

**THE RECREATION AND ECONOMIC
DEVELOPMENT CORPORATION OF
SUFFOLK COUNTY**

BASIC FINANCIAL STATEMENTS

From January 12, 2016 (Date of Inception),
to December 31, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities of The Recreation and Economic Development Corporation of Suffolk County (the "Corporation"), a component unit of the County of Suffolk, New York, as of December 31, 2016 and for the period from January 12, 2016 (date of inception), to December 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Corporation'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 Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Corporation, as of December 31, 2016, and the respective changes in financial position for the period from January 12, 2016 (date of inception), to December 31, 2016 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 the management's discussion and analysis 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 audits 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 June 26, 2017, on our consideration of the Corporation'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 solely 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 effectiveness of the Corporation's internal control or on compliance. That report is an integral part of the audits performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Albert, Vignos, Zerk & Conroy P.C.

Hauppauge, New York
June 26, 2017

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
From January 12, 2016 (Date of Inception) to December 31, 2016

The following is a discussion and analysis of The Recreation and Economic Development Corporation of Suffolk County's (the "Corporation") financial performance, which provides an overview of the Corporation's financial activities for the period January 12, 2016 to December 31, 2016. Please read this in conjunction with the Corporation's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Corporation's assets exceeded its liabilities by \$145,384 (total net position) for the current year ended.
- The Corporation's total net position increased by \$145,384.
- The Corporation's governmental fund reported total ending fund balance of \$145,384.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Corporation's annual report is presented in two parts; management's discussion and analysis (this section), and the basic financial statements.

The basic financial statements include government-wide financial statements, fund financial statements, and notes that provide more detailed information to supplement the basic financial statements.

Reporting on the Corporation as a Whole

The government-wide financial statements are designed to present an overall picture of the financial position of the Corporation and start on page 7. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included, regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private-sector companies.

The statement of net position reports all assets, liabilities, deferred outflows/inflows of resources (if any), and net position. The net position is displayed as one of two categories: restricted and unrestricted. Over time, changes in the Corporation's net position are one indicator of whether its financial health is improving or deteriorating. The reader should consider other non-financial factors, such as regulatory changes to assess the overall health of the Corporation.

The statement of activities focuses on both the gross and net cost of various activities; these costs are primarily funded by the Corporation's revenues. This statement summarizes the cost of providing specific government services, and includes all current year revenues and expenses.

Reporting on the Corporation's Most Significant Fund

The fund financial statements begin on page 9 and provide detailed information about the most significant fund – not the Corporation as a whole. The Board of Directors (the "Board") established funds to help it control and manage money for particular purposes and to demonstrate that it is meeting legal responsibilities for using certain money.

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
From January 12, 2016 (Date of Inception) to December 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Reporting on the Corporation's Most Significant Fund (continued)

- *Governmental funds* - The Corporation's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general government operations. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations on pages 9 and 10.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning with page 11.

FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE

Our analysis below focuses on the net position and changes in net position of the Corporation as a whole.

Net Position

Condensed Statement of Net Position
Governmental Activities
As of December 31,

	2016
Assets	
Current and other assets	\$ 242,880
Total Assets	242,880
Liabilities	
Current liabilities	97,496
Total Liabilities	97,496
Net Position	
Unrestricted	145,384
Total Net Position	\$ 145,384

As of December 31, 2016, total assets were \$242,880, while total liabilities were \$97,496, resulting in a net position of \$145,384.

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
From January 12, 2016 (Date of Inception) to December 31, 2016

FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE (continued)

Changes in Net Position

Condensed Statement of Activities Governmental Activities	From January 12, 2016 (Date of Inception) to December 31, 2016
Revenues	
Program Revenues	
Operating grants and contributions	\$ 431,625
Total Program Revenues	431,625
General Revenues	
Interest on investments	35
Total General Revenues	35
Total Revenues	431,660
Expenses	
Culture and recreation	286,276
Total Expenses	286,276
Increase in Net Position	145,384
Net Position at Inception	-0-
Net Position at End of Year	\$ 145,384

For the stated period total revenues were \$431,660, and expenses of the Corporation were \$286,276. As a result of revenues exceeding expenses, the net position for the year ended December 31, 2016 was \$145,384.

Since this is the first year of operations for the Corporation, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior year assets, liabilities, changes in net assets, and changes in revenues and expenses.

FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS

Governmental Funds

The focus of the Corporation's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Corporation's financing requirements.

At December 31, 2016, the Corporation's governmental funds reported combined ending fund balances of \$145,384, of which \$135,384 is assigned for vet programs and \$10,000 constitutes unassigned fund balance, which is available for spending at the Corporation's discretion.

General Fund

The general fund is the principal operating fund of the Corporation. At December 31, 2016, assigned fund balance was \$135,384 and unassigned fund balance was \$10,000. The fund balance of the Corporation's general fund increased by \$145,384 for the period ended December 31, 2016.

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
From January 12, 2016 (Date of Inception) to December 31, 2016

FUTURE ECONOMIC FACTORS

The Corporation has entered into an agreement with the County of Suffolk for \$7,500 to be provided to veterans' organizations. Also the Corporation has extended a contract for the 2017 run to be held on October 29, 2017.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Corporation's interested parties with an overview of the Corporation's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact The Recreation and Economic Development Corporation of Suffolk County, H. Lee Dennison Building, 12th Floor, 100 Veterans Memorial Highway, P.O. Box 6100, Hauppauge, New York 11788, Attention: President.

BASIC FINANCIAL STATEMENTS

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2016

ASSETS

Current Assets:

Cash	\$	79,922
Accounts receivable		153,618
Due from other governments		9,340

Total Current Assets 242,880

Total Assets 242,880

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities		3,600
Due to other governments		93,896

Total Current Liabilities 97,496

Total Liabilities 97,496

NET POSITION

Unrestricted 145,384

Total Net Position \$ 145,384

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
From January 12, 2016 (Date of Inception), to December 31, 2016

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenue and Changes in Net Position</u>
Culture and recreation	\$ 286,276	\$ 431,625	\$ 145,349
Total	<u>\$ 286,276</u>	<u>\$ 431,625</u>	<u>145,349</u>

Interest on investments	<u>35</u>
Total General Revenues	<u>35</u>
Change in Net Position	145,384
Net Position at Inception	<u>-0-</u>
Net Position at End of Year	<u>\$ 145,384</u>

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
GOVERNMENTAL FUND
BALANCE SHEET
December 31, 2016

	General Fund
ASSETS	
Cash	\$ 79,922
Accounts receivable	153,618
Due from other governments	9,340
Total Assets	<u>\$ 242,880</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 3,600
Due to other governments	93,896
Total Liabilities	<u>97,496</u>
FUND BALANCES	
Assigned:	
Vet Programs	135,384
Unassigned	10,000
Total Fund Balances	<u>145,384</u>
Total Liabilities and Fund Balances	<u>\$ 242,880</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2016

Total Fund Balance - Governmental Fund	<u>\$ 145,384</u>
Net Position of Governmental Activities	<u>\$ 145,384</u>

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
From January 12, 2016 (Date of Inception), to December 31, 2016

	General Fund
REVENUES	
Miscellaneous local sources	\$ 431,625
Interest on investments	35
Total Revenues	<u>431,660</u>
EXPENDITURES	
Culture and recreation	<u>286,276</u>
Total Expenditures	<u>286,276</u>
Net Change in Fund Balances	145,384
Fund Balances at Inception	<u>-0-</u>
Fund Balances at End of Year	<u>\$ 145,384</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
From January 12, 2016 (Date of Inception), to December 31, 2016

Net Change in Fund Balances	\$ <u>145,384</u>
Change in Net Position of Governmental Activities	<u>\$ 145,384</u>

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2016

A. ORGANIZATION

The Recreation and Economic Development Corporation of Suffolk County (the "Corporation") was created as a local development corporation. The Corporation was established on January 12, 2016 pursuant to Section 1411 of the New York Not-For-Profit Corporation Law. Although legally separate from and independent of the County of Suffolk (the "County"), New York, the Corporation is considered an affiliated organization. The Corporation is being reported as a blended component unit for financial reporting purposes in the County's financial statements.

The Board of Directors (the "Board") of the Corporation has four Directors. One Director shall be appointed upon the advice and consent of the Presiding Officer of the Suffolk County Legislature; and three Directors shall be appointed by the County Executive of which two must meet certain requirements of independence.

The Corporation was formed exclusively for the purpose of providing organized outdoor recreation and special events, such as the Suffolk County Marathon, that are of interest and benefit to the residents of Suffolk County; attracting an increased population into Suffolk County to participate in recreational events and spur economic growth; stimulating economic development throughout Suffolk County by highlighting the County's downtowns, award winning foods and beverages, its beautiful parks, open spaces, natural waterways, and assisting with the revitalization of the economy.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental 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 Corporation's accounting policies are described below.

1. BASIS OF PRESENTATION

The Corporation's basic financial statements include both government-wide (reporting on the Corporation as a whole) and fund financial statements (reporting on the Corporation's most significant funds).

Government-Wide Financial Statements

The government-wide financial statements, the statement of net position and the statement of activities, display information about the Corporation as a whole. These statements include the financial activities of the overall government. Eliminations of internal activity (if any) have been made in these statements. All of the activities of the Corporation are considered governmental activities.

In the government-wide statement of net position, the Corporation's governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Corporation's net position is reported in two parts – restricted net position (if any) and unrestricted net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Program revenue includes grants and contributions that are restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported as general revenues.

The government-wide financial statements focus more on the sustainability of the Corporation as an entity and the change in the Corporation's net position resulting from the current year's activities.

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2016

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. BASIS OF PRESENTATION (continued)

Fund Financial Statements

Fund financial statements report detailed information about the Corporation. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund (if applicable) is presented in a separate column. Non-major funds (if any) are aggregated and presented in a single column. The Corporation has presented all funds as major funds.

The funds of the Corporation are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position.

The Corporation reports the following major governmental fund:

General Fund – is the principal operating fund of the Corporation which records all financial activity not required to be included in other funds.

2. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The financial statements of the Corporation are prepared in accordance with GAAP. The Corporation's reporting entity applies all relevant GASB pronouncements.

Measurement focus refers to what is being measured, where as the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide statements, governmental activities are presented using the economic resources measurement focus and are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (measurable and available to finance current operations). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Corporation considers all revenues available if they are collected within 60 days after the year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain long-term obligations (if any) are recorded when payment is due. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred.

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2016

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. ASSETS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, NET POSITION AND FUND BALANCE

CASH AND INVESTMENTS

The Corporation's cash consist of demand deposits.

The Corporation has adopted an investment policy which authorizes it to invest monies not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts.
- Certificates of deposit.

All deposits of the Corporation in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by collateral comprised of eligible securities.

The Corporation had no investments at December 31, 2016.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded and revenues recognized as earned. All receivables are reported at their gross value and, where appropriate, are reduced by an allowance for uncollectible amounts. The accounts receivable are proceeds from Corporation events that were held by a third party at year end and subsequently remitted to the Corporation. All amounts were determined to be collectible at year end, therefor no allowance was established.

DUE FROM OTHER GOVERNMENTS

Amounts due from other governments was for an overpayment due from New York State.

DUE TO OTHER GOVERNMENTS

Amounts due to other governments are for services provided to the Corporation by other municipalities.

NET POSITION AND FUND BALANCE CLASSIFICATIONS

In the government-wide statements, equity net position is displayed in two components:

- a. Restricted component of net position — consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints placed on net position use are either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. As of December 31, 2016, the Corporation has no restricted component of net position.
- b. Unrestricted component of net position — is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position. The balance of unrestricted net position is \$145,384 as of December 31, 2016.

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2016

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. ASSETS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, NET POSITION AND FUND BALANCE (continued)

NET POSITION AND FUND BALANCE CLASSIFICATIONS (continued)

When both restricted and unrestricted resources are available for use, it is the Corporation's intention to use restricted resources first, then unrestricted resources as needed.

In the Corporation's fund financial statements, there are potentially three classifications of fund balance:

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. There is currently no balance in this classification.

Assigned – Includes amounts that are constrained by the Corporation's intent to be used for specific purposes, but are not restricted. The Corporation's assigned fund balance contains amounts to be provided to veterans' organizations. The Board has the authority to assign amounts to be used for specific purposes.

Unassigned - Includes all other general fund net position that does not meet the definition of the other classifications and is deemed to be available for general use by the Corporation. The balance of unassigned fund balance in the general fund is \$10,000 as of December 31, 2016.

Order of Use of Restricted and Unrestricted Funds

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, the Board will assess the current financial condition of the Corporation and then determine the order of application of expenditures to which fund balance classification will be charged. It is the intention of the Board that the expenditure is to be spent first from the restricted fund balance to the extent appropriated and then from the unassigned fund balance.

4. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. ADOPTED PRONOUNCEMENT

The Corporation has adopted all of the current statements of the GASB that are applicable.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 26, 2017, the date the financial statements were available to be issued.

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2016

C. DETAIL NOTES ON ALL FUNDS

1. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits– Custodial credit risk for deposits exists when, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its deposits or collateral securities that are in possession of an outside party.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized,
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

At December 31, 2016, the Corporation's bank balances were \$80,470. The Corporation's bank balances were fully covered by federal deposit insurance.

2. RELATED PARTY TRANSACTION

The Corporation is a component unit of the County of Suffolk, New York (the "County"). During the year ended December 31, 2016, the Corporation utilized County personnel for public safety related to the events held throughout the year. The total value of these activities was \$89,728, for the year ended December 31, 2016. This amount is included in due to other governments at December 31, 2016. The total value is reported as culture and recreation services on the financial statements.

D. NEW PRONOUNCEMENT

Statement No. 80, "*Blending Requirements for Certain Component Units – an Amendment of Statement No. 14,*" the objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

The Corporation is currently evaluating the impact of the above pronouncement.

OTHER REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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, the financial statements of the governmental activities of The Recreation and Economic Development Corporation of Suffolk County (the "Corporation"), a component unit of the County of Suffolk, New York, as of December 31, 2016 and for the period from January 12, 2016 (date of inception), to December 31, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and response, as item 2016-001, that we consider to be a significant deficiency.

PERSONAL SERVICE. TRUSTED ADVICE.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Corporation's Response to Finding

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albert, Vijjar, Zuck & Gony P.C.

Hauppauge, New York
June 26, 2017

THE RECREATION AND ECONOMIC DEVELOPMENT CORPORATION OF SUFFOLK COUNTY
SCHEDULE OF FINDING AND RESPONSE
From January 12, 2016 (Date of Inception) to December 31, 2016

FINDING – FINANCIAL STATEMENTS AUDIT

2016-001 DOUBLE PAYMENT – SIGNIFICANT DEFICIENCY

Condition

The Corporation's accounting records at December 31, 2016 reflected a double payment to a vendor.

Criteria

During our audit, we noted an instance where a vendor was paid twice and was not properly recorded in the books and records of the Corporation. The vendor was contacted and a refund for the overpayment is being processed. An audit adjustment was proposed and recorded to correct this error.

Cause

The Corporation did not have sufficient procedures in place to ensure a vendor was not paid twice.

Effect

Expenditures were overstated.

Recommendation

The Corporation needs to review their records to ensure that invoices are not paid twice.

Views of Responsible Officials

The Corporation agrees with this comment. The overpayments were due to miscommunication to management related to the outstanding invoice that was paid by a third party on behalf of the Corporation and then paid by the Corporation as well. The Corporation will ensure invoices are not paid by the third party prior to payment by the Corporation.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH CORPORATION INVESTMENT POLICY

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

Report

We have examined The Recreation and Economic Development Corporation of Suffolk County's (the "Corporation"), a component unit of the County of Suffolk, New York, compliance with the Corporation's investment policy during the period January 12, 2016 (Date of Inception) through December 31, 2016.

Management's Responsibility

Management is responsible for the Corporation's compliance with those requirements.

Auditors' Responsibility

Our responsibility is to express an opinion on the Corporation's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

Opinion

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the period January 12, 2016 (Date of Inception) through December 31, 2016.

Other Matters

This report is intended solely for the information and use of the Board of Directors, Audit Committee, management of the Corporation, the County of Suffolk, Authority Budget Office, and the New York State Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Albert Viggiano, Zurek & Company P.C.

Hauppauge, New York
June 26, 2017

PERSONAL SERVICE. TRUSTED ADVICE.

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