

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011 AND
FROM MARCH 25, 2010 (INCEPTION)
TO DECEMBER 31, 2010**

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
DECEMBER 31, 2011 AND 2010**

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INDEPENDENT AUDITORS' REPORT

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

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, for the year ended December 31, 2011 and for the period from March 25, 2010 (inception) to December 31, 2010. These financial statements are the responsibility of the Corporation'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 Corporation as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows 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 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.

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



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, 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 Corporation exceeded its liabilities at December 31, 2011 by \$117,945.

The Corporation's total assets increased by \$89,100 during 2011. The Corporation's total liabilities increased by \$1,500 during 2011. The increase in assets and increase in liabilities is primarily due to an increase in project activity.

The Corporation's operating revenues increased by \$241,128 during 2011.

As of December 31, 2011, the Corporation reported net assets of \$117,945, an increase of \$87,600 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, 2011 and 2010

	2011	2010	Dollar Change	Percentage Change
Current assets	\$ 127,445	\$ 38,345	\$ 89,100	232.36%
Total assets	<u>\$ 127,445</u>	<u>\$ 38,345</u>	<u>\$ 89,100</u>	232.36%
Current liabilities	\$ 9,500	\$ 8,000	\$ 1,500	18.75%
Total liabilities	<u>9,500</u>	<u>8,000</u>	<u>1,500</u>	18.75%
Net assets:				
Unrestricted	117,945	30,345	87,600	288.68%
Total net assets	<u>117,945</u>	<u>30,345</u>	<u>87,600</u>	288.68%
 Total liabilities and net assets	 <u>\$ 127,445</u>	 <u>\$ 38,345</u>	 <u>\$ 89,100</u>	 232.36%

Condensed Statements of Revenues, Expenses, and Change in Net Assets

For the Year Ended December 31, 2011 and for the period from March 25, 2010 (inception)
to December 31, 2010

	2011	2010	Dollar Change Favorable (Unfavorable)	Percentage Change Favorable (Unfavorable)
Total revenue	\$ 395,563	\$ 154,216	\$ 241,347	156.50%
Total expenses	<u>307,963</u>	<u>123,871</u>	<u>184,092</u>	148.62%
Net income	87,600	30,345	57,255	188.68%
Net assets, January 1	30,345	-	30,345	
Net assets, December 31	<u>\$ 117,945</u>	<u>\$ 30,345</u>	<u>\$ 87,600</u>	288.68%

**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, 2011 was \$117,945.

Operating revenue increased by \$241,128 and expenses increased by \$184,092 as a result of closing two bond projects during 2011.

Analysis of Balances and Transactions:

The Corporation reported net assets of \$117,945 for the year ended December 31, 2011.

Budgetary Analysis:

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

Total revenue exceeded budgeted amounts by \$244,463.

Total expenses exceeded budget by \$183,463.

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

ASSETS

	2011	2010
Cash and cash equivalents	\$ 127,445	\$ 38,345
Total assets	\$ 127,445	\$ 38,345

LIABILITIES AND NET ASSETS

Liabilities:		
Accrued expenses	\$ 9,500	\$ 8,000
Total liabilities	9,500	8,000
Net assets:		
Unrestricted	117,945	30,345
Total net assets	117,945	30,345
Total liabilities and net assets	\$ 127,445	\$ 38,345

See accompanying notes to financial statements.

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011 AND FOR THE PERIOD FROM
MARCH 25, 2010 (INCEPTION) TO DECEMBER 31, 2010**

	Year Ended December 31, 2011	March 25, 2010 to December 31, 2010
Operating revenue		
Bond issuance fees	\$ 383,090	\$ 141,712
Annual reporting compliance fee	4,250	2,500
Application fees	8,000	10,000
Total operating revenues	395,340	154,212
Interest income	223	4
Total revenue	395,563	154,216
Expenses		
Administrative fees	295,193	115,659
Accounting	11,000	8,000
Marketing	1,750	-
Office expense	20	212
Total expenses	307,963	123,871
Change in net assets	87,600	30,345
Net assets, beginning of year	30,345	-
Net assets, end of year	\$ 117,945	\$ 30,345

See accompanying notes to financial statements.

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011 AND FOR THE PERIOD FROM
MARCH 25, 2010 (INCEPTION) TO DECEMBER 31, 2010**

	<u>Year Ended December 31, 2011</u>	<u>March 25, 2010 to December 31, 2010</u>
Change in net assets	\$ 87,600	\$ 30,345
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase in accrued expenses	<u>1,500</u>	<u>8,000</u>
Net cash provided by operating activities	89,100	38,345
Cash at beginning of year	<u>38,345</u>	<u>-</u>
Cash at end of year	<u><u>\$ 127,445</u></u>	<u><u>\$ 38,345</u></u>

See accompanying notes to financial statements.

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 March 22, 2012, 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
DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010 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 – ADMINISTRATIVE FEES

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

NOTE 5 – 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, 2011, there were 4 series of Economic Development Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$226,096,000. As of December 31, 2010 there were 2 series of Economic Development Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$34,660,000.

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
EDC Fee Income	\$ 150,000	\$ 150,000	\$ 395,340	\$ 245,340
Document Processing Income	1,000	1,000	-	(1,000)
Interest income	100	100	223	123
Total revenues	<u>151,100</u>	<u>151,100</u>	<u>395,563</u>	<u>244,463</u>
Expenses:				
Contract for Services	112,500	112,500	295,193	(182,693)
Accounting	5,000	5,000	11,000	(6,000)
Legal Notices	2,000	2,000	-	2,000
Marketing	-	-	1,750	(1,750)
Miscellaneous expenses	5,000	5,000	20	4,980
Total expenses	<u>124,500</u>	<u>124,500</u>	<u>307,963</u>	<u>(183,463)</u>
Excess of Revenues Over Expenses	<u><u>\$ 26,600</u></u>	<u><u>\$ 26,600</u></u>	<u><u>\$ 87,600</u></u>	<u><u>\$ 61,000</u></u>

See independent auditors' report.

**SUFFOLK COUNTY
ECONOMIC DEVELOPMENT CORPORATION
BUDGETARY COMPARISON SCHEDULE
FOR THE PERIOD MARCH 25, 2010 (INCEPTION) TO DECEMBER 31, 2010**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
EDC Fee Income	\$ 146,000	\$ 146,000	\$ 154,212	\$ 8,212
Interest income	-	-	4	4
Total revenues	<u>146,000</u>	<u>146,000</u>	<u>154,216</u>	<u>8,216</u>
Expenses:				
Contract for Services	109,500	109,500	115,659	(6,159)
Accounting	5,000	5,000	8,000	(3,000)
Legal Notices	2,000	2,000	-	2,000
Miscellaneous expenses	5,000	5,000	212	4,788
Total expenses	<u>121,500</u>	<u>121,500</u>	<u>123,871</u>	<u>(2,371)</u>
Excess of Revenues Over Expenses	<u>\$ 24,500</u>	<u>\$ 24,500</u>	<u>\$ 30,345</u>	<u>\$ 5,845</u>

See independent auditors' report.