

POPULAR ANNUAL FINANCIAL REPORT



County of Suffolk, New York

For the year ended
December 31, 2016

Suffolk County, New York
Popular Annual Financial Report
For the Fiscal Year Ended December 31, 2016

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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>



John M. Kennedy, Jr.

Suffolk County Comptroller



June 30, 2017

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, 2016. 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 2016 Suffolk County Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of 202 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, Deloitte & Touche 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, which is the primary operating fund, forty-nine 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 two 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 33rd 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 2016 CAFR has been submitted to the GFOA for evaluation for the 34th 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,

John M. Kennedy, Jr.
Suffolk 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, 2015. 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 2016 PAFR to GFOA.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**Suffolk County
New York**

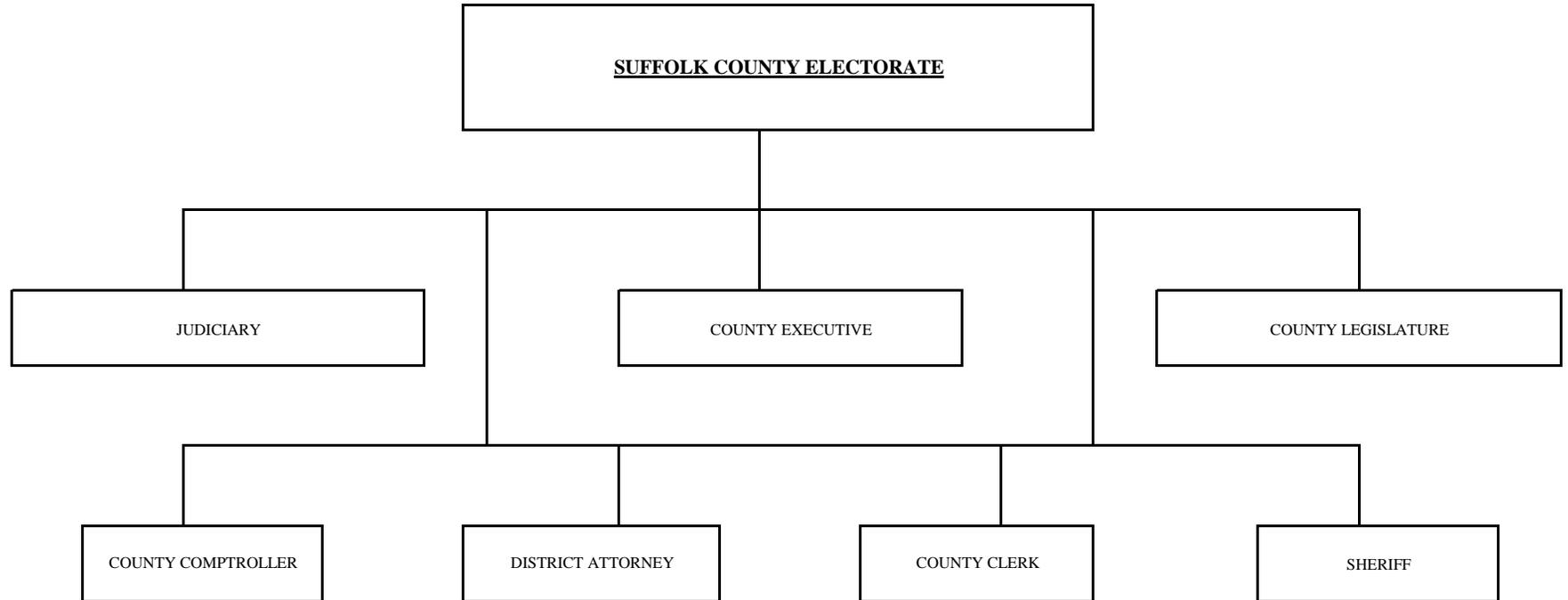
For its Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

A handwritten signature in black ink, appearing to read 'Jeffrey R. Egan'.

Executive Director/CEO

SUFFOLK COUNTY ORGANIZATIONAL CHART



SUFFOLK COUNTY, NEW YORK

List of Principal Officials

At December 31, 2016

Suffolk County Legislature

District

1 st	Al Krupski
2 nd	Bridget Fleming
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 III
9 th	Monica R. Martinez
10 th	Tom Cilmi
11 th	Thomas F. Barraga
12 th	Leslie Kennedy
13 th	Robert Trotta
14 th	Kevin J. McCaffrey
15 th	DuWayne Gregory**
16 th	Steven H. Stern
17 th	Louis D'Amaro
18 th	William Spencer

County Executive	Steven Bellone
County Comptroller	John M. Kennedy, Jr.
County Clerk	Judith A. Pascale
District Attorney	Thomas J. Spota
Sheriff	Vincent F. DeMarco

Notes:

* Deputy Presiding Officer

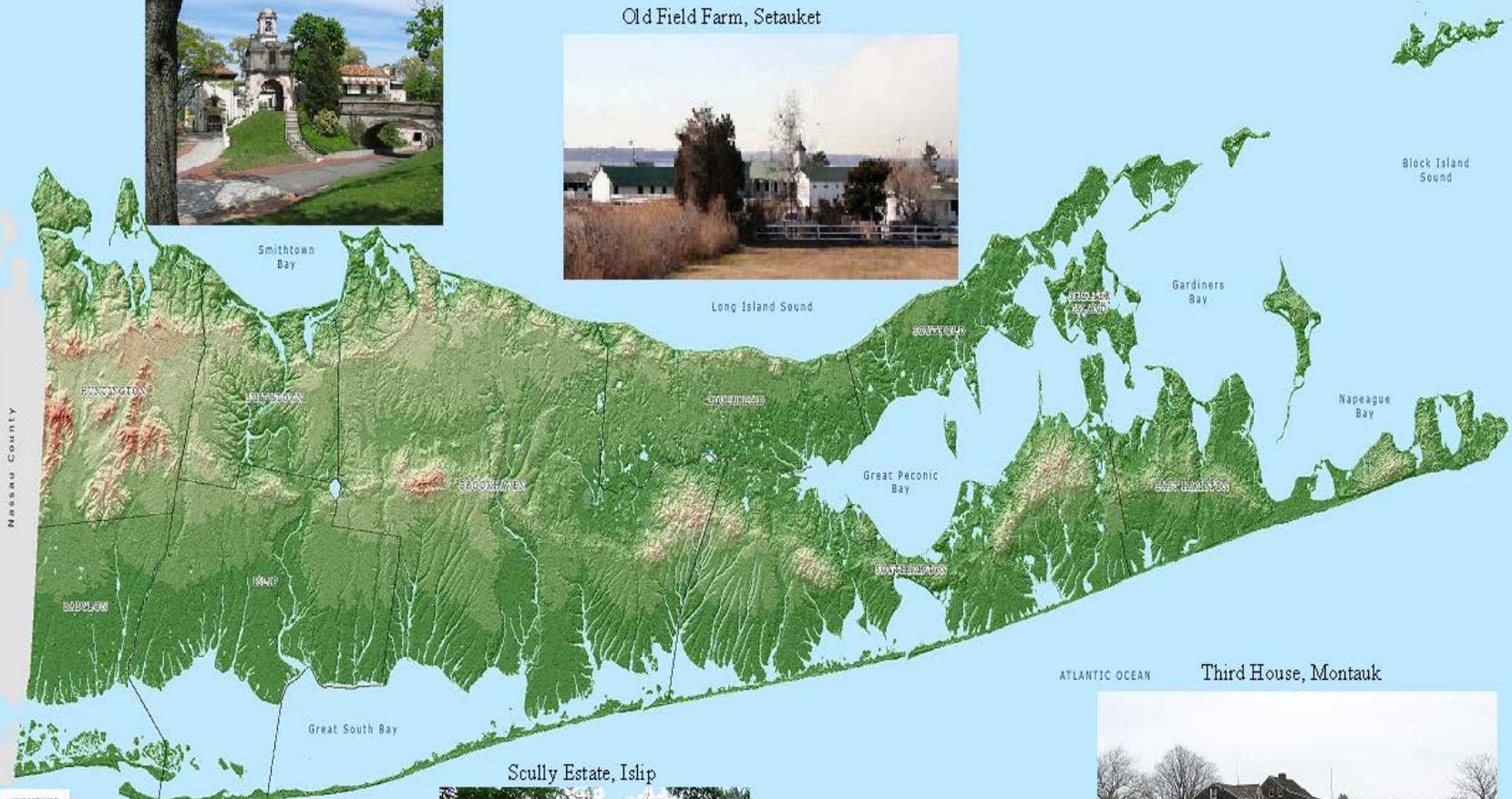
** Presiding Officer

SUFFOLK COUNTY, NEW YORK

Vanderbilt Mansion, Centerport



Old Field Farm, Setauket



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.

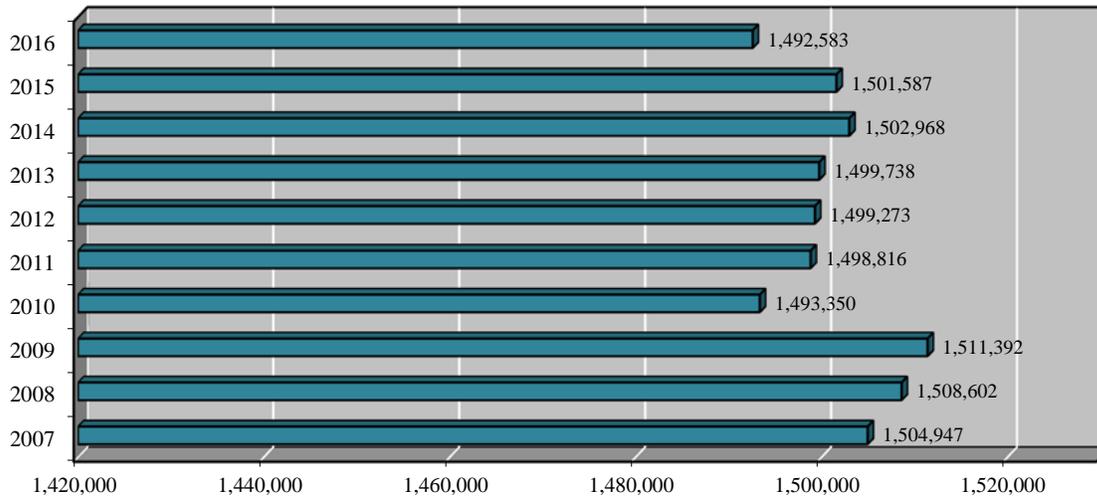
Suffolk County comprises the eastern two-thirds of Long Island and, with a 2016 population of 1,492,583, contains slightly more than one-half the population of Long Island. Suffolk County's western border is approximately 15 miles from the eastern border of the City of New York and the County is bordered 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 two enterprise activities, an airport, and a ballpark.

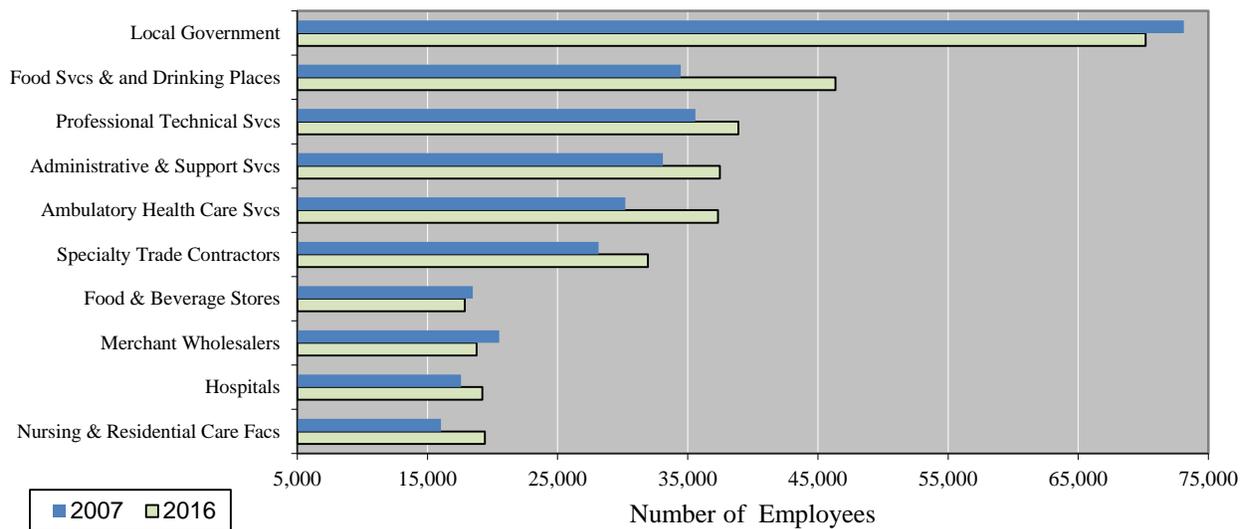


Demographics

Population

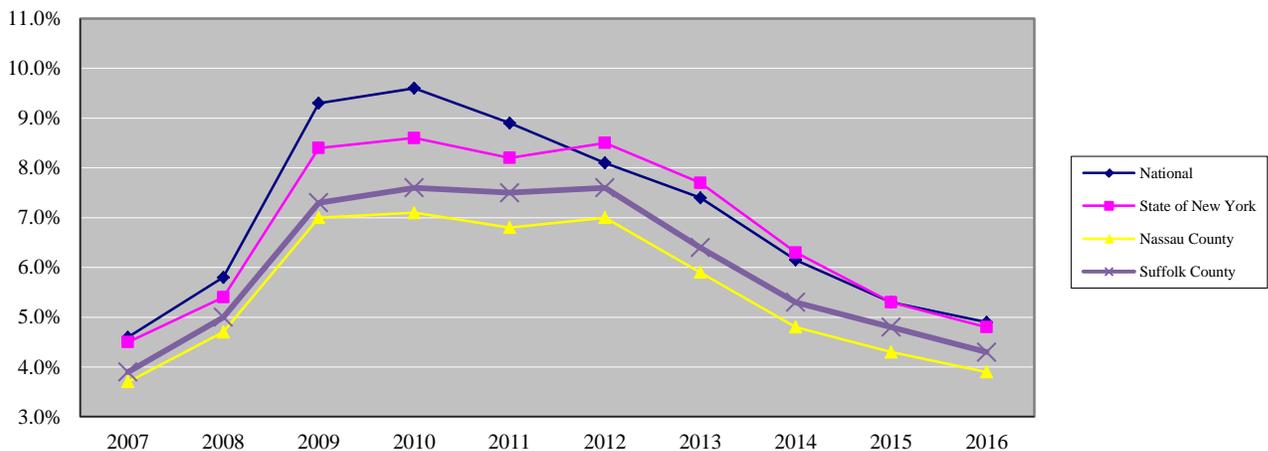


Principal Employment Sectors* 2016 & 2007



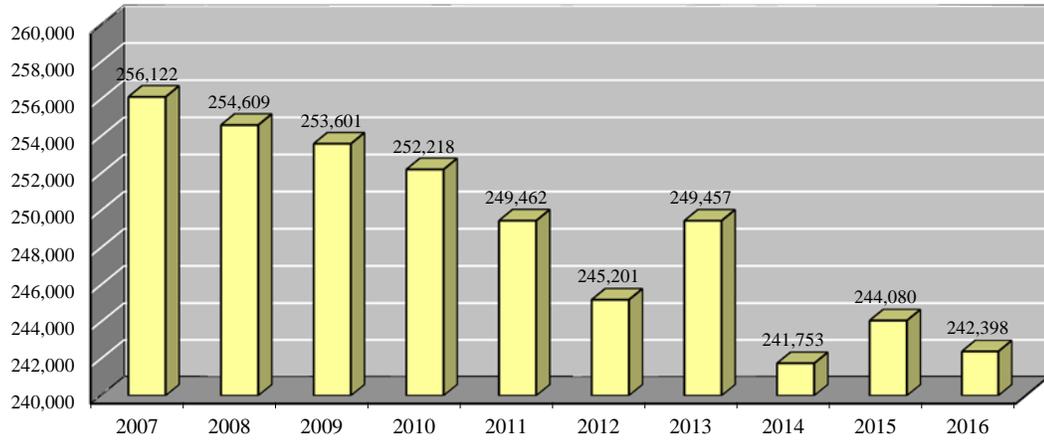
*The 1st three quarters were compared because 4th quarter data for 2016 was unavailable.

Unemployment Rate - National, State, and County

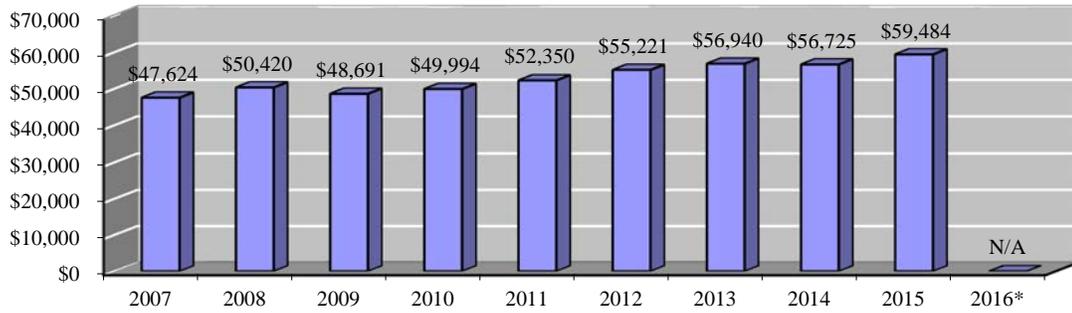


Demographics

Public School Enrollment



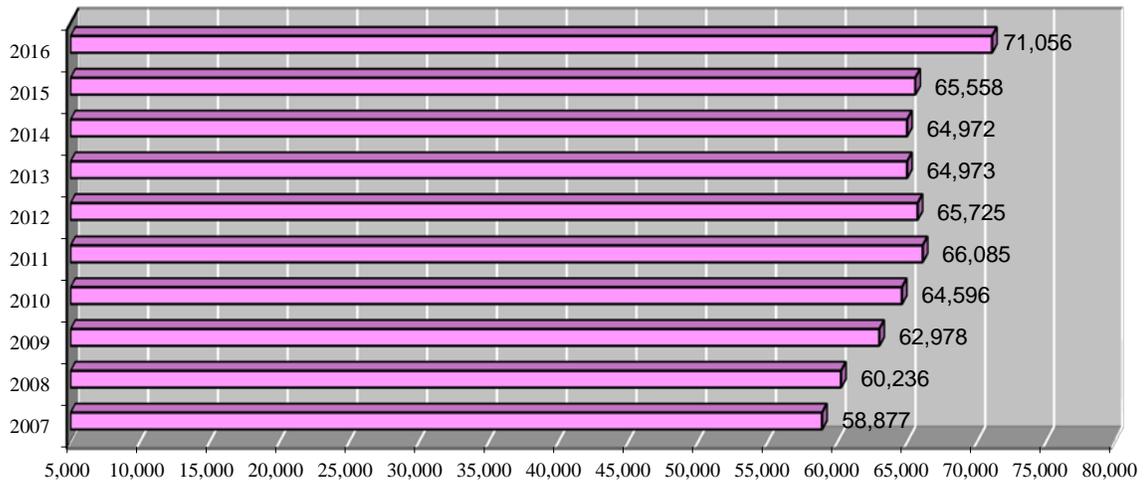
Income Per Capita



*Information not available for 2016

Assessed Property Values

(in millions of dollars)



Major Initiatives

Phases I, II, IIB, and III renovations, totaling \$51,586,179, were completed in 2015, at the Suffolk County Court Complex in Riverhead. At fiscal year end 2016, construction in progress costs for Phase III exterior renovations of two court buildings totaled \$1,823,900. These renovations will conclude in 2017. As a result, Suffolk County expects energy savings and extended building lives.



Land and development rights totaling \$4.9 million were acquired during 2016 pursuant to land preservation/protection programs. In addition, land and easements totaling \$29.4 million were acquired pursuant to the Fire Island Inlet-Moriches Inlet Stabilization Project to build an engineered beach/dune system, which will strengthen/protect Fire Island.

The Suffolk County Landbank Corporation is a nonprofit entity authorized under New York State's Land Bank Act of 2011. The Corporation's mission is to assist in returning distressed/underutilized properties to productive uses. In 2016, the Corporation completed rehabilitation of five former "zombie" properties in areas affected by the foreclosure crisis, with one sold, three under contract, and one marketed for sale.



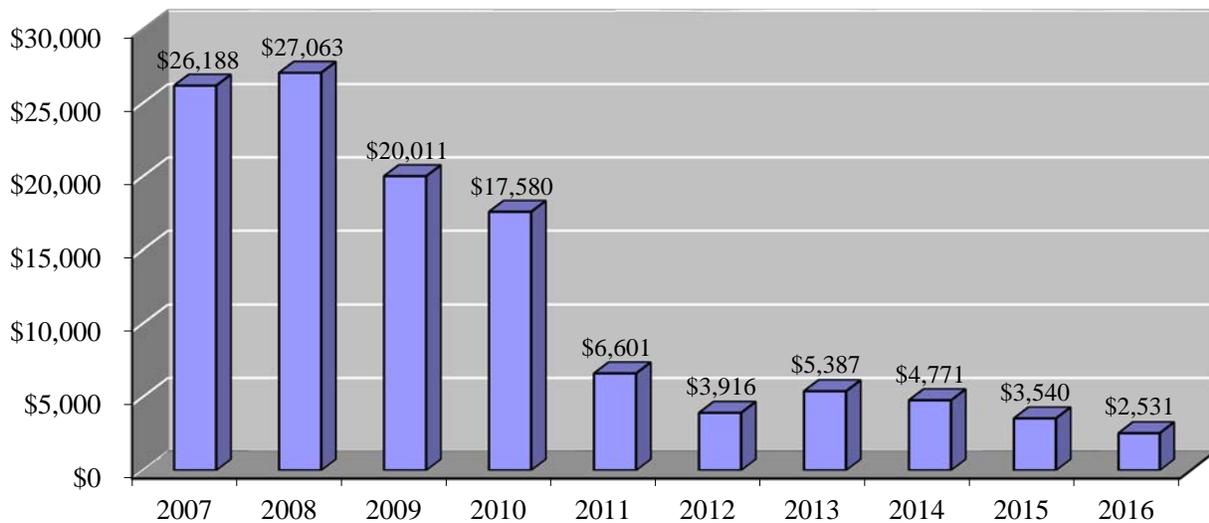
Suffolk County is responsible for 24 sewer districts and over 1250 miles of sewer piping. Plant capacities range in size from 35,000 gallons/day to 30.5 million gallons/day. Sewer system projects began, continued, and finished in 2016. At fiscal year end 2016, sewer system construction costs reached \$185.1 million, with \$3.4 million completed improvements in 2016.

Investments

At December 31, 2016, Suffolk County's bank balance in all financial institutions was \$874,028,720. The entire bank balance was covered either 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 governed by New York State statute. The County invests monies not required for immediate expenditure for terms not to exceed the County's cash flow needs in the following types of investments: certificates 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.

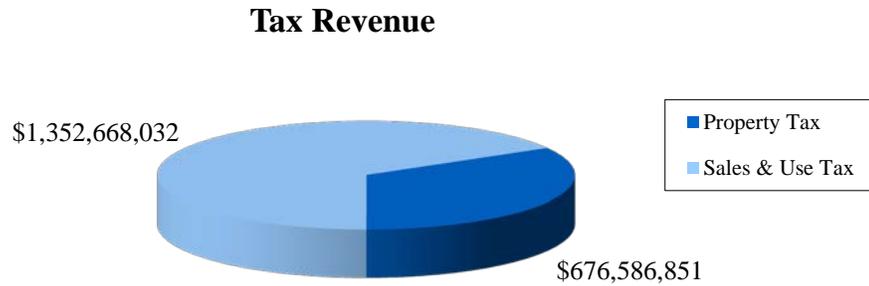
Investment Earnings (Amounts in 000's)



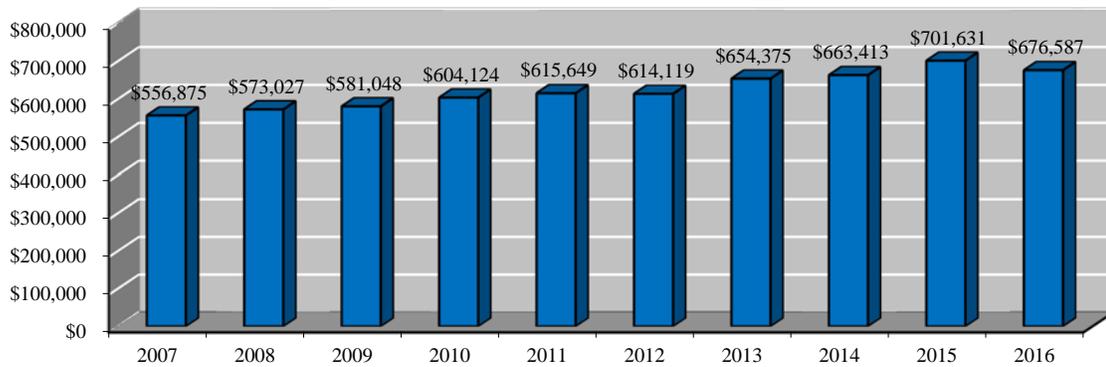
Investment earnings represent the amount of interest income earned by the County. The factors affecting interest income are interest rates and portfolio size, which fluctuate over time.

Taxes

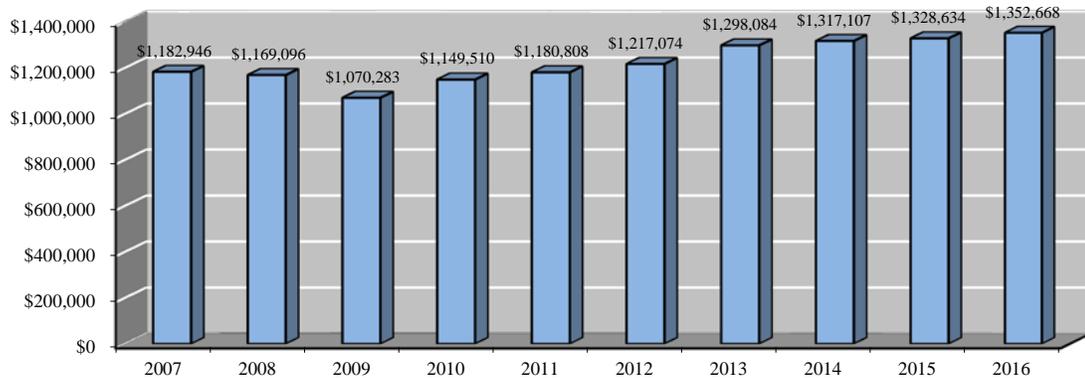
During 2016, Suffolk County received \$2.03 billion in tax revenue. The following chart shows the proportion derived from each type of tax.



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 consist of two 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, 2016 are shown below:

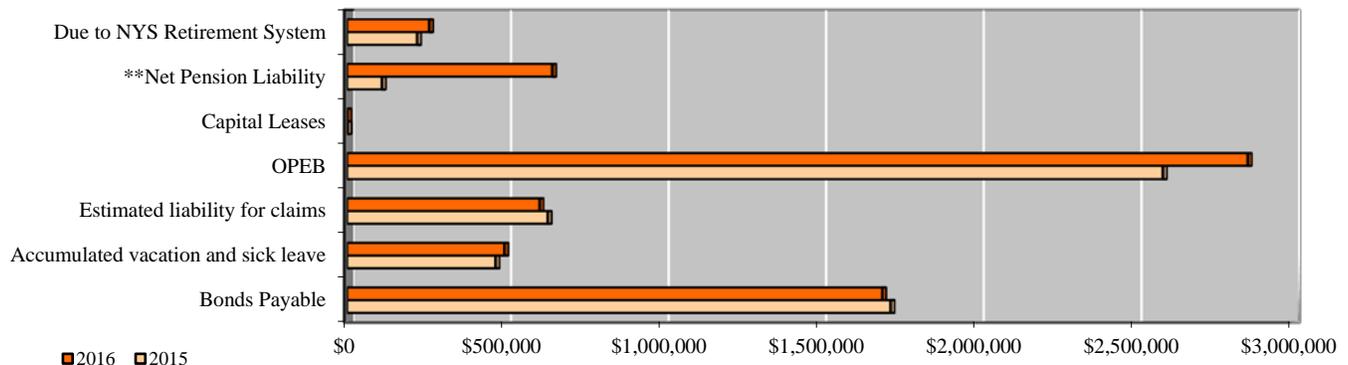
Suffolk County Outstanding Debt & Other Long-Term Obligations
(Amounts in 000's)

	2016 Beginning Balance	Additions	Reductions	2016 Ending Balance
General Obligation debt (inclusive of advanced refunding)	\$ 1,393,881 *	\$ 214,921	\$ 227,457	\$ 1,381,345
STASC	303,299	1,943	5,268	299,974
Lease revenue bonds	65,493	-	2,441	63,052
Total Bonds Payable	1,762,673	216,864	235,166	1,744,371
Accumulated vacation and sick leave	471,269	51,327	23,405	499,191
Estimated liability for claims	636,238	14,291	39,582	610,947
OPEB (Other Post Employment Benefits)	2,588,000	402,393	133,463	2,856,930
Capital Leases	1,046	-	477	569
Net Pension Liability	110,130	824,160	283,084	651,206
Due to NYS Retirement System	222,434	60,034	21,957	260,511
Total Long-Term Liabilities	\$ 5,791,790	\$ 1,569,069	\$ 737,134	\$ 6,623,725

*Beginning balance was adjusted to reflect a reclass of premium on refundings.

A bond credit rating assesses the credit worthiness of a municipality’s debt issues. Suffolk County maintains an “A-” with a stable outlook rating from Standard & Poor’s, an “A-” with a stable outlook rating from Fitch and an “A3” 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.

2015 & 2016 Long-Term Obligations
(Amounts in 000's)



**First reported in 2015 as required by GASB 68

Financial Position

Capital Assets

The composition of the capital assets for governmental and business-type activities at December 31, 2016 is shown below:

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

	2016	2015
Land	\$ 926,359	\$ 897,926
Development Rights	256,895	251,062
Historic Buildings	4,608	4,608
Construction in Progress	342,024	274,528
Buildings	643,516	649,585
Improvements other than Buildings	53,590	54,579
Vehicles and Equipment	122,744	124,355
Infrastructure	775,517	779,294
Total	\$ 3,125,253	\$ 3,035,937

The net increase in Suffolk County's investment in capital assets for the current fiscal year was \$89.3 million, which represents a 2.94 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.

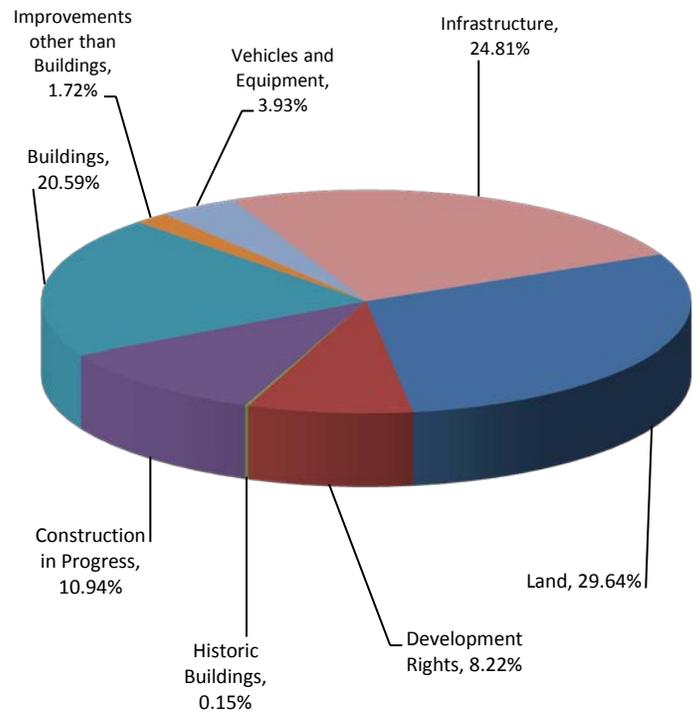
Vehicles and Equipment

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.

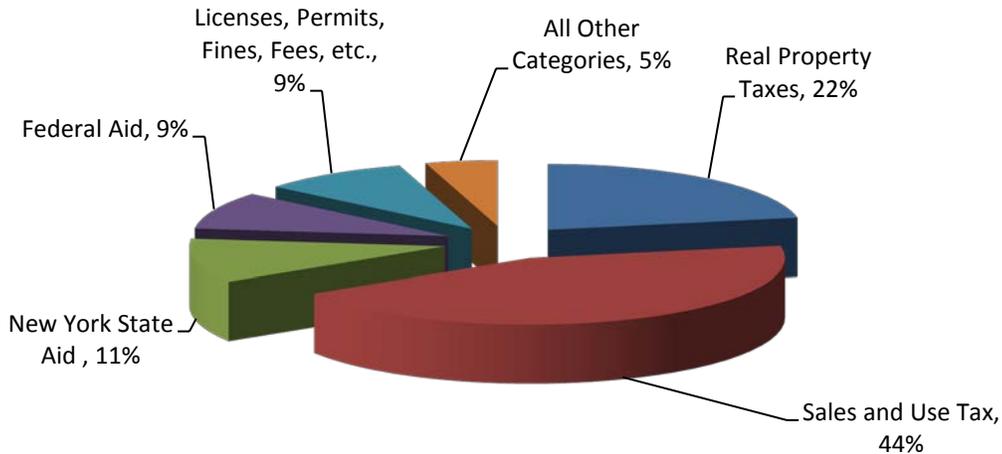
2016 Capital Assets



Governmental Fund Revenues

The revenues presented are the total governmental funds reported in the 2016 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary revenue sources are Sales and Use Tax, and Real Property Taxes.

Revenue Percent by Source



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

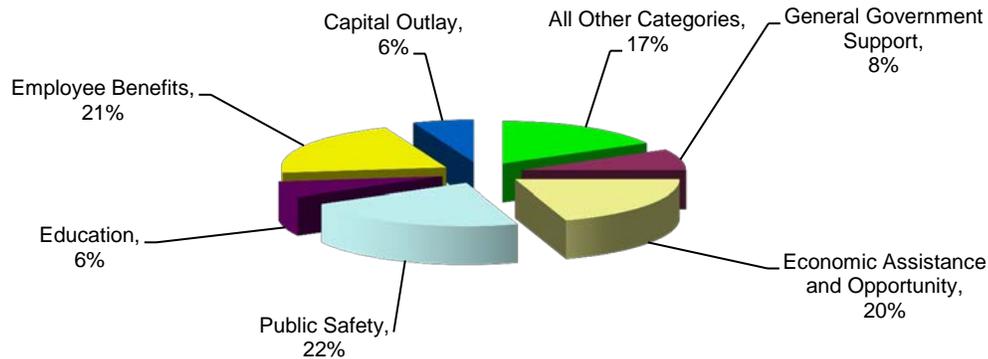
Revenues	(Amounts in 000's)			
	2016 Actual	2015 Actual	\$ Change	% Change
Real Property Taxes	\$ 676,587	\$ 701,631	\$ (25,044)	-3.57%
Sales and Use Tax	1,352,668	1,328,634	24,034	1.81%
State Aid	331,481	283,936	47,545	16.74%
Federal Aid	282,212	273,858	8,354	3.05%
Licenses, Permits, Fines, Fees, etc.	288,629	250,739	37,890	15.11%
All Other Categories	137,675	99,555	38,120	38.29%
	<u>\$3,069,252</u>	<u>\$2,938,353</u>	<u>\$130,899</u>	4.45%

- The increase (38.29%) in other revenue over the prior year is partly attributable to tobacco revenue of the 1998 master settlement agreement, which is based on cigarette sales. The increase is also attributable to a one-time payment in 2016 from the tobacco companies as part of the Non-Participating Manufacturer adjustment.
- The State Aid increase (16.74%) is mainly due to aid received to repair damage from Superstorm Sandy and strengthen Fire Island to withstand future storms by building an engineered beach and dune system.
- Licenses, permits, fines and fees increased (15.11%) as a result of increases in the number of tax map certifications performed as well as an increase in the County's motor vehicle surcharge rate.
- Real Property Tax decreased (3.57%) resulting from delayed tax collections.

Governmental Fund Expenditures

The expenditures presented are the total governmental funds reported in the 2016 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.

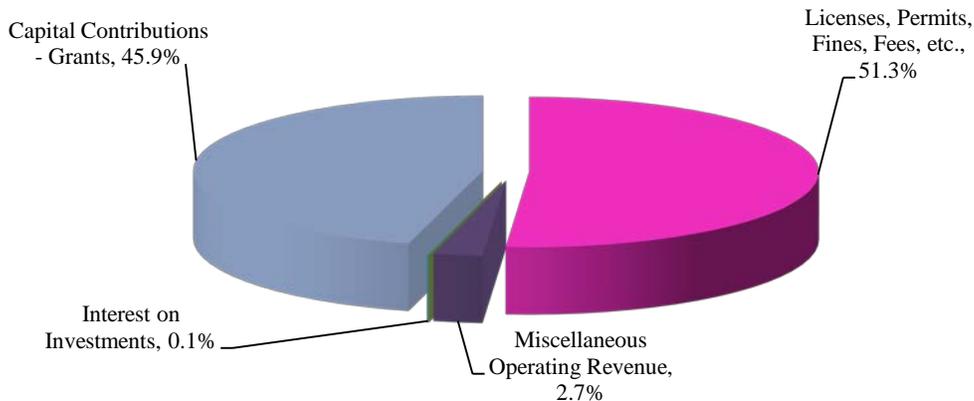
Expenditures	(Amounts in 000's)			
	2016 Actual	2015 Actual	\$ Change	% Change
General Government Support	\$ 259,793	\$ 256,247	\$ 3,546	1.38%
Economic Assistance & Opportunity	650,518	651,109	(591)	-0.09%
Public Safety	725,579	682,073	43,506	6.38%
Education	182,909	176,244	6,665	3.78%
Employee Benefits	672,908	644,136	28,772	4.47%
Capital Outlay	212,712	168,995	43,717	25.87%
All Other Categories	542,087	527,819	14,268	2.70%
	<u>\$ 3,246,506</u>	<u>\$ 3,106,623</u>	<u>\$ 139,883</u>	4.50%

- The increase (25.87%) in Capital Outlay resulted from land purchases and condemnations through the Fire Island Inlet to Moriches Inlet Stabilization Project, to build an engineered beach/dune system to protect the barrier island.
- Public Safety increased (6.38%) as a result of separation pay for retirees and increases in Police and Sheriff departments' payroll, including new recruits graduating in April and October 2016.
- The increase (4.47%) in Employee Benefits is the result of the increased expenditures in the Employee Medical Health Plan, the County's self-insured fund.
- The increase (3.78%) in Education is primarily attributable to the County's Preschool Special Education Program.

Enterprise Fund Revenues

The enterprise funds consist of the Suffolk County Ball Park and Francis S. Gabreski Airport (Airport). The primary revenue sources for the enterprise funds are Licenses, Permits and Fees, and Capital Contributions.

Revenue Percent by Source



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

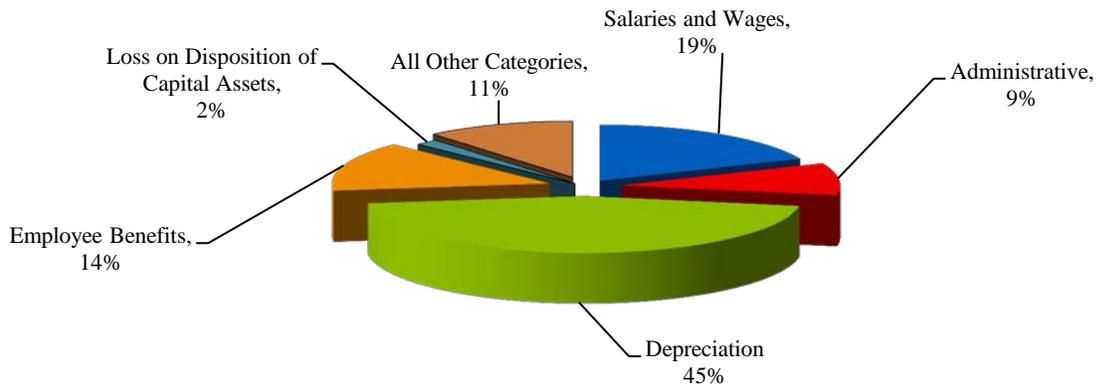
Revenues	(Amounts in 000's)			
	2016 Actual	2015 Actual	\$ Change	% Change
Licenses, Permits, Fines, Fees, etc.	\$ 3,643	\$ 2,804	\$ 839	29.92%
Miscellaneous Operating Revenue	194	299	(105)	-35.12%
Revenue from Other Governments	-	36	(36)	-100.00%
Interest on Investments	8	14	(6)	-42.86%
Capital Contributions - Grants	3,258	91	3,167	3480.22%
Proceeds from Sale	-	1,000	(1,000)	-100.00%
All Other Categories	-	912	(912)	-100.00%
	<u>\$ 7,103</u>	<u>\$ 5,156</u>	<u>\$ 1,947</u>	37.76%

- The increase (3480.22%) in Capital Contributions relates to increased Federal and State funding for major renovations and construction projects at the Airport.
- The decrease (100%) in Revenue from Other Governments, Proceeds from Sale, and other revenue is attributable to the closure of the Foley fund during 2015.
- The increase (29.92%) in Licenses, Permits, Fines, Fees, etc., is due to increased airport fees and rent revenue resulting from the availability of additional facilities as part of the ongoing improvements at the Airport.

Enterprise Fund Expenses

Suffolk County uses enterprise funds to account for the Suffolk County Ball Park and Francis S. Gabreski Airport (Airport). The primary expenses for the enterprise funds are Salaries and Wages, Administrative, Employee Benefits, and Depreciation.

Percentage of Expenses by Type



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

Expenses	(Amounts in 000's)			
	2016 Actual	2015 Actual	\$ Change	% Change
Salaries and Wages	\$ 539	\$ 392	\$ 147	37.50%
Administrative	270	70	200	285.71%
Depreciation	1,310	1,293	17	1.31%
Employee Benefits	416	333	83	24.92%
Loss on Disposition of Capital Assets	50	34	16	47.06%
All Other Categories	321	386	(65)	-16.84%
	<u>\$ 2,906</u>	<u>\$ 2,508</u>	<u>\$ 398</u>	15.87%

- The increase in Administrative expenses (285.71%) is the result of additional costs of operating the new facilities constructed as part of the ongoing renovations at the Airport.
- Loss on Disposition of Capital Assets increased (47.06%) as a result of asset disposals, part of ongoing renovation projects at the Airport.
- The increase in Salaries and Wages (37.5%) is due to public safety staff increases at the Airport.
- The increase in Employee Benefits (24.92%) is due to increased healthcare costs for Airport employees.

SUFFOLK'S SENSATIONAL SITES

- ❖ Suffolk County is known for its beautiful beaches located along nearly 1,000 miles of marine coastline. Suffolk County Department of Parks operates some of Suffolk County's over 100 beaches, including Smith Point Beach in Shirley, Cupsogue Beach in Westhampton, and Meschutt Beach in Hampton Bays.
- ❖ Many New York State parks are also in Suffolk, including Bayard Cutting Arboretum State Park in Great River, Hither Hills State Park in Montauk, and Wildwood State Park in Wading River.
- ❖ The National Parks Service owns approximately 3,000 acres of the Fire Island National Seashore in Suffolk County. The Fire Island Lighthouse, completed in 1858, is listed on the National Register of Historic Places.
- ❖ The Montauk Point Lighthouse, located in Montauk Point State Park, was completed in 1796 and is the first lighthouse in New York State.
- ❖ The Suffolk County Department of Parks manages over 200 historic sites, and, with help from local historical societies, provides guided tours and special events. These sites include the Sagtikos Manor in West Bay Shore, built in 1692, and the Old Field Farm in Setauket, built in 1931.
- ❖ The Big Duck, located at the entrance to Sears Bellows County Park 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.
- ❖ Suffolk County has a variety of museums, including the Long Island Maritime Museum in West Sayville, the Long Island Museum of American Art, History & Carriages in Stony Brook, the Heckscher Museum of Art in Huntington, and the Cold Spring Harbor Whaling Museum in Cold Spring Harbor.
- ❖ The Vanderbilt Museum & Planetarium is located in Centerport on a 43 acre estate, overlooking Northport Harbor. The 147 seat, state of the art planetarium received a \$4 million makeover and cutting edge technological update in 2013, making it one of the most advanced in the United States.
- ❖ Long Island's wine region encompasses both the north fork and south fork of Long Island. This part of Long Island, located at the east end of Suffolk County, is home to over 50 wine producers and a vodka distillery, with most offering tours and tastings.

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