

**Suffolk County  
Judicial Facilities Agency**

**ANNUAL FINANCIAL REPORT**

**December 31, 2012**

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**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, 2012. 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 \$44,362 and there were no liabilities at December 31, 2012.
- The Agency's total assets decreased by \$20,831 in 2012. 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 Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position 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 position and changes in net position. Net position represents 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 position is one indicator of whether its financial health is improving or deteriorating.

**Condensed Comparative Financial Statements:**

**Condensed Statements of Net Position at December 31,**

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$44,362	\$65,193	\$(20,831)	(31.95)%
Total assets	\$44,362	\$65,193	\$(20,831)	(31.95)%
Total liabilities	\$ -	\$ -	\$ -	(31.95)%
Net position:				
Unrestricted	44,362	65,193	(20,831)	(31.95)%
Total net position	44,362	65,193	(20,831)	(31.95)%
Total liabilities and net position	\$44,362	\$65,193	\$(20,831)	(31.95)%

**Condensed Statements of Revenues, Expenses and  
Changes in Net Position for the Year Ended December 31,**

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Total operating revenue	\$ -	\$ -	\$ -	00.00%
Total operating expenses	(20,983)	(18,187)	(2,796)	(15.37)%
Operating income (loss)	(20,983)	(18,187)	(2,796)	(15.37)%
Non-operating revenues (expenses)	152	231	(79)	(34.20)%
Change in net position	\$(20,831)	\$(17,956)	\$(2,875)	(16.01)%

**Analysis of Financial Position and Results of Operations:**

The Agency's 2012 net position decreased by \$20,831 as compared to 2011 net position.

**Analysis of Balances and Transactions:**

The Agency, an enterprise fund, reported net position of \$44,362, which is \$20,831 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, 2012.
- The Agency reported no long-term debt as of December 31, 2012.

**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, 2012**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Suffolk County Judicial Facilities Agency

### **Report on the Financial Statements**

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, 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors  
Suffolk County Judicial Facilities Agency

## **Opinions**

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, 2012 and the respective change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that 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 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 sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013, 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* in considering the Agency's internal control over financial reporting and compliance.

Sheehan + Company CPA PC

May 31, 2013

# Suffolk County Judicial Facilities Agency

## STATEMENT OF NET POSITION

December 31, 2012

### ASSETS

**Current assets:**

Cash and cash equivalents \$ 44,362

Total current assets 44,362

Total assets \$ 44,362

### LIABILITIES AND NET POSITION

**Liabilities** \$ -

**Net position:**

Unrestricted 44,362

Total net position 44,362

Total liabilities and net position \$ 44,362

See notes to financial statements

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# Suffolk County Judicial Facilities Agency

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2012

<b>Operating revenue</b>	<u>\$ -</u>
<b>Operating expenses:</b>	
Fees for services	10,789
Insurance	9,880
Meetings and conferences	275
Bank charges	<u>39</u>
Total operating expenses	<u>20,983</u>
Operating income (loss)	<u>(20,983)</u>
<b>Non-operating revenue:</b>	
Interest income	<u>152</u>
Net non-operating revenue	<u>152</u>
Change in net position	(20,831)
Total net position, January 1	<u>65,193</u>
Total net position, December 31	<u><u>\$ 44,362</u></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, 2012

**Cash flows from operating activities:**

**Cash received:**

From providing services \$ -

**Cash payments:**

Contractual services (20,983)

Net cash provided (used) by operating activities (20,983)

**Cash flows from investing activities:**

Interest income 152

Net cash provided by investing activities 152

Net increase (decrease) in cash and cash equivalents (20,831)

Cash and cash equivalents, January 1 65,193

Cash and cash equivalents, December 31 \$ 44,362

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

Operating income (loss) \$ (20,983)

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

-

Net cash provided (used) by operating activities \$ (20,983)

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.

**Changes in accounting policy:** In 2012 the Agency adopted the following two new accounting standards:

In 2012, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements". The requirements in GASB Statement No. 62 will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

Also in 2012, the Agency implemented the provisions of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows and deferred inflows are defined as a consumption of net assets by the entity that is applicable to a future reporting period and an acquisition of net assets by the entity that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Net position replaces net assets in the financial statements and is defined as the residual of all other elements presented in a statement of financial position. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

# Suffolk County Judicial Facilities Agency

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of significant accounting policies (continued):

**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	\$44,362	\$ -	\$44,362
2	-	-	-
3	-	-	-
4	-	-	-
Total	<u>\$44,362</u>	<u>\$ -</u>	<u>\$44,362</u>

### 3. Net position:

The Agency's net position consists of three components: invested in capital assets, net of related debt, restricted or unrestricted.

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

At December 31, 2012, all of the Agency's net position was unrestricted.

# Suffolk County Judicial Facilities Agency

## BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2012

	<u>Budgetary Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Operating expenses:</b>				
Printing and advertising	500	500	-	500
Travel	500	500	-	500
Fees for services	14,800	14,800	10,789	4,011
Insurance	10,300	10,300	9,880	420
Meetings	300	300	275	25
Bank charges	-	-	39	(39)
Total operating expenses	<u>26,400</u>	<u>26,400</u>	<u>20,983</u>	<u>5,417</u>
<b>Non-operating revenue (expenses):</b>				
Interest income	-	-	152	152
Total non-operating revenue (expenses)	<u>-</u>	<u>-</u>	<u>152</u>	<u>152</u>
<b>Excess (deficiency) of revenue over (under) expenses</b>	<u>\$ (26,400)</u>	<u>\$ (26,400)</u>	<u>\$ (20,831)</u>	<u>\$ 5,569</u>