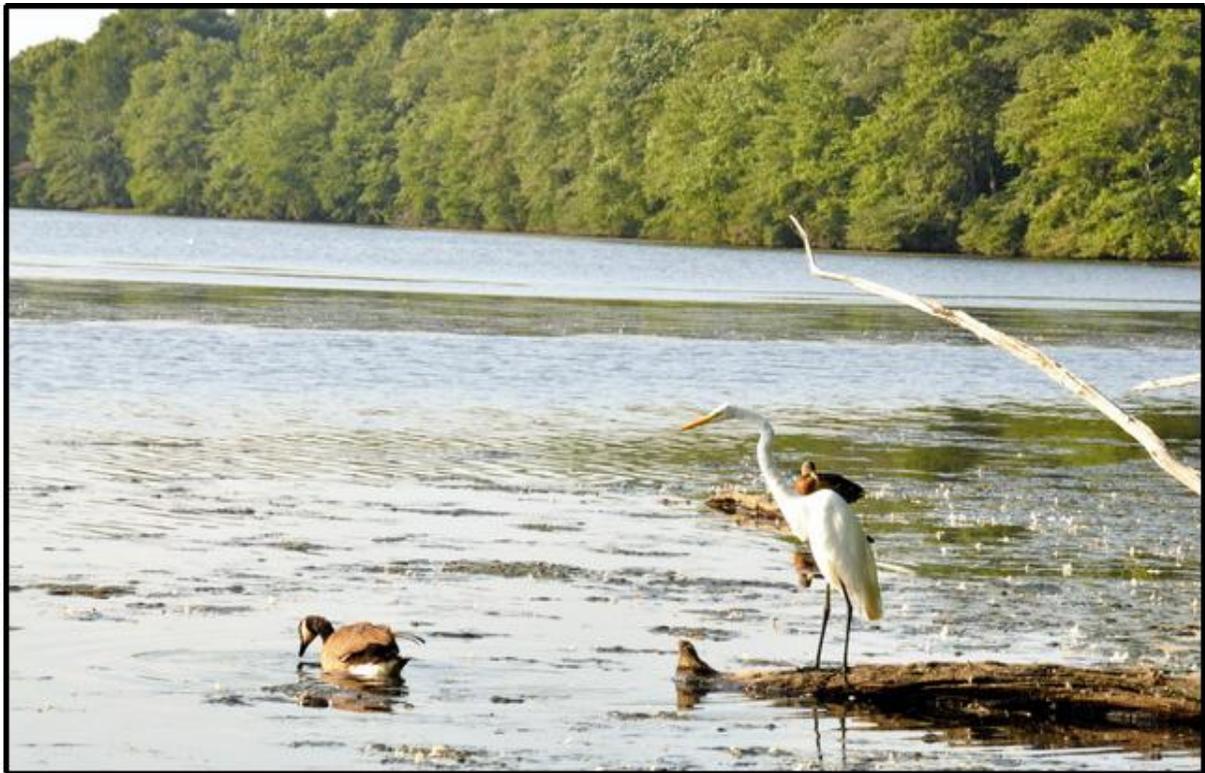


POPULAR ANNUAL FINANCIAL REPORT



County of Suffolk, New York

For the year ended
December 31, 2012

Suffolk County, New York
Popular Annual Financial Report
For the Fiscal Year Ended December 31, 2012

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Additional copies of this report and Suffolk County's Comprehensive Annual Financial Report (CAFR) may be obtained by contacting:

Suffolk County Office of the Comptroller
H. Lee Dennison Building
100 Veterans Memorial Highway
P.O. Box 6100
Hauppauge, NY 11788-0099
(631) 853-5040

In addition, the PAFR and CAFR are made available on the Suffolk County Comptroller's website by visiting <http://suffolkcountyny.gov/comptroller/Reports/FinancialReports.aspx>



Joseph Sawicki, Jr.

County Comptroller



June 27, 2013

The Citizens of the County of Suffolk:

The County of Suffolk is pleased to present the Suffolk County Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2012. This report provides a brief analysis of where County revenues come from and where those dollars are spent, as well as an overview of the County's demographics.

Most of the information in this report has been taken from the 2012 Suffolk County Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of 190 pages of detailed financial statements, notes, schedules, and reports. The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and audited by the County's independent auditor, Ernst & Young LLP, and received an unmodified opinion. An unmodified opinion is given when an auditor can state that the financial statements are materially correct. The PAFR is unaudited and presented on a GAAP basis. This is a summarized report that presents selected statistical and primary government information. Reported within the primary government are the County's general fund, forty-eight special revenue funds which are used to report the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, three capital funds which are used to report financial resources that are restricted to expenditures for capital outlays, and four enterprise funds. This report does not include the County's discretely presented component units, legally separate entities that the County is considered to be financially accountable for and fiduciary funds information.

Suffolk County has received the Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the 29th consecutive year from the Government Finance Officers Association (GFOA) of the United States and Canada. This is the highest award for excellence in governmental accounting. The 2012 CAFR has been submitted to the GFOA for evaluation for the 30th Certificate of Achievement.

With all of the financial and statistical information available, it is often difficult to determine what information is important and how to use this information. The Popular Annual Financial Report of Suffolk County provides to the public the County's significant financial and economic activities presented in an easy to read overview. I hope that you will find this report both useful and informative.

Sincerely,

Joseph Sawicki, Jr.
County Comptroller

The Government Finance Officers Association

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Suffolk County, New York for its Popular Annual Financial Report for the fiscal year ended December 31, 2011. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report (PAFR), whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting our 2012 PAFR to GFOA.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**Suffolk County
New York**

for the Fiscal Year Ended

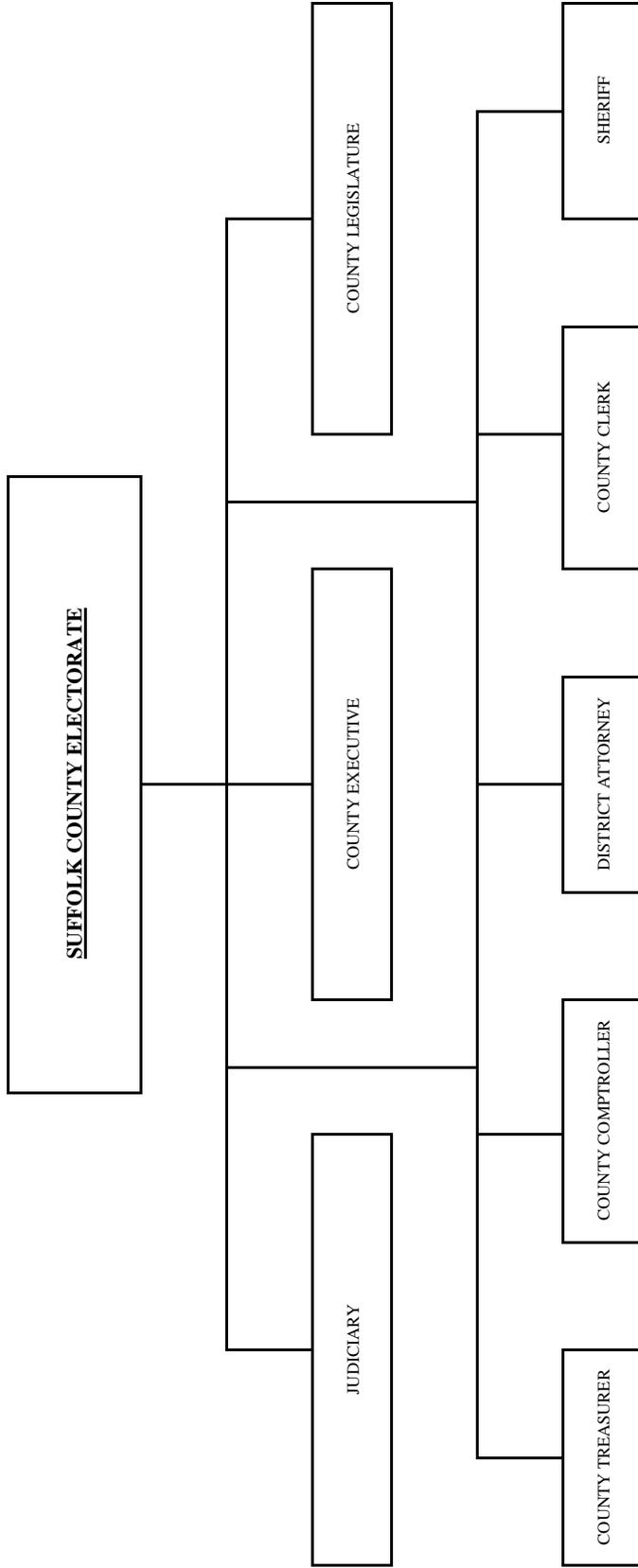
December 31, 2011



Christopher P. Morill
President

Jeffrey L. Essex
Executive Director

SUFFOLK COUNTY ORGANIZATIONAL CHART



SUFFOLK COUNTY, NEW YORK

List of Principal Officials

At December 31, 2012

Suffolk County Legislature

District

1 st	Edward P. Romaine
2 nd	Jay Schneiderman
3 rd	Kate M. Browning
4 th	Tom Muratore
5 th	Kara Hahn
6 th	Sarah S. Anker
7 th	Robert Calarco
8 th	William J. Lindsay**
9 th	Ricardo Montano
10 th	Tom Cilmi
11 th	Thomas F. Barraga
12 th	John M. Kennedy, Jr.
13 th	Lynne C. Nowick
14 th	Wayne R. Horsley*
15 th	DuWayne Gregory
16 th	Steven H. Stern
17 th	Louis D'Amaro
18 th	William Spencer

County Executive	Steven Bellone
County Comptroller	Joseph Sawicki, Jr.
County Treasurer	Angie M. Carpenter
County Clerk	Judith A. Pascale
District Attorney	Thomas J. Spota
Sheriff	Vincent F. DeMarco

Notes:

* Deputy Presiding Officer

** Presiding Officer

SUFFOLK COUNTY, NEW YORK

Vanderbilt Mansion, Centerport



Old Field Farm, Setauket



Block Island Sound



Scully Estate, Islip



Third House, Montauk



County of Suffolk

Suffolk County was established on November 1, 1683, as one of the ten original counties of what became the State of New York. Since 1960, Suffolk County has operated under a charter form of government that provides for an executive administration of County affairs. On January 1, 1970, an 18-member County Legislature was organized, consisting of representatives elected from 18 districts of approximately equal population, based upon the most recently completed Federal Census. In 2007, a Charter Law was enacted establishing a non-partisan Reapportionment Commission to provide a fair and objective process by which future legislative districts will be reapportioned.

The County Legislature is the principal policy-making body of the County, and its members are elected to two-year terms. The County Executive, who heads the executive branch of the County, and the County Comptroller, who is the Chief Fiscal Officer of the County, are each elected to four-year terms. The County Treasurer is also elected to a four-year term and is responsible for the receipt and custody of all County funds.

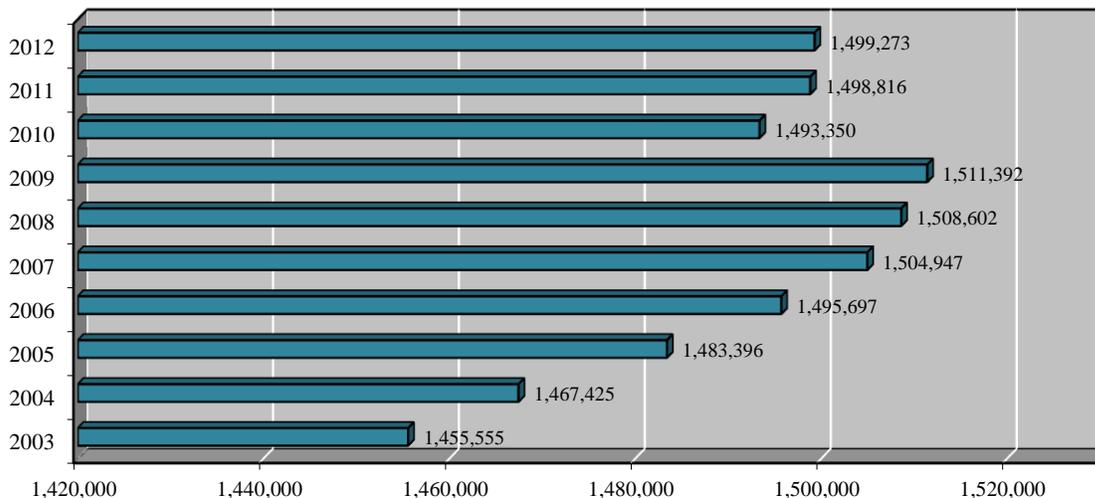
Suffolk County comprises the eastern two-thirds of Long Island and, with a 2012 population of 1,499,273, contains slightly more than one-half the population of Long Island. Suffolk County's western border is approximately 15 miles from the eastern border of the City of New York and the County is bordered by Nassau County to the west, Long Island Sound to the north and the Atlantic Ocean to the south and east. It covers an area of approximately 911 square miles of land.

Suffolk County's charter specifies that it provide certain services, including police and law enforcement, economic assistance, health and nursing services, education, home and community services, transportation and maintenance of County roads, parks and waterways. The County operates several enterprise activities, including a nursing home, airport, ballpark, and health plan.

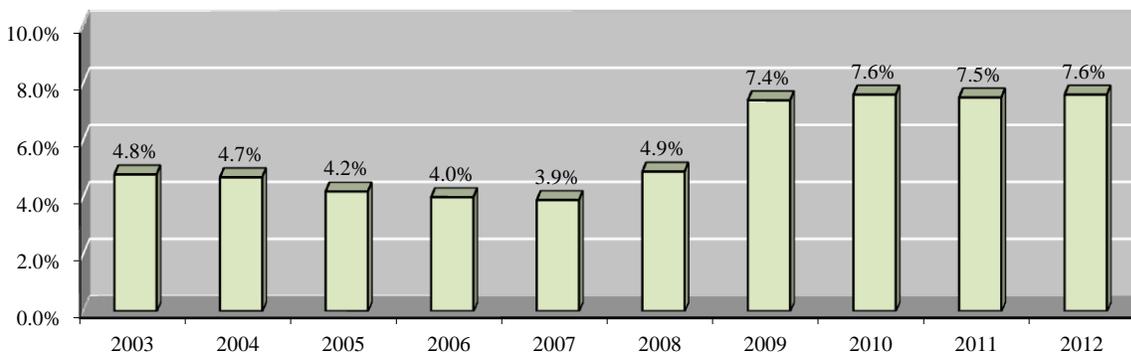


Demographics

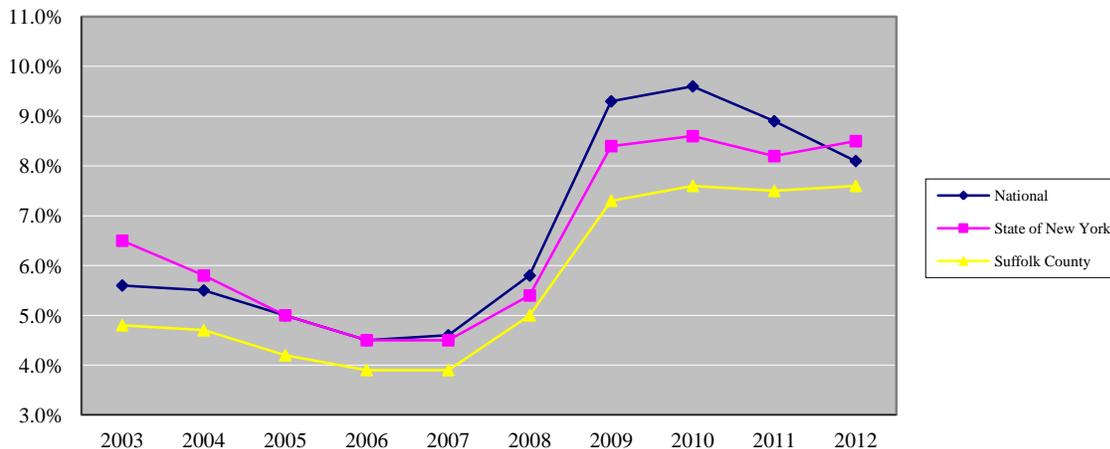
Population



Suffolk County Unemployment Rates

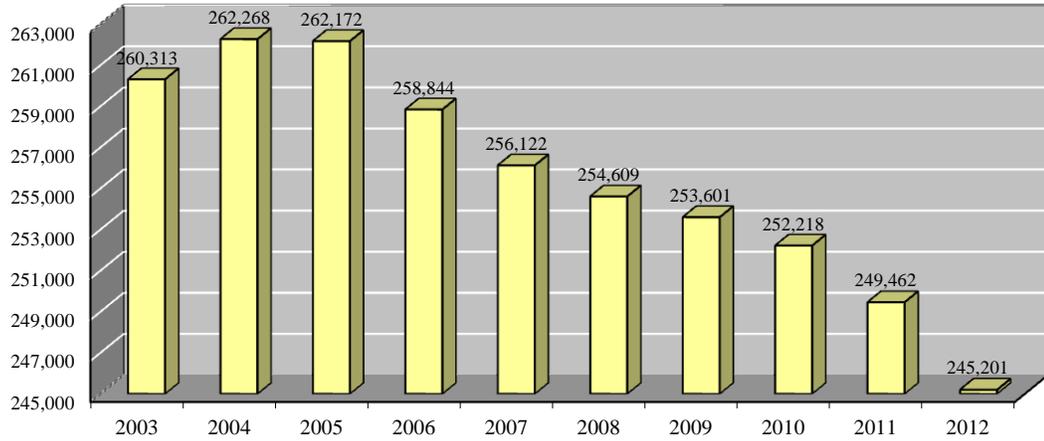


Unemployment Rate - National, State, and County

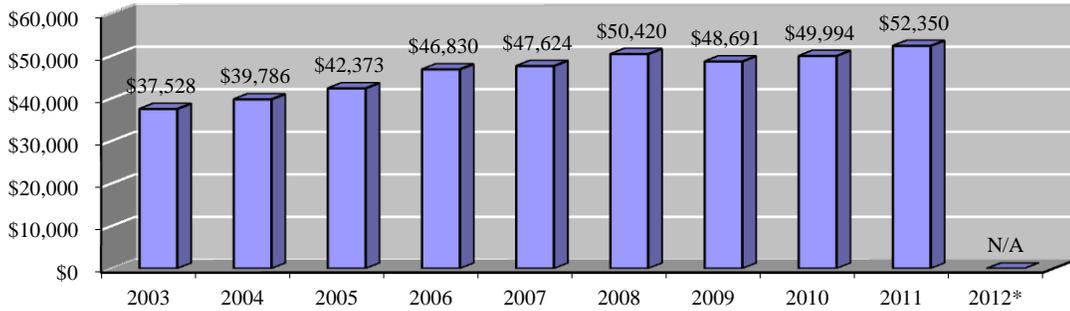


Demographics

Public School Enrollment

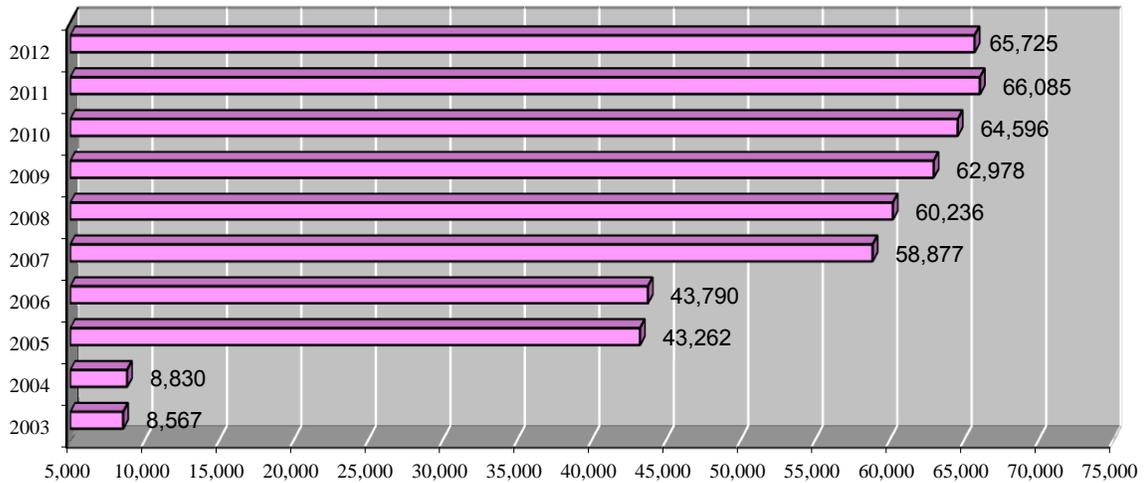


Income Per Capita



*Information not available for 2012

Assessed Property Values* (in millions of dollars)



* The Town of Southampton began assessing the value of real property at full value in 2005; therefore, a significant increase in assessed value totals occurred from 2004 to 2005.

Major Initiatives

The New York State Commission of Correction has mandated the construction of a new correctional facility in Yaphank. The total cost of construction is estimated at \$303,655,270. The new facility is scheduled to open in April, 2013.



Land was acquired during 2012 pursuant to various land preservation and protection programs at a cost of \$32.7 million. In addition, \$22.6 million was spent for the acquisition of farmland development rights.

Phase I and II renovations are complete at the County Civil Court Complex in Riverhead. The total appropriation for renovations is \$47,495,000. Renovations have enabled the Supreme Court to relocate to Riverhead from the Cohalan Court Complex in Islip and District Court judges in outlying courts are permanently relocated to Cohalan.



Construction of the new 40,000 square foot Fourth Police Precinct is complete at the Hauppauge North County Complex. The total cost of construction is \$17,275,774. Building construction is in accordance with the Green Building Rating System known as Leadership in Energy & Environmental Design (LEED).

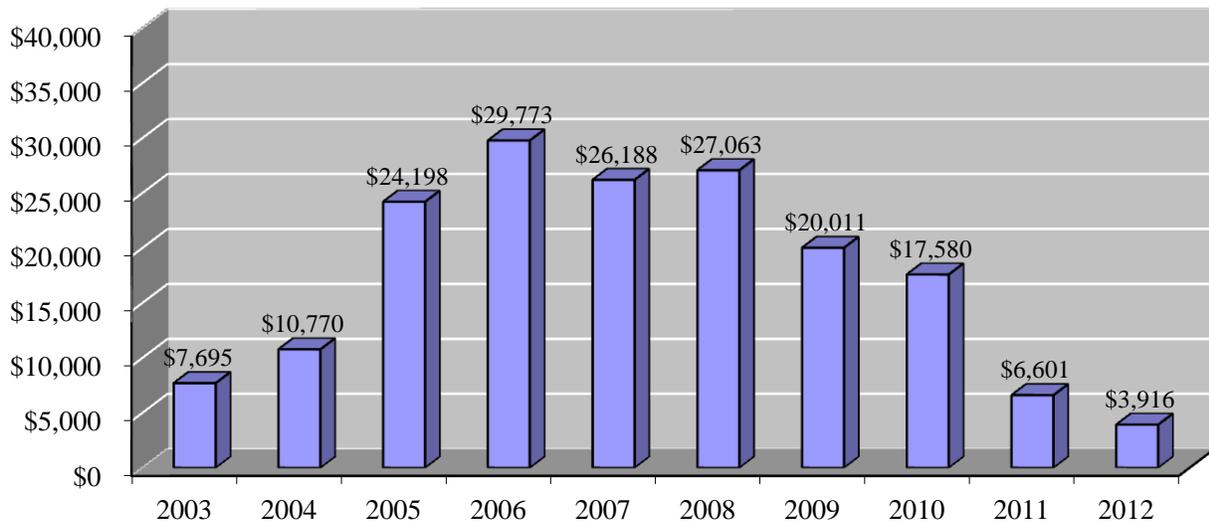
Investments

At December 31, 2012, Suffolk County's bank balance in all financial institutions was \$710,388,820. The entire bank balance was either covered by federal depository insurance or by collateral held by the County's agent in the County's name.

The County's investment policy, approved by the Suffolk County Legislature, annually authorizes investments by the Suffolk County Treasurer in investments governed by New York State statute. The Treasurer invests monies not required for immediate expenditure for terms not to exceed the County's cash flow needs in the following types of investments: certificate of deposit, time deposits, obligations of NY State, obligations of the United States government, repurchase agreements, obligations of agencies of the Federal government if principal and interest are guaranteed by the United States government, obligations issued pursuant to Local Finance Law Section 24 or 25 (with the approval of the State Comptroller) by any municipality, school district or district corporation other than Suffolk County, and participation in a cooperative investment program.

The County reports a revocable trust investment which was funded from the Suffolk Tobacco Asset Securitization Corporation 2008 and 2012 series bonds. This trust consists primarily of U.S Treasury Notes held by the Trustee for the benefit of Suffolk County. At December 31, 2012, the revocable trust fair value balance was \$31,489,339.

Investment Earnings (Amounts in 000's)

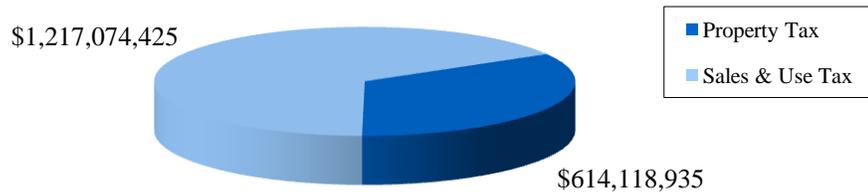


Investment earnings represent the amount of interest income earned by the County. The factors affecting interest income are interest rates and portfolio size, which fluctuate over time.

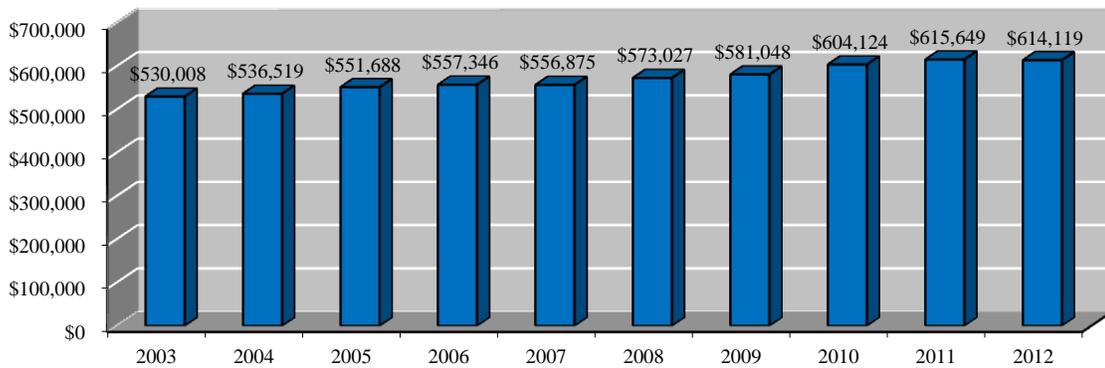
Taxes

During 2012, Suffolk County received \$1.83 billion in tax revenue. The following chart shows the proportion derived from each type of tax.

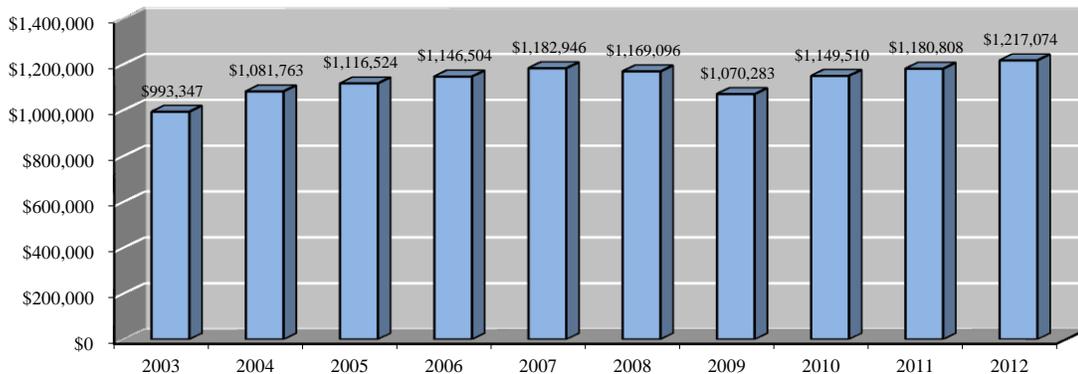
Tax Revenue



Suffolk County Real Property Tax Revenue (Amounts in 000's)



Suffolk County Sales and Use Tax Revenue (Amounts in 000's)



Financial Position

The County’s financial statements account for the financial activities within funds. These funds are identified as either Governmental or Business-type. The majority of the County’s activities are accounted for as Governmental funds and are financed primarily by taxes, grants, charges for services, and other intergovernmental revenues. The County’s Business-type activities consists of four enterprise funds, in which user fees and charges constitute the majority of these funds’ revenues.

Outstanding Debt and Other Long-Term Obligations

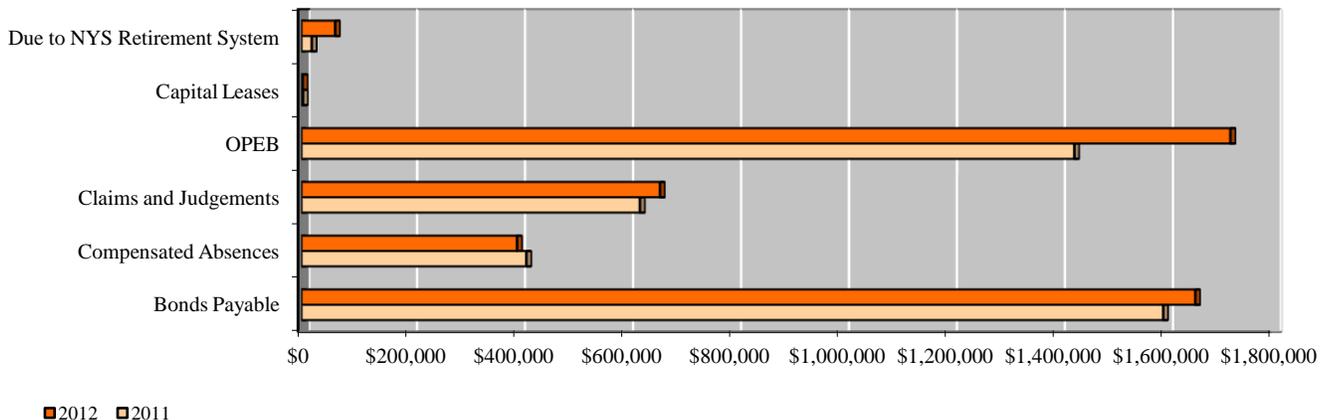
The outstanding debt and other long-term obligations for governmental and business-type activities for the year ended December 31, 2012 are shown below:

Suffolk County Outstanding Debt & Other Long-Term Obligations
(Amounts in 000's)

	2012 Beginning Balance	Additions	Reductions	2012 Ending Balance
General Obligation debt (inclusive of advanced refunding)	\$ 1,341,212	\$ 206,805	\$ 194,784	\$ 1,353,232
STASC	255,028	48,762	1,406	302,384
Total Bonds Payable	1,596,240	255,567	196,190	1,655,616
Compensated Absences	416,707	13,140	30,438	399,410
Claims and Judgements	626,988	70,522	33,498	664,012
OPEB (Other Post Employment Benefits)	1,431,650	395,320	106,100	1,720,870
Capital Leases	2,862	-	441	2,421
Due to NYS Retirement System	19,080	45,703	2,471	62,312
Total Long-Term Liabilities	<u>\$ 4,093,527</u>	<u>\$ 780,252</u>	<u>\$ 369,138</u>	<u>\$ 4,504,641</u>

A bond credit rating assesses the credit worthiness of a municipality’s debt issues. Suffolk County maintains an “A+” with a negative outlook rating from Standard & Poor’s, an “A” with a negative outlook rating from Fitch and an “A2” with a negative outlook rating from Moody’s for general obligation debt. All three ratings represent a quality of bond in the upper medium grade. The County’s ratings indicate a strong capacity to meet its financial commitments, but are somewhat more susceptible to changes in economic conditions.

2011 & 2012 Long-Term Obligations
(Amounts in 000's)



Financial Position

Capital Assets

The composition of the capital assets for governmental and business-type activities at December 31, 2012 is shown below:

Suffolk County Capital Assets
(December 31; net of depreciation, amounts in 000's)

	2012	2011
Land	\$ 871,591	\$ 838,862
Development Rights	243,315	220,699
Historic Buildings	4,608	4,608
Construction in Progress	547,333	622,036
Buildings	364,110	292,521
Improvements other than Buildings	41,604	32,699
Vehicles and Equipment	120,279	129,259
Infrastructure	610,506	552,133
Total	\$ 2,803,347	\$ 2,692,817

The net increase in Suffolk County's investment in capital assets for the current fiscal year was \$111 million, which represents a 4.10 percent increase.

Land

The total amount of land purchased and owned by Suffolk County. Land is characterized as having an unlimited life.

Development Rights

Development rights legally restrict the use of the land by the owner. The County does not own the land only the right to restrict the use of the land.

Historic Buildings

This includes buildings of historic significance, and generally is listed on the national or state register of historic places.

Construction in Progress (CIP)

Reflects the economic construction activity status of buildings and other structures, which are substantially incomplete.

Buildings

Any structure erected to stand permanently. The amount is the cost to purchase or the cost of construction of the building.

Improvements other than Buildings

Assets built, installed, or established to enhance the quality or facilitate the use of land for a particular purpose. Some examples include parking lots, landscaping, and fencing.

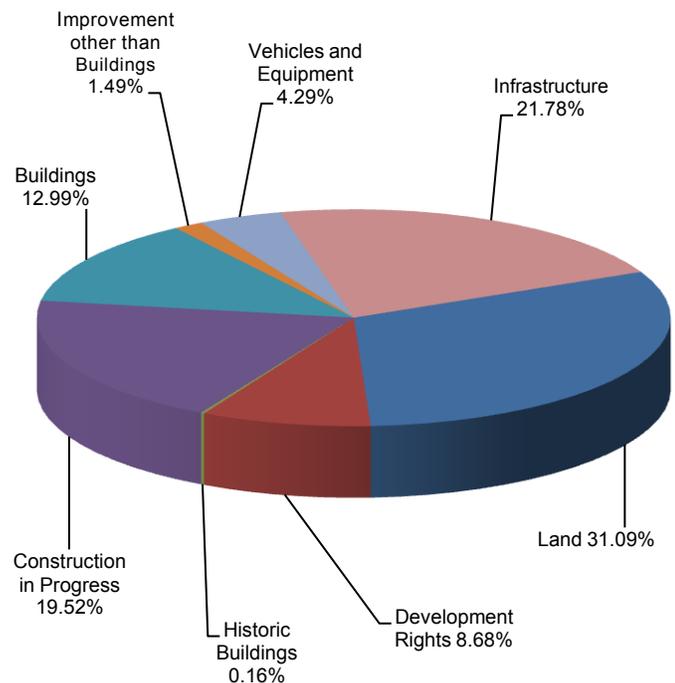
Vehicles and Equipment

Fixed or movable tangible assets such as equipment, machinery, vehicles, boats, and aircraft.

Infrastructure

Long lived capital assets that normally are stationary in nature such as roads, bridges, waterways, light systems, and airport runways.

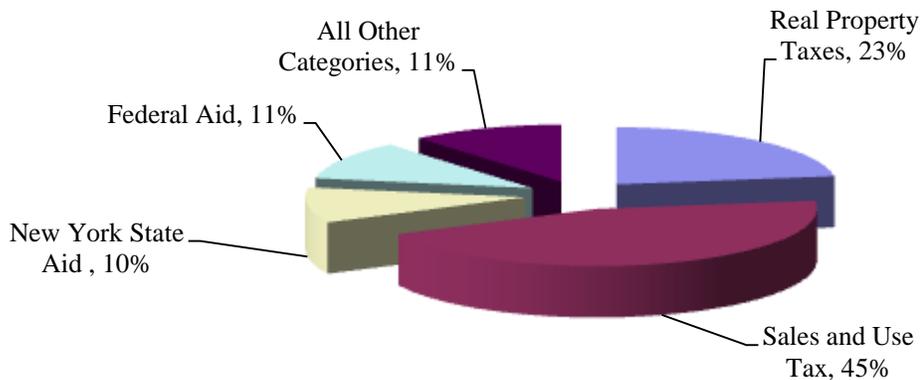
2012 Capital Assets



Governmental Fund Revenues

The revenues presented are the total governmental funds reported in the 2012 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary revenue sources are Sales and Use Tax, Real Property Taxes, Federal Aid, and New York State Aid.

Revenue Percent by Source



A comparison of these same revenue sources for the past two years is presented below.

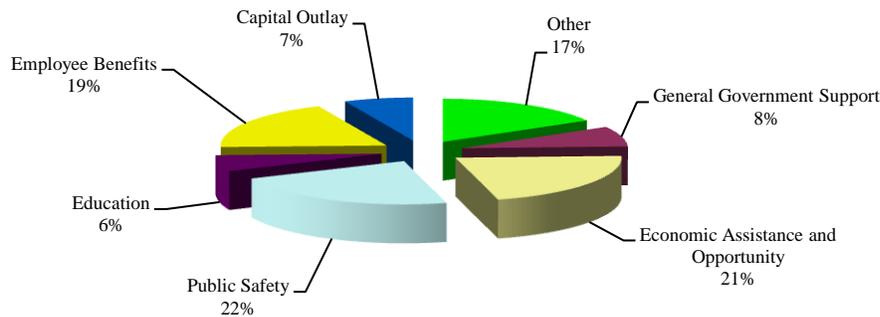
(Amounts in 000's)				
Revenues	2012 Actual	2011 Actual	\$ Change	% Change
Real Property Taxes	\$ 614,119	\$ 615,649	\$ (1,530)	-0.25%
Sales and Use Tax	1,217,074	1,180,808	36,266	3.07%
State Aid	285,852	300,471	(14,619)	-4.87%
Federal Aid	293,093	332,738	(39,645)	-11.91%
All Other Categories	302,741	300,272	2,469	0.82%
	<u>\$ 2,712,879</u>	<u>\$ 2,729,938</u>	<u>\$ (17,059)</u>	-0.62%

- The decline in Federal aid (11.91%) is directly related to several large capital projects which received Federal aid and were completed in 2011. These projects allowed the County to purchase public transit vehicles and to complete numerous infrastructure improvements to the County's roadways during the prior year.
- New York State aid decreased (4.87%) primarily due to decreased aid for the Children with Special Needs program as a direct result of reductions in related costs.

Governmental Fund Expenditures

The expenditures presented are the total governmental funds reported in the 2012 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary expenditure functions are Public Safety, Economic Assistance and Opportunity, and Employee Benefits.

Expenditure Percent by Function



A comparison of these same expenditures for the past two years is presented below.

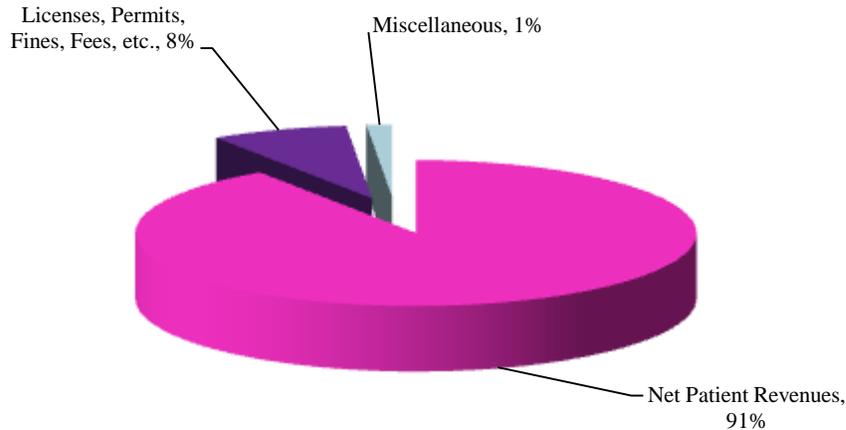
(Amounts in 000's)				
Expenditures	2012 Actual	2011 Actual	\$ Change	% Change
General Government Support	\$ 226,603	\$ 229,719	\$ (3,116)	-1.36%
Economic Assistance & Opportunity	644,339	635,960	8,379	1.32%
Public Safety	673,450	647,109	26,341	4.07%
Education	197,642	207,991	(10,349)	-4.98%
Employee Benefits	562,237	533,984	28,253	5.29%
Capital Outlays	202,058	218,266	(16,208)	-7.43%
Other	500,945	520,378	(19,433)	-3.73%
	<u>\$ 3,007,274</u>	<u>\$ 2,993,407</u>	<u>\$ 13,867</u>	0.46%

- Capital outlays decreased (7.43%) as a result of several infrastructure projects being completed in 2011. In addition, the County acquired a reduced number of land parcels through the ¼ % drinking water program for environmental protection.
- The increase in Employee Benefits (5.29%) is attributable to the increase in NYS pension contributions.

Enterprise Fund Revenues

The enterprise funds consist of the Suffolk Health Plan, the Suffolk County Ball Park, Francis S. Gabreski Airport, and the John J. Foley Skilled Nursing Facility. The primary revenue source for the enterprise funds is Net Patient Revenues.

Revenue Percent by Source



A comparison of these same revenue sources for the past two years is presented below.

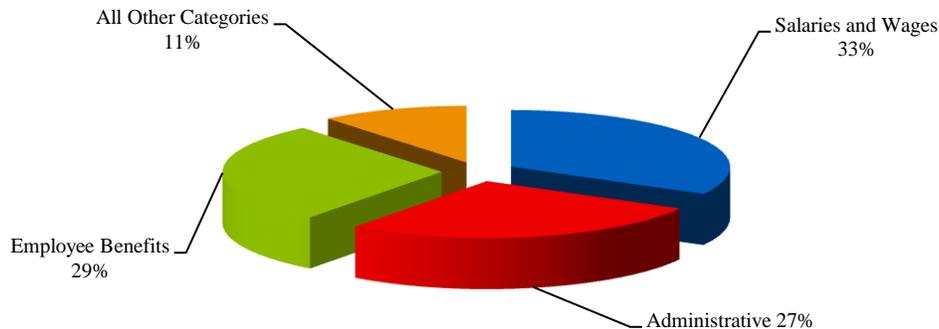
(Amounts in 000's)				
Revenues	2012 Actual	2011 Actual	\$ Change	% Change
Net Patient Revenues	\$ 21,245	\$ 24,033	\$ (2,788)	-11.60%
Licenses, Permits, Fines, Fees, Etc.	1,857	2,049	(192)	-9.37%
Miscellaneous	345	1,677	(1,332)	-79.43%
	<u>\$ 23,447</u>	<u>\$ 27,759</u>	<u>\$ (4,312)</u>	-15.53%

- The decrease (79.43%) in miscellaneous revenues is mainly attributable to Francis S. Gabreski Airport.
- Licenses, permits, fines, fees, etc. decreased (9.37%) due to a title sponsorship received by the Suffolk County Ball Park in 2011.
- Net patient revenues decreased (11.6%) as a result of a decline in the number of patients in residence at the John J. Foley Skilled Nursing Facility.

Enterprise Fund Expenses

Suffolk County uses enterprise funds to account for the Suffolk Health Plan, Suffolk County Ball Park, Francis S. Gabreski Airport, and the John J. Foley Skilled Nursing Facility. The primary expenses for the enterprise funds are Salaries and Wages, Administrative, and Employee Benefits. During 2008, the membership roster of the Suffolk Health Plan was sold and, henceforth, activity reported for the fund will relate to close-out costs.

Percentage of Expenses by Type



A comparison of these same expenses for the past two years is presented below.

(Amounts in 000's)				
Expenses	2012 Actual	2011 Actual	\$ Change	% Change
Salaries and Wages	\$ 11,901	\$ 13,279	\$ (1,378)	-10.38%
Administrative	9,847	7,801	2,046	26.23%
Employee Benefits	10,415	10,283	132	1.28%
All Other Categories	3,942	3,634	308	8.48%
	<u>\$ 36,105</u>	<u>\$ 34,997</u>	<u>\$ 1,108</u>	3.16%

- Administrative expenses increased (26.23%) due to an increase in contracted services costs. The largest portion of the increase is attributable to increases in nursing costs.
- The decrease (10.38%) in salaries and wages is a result of reduced staffing levels at the John J. Foley Skilled Nursing Facility.

SUFFOLK'S SENSATIONAL SITES

- ❖ Cedar Island Lighthouse located in Cedar Point County Park was built in 1860 and guided ships in and out of Sag Harbor.

- ❖ The Old Field Farm, built by philanthropist Ward Melville in 1931, is located on 13 scenic acres in Setauket. This equestrian complex, originally known as the North Shore Horse Show Grounds, was acquired by the County in 1986.

- ❖ The Big Duck, located in Flanders, was built in 1931 and is listed on the National Register of Historic Places. Long Island's most famous landmark now serves as a gift shop and as a tourist information center for the Long Island Convention and Visitors Bureau.

- ❖ The St. James General Store, located within the boundaries of the Deepwells Farm Historic Park, is the oldest continuously operating general store in the United States and is listed on the National Register of Historic Places. The store is open year round and has a post office sub-station inside.

- ❖ The Fire Island Lighthouse, completed in 1858, was an important landmark for ships coming into New York Harbor at the turn of the last century. In 1984, the lighthouse was placed on the National Register of Historic Places and still remains on all charts as a private aid to navigation.

- ❖ The Scully Estate, located in Islip, was built in 1917 by architect Groversner Atterbury. In the early 1980's, the property was donated to the National Audubon Society and in 2004, the County purchased the 70 acre property from Audubon. The County designated the site as the future home of it's "Greenways Educational and Interpretive Nature Center."

- ❖ Coindre Hall, built in 1912 for pharmaceutical giant George McKesson, is an 80,000 square foot mansion overlooking Huntington Harbor. In 1973, the County acquired the estate and it has become a popular site for weddings and other celebrations.

- ❖ The Blydenburgh Historic District is located on the north side of Blydenburgh County Park in Smithtown. It includes the 1798 New Mill, the 1802 Miller's House, the circa 1860 Farm Cottage, outbuildings, and the circa 1820 Blydenburgh Farmhouse. In 1798, this milling center was established by the Smith and Blydenburgh families.

For an extensive list of the sites within Suffolk County visit www.suffolkcountyny.gov .