



CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Nassau County Industrial Development Agency
Mineola, New York

We have audited the financial statements of the Nassau County Industrial Development Agency (the "Agency"), a component unit of Nassau County, New York, for the year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 17, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. During the year ended December 31, 2013, the Agency adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which had no impact on the Agency's financial statements. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency's financial statements were:

Management's estimate of the Agency's other postemployment benefits ("OPEB") liability is based on its actuarial estimates each year. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Agency's depreciation expense on its capital assets is based on the estimated useful lives of the assets in accordance with its capitalization policy. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

PERSONAL SERVICE. TRUSTED ADVICE. 

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The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 13, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

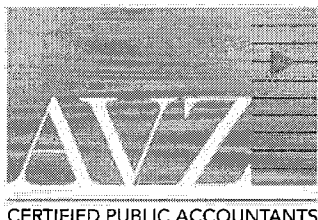
Board of Directors
Nassau County Industrial Development Agency
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This information is intended solely for the use of the Board of Directors and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Handwritten signature of Alberto Vignone, President S.I.C.

Hauppauge, New York
March 13, 2014



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nassau County Industrial Development Agency
Mineola, New York

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Nassau County Industrial Development Agency (the "Agency"), a component unit of the County of Nassau, New York, as of and for the years ended December 31, 2013 and 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.

Auditors' 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 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 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 Agency'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 Agency'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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Agency, as of December 31, 2013 and 2012, and the respective changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

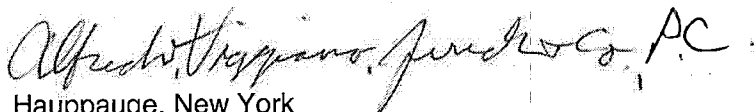
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for other postemployment healthcare costs on pages 3 through 6, and 22 be presented to supplement the basic financial statements. Such information, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Agency taken as a whole. The accompanying schedule of bonds, notes and leases is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of bonds, notes and leases is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014, on our consideration of the Agency's internal control 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance and should be considered in assessing the results of our audit.


Hauppauge, New York
March 13, 2014

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2013 and 2012

This section presents management's analysis of the Nassau County Industrial Development Agency's (the "Agency") financial condition and activities for the years ended December 31, 2013 and 2012. Please read this information in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at the close of 2013 by \$1,185,576 (net position).
- The Agency's total net position increased by \$154,218 (or 15%) in 2013.
- Unrestricted net position represents the portion available to maintain the Agency's continuing obligations. As of December 31, 2013, the unrestricted portion of net position for the Agency was \$1,175,189.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Agency's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Agency's strategic plan, operating plan, bond covenants and other management tools were used for this analysis.

The financial statements report information about the Agency. The Agency applies full accrual accounting methods as used by similar business activities in the private sector. The statements offer short and long-term financial information.

The financial statements include statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows and notes to the financial statements. The statements of net position include all of the Agency's assets and liabilities, and provide information about the nature and amount of investments.

The statements of revenues, expenses, and changes in net position present the results of the Agency's activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide information about whether the Agency has successfully recovered its costs through its user fees and other charges, profitability and credit worthiness.

The statements of cash flows present changes in cash and cash equivalents resulting from operating, financing and investing activities.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Agency's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Years Ended December 31, 2013 and 2012

FINANCIAL ANALYSIS OF THE AGENCY

One of the most important objectives of the financial analysis is to determine if the Agency, as a whole, is better or worse off as a result of the year's activities. The statements of net position and the statements of revenues, expenses, and changes in net position provide useful information in this regard. The statements report the net position of the Agency and the changes in net position. The amount of net position, the difference between total assets and total liabilities, is a significant measure of the financial health or financial position of the Agency. Over time, increases or decreases in the Agency's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation should be considered in evaluating the financial condition of the Agency.

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

Net Position

A summary of the Agency's condensed statements of net position at December 31st is presented as follows:

	2013	2012	2011
Assets			
Current Assets	\$ 1,914,803	\$ 1,599,838	\$ 2,469,287
Capital Assets	10,387	15,651	18,051
Total Assets	<u>1,925,190</u>	<u>1,615,489</u>	<u>2,487,338</u>
Liabilities			
Current Liabilities	306,842	280,914	74,336
Non-Current Liabilities	432,772	303,217	148,125
Total Liabilities	<u>739,614</u>	<u>584,131</u>	<u>222,461</u>
Net Position			
Net Investment in Capital Assets	10,387	15,651	18,051
Unrestricted	1,175,189	1,015,707	2,246,826
Total Net Position	<u>\$ 1,185,576</u>	<u>\$ 1,031,358</u>	<u>\$ 2,264,877</u>

Total assets as of December 31, 2013 were \$1,925,190, which exceeded liabilities by \$1,185,576 (net position). Net position is comprised of the net investment in capital assets of \$10,387 and unrestricted net position in the amount of \$1,175,189, which is available to support operations. Total liabilities increased by \$155,483 at December 31, 2013 compared to 2012, primarily due to the other postemployment benefits accrual. The Agency's net position increased by \$154,218 in the current year.

Total assets at December 31, 2012 were \$1,615,489, which exceeded liabilities by \$1,031,358 (net position). Net position was comprised of the net investment in capital assets of \$15,651 and unrestricted net position in the amount of \$1,015,707, which was available to support operations. Total liabilities increased by \$361,670 during the year ended December 31, 2012, primarily due to the other postemployment benefits accrual and increase in accrued expenses. The Agency's net position decreased by \$1,233,519 in 2012.

NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Years Ended December 31, 2013 and 2012

FINANCIAL ANALYSIS OF THE AGENCY (continued)

Operating Results

The Agency's condensed statements of revenues, expenses and changes in net position at December 31st are presented as follows:

	2013	2012	2011
Operating Revenues			
Fee and Service Income	\$ 2,568,465	\$ 754,526	\$ 1,174,854
Other Income	12,788	6,259	191,721
Total Operating Revenues	<u>2,581,253</u>	<u>760,785</u>	<u>1,366,575</u>
Operating Expenses			
Salaries and Fringe Benefits	837,654	814,344	648,585
Contractual Goods and Services	1,587,030	1,180,104	770,071
Depreciation	5,264	5,025	5,647
Total Operating Expenses	<u>2,429,948</u>	<u>1,999,473</u>	<u>1,424,303</u>
Non-Operating Income	<u>2,913</u>	<u>5,169</u>	<u>9,405</u>
Change in Net Position	<u>154,218</u>	<u>(1,233,519)</u>	<u>(48,323)</u>
Net Position at Beginning of Year	<u>1,031,358</u>	<u>2,264,877</u>	<u>2,313,200</u>
Net Position at End of Year	<u>\$ 1,185,576</u>	<u>\$ 1,031,358</u>	<u>\$ 2,264,877</u>

The Agency's revenues increased \$1,820,468 from \$760,785 in 2012 to \$2,581,253 in 2013, an increase of 239%. This is due to an increase in Agency projects and closing fees collected as compared to 2012 resulting from a delay in 2012 project closings as a result of Superstorm Sandy. The Agency's expenses increased from \$1,999,473 in 2012 to \$2,429,948 in 2013, an increase of \$430,475 or 22%. This is primarily due to increases in payroll and related benefit costs and economic development/marketing in an effort to obtain new projects.

The Agency's revenues decreased \$605,790, or 44%, from \$1,366,575 in 2011 to \$760,785 in 2012, primarily due to a decrease in the number of project closings as a result of both Superstorm Sandy and the uncertainty of a fiscal cliff at the end of 2012. The Agency's expenses increased from \$1,424,303 in 2011 to \$1,999,473 in 2012, an increase of \$575,170 or 40%. This was primarily due to increases in payroll and related benefits costs and economic development/marketing in an effort to obtain new projects.

ECONOMIC FACTORS AND NEXT YEAR'S PLAN

The County of Nassau is one of the nation's largest and most prosperous counties. Since its inception in 1976, the Agency has:

- Delivered more than \$2.0 billion in funding
- Created and retained over 68,000 jobs
- Helped over 100 companies build, expand or relocate

NASSAU COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2013 and 2012

ECONOMIC FACTORS AND NEXT YEAR'S PLAN (continued)

The unemployment rate in the County of Nassau has continued to be somewhat lower than national and state of New York averages. At December 31, 2013, the United States unemployment rate was 6.7%, the New York State unemployment rate was 7.1% and the County of Nassau had an unemployment rate of 4.8%.

The Agency plans to continue and expand its assistance to the businesses located in the County of Nassau through:

- Federally tax-exempt and taxable revenue bonds or refinance of existing bonds
- Sales tax exemptions for construction materials and equipment
- Mortgage recording tax exemptions
- Links organizations to applicable loans
- Explore expansion opportunities
- Connect organizations to workforce training
- Assist organizations with energy assistance

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Nassau County Industrial Development Agency at 1550 Franklin Avenue, Suite 235, Mineola, New York 11501.