

**Suffolk County
Judicial Facilities Agency**
ANNUAL FINANCIAL REPORT

December 31, 2011

MANAGEMENT'S DISCUSSION

AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Suffolk County Judicial Facilities Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the fiscal 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 were \$65,193 and there were no liabilities at December 31, 2011.
- The Agency's total assets decreased by \$17,956 in 2011. The decrease in total assets is due to the Agency paying operating expenses while having no operating revenue.

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 an enterprise type fund and, accordingly, reflects business-type activities. These statements include all assets and liabilities of the Agency.
- 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 Change 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. Net assets represent 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.

Condensed Comparative Financial Statements:

| | <u>Condensed Balance Sheets at December 31,</u> | | | |
|-------------------------------------|--|--------------------|---------------------------------|-------------------------------------|
| | <u>2011</u> | <u>2010</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
| Current assets | <u>\$65,193</u> | <u>\$83,149</u> | <u>\$(17,956)</u> | (21.59)% |
| Total assets | <u>\$65,193</u> | <u>\$83,149</u> | <u>\$(17,956)</u> | (21.59)% |
| Total liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | (00.00)% |
| Net assets: | | | | |
| Unrestricted | <u>65,193</u> | <u>83,149</u> | <u>(17,956)</u> | (21.59)% |
| Total net assets | <u>65,193</u> | <u>83,149</u> | <u>(17,956)</u> | (21.59)% |
| Total liabilities and net assets | <u>\$65,193</u> | <u>\$83,149</u> | <u>\$(17,956)</u> | (21.59)% |

| | <u>Condensed Statement of Revenues, Expenses and Change in Net Assets for the Year Ended December 31,</u> | | | |
|--------------------------------------|--|--------------------|---------------------------------|-------------------------------------|
| | <u>2011</u> | <u>2010</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
| Total operating revenue | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | 00.00% |
| Total operating expenses | <u>(18,187)</u> | <u>(26,285)</u> | <u>8,098</u> | (30.81)% |
| Operating income (loss) | <u>(18,187)</u> | <u>(26,285)</u> | <u>8,098</u> | (30.81)% |
| Non-operating revenues (expenses) | <u>231</u> | <u>377</u> | <u>(146)</u> | (38.73)% |
| Change in net assets | <u>\$(17,956)</u> | <u>\$(25,908)</u> | <u>\$ 7,952</u> | 30.69% |

Analysis of Financial Position and Results of Operations:

The Agency's 2011 net assets decreased by \$17,956 as compared to 2010 net assets.

Analysis of Balances and Transactions:

The Agency, an enterprise fund, reported net assets of \$65,193, which is \$17,956 lower than last year. The decrease was due to payment of operating expenses while having no operating revenue.

Budgetary Analysis:

The Agency is required to adopt a budget in accordance with the Public Authorities Accountability Act.

Capital Asset and Long-Term Debt Activity:

- The Agency had no investment in capital assets as of December 31, 2011.
- The Agency reported no long-term debt as of December 31, 2011.

Current Known Facts:

The Agency expects minimal operating activity in the near future as it had sold its 86.3949% interest in the John P. Cohalan Court Complex in 2009.

**Suffolk County
Judicial Facilities Agency**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Suffolk County Judicial Facilities Agency

We have audited the accompanying financial statements of Suffolk County Judicial Facilities Agency (the Agency), a New York State Public Benefit Corporation, as of and for the year ended December 31, 2011, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a 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 the respective change in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

To the Board of Directors
Suffolk County Judicial Facilities Agency

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages i through iii and 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sheehan & Company CPA, P.C.

October 3, 2012

Suffolk County Judicial Facilities Agency

BALANCE SHEET

December 31, 2011

ASSETS

Current assets:

| | |
|---------------------------|-------------------------|
| Cash and cash equivalents | <u>\$ 65,193</u> |
| Total current assets | <u>65,193</u> |
| Total assets | <u><u>\$ 65,193</u></u> |

LIABILITIES AND NET ASSETS

Liabilities \$ -

Net assets:

| | |
|----------------------------------|-------------------------|
| Unrestricted | <u>65,193</u> |
| Total net assets | <u>65,193</u> |
| Total liabilities and net assets | <u><u>\$ 65,193</u></u> |

See notes to financial statements

Suffolk County Judicial Facilities Agency

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended December 31, 2011

| | |
|-------------------------------|------------------|
| Operating revenue | <u>\$ -</u> |
| Operating expenses: | |
| Printing | 205 |
| Fees for services | 7,273 |
| Insurance | 9,880 |
| Meetings and conferences | 454 |
| Bank charges | <u>375</u> |
| Total operating expenses | <u>18,187</u> |
| Operating income (loss) | <u>(18,187)</u> |
| Non-operating revenue: | |
| Interest income | <u>231</u> |
| Net non-operating revenue | <u>231</u> |
| Change in net assets | (17,956) |
| Total net assets, January 1 | <u>83,149</u> |
| Total net assets, December 31 | <u>\$ 65,193</u> |

See notes to financial statements

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Suffolk County Judicial Facilities Agency

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

Cash flows from operating activities:

Cash received:

From providing services \$ -

Cash payments:

Contractual services (18,187)

Net cash provided (used) by operating activities (18,187)

Cash flows from investing activities:

Interest income 231

Net cash provided by investing activities 231

Net increase (decrease) in cash and cash equivalents (17,956)

Cash and cash equivalents, January 1 83,149

Cash and cash equivalents, December 31 \$ 65,193

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss) \$ (18,187)

Adjustments to reconcile operating income to net cash provided (used) by operating activities

-

Net cash provided (used) by operating activities \$ (18,187)

See notes to financial statements

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Suffolk County Judicial Facilities Agency

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies:

The general purpose financial statements of the Suffolk County Judicial Facilities 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 Chapter 200 of the New York State Legislature and is a corporate governmental agency and public benefit corporation of the State authorized to acquire, erect, build, alter, improve, extend, renovate, rehabilitate or relocate the John P. Cohalan Court Complex or any part thereof for, among other uses, lease to the County for use by the County and the State for judicial purposes. It raises funds to accomplish these purposes by issuing its special obligation bonds. The Agency is perpetual in duration and its corporate existence shall continue until terminated by law, provided that so long as bonds of the Agency are outstanding, provision must be made for their payment.

The Agency is governed by a six member Board of Directors whose members are appointed by the Suffolk County Legislature and the Suffolk County Executive and is considered a separate entity from 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.

Suffolk County Judicial Facilities Agency

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued):

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. Under this basis of accounting and measurement focus, the Agency applies all GASB pronouncements and Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions and Account Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Uses 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.

Budget policies: The Agency is required to establish a budget by the Public Authorities Accountability Act. For management control purposes, budgeting is utilized for various activities. The initial budget is approved by the Agency's Board of Directors and subsequent amendments are made by management.

Restricted/unrestricted resources: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Income: Operating income reported in the financial statements includes revenues and expenses related to the primary operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services. Principal operating expenses include administrative expenses. Other revenues and expenses are classified as non-operating in the financial statements.

2. 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.

Suffolk County Judicial Facilities Agency

NOTES TO FINANCIAL STATEMENTS

2. Cash and cash equivalents (continued):

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. GASB directs that deposits be disclosed according to custodial credit risk. The Agency's custodial risk is specified by the following categories:

1. Covered by FDIC insurance.
2. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Agency's name.
3. Collateralized with securities held by the pledging financial institution in the Agency's name.
4. Uncollateralized.

The Agency's deposits held by the banks are categorized, based on the above criteria, as follows:

| <u>Category</u> | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|-----------------|---------------------|-------------------|-----------------|
| 1 | \$65,193 | \$ - | \$65,193 |
| 2 | - | - | - |
| 3 | - | - | - |
| 4 | - | - | - |
| Total | <u>\$65,193</u> | <u>\$ -</u> | <u>\$65,193</u> |

3. Net assets:

The Agency's net assets are categorized as either invested in capital assets, net of related debt, restricted or unrestricted.

Restricted net assets include net assets restricted for debt service.

Unrestricted net assets include all net assets not classified as either invested in capital assets, net of related debt or restricted net assets.

At December 31, 2011, all of the Agency's net assets were unrestricted.

Suffolk County Judicial Facilities Agency

NOTES TO FINANCIAL STATEMENTS

4. New accounting pronouncements:

In December 2010, the GASB issued GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and American Institute of Certified Public Accountants (AICPA) Pronouncements". GASB No. 62 modifies the guidance to recognize the effects of the governmental environment and the needs of governmental financial statement users. GASB No. 62 also supersedes GASB No. 20, thus, eliminating the election that allowed enterprise funds and business-type activities to apply FASB statements and interpretations issued after November 30, 1989 that did not conflict with or contradict GASB pronouncements. GASB No. 62 is effective for financial statements for periods beginning after December 15, 2011. The Agency has not yet elected to adopt GASB No. 62.

Suffolk County Judicial Facilities Agency

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2011

| | <u>Budgetary Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|--------------------------|--------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Operating revenues | \$ - | \$ - | \$ - | \$ - |
| Operating expenses: | | | | |
| Printing and advertising | 500 | 500 | 205 | 295 |
| Travel | 500 | 500 | - | 500 |
| Fees for services | 14,800 | 14,800 | 7,273 | 7,527 |
| Insurance | 9,900 | 9,900 | 9,880 | 20 |
| Meetings | 300 | 300 | 454 | (154) |
| Bank charges | - | - | 375 | (375) |
| Total operating expenses | <u>26,000</u> | <u>26,000</u> | <u>18,187</u> | <u>7,813</u> |
| Non-operating revenue (expenses): | | | | |
| Interest income | - | - | 231 | 231 |
| Total non-operating revenue (expenses) | <u>-</u> | <u>-</u> | <u>231</u> | <u>231</u> |
| Excess (deficiency) of revenue over (under) expenses | <u>\$ (26,000)</u> | <u>\$ (26,000)</u> | <u>\$ (17,956)</u> | <u>\$ 8,044</u> |