

**SUFFOLK COUNTY INDUSTRIAL  
DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
DECEMBER 31, 2010 AND 2009**

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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 and budgetary comparison schedules of the Suffolk County Industrial Development Agency (the Agency), a component unit of the County of Suffolk, New York, as of December 31, 2010 and 2009, and for the years then ended, as listed in the table of contents. These financial statements and budgetary comparison schedules are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements and budgetary comparison schedules 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 provide 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, 2010 and 2009, 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 April 27, 2011 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.

Management's Discussion and Analysis on pages I through III and schedule of funding progress on page 20 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Fuoco Group, LLP*

Hauppauge, New York  
April 27, 2011

**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, 2010. 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, 2010 by \$4,191,951.

The Agency's total assets decreased by \$197,192 during 2010. The Agency's total liabilities increased by \$16,696 during 2010. The decrease in assets and increase in liabilities is primarily due to a decrease in project activity.

The Agency's operating revenues decreased by \$502,954 during 2010.

As of December 31, 2010, the Agency reported net assets of \$4,191,951, a decrease of \$213,888 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,			
	2010	2009	Dollar Change	Percentage Change
Current assets	\$ -	\$ 599	\$ (599)	-100.00%
Capital assets	-	-	-	#DIV/0!
Other assets	-	-	-	#DIV/0!
Total assets (B)	<u>\$ -</u>	<u>\$ 599</u>	<u>\$ (599)</u>	-100.00%
Current liabilities	\$ (863,313)	\$ (780,862)	\$ (82,451)	10.56%
Long-term liabilities	-	-	-	#DIV/0!
Total liabilities (A)	<u>\$ (863,313)</u>	<u>\$ (780,862)</u>	<u>\$ (82,451)</u>	10.56%
Net assets:				
Invested in capital assets	-	-	-	#DIV/0!
Unrestricted	4,026,350	4,034,562	(8,212)	-0.20%
Total net assets	<u>4,026,350</u>	<u>4,034,562</u>	<u>(8,212)</u>	-0.20%
 Total liabilities and net assets	 <u>\$ 3,163,037</u>	 <u>\$ 3,253,700</u>	 <u>\$ (90,663)</u>	 -2.79%

Condensed Comparative Financial Statements (continued):

	Condensed Statements of Revenues, Expenses and Change in Net Assets for the Years Ended December 31,			
	2010	2009	Dollar Change Favorable (Unfavorable)	Percentage Change Favorable (Unfavorable)
Total operating revenues	\$ -	\$ -	\$ -	#DIV/0!
Total operating expenses	8,212	-	(8,212)	#DIV/0!
Operating income (loss)	(8,212)	-	(8,212)	#DIV/0!
Non-operating revenues	-	-	-	#DIV/0!
Increase (decrease) in net assets	(8,212)	-	(8,212)	#DIV/0!
Net assets, January 1	4,034,562	4,034,562	-	0.00%
Net assets, December 31	<u>\$ 4,026,350</u>	<u>\$ 4,034,562</u>	<u>\$ (8,212)</u>	-0.20%

**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, 2010 decreased by \$213,888 over the December 31, 2009 net assets.

- Operating revenue decreased by \$502,954 from the prior year due a decrease in project activity.

**Analysis of Balances and Transactions:**

The Agency, a proprietary fund, reported net assets of \$4,191,951 at December 31, 2010, decrease of \$213,888 for the year ended December 31, 2010.

**Budgetary Analysis:**

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

Actual bond issuance fees exceeded budgeted amounts by \$83,762.

Actual interest income exceeded the budgeted amount by \$6,411. However, market interest rates continue to be at low levels due to the economy.

Actual accounting expenses were under budgeted amount by \$12,000.

Total expenses were under budget by \$64,193.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
BALANCE SHEETS  
DECEMBER 31, 2010 AND 2009**

	<b>ASSETS</b>	
	<u>2010</u>	<u>2009</u>
<b>Current Assets</b>		
Cash and cash equivalents:		
Chase Bank:		
Regular checking	\$ 47,272	\$ 22,350
Payroll checking	75,368	20,185
PILOT account	73,508	73,073
Money market account	3,977,414	4,183,987
Petty cash	150	150
Total cash and cash equivalents	<u>4,173,712</u>	<u>4,299,745</u>
Prepaid expenses	3,906	11,499
Total Current Assets	<u>4,177,618</u>	<u>4,311,244</u>
<b>Capital Assets</b>		
Furniture and equipment	22,637	24,322
Automobiles	35,708	35,708
	<u>58,345</u>	<u>60,030</u>
Less: accumulated depreciation	(52,339)	(51,060)
Total Capital Assets, Net	<u>6,006</u>	<u>8,970</u>
<b>Other Assets</b>		
Net post retirement health benefit account	147,629	208,231
Total Assets	<u>\$ 4,331,253</u>	<u>\$ 4,528,445</u>

See accompanying notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
BALANCE SHEETS  
DECEMBER 31, 2010 AND 2009**

**LIABILITIES AND NET ASSETS**

	<b>2010</b>	<b>2009</b>
<b>Current Liabilities</b>		
Accrued payroll and payroll taxes	\$ 4,179	\$ 4,624
Other accrued expenses	18,000	12,500
Total Current Liabilities	22,179	17,124
 <b>Long-Term Liabilities</b>		
Compensated absences	117,123	105,482
Total Liabilities	139,302	122,606
 <b>Net Assets</b>		
Invested in capital assets	6,006	8,970
Unrestricted	4,185,945	4,396,869
Total Net Assets	4,191,951	4,405,839
Total Liabilities and Net Assets	\$ 4,331,253	\$ 4,528,445

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, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Operating Revenues</b>		
Administrative fees	\$ 115,659	\$ -
Application fees	-	14,000
Annual reporting compliance fee	3,000	-
Bond issuance fees	263,762	872,250
Document processing fees	14,675	13,800
Total Operating Revenues	397,096	900,050
<b>Operating Expenses</b>		
Salaries	318,407	308,113
Payroll taxes	23,153	22,147
Employee benefits	35,515	25,205
Office supplies and expenses	9,015	8,549
Meetings	810	419
Conferences and seminars	3,872	6,022
Dues and subscriptions	3,662	3,310
Legal	17,048	20,320
Legal notices	199	1,777
Accounting	18,000	45,550
Depreciation	4,482	6,765
Automobile	4,947	4,979
Insurance	63,866	57,208
Grants	15,000	16,499
Compensated absences	11,641	2,528
Marketing	23,350	18,450
Equipment lease	2,363	2,792
Post retirement health benefit	81,852	-
Total Operating Expenses	637,182	550,633
Operating Income (Loss)	(240,086)	349,417
<b>Non-Operating Revenue (Expenses)</b>		
Interest on deposits	26,411	21,860
Interest on leases	-	269,750
Interest expense	-	(269,750)
Loss on disposition of assets	(213)	-
Total Non-Operating Revenue	26,198	21,860
Change in Net Assets	(213,888)	371,277
Net Assets, January 1	4,405,839	4,034,562
Net Assets, December 31	<b>\$ 4,191,951</b>	<b>\$ 4,405,839</b>

See accompanying notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities:</b>		
<b>Cash received:</b>		
From providing services	\$ 397,096	\$ 900,050
<b>Cash payments:</b>		
Personal services and employee benefits	(458,611)	(333,800)
Contractual services	(89,198)	(218,704)
Net cash (used) provided by operating activities	<u>(150,713)</u>	<u>347,546</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition and disposition of furniture and equipment	(1,731)	(1,800)
Interest income	26,411	21,860
Net cash provided by investing activities	<u>24,680</u>	<u>20,060</u>
Net (decrease) increase in cash and cash equivalents	(126,033)	367,606
Cash and cash equivalents, January 1	<u>4,299,745</u>	<u>3,932,139</u>
Cash and cash equivalents, December 31	<u><u>\$ 4,173,712</u></u>	<u><u>\$ 4,299,745</u></u>

See accompanying notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>Operating (Loss) Income</b>	\$ (240,086)	\$ 349,417
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>		
Depreciation	4,482	6,765
(Increase) decrease in assets:		
Prepaid expenses	7,593	(4,191)
Net post retirement health benefit account	60,602	(19,741)
Increase in liabilities:		
Accounts payable and accrued expenses	5,055	12,768
Compensated absences	11,641	2,528
<b>Net cash (used) provided by operating activities</b>	<b>\$ (150,713)</b>	<b>\$ 347,546</b>

**Supplementary Schedule of Non-cash Activity:**

As explained in Note 2 to the financial statements, the Agency assigned its rights to receive service fee payments for debt service on the revenue bonds to the trustee for the holders of the bonds. Debt service requirements for the years ended December 31, 2010 and 2009 was as follows:

	2010	2009
Principal	\$ -	\$ 10,790,000
Interest	\$ -	\$ 269,750

See accompanying notes to financial statements.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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.

**Reclassifications**

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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, 2010 and 2009 were \$23,350 and \$18,450 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 April 27, 2011, 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, 2010, there were 70 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$736,468,017. As of December 31, 2009 there were 73 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$810,214,587.

Exceptions to the policy of not recording the assets or liabilities resulting from completed bond issues, as stated above, are the Suffolk County Southwest Sewer System Revenue and Revenue Refunding Bonds. These bonds were all issued by the Agency for the benefit of Suffolk County. These bonds, and the related lease receivable, are recorded in the accounts of the Agency. The primary reason for this exception is that the Suffolk County Southwest Sewer System Revenue Bonds are not secured by property or a debt obligation of the beneficiary of the financing, Suffolk County. This feature of the transaction with Suffolk County was specifically authorized by the New York State Legislature in Chapter 910 of the Laws of 1982.

Proceeds from the issuance of the 1994 \$186,840,000 Revenue Bonds have provided funds to the County for the purpose of redeeming certain outstanding general obligation debt of the County previously issued for the Suffolk County Southwest Sewer District (the Sewer District) purposes.

Proceeds from the issuance of the 1999 \$25,000,000 Revenue Refunding Bonds have provided funds to redeem a portion of the principal and interest with respect to the 1994 Revenue Bonds.

Proceeds from the issuance of the 2003 \$47,420,000 Revenue Refunding Bonds are being used to redeem on February 1, 2004, the 1994 Bonds maturing on February 1, 2005, February 1, 2006 and February 1, 2009.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 2 – CONDUIT DEBT OBLIGATIONS, INDUSTRIAL REVENUE BOND AND NOTE  
TRANSACTIONS (CONTINUED)**

In accordance with the special authority provided by Chapter 910 of the Laws of 1982, Suffolk County leased to the Agency, pursuant to an Agency lease agreement, the entirety of the sewage system of the Sewer District and agreed with the Agency, pursuant to an operation and maintenance agreement, to operate and maintain such sewer system and agreed, pursuant to a service agreement, to make payments subject to the Agency's providing sewer service, pursuant to the service agreement, to the Agency in an amount sufficient to permit the Agency to pay debt service on the revenue bonds. The Agency assigned its rights to receive service fee payments to JPMorgan Chase Bank, N.A., and the trustee for the holders of the bonds.

**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.

**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, 2010 and 2009 were entirely covered by federal deposit insurance or collateral held in the pledging bank's trust department, but not in the Agency's name.

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 4 – CASH AND CASH EQUIVALENTS (CONTINUED)**

At December 31, 2010 and 2009, the Agency bank balances were fully insured or collateralized as follows:

	2010	2009
<b>Category 1:</b>		
Insured by FDIC	\$ 250,000	\$ 250,000
<b>Category 2:</b>		
Collateralized by securities held by the Pledging Financial Institution in the Agency's name	-	-
<b>Category 3:</b>		
Collateralized by securities held by the Pledging Financial Institution, but not in the Agency's name	5,036,540	5,171,220
	\$ 5,286,540	\$ 5,421,220

**NOTE 5 – CAPITAL ASSETS**

Activity for capital assets is summarized as follows:

	2010 Activity				
	Balance December 31, 2009	Additions	Deletions		Balance December 31, 2010
	Furniture and equipment	\$ 24,322	\$ 1,731		\$ (3,416)
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	\$ 8,970	\$ (2,751)	\$ (213)	\$ 6,006	
	2009 Activity				
	Balance December 31, 2008	Additions	Deletions		Balance December 31, 2009
	Furniture and equipment	\$ 25,194	\$ 1,800		\$ (2,672)
Automobiles	35,708	-	-	35,708	
	60,902	1,800	(2,672)	60,030	
Less: accumulated depreciation	(46,967)	(6,765)	2,672	(51,060)	
Capital Assets, Net	\$ 13,935	\$ (4,965)	\$ -	\$ 8,970	

Depreciation expense for the years ending December 31, 2010 and 2009 was \$4,482 and \$6,765, respectively.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 6 – NET ASSETS**

The Agency's net assets are categorized as follows:

Invested in capital assets  
Unrestricted

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

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

**NOTE 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:

2010	\$	32,063
2009	\$	20,372
2008	\$	26,423

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

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 7 – PENSION PLAN (CONTINUED)**

**Funding Policy (Continued)**

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

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

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

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

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

**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, 2010 and 2009 is as follows:

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010 AND 2009**

**NOTE 8 – LIABILITY FOR COMPENSATED ABSENCES (CONTINUED):**

	2010	2009
Balance, January 1	\$ 105,482	\$ 102,954
Additions	-	2,528
Balance, December 31	\$ 105,482	\$ 105,482

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

**NOTE 9 – POST RETIREMENT HEALTH INSURANCE BENEFIT PLAN**

**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.

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 9 – POST RETIREMENT HEALTH INSURANCE BENEFIT PLAN (CONTINUED)**

**Annual OPEB Cost and Net OPEB Obligation**

The Agency's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following shows the components of the Agency's annual OPEB cost for 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	\$ (147,629)

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)

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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 9 – POST RETIREMENT HEALTH INSURANCE BENEFIT PLAN (CONTINUED)**

**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.

**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

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010 AND 2009**

**NOTE 9 – POST RETIREMENT HEALTH INSURANCE BENEFIT PLAN (CONTINUED)**

Healthcare cost trend rate:

<u>Ended</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.

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.

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, 2010, EDC reimbursed the Agency \$115,659 for administrative fees.

**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		
<b>Revenues:</b>				
Bond Issuance Fee	\$ 500,000	\$ 500,000	\$ 263,762	\$ (236,238)
Document Processing Income	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 fee	-	-	3,000	3,000
Appropriated 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>
<b>Expenses:</b>				
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
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>
<b>Excess of Revenues Over Expenses</b>	<u>\$ 162</u>	<u>\$ 162</u>	<u>\$ (215,619)</u>	<u>\$ (215,781)</u>

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Bond issuance fees	\$ 650,000	\$ 650,000	\$ 872,250	\$ 222,250
Document processing fees	5,000	5,000	13,800	8,800
Interest income	100,000	100,000	21,860	(78,140)
Application fees	-	-	14,000	14,000
Total Revenues	<u>755,000</u>	<u>755,000</u>	<u>921,910</u>	<u>166,910</u>
<b>Expenses:</b>				
Salaries	329,600	329,600	308,113	21,487
Payroll taxes	30,000	30,000	22,147	7,853
Compensated absences	-	-	2,528	(2,528)
Employee benefits	45,000	45,000	25,205	19,795
Legal	39,600	39,600	20,320	19,280
Accounting	30,000	30,000	45,550	(15,550)
Insurance	85,000	85,000	57,208	27,792
Marketing	50,000	50,000	18,450	31,550
Office supplies and expenses	10,000	10,000	8,549	1,451
Automobile	7,000	7,000	4,979	2,021
Meetings	7,500	7,500	419	7,081
Conferences and seminars	12,500	12,500	6,022	6,478
Dues and subscriptions	5,000	5,000	3,310	1,690
Legal notices	3,000	3,000	1,777	1,223
Grants	80,000	80,000	16,499	63,501
Equipment lease	4,500	4,500	2,792	1,708
Miscellaneous expenses	5,000	5,000	-	5,000
Computer equipment	2,500	2,500	1,801	699
Furniture	750	750	-	750
Depreciation	-	-	6,765	(6,765)
Total Expenses	<u>746,950</u>	<u>746,950</u>	<u>552,434</u>	<u>194,516</u>
<b>Excess of Revenues Over Expenses</b>	<u><u>\$ 8,050</u></u>	<u><u>\$ 8,050</u></u>	<u><u>\$ 369,476</u></u>	<u><u>\$ 361,426</u></u>

**SUFFOLK COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
POSTEMPLOYMENT HEALTH INSURANCE BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued 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%	N/A	N/A

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