12/31/2007	\$ (91,175)	0%	\$ 781,461
12/31/2008 *	N/A	N/A	N/A
12/31/2009 *	N/A	N/A	N/A
12/31/2010	\$ 4,945	747.0%	\$ (147,629)
12/31/2011 *	N/A	N/A	N/A
12/31/2012 *	N/A	N/A	N/A

\*For the years ended December 31, 2005, 2008, 2009, 2011 and 2012, an actuarial valuation was not performed. In accordance with GASB 45, plans with fewer than 200 members are required to obtain a valuation at least every three years.

**Funded Status and Funding Progress**

As of December 31, 2010, the most recent actuarial valuation date, the plan was 117.1% funded. The actuarial accrued liability for benefits was \$863,313 and the actuarial value of assets was \$1,010,942, resulting in an over funding in the amount of \$147,629.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial cost method: Projected Unit Credit Method with linear proration to decrement

Method used to determine the actuarial value of assets: Alternate measurement method

**Assumptions**

Discount rate: 5.0% - the rate represents the expected long-term rate of return for high liquidity investments.

Investment return: Not applicable

Projected salary increases: Not applicable

Healthcare cost trend rate:

<u>Year</u>	
<u>Ended</u>	<u>Rates</u>
2011	10.00%
2012	9.50%
2013	9.00%
2014	8.50%
2015	8.00%
2016	7.50%
2017	7.00%
2018	6.50%
2019	6.00%
2020	5.50%
2021+	5.00%

Retirement rate: Each general employee is assumed to retire at age 61 or upon meeting the minimum age/service requirement, whichever is later. If the employee is currently over the age of 61 and he has met the minimum age/service requirement, he is assumed to retire immediately.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Mortality: RP-2000 Combined Mortality Table projected to 2012 using scale AA

Amortization method: Level dollar twenty years based on an open group.

Turnover rate: Assumption used to project annual terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months.

<u>Age</u>	<u>Rates</u>
25	6.80%
35	3.20%
45	1.60%

**NOTE 10 – ADMINISTRATIVE FEES**

On November 18, 2010, the Agency signed an inter-municipal service agreement with the Suffolk County Economic Development Corporation (EDC). As per the agreement, EDC was authorized to utilize the services of employees, offices and necessary supplies of the Agency. In return, an administrative fee equal to 75% of the revenue earned from the issuance of bonds was reimbursed to the Agency. As of December 31, 2011, EDC reimbursed the Agency \$295,193, for administrative fees.

Effective January 1, 2012, the Agency terminated its inter-municipal service agreement with the Suffolk County Economic Development Corporation (EDC).

**REQUIRED SUPPLEMENTARY INFORMATION**

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Bond Issuance Fee	\$ 530,000	\$ 530,000	\$ 664,573	\$ 134,573
Document Processing Income	20,000	20,000	16,500	(3,500)
Interest income	20,000	20,000	16,638	(3,362)
Annual reporting compliance fee	-	-	14,250	14,250
Appropriated prior year's net assets	190,000	190,000	-	(190,000)
Gain on disposition of assets	-	-	3,298	3,298
Total revenues	<u>760,000</u>	<u>760,000</u>	<u>715,259</u>	<u>(44,741)</u>
<b>Expenses:</b>				
Salaries	360,000	360,000	388,890	(28,890)
Payroll taxes	35,000	35,000	31,232	3,768
Compensated absences	-	-	32,851	(32,851)
Employee benefits	60,000	60,000	71,415	(11,415)
Legal	44,550	44,550	39,122	5,428
Accounting	25,000	25,000	19,000	6,000
Insurance	85,000	85,000	74,530	10,470
Marketing	25,000	25,000	18,391	6,609
Office supplies and expenses	10,000	10,000	15,080	(5,080)
Automobile	7,000	7,000	11,759	(4,759)
Meetings	5,000	5,000	3,452	1,548
Conferences and seminars	8,000	8,000	2,004	5,996
Dues and subscriptions	3,500	3,500	5,311	(1,811)
Legal notices	3,000	3,000	9,160	(6,160)
Grants	50,000	50,000	(15,095)	65,095
Equipment lease	3,000	3,000	2,577	423
Miscellaneous expenses	5,000	5,000	-	5,000
Computer equipment and website	2,500	2,500	16,663	(14,163)
Furniture	750	750	770	(20)
Auto Replacement	25,000	25,000	-	25,000
Depreciation	-	-	6,570	(6,570)
Total expenses	<u>757,300</u>	<u>757,300</u>	<u>733,682</u>	<u>23,618</u>
<b>Revenues Over (Under) Expenses</b>	<u><u>\$ 2,700</u></u>	<u><u>\$ 2,700</u></u>	<u><u>\$ (18,423)</u></u>	<u><u>\$ (21,123)</u></u>

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Bond issuance fees	\$ 500,000	\$ 500,000	\$ 378,327	\$ (121,673)
Document processing fees	10,000	10,000	29,325	19,325
Interest income	20,000	20,000	22,882	2,882
Administrative fees	-	-	295,193	295,193
Annual reporting fees	-	-	6,000	6,000
Appropriate prior year's net assets	192,000	192,000	-	(192,000)
Total Revenues	<u>722,000</u>	<u>722,000</u>	<u>731,727</u>	<u>9,727</u>
<b>Expenses:</b>				
Salaries	359,943	359,943	331,288	28,655
Payroll taxes	35,000	35,000	24,209	10,791
Compensated absences	-	-	10,120	(10,120)
Employee benefits	51,000	51,000	51,551	(551)
Legal	42,900	42,900	24,188	18,712
Accounting	25,000	25,000	18,500	6,500
Insurance	85,000	85,000	70,231	14,769
Marketing	25,000	25,000	16,400	8,600
Office supplies and expenses	10,000	10,000	9,710	290
Automobile	7,000	7,000	7,600	(600)
Meetings	5,000	5,000	422	4,578
Conferences and seminars	8,000	8,000	5,988	2,012
Dues and subscriptions	3,500	3,500	3,210	290
Legal notices	3,000	3,000	389	2,611
Grants	50,000	50,000	15,000	35,000
Equipment lease	3,000	3,000	2,578	422
Outside services	-	-	2,000	(2,000)
Miscellaneous expenses	5,000	5,000	-	5,000
Computer equipment	2,500	2,500	-	2,500
Furniture	750	750	-	750
Depreciation	-	-	3,402	(3,402)
Total Expenses	<u>721,593</u>	<u>721,593</u>	<u>596,786</u>	<u>124,807</u>
<b>Excess of Revenues Over Expenses</b>	<u><u>\$ 407</u></u>	<u><u>\$ 407</u></u>	<u><u>\$ 134,941</u></u>	<u><u>\$ 134,534</u></u>

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL)- Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll	
12/31/2005	N/A	N/A	N/A	N/A	N/A	N/A	*
12/31/2006	\$ 877,817	\$ 872,636	(5,181)	100.6%	\$ 272,846	-1.9%	
12/31/2007	\$ 931,958	\$ 781,461	(150,497)	119.3%	\$ 283,414	-53.1%	
12/31/2008	N/A	N/A	N/A	N/A	N/A	N/A	*
12/31/2009	N/A	N/A	N/A	N/A	N/A	N/A	*
12/31/2010	\$1,010,942	\$ 863,313	\$ (147,629)	117.1%	\$ 338,606	-44%	
12/31/2011	N/A	N/A	N/A	N/A	N/A	N/A	*
12/31/2012	N/A	N/A	N/A	N/A	N/A	N/A	*

\* For the years ended December 31, 2005, 2008, 2009, 2011 and 2012, an actuarial valuation was not performed. In accordance with GASB 45, plans with fewer than 200 members are required to obtain a valuation at least every three years.