

**SUFFOLK COUNTY  
ECONOMIC DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2018

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report.....	1-2
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"><b>REQUIRED SUPPLEMENTARY INFORMATION</b></div>	
Management's Discussion and Analysis.....	3-5
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"><b>BASIC FINANCIAL STATEMENTS</b></div>	
Statement of Net Position.....	6
Statement of Revenues, Expenses, and Changes in Net Position.....	7
Statement of Cash Flows.....	8
Notes to Financial Statements.....	9-13
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"><b>INTERNAL CONTROL AND COMPLIANCE</b></div>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	14-15



437 Madison Avenue, 23rd Floor  
New York, NY 10022 • 212.962.4470

165 Orinoco Drive, Brightwaters, NY 11718  
631.665.7040 • Fax: 631.665.7014

15 South Bayles Avenue, Port Washington, NY 11050  
516.883.5510 • Fax: 516.767.7438

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

[www.sheehancpa.com](http://www.sheehancpa.com)

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board of Directors  
Suffolk County Economic Development Corporation  
Hauppauge, New York

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

We have audited the accompanying financial statements of the Suffolk County Economic Development Corporation (the Corporation), a component unit of the County of Suffolk, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 Corporation'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 Corporation'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.

To the Members of the Board of Directors  
Suffolk County Economic Development Corporation

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 the Corporation as of December 31, 2018 and the respective changes in financial position and cash flows thereof for the year 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 the Management's Discussion and Analysis on pages 3 through 5 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 sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2019, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Sheehan & Company CPA, P.C.*

Brightwaters, New York  
April 25, 2019

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Management's Discussion and Analysis**

**SUFFOLK COUNTY  
ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section represents management's discussion and analysis of the Suffolk County Economic Development Corporation's (the "Corporation"), a component unit of the County of Suffolk, New York (the "County"), financial condition and activities for the year ended December 31, 2018. Please read this information in conjunction with the financial statements.

**Financial Highlights:**

- The assets of the Corporation exceeded its liabilities at the close of 2018 by \$1,026,725. These funds are unrestricted and available to maintain the Corporation's continuing obligations.
- The Corporation's total net position decreased by \$53,850 (or 5%) for the year ended December 31, 2018.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Corporation's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Corporation's strategic plan, operating plan, bond covenants and other management tools were used for this analysis.

The financial statements report information about the Corporation, which is a self-supporting entity that follows enterprise-type fund reporting. The Corporation applies full accrual accounting methods as used by similar business activities in the private sector. These statements offer short and long-term financial information.

The financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows and notes to the financial statements. The statement of net position includes all of the Corporation's assets and liabilities, with the difference reported as net position.

The statement of revenues, expenses, and changes in net position presents the results of the Corporation's activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide information about whether the Corporation has successfully recovered its costs through its user fees and other charges, profitability and credit worthiness.

The statement of cash flows presents changes in cash and cash equivalents resulting from operating and other activities.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes present information about the Corporation's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**SUFFOLK COUNTY  
ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE CORPORATION**

One of the most important objectives of the financial analysis is to determine if the Corporation is better or worse off as a result of the year's activities. The statement of net position and the statement of revenues, expenses, and changes in net position provide useful information in this regard. The statements report the net position of the Corporation and the change in net position. The amount of net position, the difference between total assets and total liabilities, is a significant measure of the financial health or financial position of the Corporation. Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation should be considered in evaluating the financial condition of the Corporation.

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

**Net Position**

A summary of the Corporation's condensed statements of net position for the years ended December 31<sup>st</sup> are presented as follows:

	2018	2017
<b>ASSETS</b>		
Current assets and other assets	\$ 1,081,391	\$ 1,125,644
Total Assets	1,081,391	1,125,644
<b>LIABILITIES</b>		
Current liabilities	54,666	45,069
Total Liabilities	54,666	45,069
<b>NET POSITION</b>		
Unrestricted	1,026,725	1,080,575
Total Net Position	\$ 1,026,725	\$ 1,080,575

Total assets as of December 31, 2018 were \$1,081,391, which exceeded total liabilities of \$54,666 by \$1,026,725 (net position). The Corporation's net position was unrestricted, which is available to support operations. Total assets decreased by \$44,253 at December 31, 2018 compared to 2017, primarily due to the decrease in cash as a result of the current year operating loss. Total liabilities increased by \$9,597 at December 31, 2018 compared to 2017, primarily due to increases in accrued expenses and increases in amounts due to primary government. The Corporation's net position decreased by \$53,850 in the current year due to no bond issuance fees in the current year.

**SUFFOLK COUNTY  
ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE CORPORATION** (continued)

**Operating Results**

The Corporation's condensed statements of revenues, expenses and changes in net position for the years ended December 31st are presented as follows:

	2018	2017
<b>Operating Revenues</b>	<b>\$ 21,850</b>	<b>\$ 212,208</b>
Total Operating Revenues	21,850	212,208
<b>Operating Expenses</b>	80,100	66,286
Total Operating Expenses	80,100	66,286
(Loss) Income from Operations	(58,250)	145,922
<b>Non-Operating Revenues</b>	4,400	1,182
Change in Net Position	(53,850)	147,104
<b>Net Position at Beginning of Year</b>	1,080,575	933,471
Net Position at End of Year	\$ 1,026,725	\$ 1,080,575

The Corporation's operating revenues decreased by \$190,358 from \$212,208 in 2017 to \$21,850 in 2018, a decrease of 90%. The decrease in 2018 operating revenues is attributable to no bond issuance fees earned during 2018. The Corporation's expenses increased to \$80,100 in 2018 from \$66,286 in 2017, an increase of \$13,814 or 21%. This is primarily due to an increase in accounting and marketing costs as compared to prior year.

**CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our readers with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Suffolk County Economic Development Corporation at 100 Veterans Highway, 11<sup>th</sup> Floor, Hauppauge, New York 11788, [suffolkecd@suffolkcountyny.gov](mailto:suffolkecd@suffolkcountyny.gov) or call (631) 853-4800.



## **BASIC FINANCIAL STATEMENTS**

**SUFFOLK COUNTY**  
**ECONOMIC DEVELOPMENT CORPORATION**  
STATEMENT OF NET POSITION  
December 31, 2018

**ASSETS**

Current assets:

Cash and cash equivalents	\$	1,046,391
Loan receivable		4,149

		<u>1,050,540</u>
--	--	------------------

Non-current assets:

Loan receivable		<u>30,851</u>
-----------------	--	---------------

		<u>1,081,391</u>
--	--	------------------

**LIABILITIES**

Current liabilities:

Unearned revenue		78
Due to primary government		37,236
Accrued expenses		<u>17,352</u>

		<u>54,666</u>
--	--	---------------

**NET POSITION**

Unrestricted		<u>1,026,725</u>
--------------	--	------------------

		<u><u>\$ 1,026,725</u></u>
--	--	----------------------------

The accompanying notes are an integral  
part of these financial statements.

**SUFFOLK COUNTY**  
**ECONOMIC DEVELOPMENT CORPORATION**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended December 31, 2018

**OPERATING REVENUES**

Bond issuance fees	\$ -0-
Annual reporting compliance fee	16,750
Document processing fees	1,100
Application fees	<u>4,000</u>
Total Operating Revenues	<u>21,850</u>

**EXPENSES**

Accounting	21,485
Legal	12,811
Marketing	8,324
General and administrative	<u>37,480</u>
Total Expenses	<u>80,100</u>
Operating (Loss) Income	(58,250)

**NON-OPERATING REVENUES**

Interest income	<u>4,400</u>
Change in Net Position	(53,850)
<b>Net Position at Beginning of Year</b>	<u>1,080,575</u>
Net Position at End of Year	<u><u>\$ 1,026,725</u></u>

The accompanying notes are an integral  
part of these financial statements.

**SUFFOLK COUNTY**  
**ECONOMIC DEVELOPMENT CORPORATION**  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers and clients	\$ 21,850
Cash payments for contractual expenses	<u>(70,581)</u>
Net Cash Used by Operating Activities	<u>(48,731)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Loans receivable	<u>(35,000)</u>
Net Cash Used by Noncapital Financing Activities	<u>(35,000)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	<u>4,478</u>
Net Cash Provided by Investing Activities	<u>4,478</u>
Net Decrease in Cash	(79,253)
Cash and Cash Equivalents at Beginning of Year	<u>1,125,644</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,046,391</u></u>

**RECONCILIATION OF LOSS FROM OPERATING TO NET**

**CASH USED IN OPERATING ACTIVITIES**

Loss from operations	\$ (58,250)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in liabilities:	
Increase in due to primary government	2,867
Increase in accrued expenses	<u>6,652</u>
Net Cash Used in Operating Activities	<u><u>\$ (48,731)</u></u>

The accompanying notes are an integral part of these financial statements.

**SUFFOLK COUNTY**  
**ECONOMIC DEVELOPMENT CORPORATION**  
NOTES TO FINANCIAL STATEMENTS

**Note 1 - Nature of the Organization**

The Suffolk County Economic Development Corporation (the "Corporation") was formed on March 25, 2010 and is a corporation as defined in Subparagraph (a)(5) of Section 102 of the New York Not-for-Profit Corporation Law and is a local development corporation pursuant to Section 201 of said law and has all the powers conferred by Section 1411(c) of said law. The Corporation is a quasi-governmental, tax-exempt agency that was created to promote employment and maintain job opportunities; instruct, or train individuals to improve or develop their capabilities for such jobs; and attract or retain industry within the County of Suffolk, New York (the "County"). The Corporation is authorized to finance facilities for not-for-profit corporations; acquire and sell or lease the acquired property; and issue bonds in order to carry out the Corporation's purpose. The County is not liable for the payment of principal or interest on any of the bonds of the Corporation.

The Corporation 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 Corporation 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 Corporation 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. Accordingly, the Corporation has been determined to be a component unit of the County of Suffolk, New York.

**Note 2 - Summary of Significant Accounting Policies**

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Corporation uses the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States, as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash equivalents are defined as short-term highly liquid investments including money markets. The statement of cash flows presented uses the indirect method.

**SUFFOLK COUNTY**  
**ECONOMIC DEVELOPMENT CORPORATION**  
NOTES TO FINANCIAL STATEMENTS

**Note 2 - Summary of Significant Accounting Policies** (continued)

Loan Receivable

Loan receivables are reported at their gross value and, where appropriate, are reduced by an allowance for uncollectible amounts.

Due to Primary Government

Amounts due to primary government are for services provided to the Corporation by the County.

Net Position Classification

In the financial statements, equity is classified as net position, and can be displayed in three components:

- Net investment in capital assets - consists of capital assets including, restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - is the remaining net position that does not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as needed.

Revenue Recognition

The Corporation's primary source of operating revenue is from bond issuance fees and annual reporting compliance fees which are computed as a percentage of the total project. Fees are recorded as income when earned at the time of closing on the projects.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

The Corporation has adopted all of the current Statements of the Governmental Accounting Standards Board ("GASB") that are applicable for the year ended December 31, 2018. The GASB Statements that were adopted in the current year did not have a significant impact on the Corporation's financial statements.

**SUFFOLK COUNTY  
ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**Note 2 - Summary of Significant Accounting Policies** (continued)

Subsequent Events

Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

**Note 3 - Cash and Cash Equivalents**

Cash and cash equivalents consist of funds deposited in bank accounts with original maturities of less than three months.

The Corporation's investments are governed by a formal investment policy. The Corporation's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State.

Collateral is required for demand deposits and time deposits accounts of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. The Corporation's collateral agreements are based on the Corporation's available balance.

Custodial Credit Risk - Deposits Investments - Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, an organization may be unable to recover deposits, or recover collateral securities that are in possession of an outside Corporation. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, an organization will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized,
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Corporation's name.

At December 31, 2018, the Corporation's cash and cash equivalents were fully insured by the Federal Depository Insurance Corporation or collateralized by securities held in the pledging bank's trust department or agent in the Corporation's name.

**Note 4 - Loan Receivable**

The Corporation had a balance in loan receivable of \$35,000 at December 31, 2018. Amounts are determined uncollectible by management on a case-by-case basis and generally represent amounts outstanding after management has used reasonable collection efforts. At December 31, 2018, the Corporation considered this loan receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

**SUFFOLK COUNTY  
ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS**

**Note 4 - Loan Receivable** (continued)

The Corporation provided a loan during 2018 under its retail revolving loan fund program. The loan was for \$35,000 at an interest rate of 3% for five years. Under the loan agreement, the recipient must pay monthly the interest for the first year and principal and interest for the remaining four years. The annual principal payments expected are as follows:

For the years ending December 31, 2019	\$	4,149
2020		8,487
2021		8,745
2022		9,011
2023		<u>4,608</u>
Total		<u>\$ 35,000</u>

**Note 5 – Related Party Transaction**

The Corporation is a component unit of the County of Suffolk, New York (the “County”). During the year ended December 31, 2018, the Corporation utilized County personnel for various administrative duties throughout the year. The total value of salary and fringe benefits attributable to County employees as a percentage of time spent on the Corporation activities billed was \$37,236 for the year ended December 31, 2018. The total value is reported as general and administrative expenses on the financial statements.

**Note 6 - Revenues**

The Corporation collects one-time bond issuance fees from the issuance of taxable bonds, tax-exempt bonds and lease transactions as follows:

- Three-fourths of one percent (.75%) for the first fifteen million dollars (\$15,000,000) of total project costs, half of one percent (.50%) for any additional amounts between fifteen million dollars (\$15,000,000) and twenty-five million dollars (\$25,000,000), quarter of one percent (.25%) for any additional amounts between twenty-five million dollars (\$25,000,000) and thirty-five million dollars (\$35,000,000), and one-tenth of one percent (.10%) for any additional amounts in excess of thirty-five million dollars (\$35,000,000) of total project costs.

The Corporation collects other fees as follows:

- Non-refundable application fee are payable to the Corporation at the time the application is submitted for projects under five million (\$5,000,000) of \$2,000, or \$4,000 for projects over five million (\$5,000,000). This fee will be credited to the administrative fee when the financing is completed/closed.
- The Corporation charges a non-refundable annual fee of \$750 at closing and \$500 annually per applicant for projects up to five million dollars (\$5,000,000), \$1,000 at closing and \$750 annually per applicant for projects between five million dollars (\$5,000,000) and ten million dollars (\$10,000,000), and \$1,500 at closing and \$1,000 annually for projects in excess of ten million dollars (\$10,000,000) of total project costs. The fee covers the cost of annual reporting and monitoring of transactions including the outstanding bonds.



**SUFFOLK COUNTY**  
**ECONOMIC DEVELOPMENT CORPORATION**  
NOTES TO FINANCIAL STATEMENTS

**Note 6 – Revenues** (continued)

- Additionally, the Corporation will charge document processing fees for other transactions not defined above.
- The fees listed are subject to periodic review and may be adjusted from time to time with the authority of the Board.

**Note 7 - Conduit Bonds**

From time to time, the Corporation has issued Economic Development Revenue Bonds to provide financial assistance to primarily not-for-profit private sector entities for the acquisition and construction of not-for-profit, 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 Corporation, 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, 2018, there were 21 series of Economic Development Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$415,317,508.

**Note 8 - New Pronouncement**

The following statement has been issued by the GASB and is to be implemented in a future year, as applicable:

Statement No. 87, "*Leases*", establishes accounting and financial reporting of leases. It requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For leases with terms in-excess of 12 months, the Statement requires the leases to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 31, 2019.

The Corporation is currently evaluating the impact of the above pronouncement.

**INTERNAL CONTROL AND COMPLIANCE**



437 Madison Avenue, 23rd Floor  
New York, NY 10022 • 212.962.4470

165 Orinoco Drive, Brightwaters, NY 11718  
631.665.7040 • Fax: 631.665.7014

15 South Bayles Avenue, Port Washington, NY 11050  
516.883.5510 • Fax: 516.767.7438

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

www.sheehancpa.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board of Directors  
Suffolk County Economic Development Corporation  
Hauppauge, New York

We have audited, in accordance with the 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, the financial statements of the Suffolk County Economic Development Corporation (the Corporation) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated April 25, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Members of the Board of Directors  
Suffolk County Economic Development Corporation  
Hauppauge, New York

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sheehan & Company CPA, P.C.

Brightwaters, New York  
April 25, 2019