

**SUFFOLK COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2011 AND 2010

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
DECEMBER 31, 2011 AND 2010**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Suffolk County Industrial Development Agency (the Agency), a component unit of the County of Suffolk, New York, as of December 31, 2011 and 2010, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated March 22, 2012 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that 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 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.

Hauppauge, New York
March 22, 2012

Fuoco Group, LLP

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, 2011. 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, 2011 by \$4,326,892.

The Agency's total assets increased by \$149,416 during 2011. The Agency's total liabilities increased by \$14,475 during 2011. The increase in assets and increase in liabilities is primarily due to an increase in project activity.

The Agency's operating revenues increased by \$311,749 during 2011.

As of December 31, 2011, the Agency reported net assets of \$4,326,892, an increase of \$134,941 for the year then ended.

Basic Financial Statements:

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

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

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

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

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

Condensed Comparative Financial Statements:

Condensed Balance Sheets at December 31,

	2011	2010	Dollar Change	Percentage Change
Current assets	\$ 4,330,777	\$ 4,177,618	\$ 153,159	3.67%
Capital assets	2,604	6,006	(3,402)	-56.64%
Other assets	147,288	147,629	(341)	-0.23%
Total assets (B)	<u><u>\$ 4,480,669</u></u>	<u><u>\$ 4,331,253</u></u>	<u><u>\$ 149,416</u></u>	3.45%
Current liabilities	\$ 26,534	\$ 22,179	\$ 4,355	19.64%
Long-term liabilities	127,243	117,123	10,120	8.64%
Total liabilities (A)	<u><u>\$ 153,777</u></u>	<u><u>\$ 139,302</u></u>	<u><u>\$ 14,475</u></u>	10.39%
Net assets:				
Committed in capital assets	2,604	6,006	(3,402)	-56.64%
Unrestricted	4,324,288	4,185,945	138,343	3.30%
Total net assets	<u><u>4,326,892</u></u>	<u><u>4,191,951</u></u>	<u><u>134,941</u></u>	3.22%
Total liabilities and net assets	<u><u>\$ 4,480,669</u></u>	<u><u>\$ 4,331,253</u></u>	<u><u>\$ 149,416</u></u>	3.45%

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

	2011	2010	Dollar Change Favorable (Unfavorable)	Percentage Change Favorable (Unfavorable)
Total operating revenues	\$ 708,845	\$ 397,096	\$ 311,749	78.51%
Total operating expenses	596,786	637,182	40,396	6.34%
Operating income (loss)	112,059	(240,086)	352,145	146.67%
Non-operating revenues	22,882	26,198	(3,316)	-12.66%
Increase (decrease) in net assets	134,941	(213,888)	348,829	163.09%
Net assets, January 1	4,191,951	4,405,839	(213,888)	-4.85%
Net assets, December 31	<u><u>\$ 4,326,892</u></u>	<u><u>\$ 4,191,951</u></u>	<u><u>\$ 134,941</u></u>	3.22%

**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, 2011 increased by \$134,941 over the December 31, 2010 net assets.

- Operating revenue increased by \$311,749 from the prior year due an increase in project activity.

Analysis of Balances and Transactions:

The Agency, a proprietary fund, reported net assets of \$4,326,892 at December 31, 2011, increase of \$134,941 for the year ended December 31, 2011.

Budgetary Analysis:

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

Actual total revenue exceeded budgeted amounts by \$9,727.

Actual interest income exceeded the budgeted amount by \$2,882. However, market interest rates continue to be at low levels due to the economy.

Total expenses were under budget by \$124,807.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

ASSETS

	2011	2010
Current Assets		
Cash and cash equivalents:		
Chase Bank:		
Regular checking	\$ 11,320	\$ 47,272
Payroll checking	42,897	75,368
PILOT account	74,449	73,508
Money market account	4,154,441	3,977,414
Petty cash	150	150
Total cash and cash equivalents	4,283,257	4,173,712
Accounts receivable	42,476	-
Prepaid expenses	5,044	3,906
Total Current Assets	4,330,777	4,177,618
Capital Assets		
Furniture and equipment	22,637	22,637
Automobiles	35,708	35,708
	58,345	58,345
Less: accumulated depreciation	(55,741)	(52,339)
Total Capital Assets, Net	2,604	6,006
Other Assets		
Net post retirement health benefit account	147,288	147,629
Total Assets	\$ 4,480,669	\$ 4,331,253

See accompanying notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

LIABILITIES AND NET ASSETS

	2011	2010
Current Liabilities		
Accrued payroll and payroll taxes	\$ 11,376	\$ 4,179
Other accrued expenses	15,158	18,000
Total Current Liabilities	26,534	22,179
Long-Term Liabilities		
Compensated absences	127,243	117,123
Total Liabilities	153,777	139,302
Net Assets		
Committed in capital assets	2,604	6,006
Unrestricted	4,324,288	4,185,945
Total Net Assets	4,326,892	4,191,951
Total Liabilities and Net Assets	\$ 4,480,669	\$ 4,331,253

See accompanying notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Operating Revenues		
Administrative fees	\$ 295,193	\$ 115,659
Application fees	16,000	-
Annual reporting compliance fee	6,000	3,000
Bond issuance fees	362,327	263,762
Document processing fees	29,325	14,675
Total Operating Revenues	708,845	397,096
Operating Expenses		
Salaries	331,288	318,407
Payroll taxes	24,209	23,153
Employee benefits	51,551	35,515
Office supplies and expenses	9,710	9,015
Meetings	422	810
Conferences and seminars	5,988	3,872
Dues and subscriptions	3,210	3,662
Legal	24,188	17,048
Legal notices	389	199
Accounting	18,500	18,000
Depreciation	3,402	4,482
Automobile	7,600	4,947
Insurance	70,231	63,866
Grants	15,000	15,000
Compensated absences	10,120	11,641
Marketing	16,400	23,350
Equipment lease	2,578	2,363
Post retirement health benefit	-	81,852
Outside services	2,000	-
Total Operating Expenses	596,786	637,182
Operating Income (Loss)	112,059	(240,086)
Non-Operating Revenue (Expenses)		
Interest on deposits	22,882	26,411
Loss on disposition of assets	-	(213)
Total Non-Operating Revenue	22,882	26,198
Change in Net Assets	134,941	(213,888)
Net Assets, January 1	4,191,951	4,405,839
Net Assets, December 31	\$ 4,326,892	\$ 4,191,951

See accompanying notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Cash Flows from Operating Activities:		
Cash received:		
From providing services	\$ 708,845	\$ 397,096
Cash payments:		
Personal services and employee benefits	(365,617)	(458,611)
Contractual services	(256,565)	(89,198)
Net cash (used) provided by operating activities	86,663	(150,713)
Cash Flows from Investing Activities:		
Acquisition and disposition of furniture and equipment	-	(1,731)
Interest income	22,882	26,411
Net cash provided by investing activities	22,882	24,680
Net (decrease) increase in cash and cash equivalents	109,545	(126,033)
Cash and cash equivalents, January 1	4,173,712	4,299,745
Cash and cash equivalents, December 31	\$ 4,283,257	\$ 4,173,712

See accompanying notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Operating Income (Loss)	\$ 112,059	\$ (240,086)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	3,402	4,482
(Increase) decrease in assets:		
Accounts receivable	(42,476)	
Prepaid expenses	(1,138)	7,593
Net post retirement health benefit account	341	60,602
Increase in liabilities:		
Accounts payable and accrued expenses	4,355	5,055
Compensated absences	10,120	11,641
Net cash (used) provided by operating activities	\$ 86,663	\$ (150,713)

See accompanying notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

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

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

Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the periods ending December 31, 2011 and 2010 were \$16,400 and \$23,350 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 March 22, 2012, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

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

From time to time, the Agency has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the Agency, the State, nor any political subdivision, thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2011, there were 70 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$682,681,003. As of December 31, 2010 there were 70 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$736,468,017.

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

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011 AND 2010**

NOTE 4 – CASH AND CASH EQUIVALENTS

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

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

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

The Agency's cash accounts at December 31, 2011 and 2010 were entirely covered by federal deposit insurance or collateral held in the pledging bank's trust department, but not in the Agency's name.

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

At December 31, 2011 and 2010, the Agency bank balances were fully insured or collateralized as follows:

	2011	2010
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	5,236,162	5,036,540
	\$ 5,486,162	\$ 5,286,540

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 5 – CAPITAL ASSETS

Activity for capital assets is summarized as follows:

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

	2010 Activity			Balance December 31, 2010
	Balance December 31, 2009	Additions	Deletions	
Furniture and equipment	\$ 24,322	\$ 1,731	\$ (3,416)	\$ 22,637
Automobiles	35,708	-	-	35,708
	60,030	1,731	(3,416)	58,345
Less: accumulated depreciation	(51,060)	(4,482)	3,203	(52,339)
Capital Assets, Net	<u>\$ 8,970</u>	<u>\$ (2,751)</u>	<u>\$ (213)</u>	<u>\$ 6,006</u>

Depreciation expense for the years ending December 31, 2011 and 2010 was \$3,402 and \$4,482, respectively.

NOTE 6 – NET ASSETS

The Agency's net assets are categorized as follows:

- Committed in capital assets
- Unrestricted

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

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 7 – PENSION PLAN

Plan Description

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

Funding Policy

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

2011	\$	47,333
2010	\$	32,063
2009	\$	20,372

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

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

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

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011 AND 2010**

NOTE 7 – PENSION PLAN (CONTINUED)

Funding Policy (Continued)

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

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

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

NOTE 8 – LIABILITY FOR COMPENSATED ABSENCES

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

The liability for compensated absences as of December 31, 2011 and 2010 is as follows:

Liability for compensated absences:

	2011	2010
Balance, January 1	\$ 117,123	\$ 105,482
Additions	10,120	11,641
Balance, December 31	\$ 127,243	\$ 117,123

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

Annual OPEB Cost and Net OPEB Obligation (continued)

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

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

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

Funded Status and Funding Progress

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

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

Actuarial Methods and Assumptions

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

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

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

Assumptions

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

Investment return: Not applicable

Projected salary increases: Not applicable

Healthcare cost trend rate:

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

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

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

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

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

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

NOTE 10 – ADMINISTRATIVE FEES

On November 18, 2010, the Agency signed an inter-municipal service agreement with the Suffolk County Economic Development Corporation (EDC). As per the agreement, EDC is authorized to utilize the services of employees, offices and necessary supplies of the Agency. In return, an administrative fee equal to 75% of the revenue earned from the issuance of bonds shall be reimbursed to the Agency. As of December 31, 2011 and 2010, EDC reimbursed the Agency \$295,193 and \$115,659, respectively for administrative fees.

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

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Bond issuance fees	\$ 500,000	\$ 500,000	\$ 263,762	\$ (236,238)
Document processing fees	5,000	5,000	14,675	9,675
Interest income	20,000	20,000	26,411	6,411
Administrative fees	-	-	115,659	115,659
Annual reporting fees	-	-	3,000	3,000
Appropriate prior year's net assets	180,000	180,000	-	(180,000)
Total Revenues	<u>705,000</u>	<u>705,000</u>	<u>423,507</u>	<u>(281,493)</u>
Expenses:				
Salaries	339,488	339,488	318,407	21,081
Payroll taxes	32,000	32,000	23,153	8,847
Employee benefits	45,000	45,000	35,515	9,485
Compensated absences	-	-	11,641	(11,641)
Legal	39,600	39,600	17,048	22,552
Accounting	30,000	30,000	18,000	12,000
Insurance	85,000	85,000	63,866	21,134
Marketing	25,000	25,000	23,350	1,650
Office supplies and expenses	10,000	10,000	9,015	985
Automobile	7,000	7,000	4,947	2,053
Meetings	7,500	7,500	810	6,690
Conferences and seminars	10,000	10,000	3,872	6,128
Dues and subscriptions	5,000	5,000	3,662	1,338
Legal notices	3,000	3,000	199	2,801
Grants	50,000	50,000	15,000	35,000
Equipment lease	3,000	3,000	2,363	637
Miscellaneous expenses	10,000	10,000	-	10,000
Computer equipment	2,500	2,500	1,731	769
Furniture	750	750	-	750
Post retirement health benefit	-	-	81,852	(81,852)
Loss on disposition of assets	-	-	213	(213)
Depreciation	-	-	4,482	(4,482)
Total Expenses	<u>704,838</u>	<u>704,838</u>	<u>639,126</u>	<u>65,712</u>
Excess of Revenues Over Expenses	<u>\$ 162</u>	<u>\$ 162</u>	<u>\$ (215,619)</u>	<u>\$ (215,781)</u>

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

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

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