

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2014 AND 2013

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
DECEMBER 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Suffolk County Economic Development Corporation (the Corporation), a component unit of the County of Suffolk, New York as of December 31, 2014 and 2013, and for the years then ended, and the related notes to the financial statements, which collectively comprise the Suffolk County Economic Development Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Suffolk County Economic Development Corporation'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 Economic Development Corporation as of December 31, 2014 and 2013, 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

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated May 28, 2015 on our consideration of Suffolk County Economic Development Corporation'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.

Fuoco Group, LLP

Hauppauge, New York
May 28, 2015

MANAGEMENT'S DISCUSSION
AND ANALYSIS

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

This discussion and analysis of the Suffolk County Economic Development Corporation's (the Corporation) financial performance provides an overview of the Corporation's financial activities for the year ended December 31, 2014. Please read this in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights:

The assets of the Corporation exceeded its liabilities at December 31, 2014 by \$973,715.

The Corporation's total assets increased by \$576,282 during 2014.

The Corporation's operating revenues increased by \$379,390 during 2014. The number of projects and the project amounts increased from the previous year.

As of December 31, 2014, the Corporation reported net assets of \$973,715, an increase of \$575,982 for the year then ended.

Basic Financial Statements:

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

The financial statements present the financial picture of the Corporation, which is a proprietary type fund and, accordingly, reflects business-type activities. These statements include all assets of the Corporation.

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 sheet and statement of revenues, expenses and changes in net assets report information about the Corporation as a whole and about its activities. These statements include all assets of the Corporation 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 Corporation'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 corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net assets are one indicator of whether its financial health is improving or deteriorating.

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

Condensed Financial Statements:

Condensed Balance Sheets at December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$ 984,115	\$ 407,833	\$ 576,282	141.30%
Total assets	<u>\$ 984,115</u>	<u>\$ 407,833</u>	<u>\$ 576,282</u>	141.30%
Current liabilities	\$ 10,400	\$ 10,100	\$ 300	2.97%
Total liabilities	<u>10,400</u>	<u>10,100</u>	<u>300</u>	2.97%
Net assets:				
Unrestricted	973,715	397,733	575,982	144.82%
Total net assets	<u>973,715</u>	<u>397,733</u>	<u>575,982</u>	144.82%
Total liabilities and net assets	<u>\$ 984,115</u>	<u>\$ 407,833</u>	<u>\$ 576,282</u>	141.30%

Condensed Statements of Revenues, Expenses, and Change in Net Assets
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Dollar Change Favorable (Unfavorable)</u>	<u>Percentage Change Favorable (Unfavorable)</u>
Total revenue	\$ 602,593	\$ 223,481	\$ 379,112	169.64%
Total expenses	<u>26,611</u>	<u>186,049</u>	<u>(159,438)</u>	-85.70%
Net income	575,982	37,432	538,550	1438.74%
Net assets, January 1	<u>397,733</u>	<u>360,301</u>	<u>37,432</u>	
Net assets, December 31	<u>\$ 973,715</u>	<u>\$ 397,733</u>	<u>\$ 575,982</u>	144.82%

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

Analysis of Financial Position and Results of Operations:

The Corporation's net assets at December 31, 2014 was \$973,715.

Operating revenue increased by \$379,390. The number of projects and the project amounts increased from the previous year.

Analysis of Balances and Transactions:

The Corporation reported net assets of \$973,715 for the year ended December 31, 2014

Budgetary Analysis:

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

Total revenue exceeded budgeted amounts by \$451,093.

Total expenses were less than budgeted amounts by \$95,889.

FINANCIAL STATEMENTS

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEETS
DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 984,115	\$ 407,833
Total assets	<u>\$ 984,115</u>	<u>\$ 407,833</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 10,400	\$ 10,100
Total liabilities	<u>10,400</u>	<u>10,100</u>
Net assets		
Unrestricted	<u>973,715</u>	<u>397,733</u>
Total net assets	<u>973,715</u>	<u>397,733</u>
Total liabilities and net assets	<u>\$ 984,115</u>	<u>\$ 407,833</u>

See notes to financial statements.

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Bond issuance fees	\$ 592,030	\$ 217,640
Annual reporting compliance fee	6,000	5,000
Application fees	<u>4,000</u>	<u>-</u>
Total operating revenues	602,030	222,640
Interest income	<u>563</u>	<u>841</u>
Total revenue	<u>602,593</u>	<u>223,481</u>
EXPENSES		
Accounting	10,400	10,100
Legal	4,261	3,185
Marketing	11,950	172,000
Legal notices	<u>-</u>	<u>764</u>
Total expenses	<u>26,611</u>	<u>186,049</u>
CHANGE IN NET ASSETS	575,982	37,432
NET ASSETS, BEGINNING OF YEAR	<u>397,733</u>	<u>360,301</u>
NET ASSETS, END OF YEAR	<u><u>\$ 973,715</u></u>	<u><u>\$ 397,733</u></u>

See notes to financial statements.

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 575,982	\$ 37,432
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase in accrued expenses	<u>300</u>	<u>300</u>
Net cash provided by operating activities	576,282	37,732
CASH AT BEGINNING OF YEAR	<u>407,833</u>	<u>370,101</u>
CASH AT END OF YEAR	<u><u>\$ 984,115</u></u>	<u><u>\$ 407,833</u></u>

See notes to financial statements.

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

NOTE 1 –NATURE OF 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 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.

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation 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 Corporation 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.

Subsequent Events - The Corporation has evaluated subsequent events and transactions that occurred through May 28, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

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

NOTE 3 – CASH AND CASH EQUIVALENTS

The Corporation's investment policies are governed by State statutes. In addition, the Corporation has its own written investment policy. The Corporation'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 Corporation determines that the collateral or underlying securities have an adequate market value and have been segregated.

The Corporation's cash accounts at December 31, 2014 and 2013 were entirely covered by federal deposit insurance or collateral held in the pledging bank's trust department, but not in the Corporation's name.

NOTE 4 – 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 the bonds are considered conduit debt. As of December 31, 2014, there were 17 series of Economic Development Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$398,362,435. As of December 31, 2013 there were 12 series of Economic Development Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$295,148,520.

REQUIRED SUPPLEMENTARY INFORMATION

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgetary Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
EDC Fee income	\$ 150,000	\$ 150,000	\$ 602,030	\$ 452,030
Document processing income	1,000	1,000	-	(1,000)
Interest income	500	500	563	63
Total revenues	<u>151,500</u>	<u>151,500</u>	<u>602,593</u>	<u>451,093</u>
EXPENSES				
Accounting	10,500	10,500	10,400	100
Legal	5,000	5,000	4,261	739
Marketing	100,000	100,000	11,950	88,050
Legal notices	2,000	2,000	-	2,000
Miscellaneous expenses	5,000	5,000	-	5,000
Total expenses	<u>122,500</u>	<u>122,500</u>	<u>26,611</u>	<u>95,889</u>
REVENUES OVER EXPENSES	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 575,982</u>	<u>\$ 355,204</u>

See Independent Auditors' Report

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgetary Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
EDC Fee Income	\$ 150,000	\$ 150,000	\$ 222,640	\$ 72,640
Document Processing Income	5,000	5,000	-	(5,000)
Interest income	400	400	841	441
Total revenues	<u>155,400</u>	<u>155,400</u>	<u>223,481</u>	<u>68,081</u>
EXPENSES				
Accounting	10,000	10,000	10,100	(100)
Legal	5,000	5,000	3,185	1,815
Marketing	30,000	30,000	172,000	(142,000)
Legal Notices	2,000	2,000	764	1,236
Miscellaneous expenses	5,000	5,000	-	5,000
Total expenses	<u>52,000</u>	<u>52,000</u>	<u>186,049</u>	<u>(134,049)</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ 103,400</u>	<u>\$ 103,400</u>	<u>\$ 37,432</u>	<u>\$ (65,968)</u>

See Independent Auditors' Report