

**SUFFOLK COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2015 AND 2014

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
DECEMBER 31, 2015 AND 2014**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	I - III
Financial Statements	
Balance sheets	3-4
Statements of revenues, expenses and changes in net assets	5
Statements of cash flows	6-7
Notes to financial statements	8-16
Required Supplementary Information	
Budgetary comparison schedules	17-18
Other Post-employment benefits schedule of funding progress	19

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 financial statements of the Suffolk County Industrial Development Agency (the Agency), a component unit of the County of Suffolk, New York as of and for the years ended December 31, 2015 and 2014, 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 audits. We conducted our audits 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 audits 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, 2015 and 2014, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and other post-employment benefits schedule of funding progress on pages I-III and 17-19 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated June 7, 2016 on our consideration of the 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* in considering Suffolk County Industrial Development Agency's internal control over financial reporting and compliance.

Fuoco Group, LLP

Hauppauge, New York
June 7, 2016

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, 2015. 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, 2015 by \$3,548,046.

The Agency's total assets increased by \$2,322,104 during 2015. The Agency's total liabilities increased by \$2,615,835 during 2015.

The Agency's operating revenues increased by \$387,736 during 2015.

As of December 31, 2015, the Agency reported net assets of \$3,548,046, a decrease of \$293,731 for the year then ended.

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,

	2015	2014	Dollar Change	Percentage Change
Current assets	\$ 6,449,757	\$ 4,106,913	\$ 2,342,844	57.05%
Capital assets	3,796	5,368	(1,572)	-29.28%
Other assets	125,149	144,317	(19,168)	-13.28%
Total assets (B)	<u>\$ 6,578,702</u>	<u>\$ 4,256,598</u>	<u>\$ 2,322,104</u>	54.55%
Current liabilities	\$ 2,893,572	\$ 291,299	\$ 2,602,273	893.33%
Long-term liabilities	137,084	123,522	13,562	10.98%
Total liabilities (A)	<u>3,030,656</u>	<u>414,821</u>	<u>2,615,835</u>	630.59%
Net assets:				
Committed in capital assets	3,796	5,368	(1,572)	-29.28%
Unrestricted	<u>3,544,250</u>	<u>3,836,409</u>	<u>(292,159)</u>	-7.62%
Total net assets	<u>3,548,046</u>	<u>3,841,777</u>	<u>(293,731)</u>	-7.65%
Total liabilities and net assets	<u>\$ 6,578,702</u>	<u>\$ 4,256,598</u>	<u>\$ 2,322,104</u>	54.55%

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

	2015	2014	Dollar Change Favorable (Unfavorable)	Percentage Change Favorable (Unfavorable)
Total operating revenues	\$ 988,222	\$ 600,486	\$ 387,736	64.57%
Total operating expenses	<u>1,287,563</u>	<u>1,323,857</u>	<u>36,294</u>	2.74%
Operating income (loss)	(299,341)	(723,371)	424,030	58.62%
Non-operating revenues	<u>5,610</u>	<u>8,518</u>	<u>(2,908)</u>	-34.14%
Increase (decrease) in net assets	(293,731)	(714,853)	421,122	58.91%
Net assets, January 1	<u>3,841,777</u>	<u>4,556,630</u>	<u>(714,853)</u>	-15.69%
Net assets, December 31	<u>\$ 3,548,046</u>	<u>\$ 3,841,777</u>	<u>\$ (293,731)</u>	-7.65%

**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, 2015 decreased by \$293,731 over the December 31, 2014 net assets.

- Operating revenue increased by \$387,736 from the prior year.

Analysis of Balances and Transactions:

The Agency, a proprietary fund, reported net assets of \$3,548,046 at December 31, 2015, a decrease of \$293,731 for the year ended December 31, 2015.

Budgetary Analysis:

There were differences between the original adopted budget and the final budget.

Actual total revenue was less than budgeted amounts by \$4,776 including usage of reserves.

Total expenses were under budget by \$4,776.

FINANCIAL STATEMENTS

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents		
Chase Bank:		
Regular checking	\$ 75,408	\$ 41,024
Payroll checking	70,168	10,015
PILOT account	2,934,816	79,983
Money market account	3,355,315	3,913,416
Petty cash	150	150
Total cash and cash equivalents	6,435,857	4,044,588
Accounts receivable	-	51,450
Prepaid expenses	13,900	10,875
Total Current Assets	6,449,757	4,106,913
Capital Assets		
Furniture and equipment	37,180	36,344
Automobiles	20,649	20,649
	57,829	56,993
Less: accumulated depreciation	(54,033)	(51,625)
Total Capital Assets, Net	3,796	5,368
Other Assets		
Website	10,000	10,000
Less: accumulated amortization	(9,629)	(9,258)
Total Website, Net	371	742
Net post retirement health benefit account	124,778	143,575
Total Other Assets	125,149	144,317
Total Assets	\$ 6,578,702	\$ 4,256,598

See notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2015 AND 2014**

LIABILITIES AND NET ASSETS	<u>2015</u>	<u>2014</u>
Current Liabilities		
Accrued payroll and payroll taxes	\$ 14,775	\$ 5,283
Pilot payment refund payable	2,852,647	-
Other accrued expenses	<u>26,150</u>	<u>286,016</u>
Total Current Liabilities	<u>2,893,572</u>	<u>291,299</u>
Long-Term Liabilities		
Compensated absences	<u>137,084</u>	<u>123,522</u>
Total Liabilities	<u>3,030,656</u>	<u>414,821</u>
Net Assets		
Committed in capital assets	3,796	5,368
Unrestricted	<u>3,544,250</u>	<u>3,836,409</u>
Total Net Assets	<u>3,548,046</u>	<u>3,841,777</u>
Total Liabilities and Net Assets	<u>\$ 6,578,702</u>	<u>\$ 4,256,598</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, 2015 AND 2014**

	2015	2014
OPERATING REVENUES		
Application fees	\$ 50,000	\$ 24,000
Annual reporting compliance fee	16,000	14,250
Bond issuance fees	901,872	551,511
Document processing fees	20,350	10,725
Total Operating Revenues	988,222	600,486
OPERATING EXPENSES		
Salaries	413,579	271,275
Payroll taxes	29,553	20,572
Employee benefits	28,206	95,496
Office supplies and expenses	13,634	7,712
Meetings	10,010	10,879
Conferences and seminars	3,453	607
Dues and subscriptions	9,446	8,609
Legal	20,847	30,535
Legal notices	1,712	1,208
Accounting	20,500	20,000
Depreciation and amortization	2,779	5,206
Automobile	2,745	6,569
Insurance	99,077	70,869
Compensated absences	13,562	11,936
Marketing	391,364	541,813
Equipment lease	2,202	2,358
Outside services	224,894	218,213
Total Operating Expenses	1,287,563	1,323,857
Operating Loss	(299,341)	(723,371)
NON-OPERATING REVENUE		
Interest on deposits	5,610	8,518
Change in Net Assets	(293,731)	(714,853)
NET ASSETS, JANUARY 1	3,841,777	4,556,630
NET ASSETS, DECEMBER 31	\$ 3,548,046	\$ 3,841,777

See notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received:		
From providing services	\$ 3,892,319	\$ 556,593
Cash payments:		
Personal services and employee benefits	(448,284)	(392,266)
Contractual services	<u>(1,057,540)</u>	<u>(691,402)</u>
Net cash provided (used) by operating activities	<u>2,386,495</u>	<u>(527,075)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of furniture, equipment and intangibles	(836)	-
Interest income	<u>5,610</u>	<u>8,518</u>
Net cash provided by investing activities	<u>4,774</u>	<u>8,518</u>
Net increase (decrease) in cash and cash equivalents	2,391,269	(518,557)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>4,044,588</u>	<u>4,563,145</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 6,435,857</u></u>	<u><u>\$ 4,044,588</u></u>

See notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
OPERATING LOSS	\$ (299,341)	\$ (723,371)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	2,779	5,206
(Increase) decrease in assets		
Accounts receivable	51,450	(43,893)
Prepaid expenses	(3,025)	199
Net post retirement health benefit account	18,797	18,255
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(250,374)	204,593
Pilot payment refund payable	2,852,647	-
Compensated absences	13,562	11,936
	<u>\$ 2,386,495</u>	<u>\$ (527,075)</u>

See notes to financial statements.

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

NOTE 1 – NATURE OF ORGANIZATION

The Suffolk County Industrial Development Agency (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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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.

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.

Advertising Costs - Advertising costs are charged to operations when incurred. Advertising expense for the periods ending December 31, 2015 and 2014 were \$391,364 and \$541,813 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 June 7, 2016, which is the date the financial statements were issued, for possible disclosure and recognition in the financial statements.

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

**NOTE 3 – 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, 2015, there were 31 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$263,003,304. As of December 31, 2014 there were 42 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$406,426,415.

NOTE 4 – 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.

NOTE 5 – 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, 2015 and 2014 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.

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

NOTE 5 – CASH AND CASH EQUIVALENTS (CONTINUED)

At December 31, 2015 and 2014, the Agency bank balances were fully insured or collateralized as follows:

	2015	2014
Category 1:		
Insured by FDIC	\$ 250,000	\$ 250,000
Category 2:		
Collateralized by securities held by the Pledging Financial Institution in the Agency's name	-	-
Category 3:		
Collateralized by securities held by the Pledging Financial Institution, but not in the Agency's name	7,290,193	4,879,153
	\$ 7,540,193	\$ 5,129,153

NOTE 6 – CAPITAL ASSETS

Activity for capital assets is summarized as follows:

	2015 Activity			
	Balance December 31, 2014	Additions	Deletions	
Furniture and equipment	\$ 36,344	\$ 836	\$ -	\$ 37,180
Automobiles	20,649	-	-	20,649
	56,993	836	-	57,829
Less: accumulated depreciation	(51,625)	(2,408)	-	(54,033)
Capital Assets, Net	\$ 5,368	\$ (1,572)	\$ -	\$ 3,796
	2014 Activity			
	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014
Furniture and equipment	\$ 36,344	\$ -	\$ -	\$ 36,344
Automobiles	20,649	-	-	20,649
	56,993	-	-	56,993
Less: accumulated depreciation	(47,900)	(3,725)	-	(51,625)
Capital Assets, Net	\$ 9,093	\$ (3,725)	\$ -	\$ 5,368

Depreciation expense for the years ending December 31, 2015 and 2014 was \$2,408 and \$3,725, respectively.

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

NOTE 7 – NET ASSETS

The Agency's net assets are categorized as follows:

Committed in capital assets	\$ 3,796
Unrestricted	\$ 3,544,249

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.

NOTE 8 – 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. Effective April 1, 2012 new members will be in Tier 6 and beginning April 1, 2013 their member contribution rates are determined based on an annual salary wage schedule. 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:

2015	\$ 21,971
2014	\$ 90,764
2013	\$ 72,475

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.

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

NOTE 8 – PENSION PLAN (CONTINUED)

Funding Policy (Continued)

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.

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.

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allow participating employers to option to amortize a portion of their annual pension cost. The amortized amount is paid in equal installments over a ten year period and may be prepaid at any time. The initial interest rate is five percent and can increase or decrease up to one percent annually base on the changes in the System average rate.

NOTE 9 – 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.

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

NOTE 9 – LIABILITY FOR COMPENSATED ABSENCES (CONTINUED)

The liability for compensated absences as of December 31, 2015 and 2014 is as follows:

	2015	2014
Balance, January 1	\$ 123,522	\$ 111,586
Additions	13,562	11,936
Balance, December 31	\$ 137,084	\$ 123,522

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

NOTE 10 – 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 2013 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 two active participants and two retirees 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 2013, the Agency made contributions to the plan amounting to \$18,752. At December 31, 2013, the most recent actuarial valuation date, the plan was over funded by \$161,830.

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

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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 2013, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation to RHIF:

Annual required contribution	\$ 7,128
Interest on net OPEB obligation	(7,745)
Adjustment to annual required contribution	12,429
Annual OPEB cost (expense)	<u>11,812</u>
Contributions made	<u>(18,752)</u>
Increase (decrease) in net OPEB obligation	(6,940)
Net OPEB obligation - beginning of year	<u>(154,890)</u>
Net OPEB obligation (assets) - end of year, December 31, 2013	<u><u>\$ (161,830)</u></u>

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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 (Asset)</u>
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
12/31/2013	\$ 11,812	158.8%	\$ (161,830)
12/31/2014 *	N/A	N/A	N/A
12/31/2015 *	N/A	N/A	N/A

*For the years ended December 31, 2008, 2009, 2011, 2012, 2014 and 2015, 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.

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

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 119.7% funded. As of December 31, 2013 the actuarial accrued liability for benefits was \$821,131 and the actuarial value of assets was \$982,961, resulting in an over funding in the amount of \$161,830. As of December 31, 2015 and 2014, there was no change in the accrued liability for benefits of \$821,131. However, during 2015 and 2014 the value of assets decreased to \$945,909 and \$964,706 resulting in an over funding in the amount of \$124,778 and \$143,575 respectively.

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.

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

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

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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 Ended</u>	<u>Rates</u>
2014	9.00%
2015	8.50%
2016	8.00%
2017	7.50%
2018	7.00%
2019	6.50%
2020	6.00%
2021	5.50%
2022+	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.

Mortality: RP-2000 Combined Mortality Table fully generational using scale AA

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

Turnover rate: Assumption used to project 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%

REQUIRED SUPPLEMENTARY INFORMATION

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Bond Issuance Fee	\$ 1,250,000	\$ 1,024,808	\$ 951,872	\$ (72,936)
Document Processing Income	10,000	19,875	20,350	475
Interest income	8,000	5,753	5,610	(143)
Annual reporting compliance fee	-	-	16,000	16,000
Use of surplus/reserves	100,000	242,739	294,567	51,828
Total revenues	1,368,000	1,293,175	1,288,399	(4,776)
EXPENSES				
Salaries	440,000	407,930	413,579	(5,649)
Payroll taxes	37,000	30,393	29,553	840
Compensated absences	-	-	13,562	(13,562)
Employee benefits	96,000	28,523	28,206	317
Legal	49,500	37,770	20,847	16,923
Accounting	20,500	20,500	20,500	-
Insurance	100,000	102,943	99,077	3,866
Marketing	400,000	387,347	391,364	(4,017)
Office supplies and expenses	12,000	11,307	13,634	(2,327)
Automobile	12,000	2,892	2,745	147
Meetings	20,000	10,585	10,010	575
Conferences and seminars	8,000	3,448	3,453	(5)
Dues and subscriptions	10,000	9,940	9,446	494
Legal notices	3,000	5,092	1,712	3,380
Equipment lease	2,500	2,202	2,202	-
Outside services	90,000	231,803	224,894	6,909
Miscellaneous expenses	5,000	-	-	-
Computer equipment and website	2,500	-	836	(836)
Furniture	750	500	-	500
Depreciation	-	-	2,779	(2,779)
Total expenses	1,308,750	1,293,175	1,288,399	4,776
REVENUES OVER (UNDER) EXPENSES	\$ 59,250	\$ -	\$ -	\$ -

See Independent Auditors' Report

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Bond Issuance Fee	\$ 1,250,000	\$ 1,250,000	\$ 575,511	\$ (674,489)
Document Processing Income	15,000	15,000	10,725	(4,275)
Interest income	12,500	12,500	8,518	(3,982)
Annual reporting compliance fee	-	-	14,250	14,250
Use of surplus/reserves	-	-	714,853	714,853
	<u>1,277,500</u>	<u>1,277,500</u>	<u>1,323,857</u>	<u>46,357</u>
EXPENSES				
Salaries	440,000	440,000	271,275	168,725
Payroll taxes	37,000	37,000	20,572	16,428
Compensated absences	-	-	11,936	(11,936)
Employee benefits	93,000	93,000	95,496	(2,496)
Legal	46,500	46,500	30,535	15,965
Accounting	20,000	20,000	20,000	-
Insurance	100,000	100,000	70,869	29,131
Marketing	400,000	400,000	541,813	(141,813)
Office supplies and expenses	12,000	12,000	7,712	4,288
Automobile	12,000	12,000	6,569	5,431
Meetings	20,000	20,000	10,879	9,121
Conferences and seminars	8,000	8,000	607	7,393
Dues and subscriptions	10,000	10,000	8,609	1,391
Legal notices	3,000	3,000	1,208	1,792
Equipment lease	3,000	3,000	2,358	642
Outside services	50,000	50,000	218,213	(168,213)
Miscellaneous expenses	5,000	5,000	-	5,000
Computer equipment and website	2,500	2,500	-	2,500
Furniture	750	750	-	750
Depreciation	-	-	5,206	(5,206)
	<u>1,262,750</u>	<u>1,262,750</u>	<u>1,323,857</u>	<u>(61,107)</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ 14,750</u>	<u>\$ 14,750</u>	<u>\$ -</u>	<u>\$ (14,750)</u>

See Independent Auditors' Report

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	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
12/31/2006	\$ 877,817	\$ 872,636	\$ (5,181)	100.6%	N/A	N/A
12/31/2007	\$ 931,958	\$ 781,461	\$ (150,497)	119.3%	N/A	N/A
12/31/2008	*	N/A	N/A	N/A	N/A	N/A
12/31/2009	*	N/A	N/A	N/A	N/A	N/A
12/31/2010	\$ 1,010,942	\$ 863,313	\$ (147,629)	117.1%	N/A	N/A
12/31/2011	*	N/A	N/A	N/A	N/A	N/A
12/31/2012	*	N/A	N/A	N/A	N/A	N/A
12/31/2013	\$ 982,961	\$ 821,131	\$ (161,830)	119.7%	N/A	N/A
12/31/2014	*	N/A	N/A	N/A	N/A	N/A
12/31/2015	*	N/A	N/A	N/A	N/A	N/A

* For the years ended December 31, 2005, 2008, 2009, 2011, 2012, 2014 and 2015, 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.

See Independent Auditors' Report