

SUFFOLK COUNTY

NEW YORK



INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS AND THE
SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE
TRANSPORTATION ASSISTANCE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

JOHN M. KENNEDY, JR.
COMPTROLLER

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**SUFFOLK COUNTY
NEW YORK**

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NEW YORK**

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INDEPENDENT AUDITORS' REPORT

To the Management and Members of the Audit Committee
Suffolk County, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Suffolk County (the "County"), as of and for the year ended December 31, 2016 (with the Suffolk County Community College for the year ended August 31, 2016), and the related notes to the financial statements, which collectively comprise the County'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 did not audit the financial statements of the Suffolk County Regional Off-Track Betting Corporation, the Suffolk County Community College, the Suffolk County Economic Development Corporation and the Suffolk County Industrial Development Agency, which represents 100% of the County's discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Suffolk County, New York, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions, as listed in the table of contents, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2017 on our consideration of the Suffolk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Suffolk County's internal control over financial reporting and compliance.

Deloitte & Touche LLP

June 30, 2017

Management's Discussion and Analysis

As management of Suffolk County, New York, we offer readers of Suffolk County's financial statements this narrative overview and analysis of the financial activities of Suffolk County for the fiscal year ended December 31, 2016.

Financial Highlights

- The liabilities and deferred inflows of resources of Suffolk County exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$2,307,338,093 (deficit). This net position includes \$602,210,477 in restricted net position and is net of a deficit of \$4,697,044,437 in unrestricted net position. Also included as an offset is \$1,787,495,867 reported in net investment in capital assets.
- Suffolk County's total net position decreased by \$299,633,462.
- As of the close of the current fiscal year, Suffolk County's governmental funds reported combined fund balances of \$238,418,468, a decrease of \$83,802,538 in comparison with the prior year. The fund balance is classified within the spendable fund balance categories: restricted of \$602,210,477 and an unassigned deficit of \$363,792,009.
- At the end of the current fiscal year, the unassigned fund deficit for the general fund was \$226,184,909.
- Suffolk County's total bonded debt decreased by \$18,301,368 (1.04 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Suffolk County's basic financial statements. Suffolk County's financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Suffolk County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Suffolk County's assets and deferred outflows of resources, and liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Suffolk County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal 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 related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of Suffolk County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Suffolk County include general government support, economic assistance and opportunity, public safety, culture and recreation, health, education, home and community services and transportation. The business-type activities of Suffolk County include the Francis S. Gabreski Airport and the Suffolk County Ball Park.

The government-wide financial statements include not only Suffolk County itself (known as the primary government), but also a legally separate community college (Suffolk County Community College), a legally separate off-track betting public benefit corporation (Suffolk Regional Off-Track Betting Corporation), a legally separate industrial development public benefit corporation (Suffolk County Industrial Development Agency), and a legally separate not-for-profit local development corporation (Suffolk County Economic Development Corporation) for which Suffolk County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Suffolk Tobacco Asset Securitization Corp. (STASC), the Judicial Facilities Agency and the Suffolk County Landbank Corp. although also legally separate, function for all practical purposes, as a department of Suffolk County, and therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 16-19 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Suffolk County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Suffolk County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spending resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances

provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Suffolk County reports 53 individual governmental funds on a GAAP basis. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and two special revenue funds (Police District Fund and Suffolk Tobacco Asset Securitization Corp.), and one capital project fund, all of which are considered to be major funds. Data from the other 49 non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of these 49 non-major governmental funds is provided in the form of combining statements, which is included with the Combining and Individual Fund Statements and Schedules.

Suffolk County adopts an annual appropriated budget for the general fund and 6 of its components as well as 34 special revenue funds. Budgetary comparison schedules have been provided for the general fund and one major special revenue fund to demonstrate compliance with the budget. We have also provided budgetary comparison schedules for 33 non-major special revenue funds, which are included with the Combining and Individual Fund Statements and Schedules.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds. Suffolk County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Suffolk County uses enterprise funds to account for the Suffolk County Ball Park and Francis S. Gabreski Airport.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24 - 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Suffolk County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-89 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents the Schedule of Funding Progress pertaining to the County's Post Employment Retirement Healthcare Benefit Plan, Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions which are Required Supplementary Information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the County's liabilities and deferred inflows exceeded its assets and deferred outflows by \$2,307,338,093 at the close of the most recent fiscal year.

A summary of the County's net position for 2016 is presented below, together with comparative 2015 information.

	Suffolk County's Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,589,592,195	\$ 1,597,066,506	\$ 2,380,058	\$ 1,376,172	\$ 1,591,972,253	\$ 1,598,442,678
Assets held for sale	-	11,500,000	-	-	-	11,500,000
Cash with fiscal agents	25,649,191	-	-	-	25,649,191	-
Capital assets	3,069,316,316	2,982,363,362	55,936,653	53,573,921	3,125,252,969	3,035,937,283
Total assets	4,684,557,702	4,590,929,868	58,316,711	54,950,093	4,742,874,413	4,645,879,961
Total deferred outflows of resources	795,380,923	201,592,988 *	554,522	344,546 *	795,935,445	201,937,534
Total assets and deferred outflows of resources	5,479,938,625	4,792,522,856	58,871,233	55,294,639	5,538,809,858	4,847,817,495
Long term liabilities outstanding	6,381,787,399	5,551,747,751 *	10,585,999	10,581,759 *	6,392,373,398	5,562,329,510
Other liabilities	1,354,856,992	1,292,063,859	1,443,411	1,155,757	1,356,300,403	1,293,219,616
Total liabilities	7,736,644,391	6,843,811,610	12,029,410	11,737,516	7,748,673,801	6,855,549,126
Total deferred inflows of resources	97,430,591	- *	43,559	- *	97,474,150	-
Total liabilities and deferred inflows of resources	7,834,074,982	6,843,811,610	12,072,969	11,737,516	7,846,147,951	6,855,549,126
<u>Net position:</u>						
Net investment in capital assets	1,738,281,001	1,650,290,885	49,214,866	45,654,968	1,787,495,867	1,695,945,853
Restricted	602,210,477	464,196,690	-	-	602,210,477	464,196,690
Unrestricted	(4,694,627,835)	(4,165,749,329)	(2,416,602)	(2,097,845)	(4,697,044,437)	(4,167,847,174)
Total net position	\$ (2,354,136,357)	\$ (2,051,261,754)	\$ 46,798,264	\$ 43,557,123	\$ (2,307,338,093)	\$ (2,007,704,631)

* Balance was adjusted to reflect a reclass of premiums on refundings.

Net position includes \$1,787,495,867 in capital assets (e.g., land, buildings, machinery, and equipment) less debt used to acquire those assets, reflecting the County's net investment in capital assets. Suffolk County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Suffolk County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Suffolk County's net position, \$602,210,477, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a

deficit in unrestricted net position of \$4,697,044,437 which is primarily the result of long-term liabilities being recognized prior to the date on which funding is due.

Suffolk County's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 324,308,290	\$ 281,153,432	\$ 3,643,065	\$ 3,715,925	\$ 327,951,355	\$ 284,869,357
Operating grants and contributions	546,255,665	528,822,137	-	36,155	546,255,665	528,858,292
Capital grants and contributions	74,332,607	30,696,047	3,258,097	91,219	77,590,704	30,787,266
General revenues:						
Property taxes	691,092,015	691,698,981	-	-	691,092,015	691,698,981
Sales and use tax	1,352,668,032	1,328,634,123	-	-	1,352,668,032	1,328,634,123
Other, net	56,776,116	48,687,485	201,605	1,312,558	56,977,721	50,000,043
Total revenues	<u>3,045,432,725</u>	<u>2,909,692,205</u>	<u>7,102,767</u>	<u>5,155,857</u>	<u>3,052,535,492</u>	<u>2,914,848,062</u>
Expenses:						
General government	388,333,645	423,649,285	-	-	388,333,645	423,649,285
Economic assistance and opportunity	792,498,069	773,796,524	-	-	792,498,069	773,796,524
Health	199,655,305	195,037,231	-	-	199,655,305	195,037,231
Public safety	1,420,212,829	1,277,556,133	-	-	1,420,212,829	1,277,556,133
Culture and recreation	35,930,257	34,066,225	-	-	35,930,257	34,066,225
Education	182,908,987	176,244,321	-	-	182,908,987	176,244,321
Home and community services	98,068,503	95,532,222	-	-	98,068,503	95,532,222
Transportation	165,609,185	160,562,574	-	-	165,609,185	160,562,574
Skilled nursing	-	-	-	6,443	-	6,443
Ball park	-	-	509,701	569,335	509,701	569,335
Gabreski airport	-	-	2,395,330	1,931,604	2,395,330	1,931,604
Interest on long term debt	66,047,143	70,462,120	-	-	66,047,143	70,462,120
Total expenses	<u>3,349,263,923</u>	<u>3,206,906,635</u>	<u>2,905,031</u>	<u>2,507,382</u>	<u>3,352,168,954</u>	<u>3,209,414,017</u>
Change in net position before transfers	(303,831,198)	(297,214,430)	4,197,736	2,648,475	(299,633,462)	(294,565,955)
Transfers	956,595	4,200,470	(956,595)	(4,200,470)	-	-
Change in net position	<u>(302,874,603)</u>	<u>(293,013,960)</u>	<u>3,241,141</u>	<u>(1,551,995)</u>	<u>(299,633,462)</u>	<u>(294,565,955)</u>
Net position - beginning	<u>(2,051,261,754)</u>	<u>(1,758,247,794) *</u>	<u>43,557,123</u>	<u>45,109,118 *</u>	<u>(2,007,704,631)</u>	<u>(1,713,138,676)</u>
Net position - ending	<u>\$ (2,354,136,357)</u>	<u>\$ (2,051,261,754)</u>	<u>\$ 46,798,264</u>	<u>\$ 43,557,123</u>	<u>\$ (2,307,338,093)</u>	<u>\$ (2,007,704,631)</u>

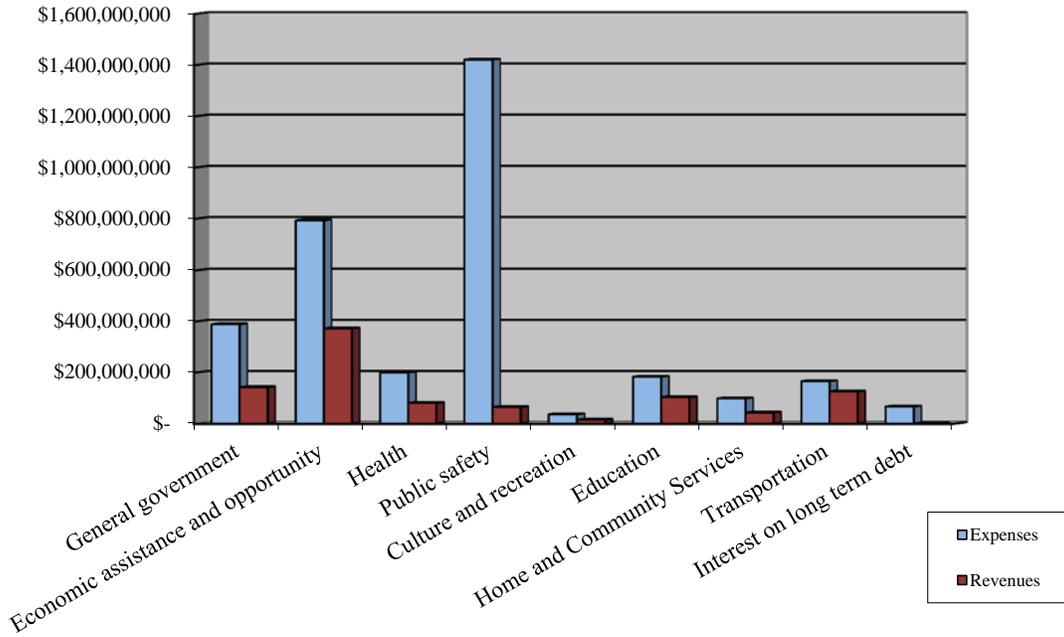
*As restated for GASB 68

The County's net position decreased by \$299,633,462 during the current fiscal year. Key elements of the decrease are as follows:

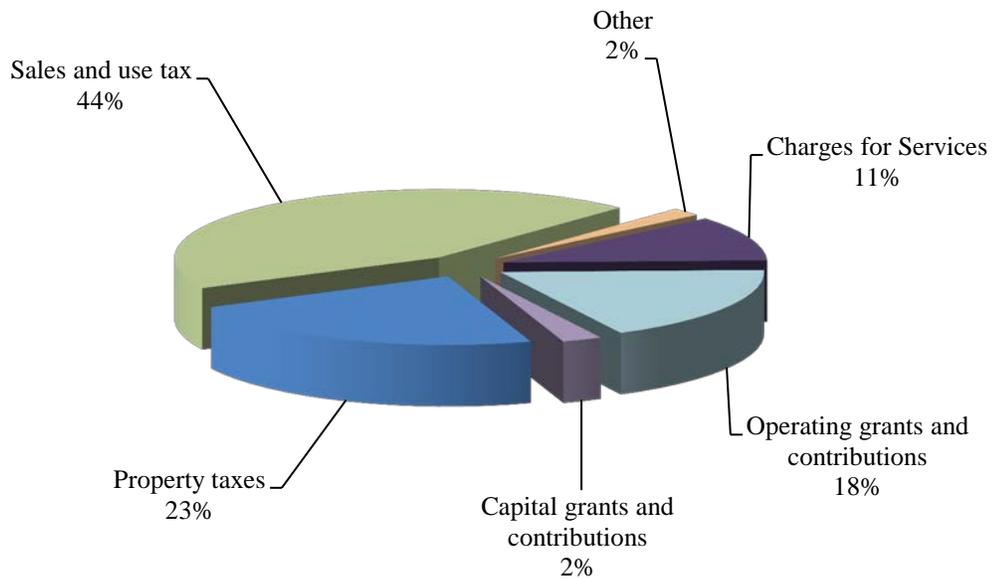
- The liability accrual for other post-employment benefits (OPEB), required by GASB 45, increased by \$269 million in 2016.
- An increase in liabilities for accumulated vacation and sick leave in the amount of \$28 million. This increase is attributable to contractual increases in employees' salaries.

Governmental activities. Governmental activities decreased the County’s net position by \$302,874,603. The key factors of the decrease were the liability accrual of \$269 million for OPEB and \$28 million related to increases in accumulated vacation and sick leave liabilities. Additionally, there was a slight increase of \$3.5 million in retainage payables, related to new capital construction projects.

Expenses and Program Revenues - Governmental Activities

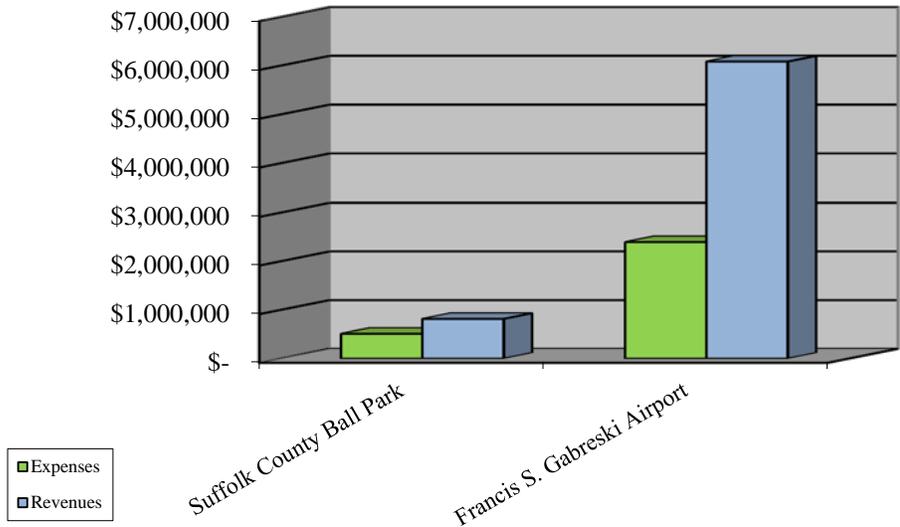


Revenues by Source - Governmental Activities

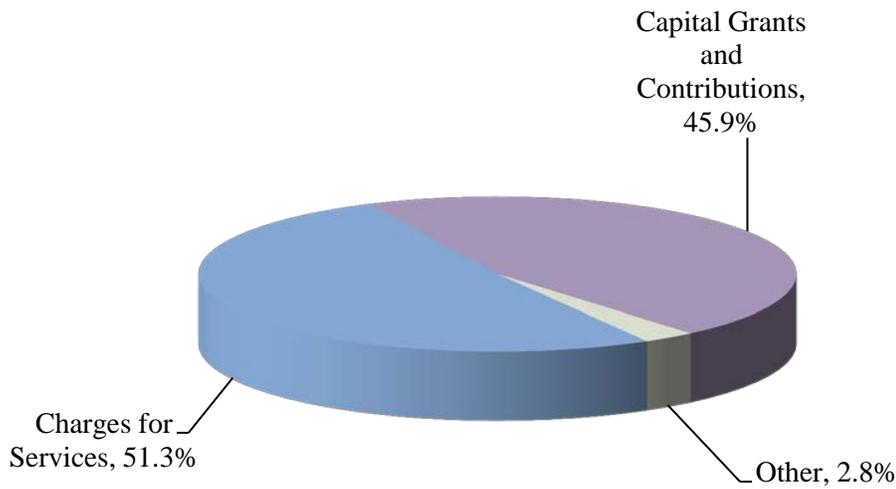


Business-type activities. Business-type activities increased the County’s net position by \$3,241,141. The increase is attributable to an increase in operating revenues of both the Suffolk County Ball Park and Gabreski Airport. In addition, there was a decline in Ball Park expenses compared to 2015, when capital improvements were funded.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the County's Funds

As noted earlier, Suffolk County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Suffolk County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable and non-spendable* resources. Such information is useful in assessing Suffolk County's financing requirements.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$238,418,468, a decrease of \$83,802,538 in comparison with the prior year. The fund balance is classified based on the County's obligation to honor constraints on the specific purposes for which amounts in those funds can be spent. Of the total fund balance, \$602,210,477 is restricted to indicate that these resources can be expended only for a specific purpose through an externally imposed constraint. The most significant of these restrictions are for the purposes of: (1) Home and community services (\$236,953,548), (2) Debt service (\$216,958,311), (3) Public safety (\$44,657,152), (4) Transportation (\$42,884,813), and (5) General government support (\$23,068,933).

The general fund is the chief operating fund of Suffolk County. At the end of the current fiscal year, unassigned fund balance of the general fund on a GAAP basis amounted to a deficit totaling \$226,184,909 while total fund balance amounted to a deficit totaling \$226,115,527.

The fund balance of Suffolk County's general fund increased by \$25,046,697. This increase was mainly the result of transfers from the County's Assessment Stabilization Reserve fund which were partially offset by increased health insurance costs and economic assistance expenditures.

The police district fund has a total fund deficit of \$79,216,839. The police district total fund balance decreased during the current year by \$10,226,456. The decline in fund balance is mainly attributable to increased expenditures for pension and health insurance costs.

The capital fund has a total fund balance of \$124,848,766. The capital fund total fund balance increased during the current year by \$6,672,485. The increase in fund balance resulted from an increase in funding transferred from the County's Water Protection reserve fund for future land purchases.

The Suffolk Tobacco Asset Securitization Corporation (STASC) is a blended component unit of the County and had a fund balance of \$216,958,311. The fund balance of STASC decreased by \$6,265,872. The decrease is attributed to the annual amortization of the deferred outflows of resources; to account for the purchase of Suffolk County's future rights to Tobacco Settlement Revenues (TSR) in compliance with GASB 48.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position/ (deficit) of the Suffolk County Ball Park and Francis S. Gabreski Airport at the end of the year amounted to \$144,663 and (\$2,561,265), respectively. The Suffolk County Ball Park had a decrease of \$75,032 and Francis S. Gabreski Airport had a decrease of \$243,725.

General Fund Budgetary Basis Highlights

Differences between the original and final amended budget for expenditures resulted in a slight decrease of 1.79 percent, (\$33.3 million decrease in appropriations) and can be briefly summarized as follows:

- \$13.8 million decrease in general government support primarily relating to continued savings from indigent legal services cases which are being budgeted as a three year plan.
- \$13 million decrease in health as a result of grant funded programs that span several years. Unused appropriations are rolled forward into the 2017 budget.
- \$5.6 million decrease in public safety, mainly due to the roll forward of unused grant appropriations in the Fire, rescue and emergency service department.

During the year, revenues did not meet budgetary estimates, resulting in an actual decrease in fund balance. The variance between budgeted and actual fund balance was (\$43,058,076). The major variances resulting in this increase were attributable to the following:

- Revenues under budget:
 - Real property taxes in the amount of \$23.9 million as a result of delayed collections.
 - Sales and use tax in the amount of \$21.9 million resulting from lower than projected gas prices in early 2016.

Capital Asset and Debt Administration

Capital assets. Suffolk County's investment in capital assets for its governmental and business-type activities, as of December 31, 2016, amounts to \$3,125,252,969 (net of accumulated depreciation). This investment in capital assets includes land, development rights, buildings, improvements, vehicles and equipment, roads, bridges, and sewer facilities. The total net increase in the County's investment in capital assets for the current fiscal year was 2.94 percent (a 2.92 percent increase for governmental activities and a 4.41 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Phases I, II, IIB, and III of the new civil court building addition, courthouse annex renovations, and the old civil court building renovations at the County Civil Court Complex in Riverhead were completed through 2015 for a total cost of \$51,586,179. Of this total, Phases IIB and III interior/exterior renovations of the old civil court building were completed in 2015 for a cost of \$6,644,810. As of the close of fiscal year 2016, remaining construction in progress costs for Phase III exterior renovations

of two older court buildings totaled \$1,823,900, which includes costs of \$189,653 in 2016. The exterior renovations will conclude in 2017. Energy savings and prolonged life are anticipated within the renovated sections of the Court Complex based on mechanical/electrical upgrades, and improved building envelopes.

- Land and farmland development rights were acquired during 2016 pursuant to various land preservation and protection programs at a cost of \$4.9 million (\$1.7 million and \$3.2 million, respectively). In addition, land purchases, condemnations, and easements were acquired during 2016 pursuant to the Fire Island Inlet to Moriches Inlet (FIMI) Stabilization Project to protect the barrier island. Costs for 2016 totaled \$29.4 million. The FIMI Project will repair damage from Superstorm Sandy and strengthen Fire Island to withstand future storms by building an engineered beach and dune system.
- Various road construction projects to strengthen and expand the County’s existing roadways began or continued in 2016. Construction in progress as of the close of the fiscal year reached \$64.5 million. A total of \$41.1 million was spent in 2016. In addition, \$17.6 million was transferred to road infrastructure upon completion of the construction projects during 2016.
- Various sewer system construction projects began or continued in 2016. Construction in progress as of the close of the fiscal year reached \$185.1 million. A total of \$39.0 million was spent in 2016. In addition, \$3.4 million was transferred to the sewer system infrastructure upon completion of the construction projects during 2016.

Suffolk County's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 904,265,836	\$ 875,833,772	\$ 22,092,831	\$ 22,092,831	\$ 926,358,667	\$ 897,926,603
Development rights	256,895,592	251,061,812	-	-	256,895,592	251,061,812
Historic buildings	4,607,607	4,607,607	-	-	4,607,607	4,607,607
Buildings	632,073,904	637,661,726	11,442,078	11,923,570	643,515,982	649,585,296
Improvements other than buildings	36,320,377	36,560,311	17,270,126	18,019,258	53,590,503	54,579,569
Vehicles and equipment	122,017,669	123,559,789	726,008	795,057	122,743,677	124,354,846
Infrastructure	775,516,839	779,293,677	-	-	775,516,839	779,293,677
Construction in progress	337,618,492	273,784,668	4,405,610	743,205	342,024,102	274,527,873
Total	\$ 3,069,316,316	\$ 2,982,363,362	\$ 55,936,653	\$ 53,573,921	\$ 3,125,252,969	\$ 3,035,937,283

Additional information on Suffolk County’s capital assets can be found in note III.C. on pages 59-62 of this report.

Long-term debt. At the end of the current year, Suffolk County had total bonded debt outstanding of \$1,744,371,088. The general obligation bonds are backed by the full faith and credit of the County. STASC series 2008 and 2012 asset-backed bonds issued by the Corporation as well as JFA series 2013 lease revenue bonds are not backed by the full faith and credit of the County.

**Suffolk County's Outstanding Debt
Bonds**

	Governmental activities		Business-type activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligation debt	\$ 974,248,125	\$ 1,044,484,638	\$ 5,721,662	\$ 5,884,581	\$ 979,969,787	\$ 1,050,369,219
Advance refunding debt	398,629,567	340,543,856 *	2,744,915	2,966,947 *	401,374,482	343,510,803
STASC	299,974,009	303,298,818	-	-	299,974,009	303,298,818
Lease revenue bonds	63,052,810	65,493,616	-	-	63,052,810	65,493,616
Total bonds payable	<u>\$ 1,735,904,511</u>	<u>\$ 1,753,820,928</u>	<u>\$ 8,466,577</u>	<u>\$ 8,851,528</u>	<u>\$ 1,744,371,088</u>	<u>\$ 1,762,672,456</u>

* Balance was adjusted to reflect a reclass of premiums on refundings.

Suffolk County's total bonded debt decreased during the current fiscal year by \$18,301,368 (1.04 percent).

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.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 percent of the average full valuation of taxable real estate of the County for the most recent five-year period. The current debt limitation for Suffolk County is \$18,318,562,898 which is significantly in excess of Suffolk County's outstanding general obligation debt. The County has \$507,666,000 in bonds authorized, but unissued.

Additional information on Suffolk County's long-term debt can be found in note III.G. on pages 66-73 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Suffolk County is currently 4.3 percent, which is a decrease from a rate of 4.7 percent a year ago. This compares favorably to the state's average unemployment rate of 4.8 percent and the national average rate of 4.9 percent.
- The vacancy rate of office properties located in the County over the past three years is 18.8, 17.9 and 14.6 percent for years 2014, 2015, and 2016 respectively.
- During 2016, inflationary trends in the region were slightly lower than national indices. The annual 2016 NY metro area regional Consumer Price Index (CPI) was 1.1 whereas the U.S. city annual CPI was 1.3 percent.

All of these factors were considered in preparing the County's budget for the 2017 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, H. Lee Dennison Building, 100 Veterans Memorial Highway, P.O. Box 6100, Hauppauge, N.Y. 11788-0099.

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BASIC FINANCIAL STATEMENTS

SUFFOLK COUNTY, NEW YORK

Statement of Net Position

December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
Assets				
Current assets:				
Cash and cash equivalents	\$ 799,935,850	\$ 2,828,496	\$ 802,764,346	\$ 78,069,826
Investments	16,436,338	-	16,436,338	15,414,637
Property tax receivable, net of allowance for estimated uncollectibles of \$ 15,289,446	240,581,521	-	240,581,521	-
Accounts receivable, net	-	-	-	5,270,495
Due from:				
New York State and federal sources:				
Programs of assistance	96,091,716	-	96,091,716	-
Grants-in-aid	112,082,935	980,982	113,063,917	-
Sales tax	144,408,486	-	144,408,486	-
Other	-	-	-	6,977,243
Towns	120,109,211	-	120,109,211	-
Component units	4,892,203	-	4,892,203	-
Internal balances	1,492,646	(1,492,646)	-	-
Other receivables	53,545,134	63,226	53,608,360	4,066,737
Prepays	16,155	-	16,155	12,087
Total current assets	<u>1,589,592,195</u>	<u>2,380,058</u>	<u>1,591,972,253</u>	<u>109,811,025</u>
Noncurrent assets:				
Restricted:				
Cash with fiscal agents	25,649,191	-	25,649,191	-
Investments	-	-	-	3,137,953
Capital assets:				
Nondepreciable	1,503,387,527	26,498,441	1,529,885,968	56,095,067
Depreciable, net	1,565,928,789	29,438,212	1,595,367,001	152,065,825
Other	-	-	-	214,166
Total noncurrent assets	<u>3,094,965,507</u>	<u>55,936,653</u>	<u>3,150,902,160</u>	<u>211,513,011</u>
Total assets	<u>4,684,557,702</u>	<u>58,316,711</u>	<u>4,742,874,413</u>	<u>321,324,036</u>
Deferred outflows of resources				
Deferred charge on refundings	28,151,052	246,820	28,397,872	300,351
Deferred outflows - pension - ERS	386,646,428	307,702	386,954,130	27,729,619
Deferred outflows - pension - PFRS	380,583,443	-	380,583,443	-
Deferred outflows - pension - TRS	-	-	-	15,547,829
Total deferred outflows of resources	<u>795,380,923</u>	<u>554,522</u>	<u>795,935,445</u>	<u>43,577,799</u>
Total assets and deferred outflows of resources	<u>5,479,938,625</u>	<u>58,871,233</u>	<u>5,538,809,858</u>	<u>364,901,835</u>

(Continued)

SUFFOLK COUNTY, NEW YORK

Statement of Net Position

December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 444,623,076	\$ 476,207	\$ 445,099,283	\$ 34,505,562
Contract retainage payable	9,147,027	986	9,148,013	-
Accrued interest payable	11,200,183	-	11,200,183	-
Notes payable	612,309,622	-	612,309,622	-
Due to:				
Component units	644,240	-	644,240	-
Primary government	-	-	-	2,487,967
Unearned tax revenue	-	22,336	22,336	-
Unearned revenue, restricted	46,525,009	-	46,525,009	22,822,159
Current portion of noncurrent liabilities:				
Accumulated vacation and sick leave	21,373,910	-	21,373,910	3,156,583
Estimated liability for claims	39,331,802	-	39,331,802	-
Loans	-	-	-	13,736,000
Obligations under capital leases	486,790	-	486,790	62,461
Long-term obligations	143,373,164	943,882	144,317,046	6,194,903
Due to NYS retirement system	25,842,169	-	25,842,169	912,203
Total current liabilities	<u>1,354,856,992</u>	<u>1,443,411</u>	<u>1,356,300,403</u>	<u>83,877,838</u>
Noncurrent liabilities:				
Accumulated vacation and sick leave	477,817,393	-	477,817,393	29,264,447
Estimated liability for claims	571,615,573	-	571,615,573	-
Loans	-	-	-	15,626,693
Prepetition claims	-	-	-	13,187,568
Obligations under capital leases	82,082	-	82,082	67,669
Net pension liability	650,912,489	293,304	651,205,793	28,373,593
Long-term obligations	1,592,531,347	7,522,695	1,600,054,042	60,873,475
Due to NYS retirement system	234,668,515	-	234,668,515	-
Obligation for postemployment benefits other than pensions	2,854,160,000	2,770,000	2,856,930,000	314,108,670
Other long-term debt	-	-	-	1,008,585
Total noncurrent liabilities	<u>6,381,787,399</u>	<u>10,585,999</u>	<u>6,392,373,398</u>	<u>462,510,700</u>
Total liabilities	<u>7,736,644,391</u>	<u>12,029,410</u>	<u>7,748,673,801</u>	<u>546,388,538</u>
Deferred inflows of resources				
Deferred inflows of resources - pension - ERS	54,405,846	43,559	54,449,405	3,856,419
Deferred inflows of resources - pension - PFRS	43,024,745	-	43,024,745	-
Deferred inflows of resources - pension - TRS	-	-	-	775,679
Deferred amounts on NYS TAP	-	-	-	5,169,317
Total deferred inflows of resources	<u>97,430,591</u>	<u>43,559</u>	<u>97,474,150</u>	<u>9,801,415</u>
Total liabilities and deferred inflows of resources	<u>7,834,074,982</u>	<u>12,072,969</u>	<u>7,846,147,951</u>	<u>556,189,953</u>

(Continued)

SUFFOLK COUNTY, NEW YORK

Statement of Net Position

December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Totals	
Net Position				
Net investment in capital assets	\$ 1,738,281,001	\$ 49,214,866	\$ 1,787,495,867	\$ 117,333,642
Restricted for:				
Capital projects	-	-	-	3,137,953
Restricted for capital projects	-	-	-	15,210,586
General government support	23,068,933	-	23,068,933	-
Economic assistance & opportunity	1,786,256	-	1,786,256	-
Health	73,626	-	73,626	-
Public Safety	44,657,152	-	44,657,152	-
Culture and recreation	6,686,667	-	6,686,667	-
Education	9,534,351	-	9,534,351	-
Home and community services	236,953,548	-	236,953,548	-
Transportation	42,884,813	-	42,884,813	-
Debt service	216,958,311	-	216,958,311	-
Environmental protection	17,275,818	-	17,275,818	-
Tourism and recreation	2,331,002	-	2,331,002	-
Section 532.3a surcharge	-	-	-	49,478
Prepetition surcharge	-	-	-	609,700
Unrestricted (deficit)	(4,694,627,835)	(2,416,602)	(4,697,044,437)	(327,629,477)
Total net position	<u>\$ (2,354,136,357)</u>	<u>\$ 46,798,264</u>	<u>\$ (2,307,338,093)</u>	<u>\$ (191,288,118)</u>

(Concluded)

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Primary Government:								
Governmental activities:								
General government support	\$ 388,333,645	\$ 130,501,616	\$ 11,214,966	\$ -	\$ (246,617,063)	\$ -	\$ (246,617,063)	\$ -
Economic assistance and opportunity	792,498,069	37,122,621	335,116,082	-	(420,259,366)	-	(420,259,366)	-
Health	199,655,305	19,182,577	61,531,703	-	(118,941,025)	-	(118,941,025)	-
Public safety	1,420,212,829	42,512,907	18,388,576	3,166,282	(1,356,145,064)	-	(1,356,145,064)	-
Culture and recreation	35,930,257	11,499,821	2,184,468	805,330	(21,440,638)	-	(21,440,638)	-
Education	182,908,987	15,650,246	75,675,643	11,752,418	(79,830,680)	-	(79,830,680)	-
Home and community services	98,068,503	37,538,479	5,313,812	29,954	(55,186,258)	-	(55,186,258)	-
Transportation	165,609,185	30,300,023	36,830,415	58,578,623	(39,900,124)	-	(39,900,124)	-
Interest on long-term debt	66,047,143	-	-	-	(66,047,143)	-	(66,047,143)	-
Total governmental activities	<u>3,349,263,923</u>	<u>324,308,290</u>	<u>546,255,665</u>	<u>74,332,607</u>	<u>(2,404,367,361)</u>	<u>-</u>	<u>(2,404,367,361)</u>	<u>-</u>
Business-type activities:								
Suffolk County Ball Park	509,701	816,616	-	-	-	306,915	306,915	-
Francis S. Gabreski Airport	2,395,330	2,826,449	-	3,258,097	-	3,689,216	3,689,216	-
Total business-type activities	<u>2,905,031</u>	<u>3,643,065</u>	<u>-</u>	<u>3,258,097</u>	<u>-</u>	<u>3,996,131</u>	<u>3,996,131</u>	<u>-</u>
Total primary government	<u>\$ 3,352,168,954</u>	<u>\$ 327,951,355</u>	<u>\$ 546,255,665</u>	<u>\$ 77,590,704</u>	<u>\$ (2,404,367,361)</u>	<u>\$ 3,996,131</u>	<u>\$ (2,400,371,230)</u>	<u>\$ -</u>
Component units:								
Suffolk County Community College	\$ 263,051,624	\$ 91,773,069	\$ 139,896,791	\$ -	\$ -	\$ -	\$ -	\$ (31,381,764)
Suffolk Regional Off-Track Betting Corp	26,269,966	21,720,112	-	-	-	-	-	(4,549,854)
Suffolk County Industrial Development	1,274,344	1,431,133	-	-	-	-	-	156,789
Suffolk County Economic Development	278,204	8,825	-	-	-	-	-	(269,379)
Total Component units	<u>\$ 290,874,138</u>	<u>\$ 114,933,139</u>	<u>\$ 139,896,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,044,208)</u>
General Revenues:								
Taxes:								
Real property taxes					\$ 691,092,015	\$ -	\$ 691,092,015	\$ -
Sales and use tax					1,352,668,032	-	1,352,668,032	-
Interest on investments					2,523,235	7,772	2,531,007	1,508,449
Miscellaneous					54,252,881	193,833	54,446,714	-
Transfers					956,595	(956,595)	-	-
Total General revenues, special items, and transfers					<u>2,101,492,758</u>	<u>(754,990)</u>	<u>2,100,737,768</u>	<u>1,508,449</u>
Change in net position					<u>(302,874,603)</u>	<u>3,241,141</u>	<u>(299,633,462)</u>	<u>(34,535,759)</u>
Net position at beginning of year as previously reported					<u>(2,051,261,754)</u>	<u>43,557,123</u>	<u>(2,007,704,631)</u>	<u>(156,752,359)</u>
Net position at end of year					<u>\$ (2,354,136,357)</u>	<u>\$ 46,798,264</u>	<u>\$ (2,307,338,093)</u>	<u>\$ (191,288,118)</u>

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK

Balance Sheet

Governmental Funds

December 31, 2016

	General	Police District	Capital	Suffolk Tobacco Asset Securitization Corp.	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 283,542,191	\$ 2,229,782	\$ 130,348,642	\$ 5,626,073	\$ 378,189,162	\$ 799,935,850
Investments	-	-	-	16,436,338	-	16,436,338
Property tax receivable, net of allowance for estimated uncollectibles of \$ 15,289,446	240,581,521	-	-	-	-	240,581,521
Due from:						
New York State and federal sources:						
Programs of assistance	85,761,511	-	-	-	10,330,205	96,091,716
Grants-in-aid	73,925,301	1,636,465	32,013,219	-	4,507,950	112,082,935
Sales tax	136,589,193	-	-	-	7,819,293	144,408,486
Towns	120,109,211	-	-	-	-	120,109,211
Other funds	198,534,768	63,106,629	67,350,221	-	263,994,541	592,986,159
Component units	4,892,203	-	-	-	-	4,892,203
Other receivables	39,462,450	966,430	123,780	-	12,929,276	53,481,936
Total assets	<u>1,183,398,349</u>	<u>67,939,306</u>	<u>229,835,862</u>	<u>22,062,411</u>	<u>677,770,427</u>	<u>2,181,006,355</u>
Deferred outflows of resources						
Purchase of future tobacco revenues	-	-	-	194,899,535	-	194,899,535
Total deferred outflows of resources	-	-	-	<u>194,899,535</u>	-	<u>194,899,535</u>
Total assets and deferred outflows of resources	<u>\$ 1,183,398,349</u>	<u>\$ 67,939,306</u>	<u>\$ 229,835,862</u>	<u>\$ 216,961,946</u>	<u>\$ 677,770,427</u>	<u>\$ 2,375,905,890</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 259,120,525	\$ 89,506,612	\$ 58,348,139	\$ 3,635	\$ 37,644,165	\$ 444,623,076
Contract retainage payable	5,919	-	3,299,635	-	5,841,473	9,147,027
Notes payable	555,000,000	-	-	-	57,309,622	612,309,622
Due to:						
Other funds	150,254,805	51,104,225	16,134,256	-	374,342,887	591,836,173
Component units	644,240	-	-	-	-	644,240
Unearned revenue	18,788,398	121	27,205,066	-	531,424	46,525,009
Total liabilities	<u>983,813,887</u>	<u>140,610,958</u>	<u>104,987,096</u>	<u>3,635</u>	<u>475,669,571</u>	<u>1,705,085,147</u>
Deferred inflows of resources						
Unavailable revenue - property taxes	226,869,607	-	-	-	-	226,869,607
Unavailable revenue - government receivables	10,975,792	-	-	-	-	10,975,792
Sale of future tobacco revenues	187,854,590	6,545,187	-	-	157,099	194,556,876
Total deferred inflows of resources	<u>425,699,989</u>	<u>6,545,187</u>	<u>-</u>	<u>-</u>	<u>157,099</u>	<u>432,402,275</u>
Fund balances (deficits)						
Restricted for:						
General government support	-	-	11,889,227	-	11,179,706	23,068,933
Economic assistance and opportunity	-	-	1,786,256	-	-	1,786,256
Health	-	-	73,626	-	-	73,626
Public safety	-	-	30,807,408	-	13,849,744	44,657,152
Culture and recreation	-	-	6,541,283	-	145,384	6,686,667
Education	-	-	9,534,351	-	-	9,534,351
Home and community services	69,382	-	21,331,802	-	215,552,364	236,953,548
Transportation	-	-	42,884,813	-	-	42,884,813
Debt service	-	-	-	216,958,311	-	216,958,311
Environmental protection	-	-	-	-	17,275,818	17,275,818
Tourism and recreation	-	-	-	-	2,331,002	2,331,002
Unassigned	(226,184,909)	(79,216,839)	-	-	(58,390,261)	(363,792,009)
Total fund balances (deficits)	<u>(226,115,527)</u>	<u>(79,216,839)</u>	<u>124,848,766</u>	<u>216,958,311</u>	<u>201,943,757</u>	<u>238,418,468</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,183,398,349</u>	<u>\$ 67,939,306</u>	<u>\$ 229,835,862</u>	<u>\$ 216,961,946</u>	<u>\$ 677,770,427</u>	<u>\$ 2,375,905,890</u>

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
December 31, 2016

Amounts reported for governmental activities in the statement of net position are different from the amounts reported in the balance sheet of the governmental funds because of the following:

Fund balances: total from governmental funds		\$ 238,418,468
Noncurrent assets reported in governmental activities are not financial resources and therefore, are not reported in the governmental funds.		25,649,191
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		3,069,316,316
Certain expenditures represent a consumption of net position that applies to a future period and is therefore reported as a deferred outflow of resources in the statement of net position.		795,380,923
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accumulated vacation and sick leave	\$ (499,191,303)	
Estimated liability for claims	(610,947,375)	
Net pension liability	(650,912,489)	
Obligations under capital leases-long term	(568,872)	
Interest payables	(11,200,183)	
Long-term obligations	(1,735,904,511)	
Due to NYS retirement system	(260,510,684)	
Obligation for postemployment benefits other than pensions	<u>(2,854,160,000)</u>	
Total long-term liabilities		(6,623,395,417)
Certain financial statement elements represent an acquisition of net position that applies to a future period and therefore is reported as deferred inflows of resources in the statement of net position.		(97,430,591)
Certain revenues are earned but not collected at year-end and therefore are reported as deferred inflows of resources in the governmental funds balance sheets.		237,845,400
Certain expenditures are considered prepaid to match expenses with the period to which it relates.		16,155
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		63,198
Net position of governmental activities		<u>\$ (2,354,136,357)</u>

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Police District	Capital	Suffolk Tobacco Asset Securitization Corp.	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Real property taxes	\$ 78,421,865	\$ 528,451,690	\$ -	\$ -	\$ 69,713,296	\$ 676,586,851
Sales and use tax	1,195,595,155	63,105,354	-	-	93,967,523	1,352,668,032
New York State aid	243,641,803	1,456,980	55,565,164	-	30,816,698	331,480,645
Federal aid	229,134,216	1,655,288	18,521,510	-	32,901,525	282,212,539
Licenses, permits, fines, fees, etc.	158,307,354	4,424,710	-	-	125,896,695	288,628,759
Interest on investments	923,389	4,733	-	721,575	873,538	2,523,235
Miscellaneous	84,218,687	1,160,644	9,827,465	36,660,577	3,284,797	135,152,170
Total revenues	<u>1,990,242,469</u>	<u>600,259,399</u>	<u>83,914,139</u>	<u>37,382,152</u>	<u>357,454,072</u>	<u>3,069,252,231</u>
Expenditures						
Current:						
General government support	237,708,923	1,234,999	-	87,366	20,761,443	259,792,731
Economic assistance and opportunity	611,809,504	-	-	-	38,708,042	650,517,546
Health	131,484,603	-	-	-	1,320,737	132,805,340
Public safety	310,400,396	395,941,850	-	-	19,237,004	725,579,250
Culture and recreation	14,744,129	-	-	-	6,338,016	21,082,145
Education	182,908,987	-	-	-	-	182,908,987
Home and community services	8,339,632	-	-	-	48,355,847	56,695,479
Transportation	109,995,330	-	-	-	10,122,596	120,117,926
Employee benefits	550,375,822	105,968,450	-	-	16,563,874	672,908,146
Debt service:						
Principal	110,607,193	6,335,610	-	5,395,000	21,886,885	144,224,688
Interest and other charges	35,323,121	1,125,663	-	16,990,390	13,722,461	67,161,635
Capital outlay	-	-	166,806,348	-	45,905,201	212,711,549
Total expenditures	<u>2,303,697,640</u>	<u>510,606,572</u>	<u>166,806,348</u>	<u>22,472,756</u>	<u>242,922,106</u>	<u>3,246,505,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(313,455,171)</u>	<u>89,652,827</u>	<u>(82,892,209)</u>	<u>14,909,396</u>	<u>114,531,966</u>	<u>(177,253,191)</u>
Other financing sources (uses)						
Refunding bonds issued	82,203,573	-	-	-	-	82,203,573
Premium on refunding bonds issued	12,093,553	-	-	-	-	12,093,553
Payments to refunding bond escrow agent	(94,297,126)	-	-	-	-	(94,297,126)
General obligation bonds issued	2,982,018	-	83,141,599	-	6,348,068	92,471,685
Premium on serial bonds issued	708	-	19,737	-	1,932	22,377
Transfers in	341,589,373	41,307,838	15,379,226	-	83,378,190	481,654,627
Transfers out	(6,070,231)	(141,187,121)	(8,975,868)	(21,175,268)	(303,289,548)	(480,698,036)
Total other financing sources (uses)	<u>338,501,868</u>	<u>(99,879,283)</u>	<u>89,564,694</u>	<u>(21,175,268)</u>	<u>(213,561,358)</u>	<u>93,450,653</u>
Net change in fund balances	25,046,697	(10,226,456)	6,672,485	(6,265,872)	(99,029,392)	(83,802,538)
Fund balances (deficits) at beginning of year	(251,162,224)	(68,990,383)	118,176,281	223,224,183	300,973,149	322,221,006
Fund balances (deficits) at end of year	<u>\$ (226,115,527)</u>	<u>\$ (79,216,839)</u>	<u>\$ 124,848,766</u>	<u>\$ 216,958,311</u>	<u>\$ 201,943,757</u>	<u>\$ 238,418,468</u>

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities are different from the amounts reported in the statement of revenues, expenditures and changes in fund balances of governmental funds because of the following:

Net change in fund balances: total from governmental funds	\$ (83,802,538)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$185,839,830) exceeded depreciation (\$73,132,854) in the current period.	112,706,976
The net effect of various miscellaneous transactions involving capital and non current assets (i.e., sales, trade-ins and donations) is to decrease net position.	(37,254,022)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	50,158,037
Revenues reported in the governmental funds statements and not reported in the statement of activities.	13,198,896
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.	(357,881,952)
Change in net position of governmental activities	<u>\$ (302,874,603)</u>

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK

Statement of Net Position

Enterprise Funds

December 31, 2016

	<u>Suffolk County Ball Park</u>	<u>Francis S. Gabreski Airport</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 13,878	\$ 2,814,618	\$ 2,828,496
Due from New York State and federal sources	461,004	519,978	980,982
Due from other funds	-	3,333,158	3,333,158
Other receivables	-	63,226	63,226
Total current assets	<u>474,882</u>	<u>6,730,980</u>	<u>7,205,862</u>
Noncurrent assets:			
Restricted:			
Capital assets:			
Nondepreciable	2,092,831	24,405,610	26,498,441
Depreciable, net	10,512,278	18,925,934	29,438,212
Total noncurrent assets	<u>12,605,109</u>	<u>43,331,544</u>	<u>55,936,653</u>
Total assets	<u>13,079,991</u>	<u>50,062,524</u>	<u>63,142,515</u>
Deferred outflows of resources			
Deferred charges on refundings	56,780	190,040	246,820
Deferred outflows - pension - ERS	-	307,702	307,702
Total deferred outflows of resources	<u>56,780</u>	<u>497,742</u>	<u>554,522</u>
Total assets and deferred outflows of resources	<u>13,136,771</u>	<u>50,560,266</u>	<u>63,697,037</u>
Liabilities			
Current liabilities:			
Accounts payable	9,359	466,848	476,207
Contract retainage payable	-	986	986
Due to other funds	320,860	4,162,284	4,483,144
Unearned revenue	-	22,336	22,336
Current portion of long-term obligations	284,478	659,404	943,882
Total current liabilities	<u>614,697</u>	<u>5,311,858</u>	<u>5,926,555</u>
Noncurrent liabilities:			
Net pension liability	-	293,304	293,304
Long-term obligations	309,257	7,213,438	7,522,695
Obligation for postemployment benefits other than pensions	-	2,770,000	2,770,000
Total noncurrent liabilities	<u>309,257</u>	<u>10,276,742</u>	<u>10,585,999</u>
Total liabilities	<u>923,954</u>	<u>15,588,600</u>	<u>16,512,554</u>
Deferred inflows of resources			
Deferred inflows of resources - pensions - ERS	-	43,559	43,559
Sale of future tobacco revenues	-	342,660	342,660
Total deferred inflows of resources	<u>-</u>	<u>386,219</u>	<u>386,219</u>
Total liabilities and deferred inflows of resources	<u>923,954</u>	<u>15,974,819</u>	<u>16,898,773</u>
Net Position			
Net investment in capital assets	12,068,154	37,146,712	49,214,866
Unrestricted (deficit)	144,663	(2,561,265)	(2,416,602)
Total net position	<u>\$ 12,212,817</u>	<u>\$ 34,585,447</u>	<u>\$ 46,798,264</u>

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Year Ended December 31, 2016

	<u>Suffolk County Ball Park</u>	<u>Francis S. Gabreski Airport</u>	<u>Total</u>
Operating revenues			
Licenses, permits, fines, fees, etc.	\$ 816,616	\$ 2,826,449	\$ 3,643,065
Miscellaneous	-	193,833	193,833
Total operating revenues	<u>816,616</u>	<u>3,020,282</u>	<u>3,836,898</u>
Operating expenses			
Salaries and wages	-	538,825	538,825
Administrative expenses	-	269,639	269,639
Depreciation	457,056	853,117	1,310,173
Miscellaneous	30,238	-	30,238
Employee benefits	-	415,818	415,818
Debt service interest	22,407	268,056	290,463
Total operating expenses	<u>509,701</u>	<u>2,345,455</u>	<u>2,855,156</u>
Operating income (loss)	<u>306,915</u>	<u>674,827</u>	<u>981,742</u>
Nonoperating revenues (expenses)			
Interest on investments	1,630	6,142	7,772
Loss on disposition of capital assets	-	(49,875)	(49,875)
Total nonoperating revenues (expenses)	<u>1,630</u>	<u>(43,733)</u>	<u>(42,103)</u>
Income (loss) before contributions and transfers	308,545	631,094	939,639
Capital contributions - grants	-	3,258,097	3,258,097
Transfers in	-	28,541	28,541
Transfers out	(603,381)	(381,755)	(985,136)
Total other financing sources (uses)	<u>(603,381)</u>	<u>2,904,883</u>	<u>2,301,502</u>
Change in net position (deficit)	(294,836)	3,535,977	3,241,141
Total net position at beginning of year as previously reported	<u>12,507,653</u>	<u>31,049,470</u>	<u>43,557,123</u>
Total net position at end of year	<u>\$ 12,212,817</u>	<u>\$ 34,585,447</u>	<u>\$ 46,798,264</u>

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2016

	Suffolk County Ball Park	Francis S. Gabreski Airport	Totals
Cash flows from operating activities			
Receipts from operations	\$ 816,616	\$ 2,519,154	\$ 3,335,770
Receipts from other revenue	-	99,000	99,000
Payments to suppliers	-	(95,482)	(95,482)
Payments for contractual services	-	(55,534)	(55,534)
Miscellaneous expenses	(46,111)	-	(46,111)
Payments to employees	-	(471,161)	(471,161)
Payments for employee benefits	-	(194,192)	(194,192)
	<u>770,505</u>	<u>1,801,785</u>	<u>2,572,290</u>
Net cash provided by (used in) operating activities			
	<u>770,505</u>	<u>1,801,785</u>	<u>2,572,290</u>
Cash flows from noncapital financing activities			
Bad debt recovery	-	-	-
Transfer from other funds	-	(1,331,071)	(1,331,071)
Transfer to other funds	(2,265,889)	771,480	(1,494,409)
	<u>(2,265,889)</u>	<u>771,480</u>	<u>(1,494,409)</u>
Net cash provided by (used in) noncapital financing activities			
	<u>(2,265,889)</u>	<u>(559,591)</u>	<u>(2,825,480)</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	488,474	488,474
Capital grants	-	2,849,029	2,849,029
Purchase of capital assets	-	(3,447,286)	(3,447,286)
Principal paid on capital debt	(258,481)	(572,426)	(830,907)
Interest paid on capital debt	(22,407)	(277,194)	(299,601)
	<u>(280,888)</u>	<u>(959,403)</u>	<u>(1,240,291)</u>
Net cash provided by (used in) capital and related financing activities			
	<u>(280,888)</u>	<u>(959,403)</u>	<u>(1,240,291)</u>
Cash flows from investing activities			
Interest on investments	1,630	6,143	7,773
	<u>1,630</u>	<u>6,143</u>	<u>7,773</u>
Net cash provided by (used in) investing activities			
	<u>1,630</u>	<u>6,143</u>	<u>7,773</u>
Net increase (decrease) in cash and cash equivalents			
	(1,774,642)	288,934	(1,485,708)
Cash and cash equivalents at beginning of year	1,788,520	2,525,684	4,314,204
Cash and cash equivalents at end of year	<u>\$ 13,878</u>	<u>\$ 2,814,618</u>	<u>\$ 2,828,496</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 306,915	\$ 674,827	\$ 981,742
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	457,056	853,117	1,310,173
Other increase (decrease)	22,407	37,688	60,095
Change in assets and liabilities:			
Receivables, net	-	(402,128)	(402,128)
Accounts and other payables	(15,873)	638,281	622,408
	<u>770,505</u>	<u>1,801,785</u>	<u>2,572,290</u>
Net cash provided by (used in) operating activities			
	<u>\$ 770,505</u>	<u>\$ 1,801,785</u>	<u>\$ 2,572,290</u>
Schedule of non-cash capital and related financing activities			
Capital grants	\$ -	\$ 201,448	\$ 201,448

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Private-Purpose Trusts	Agency Funds
Assets		
Cash and cash equivalents	\$ 410,224	\$ 56,060,487
Investments	11,983,195	2,922,400
Other assets	-	15,938,574
Total assets	12,393,419	74,921,461
Liabilities		
Accounts payable and accrued liabilities	-	1,860,892
Agency fund liabilities	-	73,060,569
Trust fund liabilities	12,388,339	-
Total liabilities	12,388,339	74,921,461
Net Position		
Held in trust	\$ 5,080	

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK
Statement of Changes in Fiduciary Net Position
Private-Purpose Trusts
For the Year Ended December 31, 2016

	Private-Purpose Trusts
Additions	
Investment income:	
Interest	\$ 164
Transfer in	1,366,694
Other revenue	315,865
	1,682,723
Total additions	1,682,723
Deductions	
Administrative and general expenses	1,682,559
	164
Change in net position	164
Net position at beginning of year	4,916
	5,080
Net position at end of year	\$ 5,080

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK

Statement of Net Position

Component Units

December 31, 2016

With Suffolk County Community College as of August 31, 2016

	Suffolk County Community College	Suffolk Regional Off-Track Betting Corporation	Suffolk County Industrial Development Agency	Suffolk County Economic Development Corporation	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 65,022,652	\$ 2,470,131	\$ 9,632,872	\$ 944,171	\$ 78,069,826
Investments	15,414,637	-	-	-	15,414,637
Accounts receivable	3,636,859	142,097	-	-	3,778,956
Students accounts receivable, net	5,270,495	-	-	-	5,270,495
Due from other governments	6,568,275	408,968	-	-	6,977,243
Prepaid expenses	12,087	-	-	-	12,087
Other assets	16,288	256,135	15,358	-	287,781
Total current assets	<u>95,941,293</u>	<u>3,277,331</u>	<u>9,648,230</u>	<u>944,171</u>	<u>109,811,025</u>
Noncurrent assets:					
Restricted:					
Investments	3,137,953	-	-	-	3,137,953
Capital assets:					
Nondepreciable	30,323,991	25,771,076	-	-	56,095,067
Depreciable, net	151,120,463	943,030	2,332	-	152,065,825
Other	-	112,406	101,760	-	214,166
Total noncurrent assets	<u>184,582,407</u>	<u>26,826,512</u>	<u>104,092</u>	<u>-</u>	<u>211,513,011</u>
Total assets	<u>280,523,700</u>	<u>30,103,843</u>	<u>9,752,322</u>	<u>944,171</u>	<u>321,324,036</u>
Deferred outflows of resources					
Deferred outflows of resources - pensions - ERS	23,275,486	4,356,341	97,792	-	27,729,619
Deferred outflows of resources - pensions - TRS	15,547,829	-	-	-	15,547,829
Deferred charges on refundings	300,351	-	-	-	300,351
Total deferred outflows of resources	<u>39,123,666</u>	<u>4,356,341</u>	<u>97,792</u>	<u>-</u>	<u>43,577,799</u>
Total assets and deferred outflows of resources	<u>319,647,366</u>	<u>34,460,184</u>	<u>9,850,114</u>	<u>944,171</u>	<u>364,901,835</u>

(Continued)

SUFFOLK COUNTY, NEW YORK

Statement of Net Position

Component Units

December 31, 2016

With Suffolk County Community College as of August 31, 2016

	Suffolk County Community College	Suffolk Regional Off-Track Betting Corporation	Suffolk County Industrial Development Agency	Suffolk County Economic Development Corporation	Total
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	21,463,093	6,272,068	5,853,299	-	33,588,460
Due to primary government	2,487,967	-	-	-	2,487,967
Due to NYS retirement system	-	912,203	-	-	912,203
Unearned revenue	22,777,146	45,013	-	-	22,822,159
Accumulated vacation and sick leave	3,156,583	-	-	-	3,156,583
Other liabilities	879,244	-	27,158	10,700	917,102
Capital lease payable	-	62,461	-	-	62,461
Bonds payable	6,194,903	-	-	-	6,194,903
Loans	-	13,736,000	-	-	13,736,000
Total current liabilities	<u>56,958,936</u>	<u>21,027,745</u>	<u>5,880,457</u>	<u>10,700</u>	<u>83,877,838</u>
Noncurrent liabilities:					
Accumulated vacation and sick leave	28,435,506	681,507	147,434	-	29,264,447
Obligation for postemployment benefits other than pensions	297,955,000	16,153,670	-	-	314,108,670
Capital lease payable	-	67,669	-	-	67,669
Bonds payable	60,873,475	-	-	-	60,873,475
Net pension liability	24,334,001	3,937,475	102,117	-	28,373,593
Other long-term debt	-	1,008,585	-	-	1,008,585
Loans	-	15,626,693	-	-	15,626,693
Prepetition Claims	-	13,187,568	-	-	13,187,568
Total noncurrent liabilities	<u>411,597,982</u>	<u>50,663,167</u>	<u>249,551</u>	<u>-</u>	<u>462,510,700</u>
Total liabilities	<u>468,556,918</u>	<u>71,690,912</u>	<u>6,130,008</u>	<u>10,700</u>	<u>546,388,538</u>
Deferred inflows of resources					
Deferred inflows of resources - pensions - ERS	3,334,923	485,596	35,900	-	3,856,419
Deferred inflows of resources - pensions - TRS	775,679	-	-	-	775,679
Deferred amounts on NYS TAP	5,169,317	-	-	-	5,169,317
Total deferred inflows of resources	<u>9,279,919</u>	<u>485,596</u>	<u>35,900</u>	<u>-</u>	<u>9,801,415</u>
Total liabilities and deferred inflows of resources	<u>477,836,837</u>	<u>72,176,508</u>	<u>6,165,908</u>	<u>10,700</u>	<u>556,189,953</u>
Net Position					
Net investment in capital assets	114,037,079	3,294,231	2,332	-	117,333,642
Restricted for capital projects	3,137,953	-	-	-	3,137,953
Restricted for grants	15,210,586	-	-	-	15,210,586
Section 532.3a surcharge	-	49,478	-	-	49,478
Prepetition surcharge	-	609,700	-	-	609,700
Unrestricted (deficit)	(290,575,089)	(41,669,733)	3,681,874	933,471	(327,629,477)
Total net position	<u>\$ (158,189,471)</u>	<u>\$ (37,716,324)</u>	<u>\$ 3,684,206</u>	<u>\$ 933,471</u>	<u>\$ (191,288,118)</u>

The notes to the financial statements are an integral part of this statement.

SUFFOLK COUNTY, NEW YORK

Statement of Activities

Component Units

For the Year Ended December 31, 2016

With Suffolk County Community College as of August 31, 2016

	Suffolk County Community College	Suffolk Regional Off-Track Betting Corporation	Suffolk County Industrial Development Agency	Suffolk County Economic Development Corporation	Total
Expenses:					
Program operations	\$ 246,667,137	\$ 14,413,604	\$ 1,272,509	\$ 278,204	\$ 262,631,454
Depreciation and amortization	8,381,273	245,467	1,835	-	8,628,575
Other expenses	5,991,797	11,610,895	-	-	17,602,692
Total expenses	<u>261,040,207</u>	<u>26,269,966</u>	<u>1,274,344</u>	<u>278,204</u>	<u>288,862,721</u>
Program revenues:					
Charges for services	91,773,069	21,720,112	1,431,133	8,825	114,933,139
Operating grants and contributions	139,896,791	-	-	-	139,896,791
Total program revenues	<u>231,669,860</u>	<u>21,720,112</u>	<u>1,431,133</u>	<u>8,825</u>	<u>254,829,930</u>
Net program revenues (expenses)	<u>(29,370,347)</u>	<u>(4,549,854)</u>	<u>156,789</u>	<u>(269,379)</u>	<u>(34,032,791)</u>
General revenues (expenses):					
Interest on investments	1,499,629	-	7,880	940	1,508,449
Interest on long-term debt	(2,011,417)	-	-	-	(2,011,417)
Total general revenues	<u>(511,788)</u>	<u>-</u>	<u>7,880</u>	<u>940</u>	<u>(502,968)</u>
Change in net position	(29,882,135)	(4,549,854)	164,669	(268,439)	(34,535,759)
Net position at beginning of year, as restated	(128,307,336)	(33,166,470)	3,519,537	1,201,910	(156,752,359)
Net position at end of year	<u>\$ (158,189,471)</u>	<u>\$ (37,716,324)</u>	<u>\$ 3,684,206</u>	<u>\$ 933,471</u>	<u>\$ (191,288,118)</u>

The notes to the financial statements are an integral part of this statement.

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I. Summary of significant accounting policies

A. Reporting entity

Suffolk County is a charter form of government governed by an elected 18-member County Legislature and administered by an elected County Executive. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the County appointing a voting majority of an organization's governing body and: (1) the ability of the governing body to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burden on the County. Blended component units, although legally separate entities, are in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Blended component units

The Suffolk Tobacco Asset Securitization Corporation (STASC) is a not-for-profit local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York. The Board of Directors of STASC has three directors, one appointed by the Presiding Office of the County Legislature and two appointed by the County Executive of which one must meet certain requirements of independence. STASC provides services exclusively to the County and accordingly, under GASB Statement No. 61, is reported as a special revenue fund of the primary government. Pursuant to a Purchase and Sale Agreement dated as of August 1, 2008 and March 1, 2012 STASC purchased from the County all future rights, title and interest of the County under the Master Settlement Agreement and the Consent Decree and Final Judgment. These rights include the County's share of all Tobacco Settlement Revenues' (TSRs). The 2008 sale of the TSRs by the County to STASC was simultaneous with the issuance by STASC of Series 2008 Tobacco Asset-Backed Bonds. STASC pledged as security for its Series 2008 Bonds 36 percent of annual payments through December 31, 2012 and 75 percent thereafter. The 2012 sale of TSRs was followed on April 5, 2012 with the issuance by STASC of Series 2012 Tobacco Settlement Asset-Backed Bonds. STASC pledged as security for the Series 2012 Bonds the remaining un-securitized annual payments. The Series 2008 and 2012 Bonds are not backed by the full faith and credit of the County. The consideration paid by STASC to the County for the 2008 and 2012 acquisition of TSRs consisted of \$206,270,222 and \$34,214,911 in cash, respectively. Of these amounts \$206,243,337 and \$31,714,911 was paid into a revocable trust for the benefit of the County. Complete financial statements for STASC may be obtained at Suffolk Tobacco Asset Securitization Corporation, P.O. Box 6100, 100 Veterans Memorial Highway, Hauppauge, New York 11788-0099

The Suffolk County Judicial Facilities Agency (JFA) was created in 1999, as a separate legal entity and was authorized to acquire, build, improve, renovate, extend, rehabilitate, or relocate the John P. Cohalan Court Complex. In 2013, the New York State Public Authorities Law was amended to expand the JFA authority to include the new replacement

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correctional facility at Yaphank, the H. Lee Dennison building and the North County Complex. The JFA is governed by a six member Board of Directors whose members are appointed by the Suffolk County Executive. The JFA provides services exclusively to the County and accordingly, is reported as a special revenue fund of the primary government in accordance with GASB Statement No. 61. Pursuant to a Sale and Lease Agreement dated November 14, 2013, JFA purchased the H. Lee Dennison building from the County and entered a tenancy in common agreement with the County making the building available to the County for essential governmental functions.

The Suffolk County Landbank Corporation (Landbank) was created in May 2013 under the provisions of Article 16 of the New York Not-For-Profit Corporation Law. The Landbank was formed to acquire, remediate, and rehabilitate abandoned, tax delinquent, and environmentally contaminated properties within Suffolk County and return such properties to productive use and to the tax rolls. These services are provided almost exclusively for the benefit of Suffolk County and accordingly, under GASB Statement No. 61, are reported as a special revenue fund of the primary government.

The Recreation and Economic Development Corporation of Suffolk County (REDC) was created in January 2016 pursuant to Section 1411 of the New York Not-For-Profit Corporation Law. The REDC is governed by a four member Board of Directors. One director is appointed upon the advice and consent of the Presiding Officer of Suffolk County Legislature; and three Directors are appointed by the County Executive. The REDC was formed for the purpose of providing organized outdoor recreation and special events to spur economic growth within Suffolk County. These events are provided in the interest and benefit to the residents of Suffolk County, under GASB Statement No. 61, are reported as a special revenue fund of the primary government.

Discretely presented component units

The following component units are entities which are legally separate from the County, but are financially accountable to the County, or whose relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The component units' column of the government-wide financial statements includes financial data of the following major component units.

Suffolk County Community College (the College) was established in 1959 with Suffolk County as the local sponsor under provisions of Article 126 of the State Education Law. The College provides two-year post-secondary programs pursuant to regulations prescribed by the State University trustees. Suffolk County, as the local sponsor, and the College duly executed a five-year Sponsor Service Agreement on August 21, 2009 as is permitted and authorized by State and County laws and State University of New York regulations. The County provides one-half of the capital costs and approximately 33 percent of the operating costs for the College. Bonds that are direct obligations and pledge the full faith and credit of the County are issued by the County for College capital program purposes. A fiscal year ending August 31st is mandated by State Law for the College. The College is included in the County's reporting entity as a component unit because the College is closely related to and

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financially integrated with the County. The County's financial statements would not be complete without the inclusion of the College.

Suffolk Regional Off-Track Betting Corporation (OTB) was created by the New York State Legislature as a public benefit corporation. The County receives a percentage of wagers placed at OTB location tracks and all net operating profits from OTB. These revenues are recorded in the County's General Fund. The County of Suffolk as 100 percent shareholder of OTB, appoints the Corporation's board, has the ability to impose its will, and is entitled to the Corporation's resources.

On May 11, 2012, OTB filed for protection under Chapter 9 of Title 11, United States Code. The United States Bankruptcy Court issued an Order for Relief on July 19, 2012. The filing has enabled OTB to continue to operate and provide services to its customers until a Plan of Adjustment can be negotiated and approved. The Second Amended Plan for Adjustment of Debts of OTB dated September 11, 2014 was confirmed October 22, 2014 by the United States Bankruptcy Court for the Eastern District of New York with an effective date of October 31, 2014. Until the Plan has been fully executed, OTB is still considered a Municipal Debtor subject to the bankruptcy court who will oversee the administration of the plan.

Suffolk County Industrial Development Agency (IDA) is a public benefit corporation established pursuant to the New York State General Municipal Law. The IDA's purpose is to arrange long term low interest financing with the intent of developing commerce and industry in the County. The County is not liable for any obligations or deficits IDA may incur, nor does it share in any surpluses. A seven member Board of Directors, whose members are appointed by the Suffolk County Legislature, governs the Agency. The Board of Directors members can be removed at will by the Suffolk County Legislature, thereby providing Suffolk County with the ability to impose its will on the IDA.

Suffolk County Economic Development Corporation (EDC) was created on March 23, 2010 as a not-for-profit local development corporation pursuant to Section 1411(c) of the Not-for Profit Corporation Law. The EDC's purpose is to conduct activities that will promote employment and maintain job opportunities; instruct, or train individuals to improve or develop their capabilities for such jobs; and attract or retain industry within the County. The EDC is authorized to finance facilities for not-for-profit corporations; acquire and sell or lease the acquired property; and issue bonds in order to carry out EDC's purpose. The County is not liable for the payment of principal or interest on any of the bonds of EDC. The Corporation is governed by a Board of Directors, whose members are elected by the County Legislature and the County Executive. The Board of Directors members can be removed at will by the appointing authorities, thereby providing Suffolk County with the ability to impose its will on the EDC.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices:

Suffolk County Community College
533 College Road
Selden, NY 11784

Suffolk Regional Off-Track Betting Corp.
5 Davids Drive
Hauppauge, NY 11788

Suffolk County Industrial Development Agency
H. Lee Dennison Building
Post Office Box 6100
Hauppauge, NY 11788

Suffolk County Economic Development Corp.
H. Lee Dennison Building
100 Veterans Memorial Highway
Hauppauge, New York 11788

Related organizations

The County's officials appoint a voting majority of the boards of the following organizations, but the County's accountability for these organizations do not extend beyond making the appointments:

- Suffolk County Water Authority
- Vocational Educational and Extension Board

Accordingly, the financial activities of these organizations have not been included in the accompanying financial statements.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County (primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. Amounts are separated between governmental and business-type activities within the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except that agency funds have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the County, available is defined as expected to be received within sixty days of fiscal year-end except for expenditure-driven grant revenues, which are considered available if collected within one year of the fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales and use tax, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The general fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The police district fund, a special revenue fund, accounts for the operations of the Suffolk County Police District, which provides police services to the residents of the five western

towns of Suffolk County. Property and sales taxes are the main revenues used to support the district's operations.

The Suffolk Tobacco Asset Securitization Corporation, a special revenue fund, is a blended component unit of the County. It is governed by a three member board and was created to issue bonds to securitize a portion of the County's future tobacco settlement revenues.

The County reports the following major proprietary funds:

The Francis S. Gabreski Airport fund, which was established in 2003 through a resolution of the County Legislature, accounts for the activities of the County's airport.

The Suffolk County Ball Park fund accounts for the activities of the County's ball park. The ball park is used, under a long-term operating lease by the Long Island Ducks Professional Baseball Club, L.L.C., a minor league baseball team in the Atlantic league.

Additionally, the County reports the following fiduciary funds:

Agency funds are used to account for assets held by the County as an agent for numerous purposes as follows:

Consumer restitution reserve agency is used to compensate consumers who obtain judgments against home improvements contractors.

General agency is used for such purposes as sewer escrow deposits, contractor bill deposits and land management escrow.

Bail agency is used for bail monies posted by sureties on behalf of defendants.

Mortgage tax agency is used for mortgage tax collections by the County Clerk held for semi-annual distributions to towns and villages.

Community preservation agency is used for transfer tax collections by the County Clerk held for monthly distributions to the five east end towns.

Probation peace bonds agency is used for bonds or other security posted by defendants pursuant to NYS Penal Law Section 65.10.

Social services agency is used for various purposes including burial and conservatorship accounts.

Payroll account agency is used to hold payroll related funds prior to distribution for such purposes as federal and state payroll taxes, union dues, flexible contribution benefits and deferred compensation contributions.

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Court and trust agency fund is used to hold surplus monies from court actions pending court orders for distribution.

The Vanderbilt private-purpose trust fund is used to account for resources legally held in trust for use by a not-for-profit organization responsible for operating a museum on the grounds of the former Vanderbilt estate in Centerport, N.Y. In accordance with the last will and testament of William K. Vanderbilt II, all assets of the trust are permanently restricted. The operations of the museum are allowed to be funded from all but the original principal as determined by historic dollar value of the endowment bequest.

The D. White private-purpose trust fund is used to account for resources legally held in trust for purposes of funding reimbursements to individuals in the Sayville area for certain emergency services pursuant to a trust agreement.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other charges between the functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Francis S. Gabreski Airport and Suffolk County Ball Park, are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following stabilization and reserve funds:

The general capital reserve fund was established pursuant to NYS General Municipal Law, Article 2, Section 6-c. This fund is used for financing capital improvements. For financial reporting purposes, the general capital reserve fund is reported within the general fund. The balance in the general capital reserve fund at December 31, 2016 was \$1,000,000.

The tax stabilization reserve fund was established in 1997 by the adoption of County Resolution No. 1154-1997, as authorized under Section 6-e of NYS General Municipal Law. Originally this reserve fund was subject to Local Law 29 of 1995, which requires a minimum of 25 percent of the general fund discretionary fund balance surplus be transferred to the tax stabilization reserve fund or debt service reserve fund. However, this requirement was amended by LL 43-2006 which requires that once the tax stabilization reserve fund exceeds

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the greater of \$120 million or 5 percent of the general fund operating budget, use of funds in excess of the \$120 million may be returned to the taxpayers or appropriated for specific purposes as specified in the local law. Additionally, Local Law 19-2009 was passed to suspend the required general fund transfer to the tax stabilization reserve fund for the years 2009-2016.

Expenditures from the fund are used to avoid a projected increase in the real property tax levy in excess of 2.5 percent. The County Executive is also authorized to recommend transfers from the tax stabilization reserve fund to the general fund to address an unanticipated loss of revenues or unanticipated expenses. For financial reporting purposes, the tax stabilization reserve fund is reported within the general fund. The balance in the tax stabilization reserve fund at December 31, 2016 was \$49,372,920.

The assessment stabilization reserve fund receives funding from $\frac{1}{4}$ percent of the County's sales tax revenues pursuant to NYS Tax Law §1210. The fund received 100 percent of the $\frac{1}{4}$ percent tax from 1985 to 1989. Between 1989 and 1999, the $\frac{1}{4}$ percent sales tax revenues were redirected. Beginning in 2000 the $\frac{1}{4}$ percent sales tax was deposited into the Suffolk County water protection fund which then transferred 35.7 percent of this tax revenue to the assessment stabilization reserve fund. The passage of Local Law No. 24-2007 amended the percentage of sales tax receipts transferred to the assessment stabilization reserve fund from 35.7 percent to 25 percent.

The assessment stabilization reserve fund provides funding to the County's sewer district funds for stabilization of sewer rates and fees in addition to infrastructure and capital improvements within the sewer districts. Local Law No. 35-1999 required sewer districts to increase rates by a minimum of 3 percent before funds could be transferred from the assessment stabilization reserve fund to stabilize sewer taxes/usage fees in a district.

In 2011, the County adopted Resolution No. 625-2011 which provided that if the assessment stabilization reserve fund's fund balance exceeded \$140 million in fiscal years 2011 through 2013, 62.5 percent of the excess could be used if accepted by duly approved resolutions, for specific sewer district costs. Additionally, the remaining 37.5 percent of the excess fund balance shall be appropriated, via duly approved resolutions, to a reserve fund for bonded indebtedness or a reserve fund for retirement contributions. The resolution provided that in fiscal years 2014-2021, any fund balance in excess of \$140 million shall be used exclusively, via duly approved resolutions, for specific sewer district costs. For financial reporting purposes, the assessment stabilization reserve fund is reported within the water quality protection reserve fund, a nonmajor governmental fund. The balance in the assessment stabilization reserve fund at December 31, 2016 was \$21,804,346.

The southwest assessment stabilization reserve fund was established in 2000, through adoption of the County's operation budget, to stabilize rates within the southwest sewer district (sewer district #3). For financial reporting purposes, the southwest assessment stabilization reserve fund is reported within the sewer district #3 fund; a nonmajor governmental fund. The balance in the southwest assessment stabilization reserve fund at December 31, 2016 was \$146,516,752.

The sewer infrastructure program fund was established by Resolution 866-2013, to provide grants and loans for municipal and private sewer infrastructure expansion projects within Suffolk County. In October 2013, a transfer from the assessment stabilization reserve fund via a duly approved resolution was made into the sewer infrastructure program fund. The County expects to provide approximately \$30 million in funding for sewer expansion projects. Projects submitted for loan or grant consideration will be evaluated by the Suffolk County Sewer Infrastructure Committee and then submitted to the Suffolk County Legislature for approval. For financial reporting purposes, the sewer infrastructure program fund is reported within the water quality protection reserve fund, a nonmajor governmental fund. The balance in the sewer infrastructure program fund at December 31, 2016 was \$12,891,293.

The retirement contribution reserve fund was established pursuant to NYS General Municipal Law, Article 2, and Section 6-r. As required by law, expenditures from this fund are limited to the purpose of financing retirement contributions. For financial reporting purposes, the retirement contribution reserve fund is reported within the general fund. The balance in the retirement contribution reserve fund at December 31, 2016 was \$0.

The water quality protection reserve fund received ¼ percent sales tax revenues due to the County under NYS Tax Law §1210-a, beginning in 1989 until 2000. In December of 2000, the ¼ percent sales tax revenues were redirected to the Suffolk County water protection fund. The remaining fund balance in the water quality protection reserve fund is restricted, per NYS law, for the purpose of the operation of certain groundwater protection programs including toxic waste cleanup and purchase of open-space land. The balance in the water quality protection reserve fund at December 31, 2016 was \$153, prior to the reclassification of the environmental trust fund in the amount of \$4,814,735, the assessment stabilization reserve fund in the amount of \$21,804,346, and the sewer infrastructure program fund in the amount of \$12,891,293.

The Suffolk County water protection fund serves as a repository for the County's ¼ percent sales tax. Pursuant to NYS Tax Law § 1210-a, the ¼ percent sales tax revenue is restricted to specifically dedicated purposes. County Local Law determines the allocation of funding to these legally restricted purposes. Therefore, dedicated sales tax revenue is distributed from this fund to other governmental funds in order to fund the various components of the program. The balance in the Suffolk County water protection fund at December 31, 2016 was \$12,460,930.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or equity

1. Deposits and investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County's Agency funds maintain, as custodian, investments in the equity and fixed income securities consisting of United States Government Bonds and Notes, corporate and

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municipal bonds, and equity securities. Investments for the County, as well as for its component units, are reported at fair value.

The County's investment policies are governed by New York State statute. In addition, the County has written investment policies and guidelines to invest idle funds in:

- Certificates of Deposit issued by a bank or trust company authorized to do business in the County
- Time deposit accounts in a bank or trust company authorized to do business in the County
- Obligations of New York State
- Obligations of the United States Government
- Repurchase agreements involving the purchase and sale of direct obligations of the United States Government
- Obligations of agencies of the Federal Government if principal and interest are guaranteed by the United States Government
- Any securities approved by the Comptroller of New York State

All bank deposits must be either fully: (i) insured by the Federal Deposit Insurance Corporation (FDIC), or (ii) collateralized by debt obligations of the United States Government (or its agencies) or New York State. The bank deposits collateralized by debt obligations have fair values that range from 102 percent to 105 percent of the deposited amount. Collateral may be maintained either by the County or by a custodial bank with which the County has entered into a custodial agreement.

Investments in repurchase agreements are required by County policy to be collateralized by obligations of the United States Government, which are maintained by a custodial bank. Written contracts are required for all repurchase agreements, the terms of which may not exceed 30 days. Measures are taken by the County to ensure that the value of such underlying collateral exceeds the value of the related repurchase agreement, including a weekly evaluation of the fair value of such collateral.

GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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2. *Receivables and payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables are reported as assets on the respective fund financial statement of the fund of ownership when a legal right to the asset exists. If the related revenue is not available, deferred inflows of resources are recorded on the respective fund financial statement.

Property taxes are levied by the County each December 1 on the full assessed value of all taxable real property. Property tax receivables are recognized on January 1 of the year for which they are levied. Initial responsibility for collecting the County’s property tax rests with the ten towns comprising the County.

The towns and school districts receive their entire levy prior to any distribution to the County. The property tax receivable in the County’s financial statements represents: (i) the aggregate unpaid taxes transferred from the towns’ Tax Receivers to the County and (ii) interest and penalties on such unpaid taxes. It is the County’s responsibility to collect such unpaid taxes. Tax collections for the years ended December 31, 2016 and 2015 were approximately 96.4 and 96.2 percent respectively, of the tax levy for County purposes. The County recognizes property tax revenue realized from payments actually received against the current year’s levy and prior years’ levies previously recorded as deferred inflows, as well as payments received during the two months of the following year related to both the current and prior years’ levies.

Property tax receivables, estimated to be collectible but that have not been collected in the first two months of the next calendar year, are recorded as deferred inflows on the County’s financial statements.

The following is a summary of the County’s property tax calendar for 2016:

Lien date	June 1, 2015
Levy date	December 1, 2015
Tax bills mailed	December 1, 2015
Property taxes recorded	January 1, 2016
First installment payment due	January 10, 2016
Second installment payment due	May 31, 2016
Taxes become overdue	June 1, 2016

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method, in both government-wide and fund financial statements.

4. *Restricted assets*

Restricted assets consist of temporary investments in certificates of deposit and money market funds as well as amounts receivable from New York State and local hospitals in connection with hospital debt.

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable proprietary fund financial statements and governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an estimated useful life in excess of two years and an initial, individual cost equal to or greater than the capitalization threshold for the particular classification of the asset as follows (individual costs that fall below the thresholds are expensed):

<u>Asset</u>	<u>Threshold</u>
Land	Capitalize All
Buildings	\$100,000
Improvements other than buildings	\$ 5,000
Infrastructure	\$100,000
Equipment and vehicles	\$ 5,000
Historical treasures	\$100,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the assets constructed.

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Property, plant, equipment and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Improvements other than buildings	20-30
Infrastructure-structures	10-15
Infrastructure-systems	20-65
Equipment-maintenance/utility	15-30
Equipment-office, computer	5-10
Vehicles	4-15

6. *Compensated absences*

Under terms of multiple union contracts, County employees accumulate earned but unused vacation and sick pay benefits. In the event of termination, employees are reimbursed for accumulated vacation time up to the equivalent of 90 working days for Suffolk County Association of Municipal Employees (SCAME) and 120 working days for Patrolmen's Benevolent Association (PBA) and Superior Officers Association (SOA) employees. Similarly, unused sick leave will be paid on retirement to the employee, or upon death of the employee to his/her designated beneficiary at the rate of one day to be paid for every two days accumulated, up to a total of 180 days paid for 360 accumulated for SCAME employees and up to a total of 300 days paid for 600 days accumulated for PBA and SOA employees. All vacation pay and vested sick pay are accrued when incurred in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or a method that approximates effective interest. Bonds payable is reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County has three items that qualify for reporting in this category. The first item is a deferred charge on refunding reported in the business-type statement of net position and in the business-type activities in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is an intra-entity transfer of future revenues, resulting from the sale of the County's share of all Tobacco Settlement Revenues to STASC. The amount will be recognized over the duration of the Purchase and Sale agreement. STASC is reported as a blended component unit of the County. The third item is related to the Counties pension plans and is reported in the governmental activities of the government-wide statement of net position. Additional information about the County's deferred inflows of resources relating to pension plans is provided in note IV.E.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has unavailable revenue, which arises under the modified accrual basis of accounting; that qualifies for reporting in this category. The unavailable revenues are delinquent property taxes and Federal and State aid due to the County but not received. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports a deferred gain on refunding in this category in the governmental activities of the government-wide statement of net position. In this case these amounts are recognized as an inflow because the difference in the carrying value of refunded debt and its reacquisition were affected by a premium on a refunding. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

9. *Net position/Fund balance*

Net position represents the difference between all other elements (assets, deferred outflows of resources, liabilities, deferred inflows of resources) on the government-wide, proprietary, and fiduciary fund statements of financial position and is displayed in three components: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of borrowing that are attributable to the acquisition, construction, or improvement of those assets.

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Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund balance classifications are based primarily on the extent to which the County is bound to honor external and internal constraints on the specific purpose for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balances are externally constrained by legal restrictions from creditors, grant agreements or laws and regulations of other governments or legally enforceable enabling legislation.

Committed fund balances are amounts that are constrained for specific purposes imposed by formal action of the County's highest level of decision-making authority. For Suffolk County, this authority is the Suffolk County Legislature and the Suffolk County Executive through the adoption of a resolution or a local law. The County has no committed fund balances.

Assigned fund balances are constrained by the government's intent to use such funds for specific purposes, but are neither restricted nor committed. The County reports encumbrances, authorized by the County Executive's Budget Office within the assigned fund balance of the general fund. Encumbrances represent the County's only assigned fund balance because the County's governing bodies have not delegated authority to any other parties. The assigned fund balance has been eliminated by reducing the deficit in the general fund's unassigned fund balance. Therefore, no assigned fund balance is reported by the County.

Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts that have not been restricted, committed or assigned. Any negative residual amounts within the County's fund financial statements are classified as unassigned.

The fund balance categories of the governmental funds are shown on the face of the Balance Sheet.

The County uses restricted amounts first when both restricted and unrestricted fund balances are available. The County uses unrestricted fund balances in the following order: committed, assigned and unassigned.

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10. Encumbrances

The County uses encumbrances in order to budgetarily designate resources for specific commitments. Encumbered amounts are not displayed separately on the face of the financial statements but rather reported within the restricted classifications of the individual funds or within the assigned fund balance of the general fund. Encumbered balances at December 31, 2016 are as follows:

Major Funds

Capital fund	\$ 119,498,424
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Non-Major Funds

Capital Sewer fund	\$ 24,601,123
Capital Southwest Sewer fund	\$ 25,045,312

E. New Accounting Pronouncements

The County is in the process of completing the analyses required to estimate the financial statement impact of the following statements:

In June 2015, the GASB issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” This Statement replaces the requirements of Statements No. 45 and No. 57. This Statement increases the usefulness of OPEB information by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The County is required to adopt Statement No. 75 for its 2018 financial statements. The County is evaluating the effect that adoption of this Statement will have on the financial statements.

In December 2015, the GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants.” This Statement established the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Additional note disclosure requirements for qualifying external investment pools are also established by this Statement to include any limitations or restrictions on participant withdrawals. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The County has not completed the process of evaluating the impact of this Statement.

In January 2016, the GASB issued Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.” This Statement changes the requirements for determining blended component units of all state and local governments. The new standard requires that component units incorporated as a not-for-profit corporation, where the primary government is the sole corporate member, should be presented as a blended component unit. The County is required to implement this Statement in its 2017 financial statements. The County is evaluating the effect that the adoption of GASB statement No. 80 will have on the financial statements.

In March 2016, the GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements.” This statement provides guidance to governments that are a recipient in a split-interest agreement, where a donor provides to two or more beneficiaries. The requirements of this statement are effective for the County’s 2017 financial statements. The County is evaluating the effect that the adoption of GASB statement No. 81 will have on the financial statements.

In March 2016, the GASB issued Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.” The objective of this Statement covers issues that were not within the scope of GASB Statements 67, 68 and 73. Statement 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. The County is required to adopt this Statement for its 2017 financial statements. The County has not completed the process of evaluating the impact of this statement.

In November 2016, the GASB issued Statement No. 83, “Certain Asset Retirement Obligations.” This Statement addresses accounting and financial reporting for certain legally enforceable asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The County is evaluating the effect that adoption of this Statement will have on the financial statements.

F. Adoption of New Accounting Standards

In February 2015, the GASB issued Statement No. 72, “Fair Value Measurement and Application.” This Statement provides guidance for determining a fair value measurement for financial reporting purposes, including certain investments. This Statement also establishes required fair value disclosures. The County adopted this Statement for its 2016 financial statements.

In June 2015, the GASB issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.” The requirements in this Statement improve financial reporting because governments will apply financial reporting guidance with less variation. The County adopted Statement No. 76 for its 2016 financial statements.

In August 2015, the GASB issued Statement No. 77, “Tax Abatement Disclosures.” This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The County has adopted this Statement for its 2016 financial statements.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a budgetary basis for all governmental funds except certain nonmajor special revenue funds (which are not budgeted) and capital funds (which are budgeted through project length budgets). The difference between the County’s budgetary basis of accounting and GAAP is as follows:

- Pension expenditures are budgeted on a cash basis.
- Recognition of deferred inflows from the sale of future tobacco revenues is not budgeted in the general fund or the police district fund.
- Certain special revenue funds per GASB 54 have been reported within another fund on a GAAP basis but are reported separately on a budget basis.

Governmental funds with legally adopted annual budget include:

General Fund	Sewer District #10
Police District	Sewer District #11
Tax Certiorari	Sewer District #12
Public Safety Communications System E-911	Sewer District #13
County Road	Sewer District #14
Handicapped Parking Education	Sewer District #15
MTA Payroll Tax	Sewer District #18
District Court	Sewer District #19
Traffic Violations Bureau	Sewer District #20
Hotel/Motel Tax Culture and History	Sewer District #21
Sewer District #1	Sewer District #22
Sewer District #2	Sewer District #23
Sewer District #3	Sewer District #24
Sewer District #5	Sewer District #28
Sewer District #6	Workforce Investment Revenue
Sewer District #7	Medicaid Compliance Fund
Sewer District #8	Suffolk County Water Protection
Sewer District #9	

All annual appropriations lapse at fiscal year-end with the exception of capital funds and certain nonmajor special revenue funds. Non-lapsing special revenue funds include:

Community Development Fund	Assets Forfeiture - Sheriff
Home Investment Partnership	Assets Forfeiture - Police
Emergency Shelter Grants Program	Assets Forfeiture - District Attorney
Neighborhood Stabilization	New York State Assets Forfeiture
Water Quality Protection Reserve Fund	DWI Asset Seizure
Assets Forfeiture - Probation	

The County’s procedures for establishing the budgetary data reflected in the financial statements are as follows:

- (i) Prior to September 19, the County Executive submits proposed operating budgets to the

SUFFOLK COUNTY
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County Legislature for the general and budgeted special revenue funds for the fiscal year commencing on the following January 1. The operating budgets include proposed expenditures and the means of financing them.

- (ii) Public hearings are conducted at locations throughout the County to obtain taxpayer comments on the proposed budgets.
- (iii) The budgets are legally enacted either by (a) passage of a legislative resolution prior to November 10 or (b) automatically based on provisions in the County Charter if no resolution is passed by November 10.
- (iv) Total expenditures of each department within the general and special revenue funds may not legally exceed budgeted amounts for such departments after the adoption of the budget by the County Legislature unless approved by the County Legislature. Thus, the level of budgetary control is exerted at the departmental level. However, the County Executive is authorized to transfer certain budgeted amounts: \$100,000 or ten percent of any unencumbered budgeted free balance, whichever is greater, without approval of the County Legislature. During 2016, General Fund appropriations were reduced by \$33,324,490. No supplemental appropriations were needed.

B. Excess of expenditures over appropriations

For the year ended December 31, 2016, expenditures exceeded appropriations for the following category of expenditures within each of the respective funds:

General Fund:

· General government support		
County ethics commission	\$	18,355
Law		1,005,027
Real property		681
Miscellaneous		69,170
· Economic assistance and opportunity:		
Probation		614,415
· Public safety:		
Police		6,234,333
Probation		325,955
Sheriff		8,121,658
· Employee Benefits		2,136,026

Police District:

· Public safety:		
Police	\$	6,835,061
· Debt service:		
Principal		840,860

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Public Safety Communications System E-911:		
· Public safety:		
Police	\$	424,546
· Employee benefits		26,470
County Road		
· Transportation:		
Public works	\$	164,376
· Transfers out		211,774
District Court		
· Transfers out	\$	5,685,222
Traffic Violations Bureau:		
· General government support:		
Traffic violations bureau	\$	533,786
Sewer District #3		
· Debt service:		
Interest and other charges	\$	5,331
Sewer District #18		
· Debt service:		
Interest and other charges		64,566
Suffolk County Water Protection		
· Health	\$	71,675

C. Deficit fund equity

The following funds have deficit fund equity balances at December 31, 2016:

General Fund	\$ 226,115,527
Special Revenue Funds:	
· Police District	\$ 79,216,839
· Tax Certiorari	4
· Public Safety Communications System E-911	2,759,797
· County Road	7,890,552
· District Court	4,344,438
· Traffic Violations Bureau	227,012
· Sewer District #6	15,055
· Workforce Investment Revenue	1,092,526
· Community Development	1,841,214
· Medicaid Compliance	2,379,371
Capital Project Funds:	
· Capital Southwest Sewer	\$ 37,840,292

The County plans to eliminate the deficits listed above through prospective tax levies and other revenue generating or cost saving methods. The deficit in the General Fund, the Police District, and the Public Safety Communications System E-911 is partly attributable to the County's adherence to GASB Statement No. 48 for the reporting of the 2008 and 2012 sale of the County's future tobacco settlement revenues. The deficits relating to this accounting treatment will be reduced annually by the amortization of the deferred inflow of resources from the sale of future tobacco revenues.

III. Detailed notes on all funds

A. Deposits and investments

At year end, Suffolk County's bank balance in all financial institutions was \$874,028,720. 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 bank balances for each of the County's discretely presented component units, was covered either by federal depository insurance or by collateral held by the component unit's agent in its name.

Interest Rate Risk – The County limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Operating fund investment maturities are limited to 12 months or less. Reserve fund investment maturities are limited to 20 months or less. Repurchase agreement maturities are limited to 30 days or less. Furthermore, the County's investment policy authorizes the investment of funds not required for immediate expenditure for terms not to exceed its projected cash flow needs.

Credit Risk – The County limits its investment choices as a means of managing its exposure to credit risk. As authorized by General Municipal Law, Section II, the County is authorized to invest monies not required for immediate expenditure for terms not to exceed the County's cash flow needs in the following types of investments:

Special time deposit accounts;

Certificate of deposit;

Obligations of the United States of America;

Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;

Obligations of New York State;

Obligations issued pursuant to LFL Section 24.00 or 25.00 (with approval of the State Comptroller) by any municipality school district or district corporation other than Suffolk County;

Participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5-G of the General Municipal Law where such a program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46 and the specific investment program has been authorized by the County Legislature.

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Concentration of Credit Risk – The County limits the amount the County may invest in any one issuer as follows:

- No more than 25 percent of invested monies shall be invested in obligations of the State of New York;
- No more than 15 percent of invested monies shall be invested in obligations pursuant to LFL Section 24.00 or 25.00;
- No more than 15 percent of invested monies exclusive of fiduciary funds shall be invested in obligations issued by any one approved cooperative investment program.

Investments

The County’s formal investment policy as described above does not apply to the County’s component units.

The County’s agency funds invested in cooperative investment programs which were rated AAAM by Standard & Poor’s. The balances of these investments at December 31, 2016 were:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income:				
Government bonds	\$ -	\$ 117,041	\$ -	\$ 117,041
U.S. treasury obligations	-	1,472,702		1,472,702
Repurchase agreement		1,332,657		1,332,657
	\$ -	\$ 2,922,400	\$ -	\$ 2,922,400

Suffolk Tobacco Asset Securitization Corporation

Suffolk Tobacco Asset Securitization Corporation (STASC) cash and cash equivalents consist of demand deposits and money market accounts. Investments consist of a repurchase agreement and are stated at the contract value. This investment is not subject to the hierarchy disclosure requirements under GASB Statement No. 72.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, STASC may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. At December 31, 2016, STASC deposits balances with a financial institution were \$5,626,073. Of these balances, \$228,206 was insured by the Federal Deposit Insurance Corporation, and \$5,397,867 consisted of an uncollateralized temporary investment in the Dreyfus Treasury & Agency Cash Management Fund. The entire amount of the 2012 and a portion of the 2008 Liquidity Reserve Account are invested in the Dreyfus Treasury & Agency Cash Management Fund which invests only in U.S. government or U.S. Treasury securities, and in repurchase agreements.

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Custodial Credit Risk – Investments – Custodial credit risk for investments exists when, in the event of the failure of the counterparty, STASC will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. STASC’s ability to invest is restricted by the Indenture. STASC’s 2008 Liquidity Reserve Account is invested in a Repurchase Agreement with Bayerische Landesbank. Bayerische Landesbank is authorized to invest in various securities as set forth in the Investment Repurchase Agreement dated August 21, 2008. STASC’s share of investments in this repurchase agreement was \$16,436,338 at December 31, 2016, is due to mature on June 1, 2048, and earns interest at 4.614 percent annually. The Repurchase Agreement is fully collateralized by debt obligations having fair values that range from 100 percent to 102 percent of the deposited amount held by a custodial bank.

Vanderbilt Private-Purpose Trust

The Suffolk County Legislature has fiduciary responsibility for the Vanderbilt Private-Purpose Trust. Suffolk County Resolution No. 1266-2007 provides that until modified current investment guidelines, permitting a 50/50 split between fixed income securities and equities (within a 5 percent to 10 percent range of the 50/50 split as determined by market conditions) shall remain in effect.

At year-end, investments of the Vanderbilt Private-Purpose Trust were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income:				
Corporate bonds	\$ -	\$ 5,673,647	\$ -	\$ 5,673,647
Government bonds	-	112,062	-	112,062
Equities:				
Corporate stocks	6,197,486	-	-	6,197,486
	<u>\$ 6,197,486</u>	<u>\$ 5,785,709</u>	<u>\$ -</u>	<u>\$ 11,983,195</u>

Component Units

At August 31, 2016, Suffolk County Community College’s investment balances were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income:				
Corporate bonds	\$ -	\$ 3,291,379	\$ -	\$ 3,291,379
Non-convertible preferred stocks	-	1,796,807	-	1,796,807
Equities:				
Corporate stocks	9,828,355	-	-	9,828,355
Exchange traded funds	498,096	-	-	498,096
	<u>\$ 10,326,451</u>	<u>\$ 5,088,186</u>	<u>\$ -</u>	<u>\$ 15,414,637</u>

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B. Receivables

Receivables at December 31, 2016 were as follows:

	Governmental Funds				Total Governmental Receivables
	General	Police District	Capital	Other Governmental	
	Receivables:				
Property Tax	\$ 255,870,967	\$ -	\$ -	\$ -	\$ 255,870,967
Sales Tax	136,589,193	-	-	7,819,293	144,408,486
Intergovernmental accounts	279,796,023	1,636,465	32,013,219	14,838,155	328,283,862
Other receivables	39,462,450	966,430	123,780	12,929,276	53,481,936
Total receivables	711,718,633	2,602,895	32,136,999	35,586,724	782,045,251
Allowance for doubtful accounts	(15,289,446)	-	-	-	(15,289,446)
Receivables, net	<u>\$ 696,429,187</u>	<u>\$ 2,602,895</u>	<u>\$ 32,136,999</u>	<u>\$ 35,586,724</u>	<u>\$ 766,755,805</u>

	Enterprise Funds		
	Suffolk County Ball Park	Francis S. Gabreski Airport	Total Enterprise Receivables
	Receivables:		
Intergovernmental accounts	\$ 461,004	\$ 519,978	\$ 980,982
Other receivables	-	63,226	63,226
Receivables, net	<u>\$ 461,004</u>	<u>\$ 583,204</u>	<u>\$ 1,044,208</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows of Resources	Unearned Revenue
Delinquent property taxes receivable (general fund)	\$ 226,869,607	\$ -
New York State Department of Health:		
Mental health and alcohol advances for County programs (general fund)	-	18,147,389
Federal and State government receivables (general fund)	10,975,792	-
Stop DWI (police district fund)	-	181
Abandoned vehicle auction advances (general fund)	-	2,098
NYS ILS regional immigration assist. center grant advances (general fund)	-	30,415
NYS office of indigent legal services advances (general fund)	-	608,436
Federal and State Aid advances (capital fund)	-	27,205,067
Sale of future tobacco revenues (STASC fund)	194,556,876	-
Suffolk County Landbank Corporation (Landbank fund)	-	531,424
Total deferred inflows/unearned revenue for governmental funds	<u>\$ 432,402,275</u>	<u>\$ 46,525,010</u>

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C. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 875,833,772	\$ 28,432,064	\$ -	\$ 904,265,836
Development rights	251,061,812	5,833,780	-	256,895,592
Historic buildings	4,607,607	-	-	4,607,607
Construction in progress	273,784,668	102,538,629	(38,704,805)	337,618,492
Total capital assets, not being depreciated	1,405,287,859	136,804,473	(38,704,805)	1,503,387,527
Capital assets, being depreciated:				
Buildings	1,040,986,754	12,960,374	-	1,053,947,128
Improvements other than buildings	64,341,910	2,045,308	-	66,387,218
Vehicles and equipment	368,311,134	24,260,492	(37,585,148)	354,986,478
Infrastructure	1,283,044,088	24,027,755	(118,900)	1,306,952,943
Total capital assets, being depreciated	2,756,683,886	63,293,929	(37,704,048)	2,782,273,767
Less accumulated depreciation for:				
Buildings	(403,325,028)	(18,548,196)	-	(421,873,224)
Improvements other than buildings	(27,781,599)	(2,285,242)	-	(30,066,841)
Vehicles and equipment	(244,751,345)	(24,608,235)	36,390,771	(232,968,809)
Infrastructure	(503,750,411)	(27,691,181)	5,488	(531,436,104)
Total accumulated depreciation	(1,179,608,383)	(73,132,854)	36,396,259	(1,216,344,978)
Total capital assets, being depreciated, net	1,577,075,503	(9,838,925)	(1,307,789)	1,565,928,789
Governmental activities capital assets, net	<u>\$ 2,982,363,362</u>	<u>\$ 126,965,548</u>	<u>\$ (40,012,594)</u>	<u>\$ 3,069,316,316</u>

(Continued)

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	Balance	Increases	Decreases	Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 22,092,831	\$ -	\$ -	\$ 22,092,831
Construction in progress	743,205	3,712,280	(49,875) *	4,405,610
Total capital assets, not being depreciated	22,836,036	3,712,280	(49,875)	26,498,441
Capital assets, being depreciated:				
Buildings	19,349,702	-	-	19,349,702
Improvements other than buildings	21,392,431	-	-	21,392,431
Vehicles and equipment	1,147,124	10,500	-	1,157,624
Total capital assets, being depreciated	41,889,257	10,500	-	41,899,757
Less accumulated depreciation for:				
Buildings	(7,426,132)	(481,492)	-	(7,907,624)
Improvements other than buildings	(3,373,173)	(749,132)	-	(4,122,305)
Vehicles and equipment	(352,067)	(79,549)	-	(431,616)
Total accumulated depreciation	(11,151,372)	(1,310,173)	-	(12,461,545)
Total capital assets, being depreciated, net	30,737,885	(1,299,673)	-	29,438,212
Business-type activities capital assets, net	<u>\$ 53,573,921</u>	<u>\$ 2,412,607</u>	<u>\$ (49,875)</u>	<u>\$ 55,936,653</u>

* The decrease in construction in progress represents planning costs for a building construction project at Gabreski Airport that was discontinued.

Depreciation expense and amortization for the year ended December 31, 2016 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government support	\$ 20,933,924
Economic assistance and opportunity	96,002
Health	1,564,345
Public safety	14,501,070
Culture and recreation	2,998,573
Home and community services	11,774,182
Transportation	21,264,758
Total depreciation expense-governmental activities	<u>\$ 73,132,854</u>
Business-type activities:	
Suffolk County Ball Park	\$ 457,056
Francis S. Gabreski Airport	853,117
Total depreciation expense-business-type activities	<u>\$ 1,310,173</u>

Construction commitments

The County has a number of active construction project commitments at December 31, 2016. Active projects for which amounts spent as of December 31, 2016 exceed \$10,000,000 include 36 projects. The total spent as of December 31, 2016 for these projects amounts to

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approximately \$1.2 billion. Remaining commitments for these projects amount to approximately \$466.1 million.

Discretely presented component units

Capital asset activity for Suffolk County Community College (College) for the year ended August 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,948,118	\$ -	\$ -	\$ 4,948,118
Construction in progress	4,824,889	20,550,984	-	25,375,873
Total capital assets, not being depreciated	<u>9,773,007</u>	<u>20,550,984</u>	<u>-</u>	<u>30,323,991</u>
Capital assets, being depreciated:				
Buildings and improvements	233,361,484	1,395,921	-	234,757,405
Vehicles and equipment	29,364,878	1,302,979	(909,018)	29,758,839
Infrastructure	10,867,994	36,537	-	10,904,531
Total capital assets, being depreciated	<u>273,594,356</u>	<u>2,735,437</u>	<u>(909,018)</u>	<u>275,420,775</u>
Less accumulated depreciation for:				
Buildings	(84,333,169)	(6,337,346)	-	(90,670,515)
Improvements other than buildings	(7,313,419)	-	-	(7,313,419)
Vehicles and equipment	(21,548,346)	(1,739,472)	909,018	(22,378,800)
Infrastructure	(3,487,052)	(450,526)	-	(3,937,578)
Total accumulated depreciation	<u>(116,681,986)</u>	<u>(8,527,344)</u>	<u>909,018</u>	<u>(124,300,312)</u>
Total capital assets, being depreciated, net	<u>156,912,370</u>	<u>(5,791,907)</u>	<u>-</u>	<u>151,120,463</u>
College capital assets, net	<u><u>\$166,685,377</u></u>	<u><u>\$ 14,759,077</u></u>	<u><u>\$ -</u></u>	<u><u>\$181,444,454</u></u>

SUFFOLK COUNTY
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Capital asset activity for the Suffolk Regional Off-Track Betting Corporation (OTB) for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 11,530,951	\$ 10,833	\$ (298,246) *	\$ 11,243,538
Construction in progress	2,923,439	11,604,099	-	14,527,538
Total capital assets, not being depreciated	14,454,390	11,614,932	(298,246)	25,771,076
Capital assets, being depreciated:				
Building & leasehold improvements	3,118,019	21,409	(1,600,336)	1,539,092
Vehicles and equipment	3,132,334	93,015	(287,200)	2,938,149
Total capital assets, being depreciated	6,250,353	114,424	(1,887,536)	4,477,241
Less accumulated depreciation:	(4,357,107)	(245,467)	1,068,363	(3,534,211)
Total capital assets, being depreciated, net	1,893,246	(131,043)	(819,173)	943,030
OTB capital assets, net	<u>\$ 16,347,636</u>	<u>\$11,483,889</u>	<u>\$ (1,117,419)</u>	<u>\$ 26,714,106</u>

* Amounts for land are shown net, reflects activity that occurred for land during 2016.

Capital asset activity for the Suffolk County Industrial Development Agency (IDA) for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Vehicles and equipment	\$ 57,829	\$ -	\$ -	\$ 57,829
Total capital assets, being depreciated	57,829	-	-	57,829
Less accumulated depreciation for:				
Vehicles and equipment	(54,033)	(1,464)	-	(55,497)
Total accumulated depreciation	(54,033)	(1,464)	-	(55,497)
Total capital assets, being depreciated, net	3,796	(1,464)	-	2,332
IDA capital assets, net	<u>\$ 3,796</u>	<u>\$ (1,464)</u>	<u>\$ -</u>	<u>\$ 2,332</u>

SUFFOLK COUNTY
Notes to the Financial Statements
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D. Payables and accrued liabilities

Payables and accrued liabilities at December 31, 2016, were as follows:

	Other Governments	Salaries	Vouchers	Other	Total
Governmental activities:					
General	\$ 1,690,484	\$ 100,498,742	\$ 79,006,709	\$ 77,924,590	\$ 259,120,525
Police district	-	79,715,943	757,995	9,032,674	89,506,612
Capital	-	-	48,145,892	10,202,247	58,348,139
STASC	3,635	-	-	-	3,635
Other governmental	59,262	10,900,924	23,280,804	3,403,175	37,644,165
Total governmental activities	<u>\$ 1,753,381</u>	<u>\$ 191,115,609</u>	<u>\$ 151,191,400</u>	<u>\$ 100,562,686</u>	<u>\$ 444,623,076</u>
Business-type activities:					
Suffolk County Ball Park	\$ -	\$ -	\$ 9,359	\$ -	\$ 9,359
Francis S. Gabreski Airport	-	73,559	357,271	36,018	466,848
Total business-type activities	<u>\$ -</u>	<u>\$ 73,559</u>	<u>\$ 366,630</u>	<u>\$ 36,018</u>	<u>\$ 476,207</u>

E. Interfund balances and transfers

The composition of interfund balances as of December 31, 2016 is as follows:

Due to general fund from:	
Police fund	\$ 27,460,230
Capital fund	9,241,092
Nonmajor governmental funds	161,403,156
Francis S. Gabreski Airport	109,430
Suffolk County Ball Park	320,860
Total due to general fund from other funds	<u>\$ 198,534,768</u>
Due to police fund from:	
General fund	\$ 27,083,782
Capital fund	22,400
Nonmajor governmental funds	36,000,447
Total due to police fund from other funds	<u>\$ 63,106,629</u>
Due to capital fund from:	
General fund	\$ 34,363,986
Police fund	13,515
Nonmajor governmental funds	29,370,343
Francis S. Gabreski Airport	3,602,377
Total due to capital fund from other funds	<u>\$ 67,350,221</u>

(Continued)

SUFFOLK COUNTY
Notes to the Financial Statements
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Due to nonmajor governmental funds from:	
General fund	\$ 88,795,602
Police fund	23,630,480
Capital fund	3,550,004
Nonmajor governmental funds	147,567,978
Francis S. Gabreski Airport	450,477
Total due to nonmajor governmental funds from other funds	<u>\$ 263,994,541</u>

Due to Francis S. Gabreski Airport from:	
General fund	\$ 11,435
Capital fund	3,320,760
Nonmajor governmental funds	963
Total due to airport from other funds	<u>\$ 3,333,158</u>

These balances resulted from the time lag between the dates that transactions are recorded in the accounting system, and payments between funds are made. All of the interfund balances are expected to be liquidated within one year.

Individual fund transfers for the year ended December 31, 2016 were as follows:

Transfers to general fund from:	
Police fund	\$ 133,492,787
Capital fund	7,508,062
STASC	20,807,194
Nonmajor governmental funds	178,969,979
Suffolk County Ball Park	603,381
Francis S. Gabreski Airport	207,970
Total transfers to general fund	<u>\$ 341,589,373</u>

Transfers to police fund from:	
Capital fund	\$ 8,885
STASC	326,442
Nonmajor governmental funds	40,972,511
Total transfers to police fund	<u>\$ 41,307,838</u>

Transfers to capital fund from:	
General fund	\$ 7,500
Nonmajor governmental funds	15,371,726
Total transfers to capital fund	<u>\$ 15,379,226</u>

Transfers to nonmajor governmental funds from:	
General fund	\$ 6,062,731
Police fund	7,694,334
Capital fund	1,458,921
STASC	13,087
Nonmajor governmental funds	67,975,332
Francis S. Gabreski Airport	173,785
Total transfers to nonmajor governmental funds	<u>\$ 83,378,190</u>

(Continued)

SUFFOLK COUNTY
Notes to the Financial Statements
December 31, 2016

Transfers to Francis S. Gabreski Airport from:	
STASC	\$ 28,541
Total transfers to Francis S. Gabreski Airport	<u>\$ 28,541</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

F. Leases

Operating Leases

The County is required to make rental payments under various operating leases for office space, vehicles and equipment. Certain leases require the County to pay executory costs such as real estate taxes, insurance, maintenance and utility costs, in addition to the minimum rental payments.

The following schedule sets forth future minimum lease payments required under non-cancelable operating leases which have remaining terms in excess of one year as of December 31, 2016:

Years Ending December 31	Amount
2017	\$ 19,642,133
2018	18,238,206
2019	17,845,495
2020	17,638,779
2021	17,665,531
2022-2026	51,760,117
2027-2031	17,338,155
Thereafter	5,563,115
Total	<u>\$ 165,691,531</u>

Rent expenditures for the year ended December 31, 2016 approximated \$20,634,193.

Capital Leases

In early March of 1998, Suffolk County entered into a twenty-year lease agreement, terminating in the year 2018, for a 31,000 square foot building that was constructed on a County owned parcel of land. This building is being used to house the Suffolk County Police Department's Seventh Precinct. At the termination of the lease, the title of the building will pass to the County, thereby qualifying it as a capital lease. Annual lease payments are \$492,900, totaling \$9,858,000 for the term of the lease.

SUFFOLK COUNTY
Notes to the Financial Statements
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The future minimum lease obligations and the net present value of these minimum lease payments as of December 31 were as follows:

Years Ending December 31	Seventh Precinct
2017	\$ 492,900
2018	82,150
Total minimum lease payments	575,050
Less: Imputed interest	6,178
Present value of future minimum lease payments	\$ 568,872

Assets acquired from the aforementioned capital lease are recorded on the County's financial statements in the amount of \$4,536,000 which represents net book value as of December 31, 2016.

G. Long-term debt

General Obligation Bonds

Primary Government

The County issues general obligation bonds to provide funds for the acquisition of land and equipment and to construct buildings and equipment. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$3,162,277,892. During the year, general obligation bonds totaling \$119,932,939 were issued.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 15 to 20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	0.50 - 9.0%	\$ 974,248,125
Governmental activities-refunding	2.75 - 6.0%	398,629,567
Business-type activities	2.50 - 5.5%	5,721,662
Business-type activities-refunding	3.00 - 5.0%	2,744,915
		\$ 1,381,344,269

Additionally, \$8,466,577 of general obligation bonds under business-type activities above relates to the Ball Park and Gabreski Airport and has been accounted for in the respective enterprise funds.

SUFFOLK COUNTY
Notes to the Financial Statements
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Annual debt service requirements to maturity for general obligation bonds, including advanced refunding debt, are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 135,062,188	\$ 46,979,824	\$ 877,683	\$ 289,525
2018	128,059,210	41,929,486	748,917	259,073
2019	110,335,246	37,356,478	764,134	229,236
2020	107,688,873	33,325,050	634,948	202,308
2021	100,154,769	29,527,111	612,702	179,388
2022-2026	515,909,615	92,109,029	3,290,940	544,520
2027-2031	194,141,669	18,747,369	1,081,140	85,627
2032-2036	26,244,720	3,474,371	93,509	4,432
2037-2041	5,525,000	1,477,211	-	-
2042-2045	3,620,000	311,278	-	-
	<u>1,326,741,290</u>	<u>\$ 305,237,207</u>	<u>8,103,973</u>	<u>\$ 1,794,109</u>
Plus: Unamortized premium	46,136,402		362,604	
	<u>\$ 1,372,877,692</u>		<u>\$ 8,466,577</u>	

Component Units

Suffolk County Community College

General obligation bonds are issued by the County to finance a portion of Suffolk County Community College's construction projects. The original amount of general obligation bonds issued in prior years was \$144,336,724. During the year, general obligation bonds totaling \$17,728,646 were issued.

The bonds are direct obligations, and pledge the full faith and credit, of the County. The bonds are issued as 10 to 30-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding amounted to \$67,068,378 at August 31, 2016 and such serial bonds were issued with interest rates that ranged from 2.0 percent to 5.0 percent.

Annual principal and interest requirements to service all College debt outstanding as of August 31, 2016 are as follows:

Year ending August 31:	General	Interest	Total
	Obligations		
2017	\$ 6,194,903	\$ 2,229,801	\$ 8,424,704
2018	5,807,838	1,972,040	7,779,878
2019	5,658,098	1,761,114	7,419,212
2020	5,517,422	1,558,240	7,075,662
2021	5,108,236	1,368,741	6,476,977
2022-2026	22,540,385	4,484,842	27,025,227
2027-2031	12,019,375	1,553,826	13,573,201
2032-2036	3,503,656	215,827	3,719,483
	<u>66,349,913</u>	<u>\$ 15,144,431</u>	<u>\$ 81,494,344</u>
Plus: Unamortized premium	718,465		
	<u>\$ 67,068,378</u>		

SUFFOLK COUNTY
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Advance refundings

On April 20, 2016, the County issued \$82,820,000 in general obligation refunding bonds (of which \$440,309 pertains to Suffolk County Community College, a discrete component unit) with an average interest rate of 4.79 percent to advance refund \$87,415,000 (of which \$467,626 pertains to Suffolk County Community College) of outstanding general obligation bonds with an average interest rate of 4.09 percent. The net proceeds of \$94,102,756 (after payment of \$903,543 in underwriting fees, insurance and other issuance costs) were used to purchase State and Local Government Series securities in the total amount of \$94,102,742. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the various refunded bonds. As a result, the various refunded bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,653,379 (exclusive of the portion related to Suffolk County Community College). This difference reported in the accompanying financial statements (net of issuance costs which are expensed in the current year) as a deferred outflow or inflow of resources and charged to operations through 2028, using a method that approximates effective interest. The County completed the advanced refunding to reduce its total debt service payments over the next twelve years by \$6,279,255 and to obtain an economic gain (difference between present values of the old and new debt service payments) of \$5,193,906.

In prior years, the County defeased certain general obligation bonds by placing proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On December 31, 2016, \$62,055,000 of bonds outstanding is considered defeased.

STASC Tobacco Settlement Asset-Backed Bonds

Tobacco Settlement Asset-Backed Bonds issued in 2008 (Series 2008 Bonds) and 2012 (Series 2012 Bonds) for the purchase of future rights to TSRs are secured by a pledge of revenues to be derived from TSR receipts after the deduction of the amounts necessary to pay all operating charges. Principal and interest paid on these bonds in 2016 totaled \$22,385,390. Interest on select Series 2008 Bonds and Series 2012 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code.

Any additional pledged revenues received above the required debt service payments for the Series 2008 Bonds are used to turbo redeem the outstanding bonds. Any additional pledged revenues received above the required debt service payments for the Series 2012 Bonds are transferred to the 2012 Residual Trust.

For the Series 2008 Bonds, pledged revenues consist of a portion of the TSRs equal to 36 percent of the annual payments through December 31, 2012, and 75 percent thereafter and like percentages of any lump sum payment made in lieu of such annual payments. Pledged

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revenue does not include 100 percent of TSRs representing amounts withheld or deposited in the Disputed Payments Account under the MSA before August 21, 2008, regardless of when such amounts are received. Pledged revenue received in 2016 amounted to \$23,167,665, or 118 percent of total principal and interest payments made on the 2008 Series Bonds during the year. The STASC replenished the 2008 Senior Liquidity Reserve to its required level.

For the Series 2012 Bonds, pledged revenues consist of a portion of the TSRs equal to 64 percent of TSRs through December 31, 2012, 25 percent of TSRs received thereafter and 100 percent of TSRs representing amounts withheld or deposited in the Disputed Payments Account under the MSA before August 21, 2008, regardless of when such amounts are received. Pledged revenue received in 2016 amounted to \$13,492,912, of this amount, \$2,750,172 was used to pay 2012 bond principal and interest and \$10,739,741 was transferred to the residual trust, and \$3,000 was used to pay the 2012 trustee fees.

Payments with respect to the Series 2008 Bonds and Series 2012 Bonds are dependent upon receipt of TSRs. The Series 2008 Bonds are special obligations of the STASC payable solely from the pledged revenues, the 2008 Liquidity Reserve Account, and other funds and accounts under the 2008 indenture. The Series 2012 Bonds are special obligations of the STASC payable solely from the pledged revenues, the 2012 Liquidity Reserve Account, and other funds and accounts under the 2012 indenture. The STASC has no other assets available for the payment of the Series 2008 Bonds and Series 2012 Bonds.

The amount of TSRs received is dependent on many factors, including future domestic cigarette consumption, the financial capability of the Participating Manufacturers (the "PMs"), litigation affecting the MSA and related legislation, and enforcement of state legislation related to the MSA and the tobacco industry. Payments by the PMs under the MSA are subject to certain adjustments, which may be material.

Bonds outstanding at December 31, 2016, are as follows:

Description	Original Date Issued	Original Amount	Interest Rate	Maturity Date	Amount Outstanding
2008A	08/21/08	\$ 9,765,000	4.000 - 5.000%	6/1/12-6/1/18	\$ 3,660,000
2008B (2028)	08/21/08	40,045,000	5.375%	6/1/2028	33,995,000
2008B (2048)	08/21/08	62,295,000	6.000%	6/1/2048	62,295,000
2008C	08/21/08	107,671,781	6.625%	6/1/2044	142,295,000
2008D	08/21/08	13,375,082	8.000%	6/1/2048	25,775,467
2012B	03/29/12	34,635,000	4.000 - 5.000%	6/1/16-6/1/37	34,200,000
Premiums					588,828
Unamortized discounts					(2,835,286)
				Total	<u>\$ 299,974,009</u>

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The following table summarizes the STASC's estimated future debt service requirements as of December 31, 2016 based on future projected TSRs:

	Principal	Interest	Total Principal and Interest
2017	1,910,000	16,813,838	\$ 18,723,838
2018	4,235,000	16,672,638	20,907,638
2019	1,450,000	16,537,588	17,987,588
2020	1,495,000	16,463,963	17,958,963
2021	1,545,000	16,387,963	17,932,963
2022-2026	8,490,000	80,790,025	89,280,025
2027-2031	42,625,000	72,261,753	114,886,753
2032-2036	8,390,000	67,377,206	75,767,206
2037-2041	1,715,000	65,868,737	67,583,737
2042-2046	107,671,781	76,879,328	184,551,109
2047-2048	75,670,082	295,240,728	370,910,810
	<u>\$ 255,196,863</u>	<u>\$ 741,293,767</u>	<u>\$ 996,490,630</u>

JFA Lease Revenue Bonds

Lease Revenue Bonds issued in 2013 for the purchase of the County's H. Lee Dennison building are secured by a pledge of net revenues (defined as revenues other than the Administrative Rent and Supplemental Rent paid by Suffolk County pursuant to Section 3.3 of the lease agreement with Suffolk County) and, except as otherwise provided in Section 5.02 of the Lease Revenue Bond Agreement, all funds and accounts established, other than the Operating Fund, the Contingency Fund and the Arbitrage Rebate Fund, are pledged to the Trustee (the bank or trust company appointed as trustee for the bonds) as security for the payment of the principal and redemption price of and interest on the bonds and as security for the performance of any other obligation of JFA in accordance with the provisions of the Lease Revenue Bond Agreement.

The Series 2013 Bonds maturing prior to November 1, 2024 are not subject to redemption prior to maturity. The Series 2013 bonds maturing on or after November 1, 2024 are subject to redemption prior to maturity on or after November 1, 2023, in any order at the option of JFA, as a whole or in part at any time, at the redemption price equal to 100 percent of the principal amount of Series 2013 bonds to be redeemed, plus accrued interest, if any, to the redemption date.

The Series 2013 Bonds maturing on November 1, 2033 are subject to mandatory redemption prior to maturity, in part, on each November 1 of the years and in the respective principal amounts set forth below, at the redemption price equal to 100 percent of the principal amount thereof being redeemed plus accrued interest to the redemption date, from mandatory sinking

SUFFOLK COUNTY
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fund installments which are required to be made in amounts sufficient to redeem on November 1 of each year the principal amount of such Series 2013 bonds for each of the years shown below:

<u>Year</u>	<u>Amount</u>
2028	\$ 4,035,000
2029	4,235,000
2030	4,450,000
2031	4,670,000
2032	4,905,000
2033	5,150,000

JFA's bonds outstanding at December 31, 2016 consisted of Lease Revenue Serial Bonds, Series 2013, and Lease Revenue Term Bonds, Series 2013 in the amount of \$34,835,000 and \$27,445,000 respectively and are reported net of bond premiums of \$772,810. Bond principal payments are due annually on November 1 and interest payable semi-annually on May 1 and November 1.

The following table summarized the JFA's estimated future debt service requirement for bonds payable at December 31, 2016:

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 2,515,000	5.000%	\$ 2,890,044	\$ 5,405,044
2018	2,640,000	5.000%	2,764,294	5,404,294
2019	2,775,000	5.000%	2,632,294	5,407,294
2020	2,915,000	5.000%	2,493,544	5,408,544
2021	3,060,000	3.375%	2,347,794	5,407,794
2022-2026	17,065,000	3.500 to 5.000%	9,963,655	27,028,655
2027-2031	21,255,000	4.375 to 5.000%	5,779,094	27,034,094
2032-2033	10,055,000	5.000%	760,250	10,815,250
	<u>62,280,000</u>		<u>\$ 29,630,969</u>	<u>\$ 91,910,969</u>
Plus: Unamortized premium	772,810			
	<u>\$ 63,052,810</u>			

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Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

Governmental activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within one Year
Bonds payable:					
General obligation debt	\$ 1,044,484,638	\$ 119,932,939	\$ 190,169,452	\$ 974,248,125	\$ 98,089,581
Advanced refunding debt	303,268,951	82,203,573	32,979,359	352,493,165	36,972,607
Plus premium*	37,274,905	12,093,553	3,232,056	46,136,402	3,967,024
STASC bonds	260,591,863	-	5,395,000	255,196,863	1,910,000
Plus accreted interest	45,080,267	1,943,337	-	47,023,604	-
Plus premium	617,669	-	28,841	588,828	28,841
Less unamortized deferred discount	2,990,981	-	155,695	2,835,286	155,695
Lease revenue bonds	64,675,000	-	2,395,000	62,280,000	2,515,000
Plus premium	818,616	-	45,806	772,810	45,806
Total bonds payable	<u>1,753,820,928</u>	<u>216,173,402</u>	<u>234,089,819</u>	<u>1,735,904,511</u>	<u>143,373,164</u>
Accumulated vacation and sick leave	471,269,366	51,327,205	23,405,268	499,191,303	21,373,910
Estimated liability for claims	636,238,270	14,290,710	39,581,605	610,947,375	39,331,802
Other postemployment benefits other than pensions	2,585,500,000	402,110,000	133,450,000	2,854,160,000	-
Capital leases	1,046,031	-	477,159	568,872	486,790
Net pension liability	110,071,037	823,809,621	282,968,169	650,912,489	-
Due to NYS retirement system	222,433,937	60,033,673	21,956,926	260,510,684	25,842,169
Governmental activities Long-term liabilities	<u>\$ 5,780,379,569</u>	<u>\$ 1,567,744,611</u>	<u>\$ 735,928,946</u>	<u>\$ 6,612,195,234</u>	<u>\$ 230,407,835</u>
Business-type activities					
Bonds payable:					
Francis S. Gabreski Airport	\$ 7,784,538	\$ 664,592	\$ 790,788	\$ 7,658,342	\$ 654,827
Suffolk County Ball Park	1,066,990	26,639	285,394	808,235	289,055
Total bonds payable	<u>8,851,528</u>	<u>691,231</u>	<u>1,076,182</u>	<u>8,466,577</u>	<u>943,882</u>
Other postemployment benefits other than pensions	2,500,000	283,000	13,000	2,770,000	-
Net pension liability	59,125	350,520	116,341	293,304	-
Business-type activities Long-term liabilities	<u>\$ 11,410,653</u>	<u>\$ 1,324,751</u>	<u>\$ 1,205,523</u>	<u>\$ 11,529,881</u>	<u>\$ 943,882</u>

(Continued)

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

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Component units	Beginning Balance	Additions	Reductions	Ending Balance	Due within one Year
County general obligation bonds (Comm. College)	\$ 59,344,200	\$ 17,991,575	\$ 10,267,397	\$ 67,068,378	\$ 6,194,903
Total bonds payable	59,344,200	17,991,575	10,267,397	67,068,378	6,194,903
Accumulated vacation and sick leave	31,570,836	875,302	25,108	32,421,030	3,156,583
Other postemployment benefits other than pensions	276,892,578	65,669,500	28,453,408	314,108,670	-
Capital lease	191,567	-	61,437	130,130	62,461
Net pension liability	4,655,704	23,717,889	-	28,373,593	-
Mortgage payable	56,000	-	56,000	-	-
Due to NYS Retirement System	1,093,039	-	180,836	912,203	912,203
Loans	14,250,486	15,112,207	-	29,362,693	13,736,000
Prepetition claims	13,334,411	-	146,843	13,187,568	-
Other long-term debt	911,894	96,691	-	1,008,585	-
Component units Long-term liabilities	<u>\$ 402,300,715</u>	<u>\$ 123,463,164</u>	<u>\$ 39,191,029</u>	<u>\$ 486,572,850</u>	<u>\$ 24,062,150</u>

The general fund or applicable special revenue fund are the governmental funds that generally have been used in prior years to liquidate compensated absences and claims and judgments, pension obligations and other postemployment benefit obligations.

H. Short-term debt

Short-term debt activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ 410,000,000	\$ 410,000,000	\$ 410,000,000	\$ 410,000,000
Delinquent tax anticipation notes	100,000,000	100,000,000	100,000,000	100,000,000
Revenue anticipation notes	55,000,000	45,000,000	55,000,000	45,000,000
Public improvement bond anticipation notes	31,675,403	25,634,219	-	57,309,622
Governmental activities short-term debt	<u>\$ 596,675,403</u>	<u>\$ 580,634,219</u>	<u>\$ 565,000,000</u>	<u>\$ 612,309,622</u>

Suffolk County issues tax anticipation and delinquent tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. These notes are necessary to provide sufficient operating cash prior to and following that period of the year of significant property tax collection activity (June through August).

Revenue anticipation notes were issued during 2016 in anticipation of 2016 Federal and State aid revenue receipts.

Public improvement bond anticipation notes were issued by Suffolk County to provide financing for numerous capital projects.

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IV. Other information

A. Risk management

The County is exposed to various risks of related to torts; malpractice, theft of, damage to, and destruction of assets; and errors or omissions. The County established a self-insurance program in 1975 to account for and finance insured risk of loss. The self-insurance program is administered by Risk Management. Fund 38, the self-insurance fund, was created to record any costs associated with the program. Risk Management is operated solely by and for the benefit of Suffolk County Government. Current self-insured retention per occurrence for liability is \$5,000,000 with a limit of \$60,000,000. Current deductible for property loss is \$1,000,000 per occurrence with a limit of \$300,000,000. The County purchases special lines of coverage for certain risks; marine, aviation, fidelity and advanced life support systems.

Liabilities for unpaid claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverage's for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year ended 12/31/2015	Year ended 12/31/2016
Unpaid claims, beginning of fiscal year	\$ 607,226,636	\$ 636,238,270
Incurred claims (including IBNRs)	48,399,754	49,443,786
Changes in the estimate for claims of prior years	19,693,878	(35,153,076)
Claim payments	(39,081,998)	(39,581,605)
Unpaid claims, end of fiscal year	<u>\$ 636,238,270</u>	<u>\$ 610,947,375</u>

B. Subsequent events

On April 13, 2017, the County issued \$45,000,000 Revenue Anticipation Notes (RAN). The RANs were issued in anticipation of the receipt of certain revenues expected to be received by the County from State and Federal aid. The interest rate on the RANs range from 2.25 percent to 3 percent and mature on March 23, 2018.

On April 13, 2017, the County issued \$9,715,576 Bond Anticipation Notes (BAN) as part of a five year plan to finance the cost of a 2012 arbitration award ordered by the State of New

York Public Employment Relations Board in favor of the Suffolk County Correction Officers Association, Inc.

On April 25, 2017, Suffolk County issued \$163,585,000 refunding serial bonds. The proceeds of the bonds will be used to refund all or a portion of the outstanding principal of County bonds specified by the Refunding Plan. The Refunding Plan will permit the County to realize, as a result of the issuance of the bonds, cumulative dollar and present value debt service savings in the amount of \$6.3 million and \$4.6 million, respectively. The interest rates on the refunded bonds, ranged from 4 percent to 4.25 percent and the interest rates on the refunding bonds range from 3 percent to 5 percent.

On June 29, 2017, Suffolk County issued \$48,750,000 Public Improvement Serial Bonds. The proceeds will be used to provide additional original or original project financing for numerous public improvement projects. The interest rates on the bonds range from 1.38 percent to 3.13 percent. Bonds mature in varying amounts on June 15 of years 2018 through 2029.

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally, the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

D. Other post-employment benefits

The County provides other post-employment health benefits (OPEB) for all of its employees through a single employer defined benefit healthcare plan. OPEB costs are actuarially calculated based on plan benefits (other than pensions), that current and retired employees have accrued as a result of their respective years of employment service.

Plan description. The County's post-employment retirement healthcare benefit plan provides health benefits to all retired Suffolk County employees, their spouses, and some eligible dependents. The Plan is a comprehensive health benefits plan which pays for hospital services, doctor expenses and other medical related necessities which include prescription drugs, and mental health/substance abuse services, subject to provisions and limitations. The County administers the Plan through its Labor/Management Committee and Employee Benefits Unit and has the authority to establish and amend the benefits provisions offered. The Plan is not a separate entity or trust and does not issue stand-alone financial statements.

Funding policy. Retiree health care coverage is non-contributory. The County reimburses eligible employees and spouses for the monthly Part B premium (\$104.90 per month for 2016). Eligible spouses who already receive Part B reimbursement from another employer are not eligible for the County's reimbursement. The County contributes 100 percent of the

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cost of retirees' healthcare benefit on a pay-as-you-go basis, which amounted to \$133.58 million for 2016.

Annual OPEB cost and net OPEB obligation. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The 2016 OPEB obligation reflects the County's understanding of the Federal Affordable Care Act in its current form as applicable regulations have not yet been released on the high cost plan excise tax provision.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the County's net OPEB obligation to the Plan (dollar amounts in millions):

Annual Required Contribution	\$ 444.93
Contributions Made	133.58
Increase in net OPEB	<u>311.35</u>
Interest on net OPEB obligation	116.46
Adjustment to annual required contribution	<u>(158.88)</u>
Net OPEB obligation - beginning of year	<u>2,588.00</u>
Net OPEB obligation - end of year	<u><u>\$ 2,856.93</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost, contributed to the Plan, and the net OPEB obligation for 2014, 2015, and 2016 were as follows (dollar amounts in millions):

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB <u>Obligation</u>
12/31/2014	\$419.70	27.7%	\$2,323.38
12/31/2015	\$389.26	32.0%	\$2,588.00
12/31/2016	\$402.51	33.2%	\$2,856.93

Funded status and funding progress. As of December 31, 2016, actuarial accrued liability for benefits was \$5.061 billion and was equal to the unfunded actuarial accrued liability (UAAL). The covered payroll (annual payroll of active employees covered by the Plan) was \$898.77 million and the ratio of UAAL to the covered payroll was 563 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding

progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016 interim year actuarial valuation, the projected unit credit method was used. The actuarial assumptions include an inflation rate of 3.0 percent, a 4.5 percent discount rate and an annual healthcare cost trend rate of 8.5 percent for medical and prescription drugs grading down to a rate of 4.5 after nine years. The UAAL is being amortized as a level dollar amount over thirty years based on an open group.

E. Employee retirement system and pension plans

1. New York State and Local Retirement System

The primary government and the Suffolk Community College (College), a discretely presented component unit of the County participate in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The County also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-or-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

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Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for their entire length of service. For tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31st. The County reports contributions to the System on an accrual basis for the fiscal year ending December 31st. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows (in thousands):

	<u>ERS</u>		<u>PFRS</u>	
	Primary	Component	Primary	
	Government	Units	Government	
2016	\$ 92,748	\$ 7,195	\$ 92,987	
2015	94,012	7,928	83,713	
2014	100,054	7,128	78,820	

Contribution Stabilization Programs

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.

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- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System’s average rate and the previous graded rate.
- For subsequent State fiscal years in which the System’s average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

Chapter 57 of the Laws of 2013 of the State of New York established an alternative to the original contribution stabilization program of 2010, allowing local employers to amortize a portion of their retirement bill for 12 years in accordance with the stipulations above with the following exceptions:

- The graded rate under the laws of 2013 will remain constant for the first two State fiscal years and will move by 0.5 percent per year thereafter.
- These laws require participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System’s fiscal years when the local employer opts to participate in the program. The total unpaid liability at the end of the fiscal year was \$260,510,684.
- Chapter 105 of the Laws of 2010 of the State of New York authorizes local governments to make available a retirement benefit incentive program with an estimated total cost of \$19,105,530 of which \$3,821,106 was charged to expenditures in the governmental funds in the current fiscal year. The cost of the program will be billed and paid over five years beginning February 1, 2012.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the County reported a liability for its proportionate share of the net pension liability as follows (in thousands):

	ERS	PFRS	Total
Primary Government	\$ 366,628	\$ 284,578	\$ 651,206
Component Units	26,494	-	26,494

The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2016, the County’s proportion was 2.42 percent and 9.61 percent for ERS and PFRS respectively.

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For the year ended December 31, 2016, the County recognized pension expense of \$128,538,611 and \$109,516,942 for the primary government for ERS and PFRS, respectively. For the year ended August 31, 2016, the College recognized pension expense of \$7,126,386 for ERS. At December 31, 2016, the County reported deferred outflows and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources				
	ERS		PFRS		Total Primary
	Primary	Component	Primary	Government	
	Government	Units*	Government	Government	
Differences between expected and actual experience	\$ 1,868	\$ 134	\$ 2,552	\$ 4,420	
Changes of assumptions	97,769	7,065	122,681	220,450	
Net difference between projected and actual earnings pension plan investments	217,589	15,719	159,483	377,072	
Changes in proportion and differences between contributions and proportionate share of contributions	937	245	22,484	23,421	
Contributions subsequent to the measurement date	68,792	4,566	73,383	142,175	
Total deferred outflows of resources	<u>\$ 386,955</u>	<u>\$ 27,729</u>	<u>\$ 380,583</u>	<u>\$ 767,538</u>	

	Deferred Inflows of Resources				
	ERS		PFRS		Total Primary
	Primary	Component	Primary	Government	
	Government	Units*	Government	Government	
Differences between expected and actual experience	\$ 43,458	\$ 3,141	\$ 43,025	\$ 86,483	
Changes in proportion and differences between contributions and proportionate share of contributions	10,991	715	-	10,991	
	<u>\$ 54,449</u>	<u>\$ 3,856</u>	<u>\$ 43,025</u>	<u>\$ 97,474</u>	

* The College is reported as of August 31, 2016

Amounts reported above as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

	ERS		PFRS		Total Primary
	Primary Government	Component Units	Primary Government	Government	
Year ended December 31:					
2017	\$ 71,444	\$ 4,906	\$ 61,744	\$ 133,188	
2018	71,444	4,906	61,744	133,188	
2019	71,444	4,906	61,744	133,188	
2020	66,533	4,587	59,590	126,123	
2021	-	-	19,078	19,078	

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Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.5%	2.5%
Salary Increases	3.8%	4.5%
Investment rate of return (net of investment expense, including inflation)	7.0%	7.0%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset class</u>	<u>Long-Term expected real rate of return</u>
Domestic equity	7.30%
International equity	8.55%
Private equity	11.00%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-indexed bonds	4.00%

Discount rate

The discount rate used to calculate the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumes that contributions from plan members

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will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1 percent Decrease (6 percent)	Current Assumption (7 percent)	1 percent Increase (8 percent)
ERS proportionate share	\$ 877,354	\$ 389,083	\$ (23,485)
PFRS proportionate share	635,634	284,578	(9,684)

Pension plan fiduciary net position

The components of the current-year net pension liability of the County as of March 31, 2016, were as follows (in thousands):

	Pension Plan's Fiduciary Net Position	County's proportionate share of the Pension Plan's Fiduciary Net Position	County's allocation percentage as determined by the Plan
<u>ERS</u>			
Total pension liability	\$ 172,303,544	\$ 4,176,901	2.424153%
Plan net position	(156,253,265)	(3,787,818)	2.424153%
Net pension liability	\$ 16,050,279	\$ 389,083	2.424153%
Ratio of plan net position to the total pension liability	90.7%	90.7%	
<u>PFRS</u>			
Total pension liability	\$ 30,347,727	\$ 2,916,890	9.611559%
Plan net position	(27,386,940)	(2,632,312)	9.611559%
Net pension liability	\$ 2,960,787	\$ 284,578	9.611559%
Ratio of plan net position to the total pension liability	90.2%	90.2%	

2. New York State Teachers' Retirement System

The College participates in the New York State Teachers' Retirement System (TRS). The TRS is a cost-sharing multiple-employer defined contribution pension plan. TRS provides retirement, disability, and death benefits to plan members. Obligations of employers and employees to contribute, and related benefits to employees are governed by New York State Retirement and Social Security Law. TRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Contributions

TRS provide retirement benefits as well as death and disability benefits. Benefits generally vest after five years of credited services. The NYSRSSL provides that all participants in TRS are jointly and severally liable for any actuarial unfunded amounts. TRS is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined TRS after July 27, 1976 and prior to January 1, 2010, employees contribute 3.5 percent throughout their active membership. For employees who joined after April 1, 2012, employees in TRS contribute 3.5 percent of their salary until April 1, 2013, and then contribute 3 percent to 6 percent of their salary throughout their active membership.

Employer contributions of the plan are as follows:

	<u>TRS</u>
Employer Contributions	(In Thousands)
2016	\$ 4,629
2015	4,157
2014	3,015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2016, the College reported \$1,878,726 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At August 31, 2016, the College's proportion was 0.175411 percent, which was an decrease from its proportionate share of .175800 at August 31, 2015.

SUFFOLK COUNTY
Notes to the Financial Statements
December 31, 2016

For the year ended August 31, 2016, the College recognized pension expense of \$3,088,224. At August 31 2016 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 610,315
Changes of assumptions	10,702,418	-
Net difference between projected and actual earnings on pension plan investments	4,224,363	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	22,852	165,364
Contributions subsequent to the measurement date	598,196	-
	\$ 15,547,829	\$ 775,679

Deferred outflows of resources, in the amount of \$598,196, related to the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:		
	2017	\$ 1,287,326
	2018	1,287,326
	2019	4,568,084
	2020	3,547,344
	2021	1,616,429
	Thereafter	1,867,445
		\$ 14,173,954

Actuarial Assumptions

The total pension liability at the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. Total pension liability at the June 30, 2015 measurement date, was determined by an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. These actuarial valuations used the following actuarial assumptions:

Inflation	2.75 percent
Projected Salary Increases	Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience.

SUFFOLK COUNTY
Notes to the Financial Statements
December 31, 2016

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5 percent compounded annually
Investment Rate of Return	7.5 percent compounded annually, net of pension plan investment expenses, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2015 and 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to July 30, 2010.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2015 and June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>	
	<u>2015</u>	<u>2014</u>
Domestic equity	6.1%	6.5%
International equity	7.3%	7.7%
Real estate	5.4%	4.6%
Alternative investments	9.2%	9.9%
Domestic fixed income securities	1.0%	2.1%
Global fixed income securities	80.0%	1.9%
Mortgages	3.1%	3.4%
Short-term	0.1%	1.2%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions rates and that contributions from colleges will be made at statutorily rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SUFFOLK COUNTY
Notes to the Financial Statements
December 31, 2016

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following represents the net pension liability (asset) of the College's calculated using the discount rate of 7.5 percent, as well as what the College proportionate share of the net pension liability would be if it were calculated using a discount rate of 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1 percent Decrease (6.5 percent)	Current Assumption (7.5 percent)	1 percent Increase (8.5 percent)
Proportionate share of net pension liability (asset)	\$ 24,512,247	\$ 1,878,726	\$ (17,105,085)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as of June 30, 2015, were as follows (in thousands):

	Pension Plan's Fiduciary Net Position	College's proportionate share of Plan's Fiduciary Net Position	College's allocation percentage as determined by the Plan
Total pension liability	\$ 108,577,184	\$ 190,456	0.175411%
Net position	(107,506,142)	(188,578)	0.175411%
Net pension liability (asset)	\$ 1,071,042	\$ 1,878	0.175411%
Fiduciary net position as a percentage of total pension liability	99.0%	99.0%	

3. Teachers Insurance and Annuity Association and the College Retirement Equities Fund

The Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF) is a privately operated contribution retirement plan which provides benefits to certain employees of the College. TIAA-CREF issues publicly available financial reports that include financial statements and required supplementary information. This report may be obtained by writing to the Teachers' Insurance and Annuity Association – College Retirement Equities Fund, 730 Third Avenue, New York, NY 10017.

Contributions

TIAA/CREF is a College Optional Retirement Program (ORP) and offers benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. TIAA/CREF is contributory for employees who joined after July 27, 1976 who contribute 2 to 3 percent of their salary. Employer contributions range from 8 percent to 15 percent depending upon

SUFFOLK COUNTY
Notes to the Financial Statements
December 31, 2016

when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to TIAA/CREF.

Employer contributions of the plan are as follows:

	TIAA/CREF
Employer Contributions	(In Thousands)
2016	\$ 5,210
2015	5,147
2014	5,139

The employer contributions are equal to 100 percent of the required contributions.

F. Employee benefits

In accordance with Collective Bargaining Agreements between the County and various unions that represent the majority of County employees, the County is required to make annual periodic contribution payments to various Benefit Funds. These Benefit Funds were established by the execution of an Agreement and Declaration of Trust between the County, the Unions and the Trustees of the various Benefit Funds. The Benefit Funds provide certain benefits such as optical, dental, prescription drug, and legal services in accordance with plans determined by the Trustees of the Benefit Funds. Benefits are provided to County employees who are members of the various unions. Certain benefits are also provided at the discretion of the Benefit Fund Trustees to former employees who are retired and to eligible dependents. Benefit Fund Trustees have full authority to establish benefit eligibility requirements and benefit plans.

During 2016, the County made contribution payments in the following amounts to the indicated Benefit Funds:

Suffolk County Municipal Employees Benefit Fund	\$ 4,099,977
Suffolk County Detectives Association	74,815
Suffolk County Police Benevolent Association Benefit Fund	4,342,474
Suffolk County Superior Officers Association Benefit Fund	962,478
Suffolk County Superior Officers Association	128,852
Total	\$ 9,608,596

G. Tax abatements

The County is subject to tax abatements that are granted by the Suffolk County Industrial Development Agency (SCIDA) and four separate town Industrial Development Agencies. Article 18-A of the New York State Municipal Law, "New York State Industrial Development Agency Act." was enacted to provide for the creation of Industrial Development Agencies (IDAs) to facilitate economic development in specific localities, and delineate their powers and status as public benefit corporations. The legislation establishes the powers of New York State IDAs, including the authority to grant tax abatements and

SUFFOLK COUNTY
Notes to the Financial Statements
December 31, 2016

enter into agreements to require payments in lieu of taxes. Each IDA must adopt and follow a tax exemption policy with input from the effected taxing jurisdictions, however, once created the IDA can independently grant abatements in conformity with their policy. The IDAs within Suffolk County enter into agreements to abate property and sales tax for the purpose of increasing or retaining employment in the County.

Property abatements may be partially offset by an agreement that requires payments in lieu of taxes. These agreements specify the annual amount to be remitted by the property owner and are allocated to the effected jurisdiction based on the proportion of taxes abated. Abatements are presented in the aggregate for agreements that fall below 1 percent of the total County Warrant. For the year ending December 31, 2016 no individual agreements exceeded the threshold of \$7,644,723.

Abatement agreements of the town IDAs resulted in a revenue impact to the County for the year ended 12/31/2017 as follows:

<u>Tax abatement program</u>	<u>Gross tax reduction</u>	<u>Payments in lieu of taxes</u>	<u>Net revenue reduction</u>
Town of Babylon IDA:			
Property tax	3,678,110	2,116,276	1,561,835
Sales tax	1,226,247		1,226,247
Town of Brookhaven IDA:			
Property tax	2,703,017	1,966,035	736,982
Sales tax	1,562,000		1,562,000
Town of Islip IDA:			
Property tax	2,622,359	1,316,659	1,305,700
Sales tax	1,060,578		1,060,578
Town of Riverhead IDA:			
Property tax	38,080	13,423	24,657
Sales tax	244,479		244,479

SCIDA, a discretely presented component unit of the County, provides tax abatements to Suffolk County business owners in accordance with their tax exemption policy. This policy which was developed with input from the County at the creation of the SCIDA requires that each project application is individually evaluated for level of significance or strategic value and impact on Suffolk County in determining the abatement agreement. Abatement agreements are for a duration of 10 years with a minimum reduction consistent with Section 485b of the NYS Real Property Tax Law; a 50% reduction in property taxes the first year with declining abatements over the remaining 9 years. Projects determined by SCIDA to meet specific criteria which make the project highly significant or strategically valuable may receive enhanced real property tax relief.

SCIDA projects receiving property tax relief are subject to recapture of benefits in the case of: sale or closure of the facility, significant change in use of the facility, significant employment reductions, or failure to comply with terms of the abatement agreement.

SUFFOLK COUNTY
Notes to the Financial Statements
December 31, 2016

For the year ending December 31, 2016 Suffolk County's tax revenues were affected by SCIDA issued abatements as follows:

<u>Tax abatement program</u>	<u>Gross tax reduction</u>	<u>Payments in lieu of taxes</u>	<u>Net revenue reduction</u>
Suffolk County IDA:			
Property tax	3,043,824	2,592,541	451,283
Sales tax	193,888		193,888

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REQUIRED SUPPLEMENTARY INFORMATION

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SUFFOLK COUNTY, NEW YORK

Schedule of Funding Progress

Post-Employment Retirement Healthcare Benefit Plan
(amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Accrued Percentage of Covered Payroll (b-a)/c
December 31, 2014	-	\$5,149.47	\$5,149.47	0%	\$854.54	603%
December 31, 2015	-	\$4,878.97	\$4,878.97	0%	\$872.59	559%
December 31, 2016	-	\$5,060.69	\$5,060.69	0%	\$898.77	563%

SUFFOLK COUNTY, NEW YORK

Schedule of Proportionate Share of the Net Pension Liability

New York State and Local Retirement Systems Pension Plan

For Fiscal Year 2007 through 2016
(amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
County's proportion of the net pension liability (asset) for ERS	2.42%	2.64%	**	**	**	**	**	**	**	**
County's proportion of the net pension liability (asset) for PFRS	9.61%	9.32%	**	**	**	**	**	**	**	**
County's proportion of the net pension liability (asset) for ERS	\$ 389,083	\$ 89,118	**	**	**	**	**	**	**	**
County's proportion of the net pension liability (asset) for PFRS	\$ 284,578	\$ 25,668	**	**	**	**	**	**	**	**
County's covered employee payroll for ERS	\$ 562,920	\$ 516,320	**	**	**	**	**	**	**	**
County's covered employee payroll for PFRS	\$ 438,025	\$ 388,428	**	**	**	**	**	**	**	**
County's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll for ERS	69.12%	17.26%	**	**	**	**	**	**	**	**
County's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll for PFRS	64.97%	6.61%	**	**	**	**	**	**	**	**
Plan fiduciary net position as a percentage of the total pension liability for ERS	90.70%	97.90%	**	**	**	**	**	**	**	**
Plan fiduciary net position as a percentage of the total pension liability for PFRS	90.20%	99.00%	**	**	**	**	**	**	**	**

** Information is not available for this time period

SUFFOLK COUNTY, NEW YORK

Schedule of Contributions

New York State and Local Retirement Systems Pension Plan

For Fiscal Years 2007 through 2016*
(amounts in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 185,734	\$ 177,725	\$ 178,873	\$ 150,047	\$ 132,439	\$ 125,333	\$ 108,388	\$ 95,949	\$ 106,922	\$ 110,424
Contributions in relation to the contractually required contribution	185,734	177,725	178,873	150,047	132,439	125,333	108,388	95,949	106,922	110,424
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
County's covered employee payroll	1,000,945	904,748	**	**	**	**	**	**	**	**
Contributions as a percentage of covered employee payroll	19%	20%	**	**	**	**	**	**	**	**

*The amounts presented for each year are determined as of the fiscal year ending December 31 on an accrual basis

** Information not available for this time period

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Uniform Guidance Section

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

To the Management and Members of the Audit Committee
Suffolk County, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Suffolk County (the "County"), as of and for the year ended December 31, 2016 (with the Suffolk County Community College for the year ended August 31, 2016), and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 30, 2017.

Our report includes a reference to other auditors who audited the financial statements of Suffolk County Regional Off-Track Betting Corporation, the Suffolk County Community College, the Suffolk County Economic Development Corporation and the Suffolk County Industrial Development Agency, as described in our report on the County's financial statements. This report does not include our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 audit, 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*.

We noted certain matters that we reported to the Audit Committee and management of the County in a separate letter dated June 30, 2017.

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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

June 30, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Management and Members of the Audit Committee
Suffolk County, New York

Report on Compliance for Each Major Federal Program

We have audited the Suffolk County's (the "County"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Adoption Assistance Title IV-E

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding CFDA 93.659 Adoption Assistance Title IV-E as described in finding number 2016-004 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Adoption Assistance Title IV-E

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Adoption Assistance Title IV-E for the year ended December 31, 2016.

Basis for Qualified Opinion on Block Grants For Community Mental Health Services

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding CFDA 93.958 Block Grants For Community Mental Health Services as described in finding number 2016-003 and 2016-007 for Allowable costs and Reporting. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Block Grants For Community Mental Health Services

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Block Grants For Community Mental Health Services for the year ended December 31, 2016.

Basis for Qualified Opinion on Federal Transit – Formula Grants

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding CFDA 20.507 Federal Transit – Formula Grants as described in finding number 2016-001 for Equipment management. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Federal Transit – Formula Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Federal Transit – Formula Grants for the year ended December 31, 2016.

Basis for Qualified Opinion on Highway Planning and Construction (Federal-Aid-Highway Program)

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding CFDA 20.205 Highway Planning and Construction (Federal- Aid-Highway Program) as described in finding number 2016-012, 2016-013, 2016-014 and 2016-015 for Cash management, Reporting, Matching and Special Test and Provisions. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction (Federal-Aid-Highway Program)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Highway Planning and Construction (Federal- Aid- Highway Program) for the year ended December 31, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-005, 2016-006, 2016-008, 2016-009, 2016-010 and 2016-011. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, 2016-003, 2016-004, 2016-007, 2016-012, 2016-013, 2016-014 and 2016-015 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal

control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-005, 2016-006, 2016-008, 2016-010 and 2016-011 to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the County as of and for the year ended December 31, 2016, and have issued our report thereon dated June 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

September 25, 2017

SUFFOLK COUNTY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/ PASS-THROUGH GRANTOR - Note 10	FEDERAL/ PASS-THROUGH GRANTOR'S NUMBER	2016 AMOUNT PROVIDED TO SUB-RECIPIENTS Note 9	2016 EXPENDITURES
U.S. Department of Agriculture					
Special Supplemental Nutrition (Food) Program for Women, Infants and Children 2016 (WIC)	10.557	NYS DOH	C-30435GG	-	2,443,243
Special Supplemental Nutrition (Food) Program for Women, Infants and Children 2017 (WIC)	10.557	NYS DOH	C-30435GG	-	638,145
Special Supplemental Nutrition Program for Women and Children: Special Formula and Food Checks (Note 7) Non-Monetary Assist Total CFDA Number 10.557	10.557	NYS DOH	F012342	-	12,648,356
				-	15,729,744
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (Administrative Costs) (Food Stamp Program)	10.561	NYS DOL	C015258	-	16,475
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (Administrative Costs) (Food Stamp Program) Total CFDA Number 10.561	10.561	NYS OTDA	18000	-	17,176,936
				-	17,193,411
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	Federal Direct	N/A	-	3,090
Emergency Watershed Protection Program - Floodplain Easements – Disaster Relief Appropriations Act	10.928	Federal Direct	N/A	-	208,916
Total - U.S. Department of Agriculture				-	33,135,161
U.S. Department of Housing and Urban Development					
Community Development Block and Entitlement Grants	14.218	Federal Direct	N/A	2,042,787	2,536,720
Emergency Shelter/Solutions Grants Program	14.231	Federal Direct	N/A	242,125	256,004
Home Investment Partnerships Program	14.239	Federal Direct	N/A	842,942	1,438,268
Home Investment Partnerships Program - Program Income	14.239	Federal Direct	N/A	-	92,837
Home Investment Partnerships Program (Note 7) Total CFDA Number 14.239	14.239	Federal Direct	N/A	660,000	660,000
				1,502,942	2,191,105
Continuum of Care - Shelter Plus	14.267	Federal Direct	N/A	178,834	178,837
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 1448	-	(723)
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 499	-	2,873
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 505	-	3,074
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 506	-	1,367
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 618	-	1,671
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 619	-	125
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 620	-	231
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 688	-	2,484
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 704	-	150
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 1016	-	297
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 1024	-	573
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 1051	-	3,108
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 1440	-	282
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 1449	-	10,349
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 1450	-	2,311
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYS HTF	DRNY 4085 PW 2963	-	7,310
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) - Sewer Gap Analysis Total CFDA Number 14.269	14.269	NYS HTF	INFR-0016	-	279
				-	35,761
Total - U.S. Department of Housing and Urban Development				3,966,688	5,198,427

SUFFOLK COUNTY, NEW YORK
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FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/ PASS-THROUGH GRANTOR - Note 10	FEDERAL/ PASS-THROUGH GRANTOR'S NUMBER	2016 AMOUNT PROVIDED TO SUB-RECIPIENTS Note 9	2016 EXPENDITURES
U.S. Department of the Interior					
Hurricane Sandy Disaster Relief – Coastal Resiliency Grants - Wetlands Restoration in Suffolk County	15.153	Federal Direct	2300.14.043006	-	11,085
Clean Vessel Act Program	15.616	NYS EFC	N/A	-	3,180
Total - U.S. Department of the Interior				-	14,265
U.S. Department of Justice					
Housing of Federal Juvenile Male/Female Prisoners	16.53-91-0039	Federal Direct	MOIA 53-91-0038	-	28,545
Juvenile Accountability Block Grant	16.523	NYS DCJS	T612264	-	23,511
Juvenile Justice and Delinquency Prevention Allocation to States - LI Regional Youth & Justice	16.540	NYS DCJS	C612275	30,000	37,886
Crime Victim Assistance - Crime Witness Assistance Program 15	16.575	NYS OVS	C-100353	-	86,997
Crime Victim Assistance - Crime Witness Assistance Program 16	16.575	NYS OVS	C-100353	-	28,416
Total CFDA Number 16.575				-	115,413
Violence Against Women Formula Grant - STOP Violence Against Women 14	16.588	NYS DCJS	SV14652152	-	66,707
Violence Against Women Formula Grant - STOP Violence Against Women 16	16.588	NYS DCJS	C652139	62,300	62,300
Total CFDA Number 16.588				62,300	129,007
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program - Project DOVE 15	16.590	Federal Direct	2015-WE-AX-0045	-	47,743
State Criminal Alien Assistance Program - Incarceration of Illegal Aliens	16.606	Federal Direct	N/A	-	1,539,918
Edward Byrne Memorial Justice Assistance Grant Program - Edward Byrne JAG 13	16.738	Federal Direct	2013-DJ-BX-0783	-	6,507
Edward Byrne Memorial Justice Assistance Grant Program - Edward Byrne JAG 14	16.738	Federal Direct	2014-DJ-BX-0483	4,979	34,134
Edward Byrne Memorial Justice Assistance Grant Program - Edward Byrne JAG 15	16.738	Federal Direct	2015-DJ-BX-0196	13,190	79,715
Total CFDA Number 16.738				18,169	120,356
DNA Backlog Reduction Program - DNA Forensic Backlog Reduction 14	16.741	Federal Direct	DN-BX-0064	-	129,841
DNA Backlog Reduction Program - DNA Forensic Backlog Reduction 15	16.741	Federal Direct	T662042	-	91,887
Total CFDA Number 16.741				-	221,728
Paul Coverdell Forensic Sciences Improvement Grant Program - Tox Lab Improvement 15	16.742	NYS DCJS	T-662035	-	11,349
Paul Coverdell Forensic Sciences Improvement Grant Program - Crime Lab	16.742	NYS DCJS	T-662042	-	21,263
Paul Coverdell Forensic Sciences Improvement Grant Program 2015	16.742	Federal Direct	2015-CD-BX-0070	-	95,485
Total CFDA Number 16.742				-	128,097
Equitable Sharing Program - Federal Forfeiture Funds (Police)	16.922	Federal Direct	N/A	-	1,458,261
Equitable Sharing Program - Federal Forfeiture Funds (Probation)	16.922	Federal Direct	N/A	-	24,563
Equitable Sharing Program - Federal Forfeiture Funds (District Attorney)	16.922	Federal Direct	N/A	354,200	1,595,913
Equitable Sharing Program - Federal Forfeiture Funds (Sheriff)	16.922	Federal Direct	N/A	71,586	127,820
Total CFDA Number 16.922				425,786	3,206,557
Total - U.S. Department of Justice				536,255	5,598,761
U.S. Department of Labor					
Employment Service/Wagner-Peyser Funded Activities - Disability Employment Initiative (DEI)	17.207	NYS DOL	N/A	-	410,029
Trade Adjustment Assistance Program	17.245	NYS DOL	N/A	-	44,567
Reintegration of Ex-Offenders	17.270	Federal Direct	N/A	-	27,374
Workforce Investment Act (WIA) National Emergency Grants	17.277	NYS DOL	T015392	-	49,052

SUFFOLK COUNTY, NEW YORK
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FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/ PASS-THROUGH GRANTOR - Note 10	FEDERAL/ PASS-THROUGH GRANTOR'S NUMBER	2016 AMOUNT PROVIDED TO SUB-RECIPIENTS Note 9	2016 EXPENDITURES
WIA Cluster:					
WIA - Adult Program	17.258	NYS DOL	N/A	-	2,056,935
WIA T-iB WIOA Implementation	17.258	NYS DOL	N/A	-	25,431
WIA - Adult Program - Admin	17.258	NYS DOL	N/A	-	207,235
Total CFDA Number 17.258 - Cluster				-	2,289,601
WIA - Youth Activities	17.259	NYS DOL	N/A	-	2,202,413
WIA T-iB WIOA Implementation	17.259	NYS DOL	N/A	-	25,542
WIA - Youth Activities- Admin	17.259	NYS DOL	N/A	-	218,347
Total CFDA Number 17.259 - Cluster				-	2,446,302
WIA - Dislocated Worker	17.278	NYS DOL	N/A	-	2,888,846
WIA T-iB WIOA Implementation	17.278	NYS DOL	N/A	-	34,280
WIA - Dislocated Worker - Unemployed Worker Training	17.278	NYS DOL	C015362	-	56,752
WIA - Dislocated Worker-Admin	17.278	NYS DOL	N/A	-	279,110
Total CFDA Number 17.278 - Cluster				-	3,258,988
Total WIA Cluster				-	7,994,891
Total - U.S. Department of Labor					
				-	8,525,913
U.S. Department of Transportation					
Airport Improvement Program - 15-33 Design	20.106	Federal Direct	3-36-0122-017-2013	-	107,802
Airport Improvement Program - 15-33	20.106	Federal Direct	3-36-0122-018-2015	-	3,054,262
Total CFDA Number 20.106				-	3,162,064
Highway Planning and Construction	20.205	NYS DOT	Various	-	19,536,959
Highway Planning and Construction - Ronkonkoma Hub - Nicolls Rd Corridor Parking Analysis	20.205	NYMTC	C033471	-	36,470
Highway Planning and Construction - BRT Study - Nichols Road Alternate Analysis	20.205	NYMTC	C033471	-	53,562
Highway Planning and Construction - LIE HOV Lane Enforcement Program 15	20.205	NYS DOT	C032055 Supp 5	-	128,999
Highway Planning and Construction - LIE HOV Lane Enforcement Program 16	20.205	NYS DOT	C032055 Supp 6	-	663,821
Highway Planning and Construction - LIE/HOV Express Bus Demo Project	20.205	NYS DOT	C005011	-	245,933
Highway Planning and Construction - Sub Regional Transportation Planning	20.205	NYMTC	C033471	-	122,049
Total CFDA Number 20.205				-	20,787,793
National Motor Carrier Safety - MCSAP High Priority 15	20.218	Federal Direct	FM-MHP-0224-15-01-01	-	376,414
National Motor Carrier Safety - MCSAP High Priority 16	20.218	Federal Direct	FM-MHP-16-001-054279	-	81,676
Total CFDA Number 20.218				-	458,090
Metropolitan Transportation Planning	20.505	NYS DOT	Various	-	386,914
Federal Transit Cluster:					
Federal Transit Capital Investment Grants-Transportation Planning Study	20.500	NYS DOT	D033791	-	(1,830)
Federal Transit Formula Grants	20.507	Federal Direct	Various	-	3,734,290
Federal Transit Formula Grants - Program Income	20.507	Federal Direct	Various	-	175,000
Total Federal Transit Cluster				-	3,907,460
Job Access And Reverse Commute Program	20.516	Federal Direct	NY-37-X107	-	1,321,975

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YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/ PASS-THROUGH GRANTOR - Note 10	FEDERAL/ PASS-THROUGH GRANTOR'S NUMBER	2016 AMOUNT PROVIDED TO SUB-RECIPIENTS Note 9	2016 EXPENDITURES
Highway Safety Cluster:					
State & Community Highway Safety - Helmet Distribution Program 16	20.600	NYS GTSC	SO-00029-(052)	-	5,992
State & Community Highway Safety - Motorcycle Safety Enforcement & Education 2016	20.600	NYS GTSC	HS1-2016-Suffolk Co PD-00216-(052)	-	20,171
State & Community Highway Safety - Police Traffic Services 2016	20.600	NYS GTSC	SO-00047-(052)	-	19,237
State & Community Highway Safety - Child Passenger Safety 16	20.600	NYS GTSC	SO-00029-(052)	-	9,428
State & Community Highway Safety - Safe Driving Enforcement 2016	20.600	NYS GTSC	HS1-2016-Suffolk Co PD-00212-(052)	-	134,411
Total CFDA Number 20.600				-	189,239
National Priority Safety Programs - Medical Examiner Toxicology DWI/DUID 16	20.616	NYS GTSC	C-002240	-	47,383
National Priority Safety Programs - Medical Examiner Toxicology DWI/DUID 17	20.616	NYS GTSC	C-002261	-	8,877
National Priority Safety Programs - Ignition Interlock Device Monitoring Program 16	20.616	NYS DCJS, NYS GTSC	N/A	-	210,060
National Priority Safety Programs - Ignition Interlock Device Monitoring Program 17	20.616	NYS DCJS, NYS GTSC	N/A	-	33,057
National Priority Safety Programs - STOP DWI 16	20.616	NYS GTSC	HSI-00033(088)	-	34,505
National Priority Safety Programs - STOP DWI 16	20.616	NYS GTSC	DMV01-C002198-3700393	67,076	149,741
Total CFDA Number 20.616				67,076	483,623
Total Highway Safety Cluster				67,076	672,862
Total - U.S. Department of Transportation				67,076	30,697,158
U.S. Department of Treasury					
Equitable Sharing Program - Federal Forfeiture Funds (Police)	21.000	Federal Direct	N/A	-	904,082
Equitable Sharing Program - Federal Forfeiture Funds (Police) - (Note 7) Non-Monetary Assets	21.000	Federal Direct	N/A	-	14,000
Equitable Sharing Program - Federal Forfeiture Funds (District Attorney)	21.000	Federal Direct	N/A	-	87,791
Equitable Sharing Program - Federal Forfeiture Funds (Sheriff)	21.000	Federal Direct	N/A	24,136	333,033
Equitable Sharing Program - Cigarette Strike Force 2015	21.000	NYS DTF	C400703-Amendment 2	-	2,545
Equitable Sharing Program - Cigarette Strike Force 2016	21.000	NYS DTF	C400703 Amendment 3	-	4,581
Total CFDA Number 21.000				24,136	1,346,032
Total - U.S. Department of Treasury				24,136	1,346,032
U.S. ENVIRONMENTAL PROTECTION AGENCY					
National Estuary Program FY 09	66.456	Federal Direct	CE-992002-17-3	15,000	15,000
National Estuary Program FY 10	66.456	Federal Direct	CE-99200217-1	-	593
National Estuary Program FY 11	66.456	Federal Direct	CE-99200217-2	5,000	7,549
National Estuary Program FY 13	66.456	Federal Direct	CE-99200218	-	73,051
National Estuary Program FY 14	66.456	Federal Direct	CE-99200218-1	-	46,344
National Estuary Program FY 15	66.456	Federal Direct	CE-99200218-2	-	118,664
Total CFDA Number 66.456				20,000	261,201
Beach Monitoring & Notification Program Implementation Grants - Bath Beach Water Quality Monitoring & Notification 2015/2016	66.472	NYS DOH	C-029644	-	89,937
Beach Monitoring & Notification Program Implementation Grants - Bath Beach Water Quality Monitoring & Notification 2016/2017	66.472	NYS DOH	C-029644	-	9,244
Total CFDA Number 66.472				-	99,181
Performance Partnership Grants - Water Quality Management Planning (SPDES) 2015	66.605	NYS DEC	C-009765	-	30,789
Performance Partnership Grants - Water Quality Management Planning (SPDES) 2016	66.605	NYS DEC	C-009765	-	102,404
Total CFDA Number 66.605				-	133,193
Total - U.S. Environmental Protection Agency				20,000	493,575

SUFFOLK COUNTY, NEW YORK
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U.S. Department of Education					
Special Education Grants for Infants & Families - Early Intervention/Child Find 2015	84.181	NYS DOH	C-027511	-	399,876
Total - U.S. Department of Education				-	399,876
U.S. Election Assistance Commission					
Help America Vote Act Requirement Payments Shoe Box Grant	90.401	NYS BOE	C-003246	-	45,562
Total - U.S. Election Assistance Commission				-	45,562
U.S. Department of Health and Human Services					
Mammography Inspection 2016	93.C027670	NYS DOH	C-027670	-	41,584
Mammography Inspection 2017	93.DOH01-0000012573	NYS DOH	DOH-0000012573	-	13,195
Special Programs for the Aging Disease Prevention and Health Promotion Services (Title IIID)	93.043	NYS OFA	N/A	27,980	27,980
Aging Cluster:					
Special Programs for the Aging Grants for Supportive Services and Senior Centers (Title IIIB)	93.044	NYS OFA	N/A	422,108	1,124,578
Special Programs for the Aging Nutritional Services for the Elderly, Part C-1 (Title IIIC-1)	93.045	NYS OFA	N/A	1,388,659	1,611,141
Special Programs for the Aging Nutritional Services for the Elderly, Part C-2 (Title IIIC-2)	93.045	NYS OFA	N/A	749,504	884,488
Nutrition Services Incentive Program (NSIP)	93.053	NYS OFA	N/A	502,085	526,496
Total Aging Cluster				3,062,356	4,146,703
National Family Caregiver Support - Care Giver Training (Title IIIE)	93.052	NYS OFA	N/A	373,786	522,681
Public Health Emergency Preparedness - HRI-CRI Bioterrorism 15/16	93.069	HRI	1618-11	-	255,689
Public Health Emergency Preparedness - HRI-CRI Bioterrorism 16/17	93.069	HRI	1618-11	-	360,976
Total CFDA Number 93.069				-	616,665
Medicare Enrollment Assistance Program - MIPPA	93.071	NYS OFA	N/A	18,389	18,389
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - Ebola Preparedness & Response Activities	93.074	HRI	4984-01	-	83,661
Guardianship Assistance	93.090	NYS OTDA	18000	-	60,769
Food & Drug Administrative Research-Food Program Standards 15/16	93.103	Federal Direct	4U18FD004660-04	-	47,340
Food & Drug Administrative Research-Food Program Standards 15/16	93.103	Federal Direct	1U18FD005632-01	-	60,517
Food & Drug Administrative Research-Food Program Standards 16/17	93.103	Federal Direct	5U18FD004660-05	-	11,073
Food & Drug Administrative Research-Food Program Standards 16/17	93.103	Federal Direct	5U18FD005632-02	-	56,100
Food & Drug Administrative Research-Retail Food Safety Training Grant	93.103	Federal Direct	G-T-1510-02925	-	2,996
Total CFDA Number 93.103				-	178,026
Injury Prevention and Control Research and State and Community Based Programs-Falls Prevention for Older Adults 15	93.136	HRI	4415-05	-	10,005
Projects for Assistance in Transition from Homelessness	93.150	NYS DOH - OMH	N/A	258,882	258,882
Substance Abuse and Mental Health Services Projects of Regional and National Significance - SC Drug Court Expansion Project 15	93.243	Federal Direct	5H79TI025027-02	192,252	214,850
Substance Abuse and Mental Health Services Projects of Regional and National Significance - SC Drug Court Expansion Project 16	93.243	Federal Direct	5H79TI025027-03	-	4,800
Total CFDA Number 93.243				192,252	219,650

**SUFFOLK COUNTY, NEW YORK
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Immunization Cooperative Agreements - Immunization Action Plan 2015-2016	93.268	NYS DOH	C028322	-	48,486
Immunization Cooperative Agreements - Immunization Action Plan 2016-2017	93.268	NYS DOH	C028322	-	290,726
Total CFDA Number 93.268				-	339,212
Temporary Assistance for Needy Families - TANF	93.558	NYS OTDA	18000	192,926	97,230,301
Child Support Enforcement - Title IV D	93.563	NYS OTDA	18000	114,835	8,659,035
Low Income Home Energy Assistance	93.568	NYS OTDA	18000	-	543,445
Low Income Home Energy Assistance (Note 8)	93.568	NYS OTDA	18000	-	12,727,331
Total CFDA Number 93.568				-	13,270,776
Child Care and Development Block Grant	93.575	NYS OTDA	18000	1,033,079	34,100,013
Affordable Care Act State Health Insurance Assist Prgm (SHIP) and Aging and Disab Resource Center (ADRC)	93.626	NYS OFA	N/A	43,608	43,608
Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models					
Foster Care Title IV E	93.658	NYS OTDA	18000	-	12,829,457
Adoption Assistance Title IV E	93.659	NYS OTDA	18000	-	5,063,572
Social Services Block Grant Title XX	93.667	NYS OTDA	18000	2,142,356	9,888,618
Chafee Foster Care Independence Program	93.674	NYS OTDA	18000	301,935	355,207
Medical Assistance Program - Maternal & Infant Community Health Collaborative 15	93.778	NYS DOH	C-028973	-	325,388
Medical Assistance Program - Maternal & Infant Community Health Collaborative 16	93.778	NYS DOH	C-028973	-	84,247
Medical Assistance Program - NY CONNECTS - BIP	93.778	NYS OFA	N/A	-	429,413
Medical Assistance Program - NY CONNECTS - BIP CS	93.778	NYS OFA	N/A	42,574	52,121
Medical Assistance Program- Title XIX	93.778	NYS OTDA	18000	-	27,733,002
Total CFDA Number 93.778				42,574	28,624,171
Centers for Medicare & Medicaid Services Research, Demos & Evaluations Health Insurance Information & Counseling Assistance (HIICAP)	93.779	NYS OFA	N/A	62,963	62,963
HIV Emergency Relief Project Grants - Ryan White HIV Medical Case Management Prerelease Services to Inmates 15	93.914	UWLI	15726	-	8,976
HIV Emergency Relief Project Grants - Ryan White HIV Medical Case Management Prerelease Services to Inmates 16	93.914	UWLI	16726	-	77,762
Total CFDA Number 93.914				-	86,738
Block Grants for Community Mental Health Services - Adult	93.958	NYS DOH - OMH	N/A	652,520	1,062,079
Block Grants for Community Mental Health Services - Children & Family	93.958	NYS DOH - OMH	N/A	1,167,996	1,167,996
Block Grants for Community Mental Health Services - First Episode Psychosis	93.958	RFMHI	C-007873	-	257,729
Total CFDA Number 93.958				1,820,516	2,487,804
Block Grants for Prevention and Treatment of Substance Abuse - Medically Supervised Outpatient	93.959	NYS DOH - OASAS	N/A	1,801,502	1,801,502
Block Grants for Prevention and Treatment of Substance Abuse - Methadone Maintenance Outpatient	93.959	NYS DOH - OASAS	N/A	-	521,749
Block Grants for Prevention and Treatment of Substance Abuse - Methadone Maintenance Outpatient Program Income	93.959	NYS DOH - OASAS	N/A	-	795,709
Block Grants for Prevention and Treatment of Substance Abuse - Community Residential	93.959	NYS DOH - OASAS	N/A	910,656	910,656
Block Grants for Prevention and Treatment of Substance Abuse - Medically Monitored Withdrawal - Crisis	93.959	NYS DOH - OASAS	N/A	1,629,262	1,629,262
Block Grants for Prevention and Treatment of Substance Abuse - Primary Prevention Services	93.959	NYS DOH - OASAS	N/A	1,464,809	1,464,809
Block Grants for Prevention and Treatment of Substance Abuse - Vocational Rehabilitation	93.959	NYS DOH - OASAS	N/A	32,237	87,277
Total CFDA Number 93.959				5,838,466	7,210,964

**SUFFOLK COUNTY, NEW YORK
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Maternal and Child Health Services Block Grant to the States - Childhood Lead Poisoning Prevention 15/16	93.994	NYS DOH	C-30922GG	-	76,015
Maternal and Child Health Services Block Grant to the States - Childhood Lead Poisoning Prevention 16/17	93.994	NYS DOH	C-30922GG	-	45,319
Maternal and Child Health Services Block Grant to the States - Children with Special Health Care Needs 2015-2016	93.994	NYS DOH	C-029743	-	78,848
Maternal and Child Health Services Block Grant to the States - Children with Special Health Care Needs 2016-2017	93.994	NYS DOH	C-029743	-	24,911
Total CFDA Number 93.994				-	225,093
Total - U.S. Department of Health and Human Services				15,526,903	226,675,722
<u>U.S. Department of Social Security Administration</u>					
Supplemental Security Income - Social Security Administration Incentive Program	96.006	Federal Direct	N/A	-	57,000
Total - U.S. Department of Social Security Administration				-	57,000
<u>U.S. Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disaster) Severe Storms & Floods	97.036	NYS DHSES	FEMA - Storm # DR-NY-1899 PW 612	-	(7,100)
Disaster Grants - Public Assistance (Presidentially Declared Disaster) Severe Storms & Floods	97.036	NYS DHSES	FEMA - Storm # DR-NY-4020 PW 5005	-	3,921
Disaster Grants - Public Assistance (Presidentially Declared Disaster) Severe Storms & Floods	97.036	NYS DHSES	FEMA - Storm # DR-NY-4085 PW 1448	-	(6,511)
Disaster Grants - Public Assistance (Presidentially Declared Disaster) Severe Storms & Floods	97.036	NYS DHSES	FEMA - Storm # DR-NY-1692 PW 886	-	2,081
Disaster Grants - Public Assistance (Presidentially Declared Disaster) Severe Storms & Floods	97.036	NYS DHSES	FEMA - Storm # DR-NY-1899 PW 1094	-	13,513
Disaster Grants - Public Assistance (Presidentially Declared Disaster) Severe Storms & Floods	97.036	NYS DHSES	FEMA - Storm # DR-NY-1899 PW 510	-	213
Total CFDA Number 97.036				-	6,117
Hazard Mitigation Grant	97.039	NYS DHSES	C000718	-	18,869
Emergency Management Performance Grants - Local Emergency Management Planning Grant (LEMPG) 2015	97.042	NYS DHSES	WM15193055	-	359,170
Emergency Management Performance Grants - Local Emergency Management Planning Grant (LEMPG) 2016	97.042	NYS DHSES	WM16193065	-	143,435
Total CFDA Number 97.042				-	502,605
Port Security Grant Program - Port Security 2013	97.056	Federal Direct	EMW-2013-PU-00436-S01	-	48,791
Port Security Grant Program - Port Security 2014	97.056	Federal Direct	EMW-2014-PU-00351-S01	-	3,741
Port Security Grant Program - Port Security 2015	97.056	Federal Direct	EMW-2015-PU-00377-S01	-	313,950
Port Security Grant Program - Port Security 2014	97.056	Federal Direct	EMU-2014PU-00190-S01	-	140
Port Security Grant Program - Port Security 2015	97.056	Federal Direct	EMU-2015-PU-00237-S01	-	12,065
Total CFDA Number 97.056				-	378,687
Homeland Security Grant Program - Explosive Detection Canine Team 15	97.067	NYS DHSES	WM15884259	-	7,572
Homeland Security Grant Program - Hazmat 14	97.067	NYS DHSES	WM14193049	-	52,206
Homeland Security Grant Program - Hazmat 15	97.067	NYS DHSES	WM15193059	-	25,373
Homeland Security Grant Program - Operation Shield 16	97.067	NYS DHSES	WM15193060	-	49,073
Homeland Security Grant Program - State Homeland Security Program 2013 (SHSP) - Bomb Squad Initiative	97.067	NYS DHSES	WM13152831	-	56,004
Homeland Security Grant Program - State Homeland Security Program 2014 (SHSP)	97.067	NYS DHSES	WM14973740	-	595,468
Homeland Security Grant Program - State Homeland Security Program 2014 (SHSP) - Bomb Squad Initiative	97.067	NYS DHSES	WM14152841	-	44,829
Homeland Security Grant Program - State Homeland Security Program 2015 (SHSP)	97.067	NYS DHSES	WM15973750	-	201,042
Homeland Security Grant Program - State Homeland Security Program 2015 (SHSP) - Bomb Squad Initiative	97.067	NYS DHSES	WM15152851	-	1,485
Homeland Security Grant Program - State Homeland Security Program 2016 (SHSP)	97.067	NYS DHSES	C973760	-	2,417
Homeland Security Grant Program - State Law Enforcement Terrorism Prevention Program 2014 (SLETPP)	97.067	NYS DHSES	WM14973742	-	184,083
Homeland Security Grant Program - State Law Enforcement Terrorism Prevention Program 2015 (SLETPP)	97.067	NYS DHSES	WM15973752	-	65,206
Homeland Security Grant Program - Tactical Team Grant 14	97.067	NYS DHSES	WM14152849	-	1,114
Homeland Security Grant Program - Technical Rescue (USAR) 14	97.067	NYS DHSES	WM14884249	-	90,743
Homeland Security Grant Program - Urban Area Security Initiative 2014 (UASI)	97.067	NYS DHSES	WM14973743	-	966,333
Homeland Security Grant Program - Urban Area Security Initiative 2015 (UASI)	97.067	NYS DHSES	WM15973753	52,523	1,215,475
Homeland Security Grant Program - Urban Area Security Initiative 2016 (UASI)	97.067	NYS DHSES	WM16973763	-	2,422
Total CFDA Number 97.067				52,523	3,560,845

SUFFOLK COUNTY, NEW YORK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/ PASS-THROUGH GRANTOR - Note 10	FEDERAL/ PASS-THROUGH GRANTOR'S NUMBER	2016 AMOUNT PROVIDED TO SUB-RECIPIENTS Note 9	2016 EXPENDITURES
Staffing for Adequate Fire & Emergency Response (SAFER) 2014	97.083	Federal Direct	EMW-2014-FF-00451	-	263,666
Securing the Cities	97.106	NYC Police	DHS-11-DNDO-106-001	-	107,942
Total - U.S. Department of Homeland Security				<u>52,523</u>	<u>4,838,731</u>
Total - Expenditures of Federal Awards				<u>20,193,581</u>	<u>317,026,183</u>

See Notes to Schedule of Expenditures of Federal Awards

**SUFFOLK COUNTY
NEW YORK**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

(1) Reporting Entity

Suffolk County is a charter form of government governed by an elected 18-member County Legislature and administered by an elected County Executive. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the County appointing a voting majority of an organization's governing body and (1) the ability of the governing body to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burden on the County. Blended component units, although legally separate entities, are in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

(2) Basis of Accounting of Basic Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except that agency funds have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the County, available is defined as expected to be received within sixty days of fiscal year-end except for expenditure-driven grant revenues, which are considered available if collected within one year of the fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales and use tax, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**SUFFOLK COUNTY
NEW YORK**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

(3) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs administered by the County of Suffolk, New York (the "County"), a financial reporting entity as defined in Note 1 to the County's general purpose financial statements. All federal financial assistance passed through other government agencies is included in the Schedule of Expenditures of Federal Awards, except those federal expenditures of Suffolk County Community College (the "College"), a component unit, as the College engaged other auditors to perform an audit in accordance with 2 CFR Part 200.

(4) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards of the County are presented on the accrual basis of accounting.

(5) Indirect Rate

The County has not elected to use the 10% de minimis indirect cost rate.

(6) Relationship to Federal and State Financial Reports

The regulations and guidelines governing the preparation of federal and state financial reports vary by state and federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal and state financial reports do not necessarily agree with the amounts reported in the accompanying Schedule of Expenditures of Federal Awards, which is prepared as explained in Note 4 above.

(7) Federal Non-monetary and Loan Programs

The County is also the recipient of two federal financial assistance programs that do not result in cash receipts or disbursements, termed "non-monetary programs".

During the year ended December 31, 2016, the County distributed \$12,648,356 worth of WIC Food Checks and WIC Special Formula Food Instruments to eligible participants in the Special Supplemental Food Program for Women, Infants and Children, WIC (CFDA # 10.557)

During the year ended December 31, 2016, the US Department of Treasury awarded the County one seized vehicle amounting to \$14,000 through federal forfeitures (CFDA # 21.000)

Additionally, the HOME Investment Partnership Grant (CFDA # 14.239) contains the outstanding balance of the \$660,000 loan made to Artspace in 2011. This interest free loan, which has a 30 year life, has continuing compliance requirements.

CFDA Number	Program Name	Beginning Balance at January 1, 2016	Interest	Outstanding Balance at December 31, 2016
14.239	HOME Investment Partnership	\$660,000	-	\$660,000

**SUFFOLK COUNTY
NEW YORK**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

(8) Low-Income Home Energy Assistance Program

The Low-Income Home Energy Assistance Program (HEAP) total includes \$12,727,331 in payments made by the NY Office of the State Comptroller on behalf of Suffolk DSS through the NYS Office of Temporary and Disability Assistance (CFDA # 93.568).

(9) Sub-recipients

For the year ended December 31, 2016, amounts provided to subrecipients totaled \$20,193,581 and are listed by program on the Schedule of Expenditures of Federal Awards.

(10) Glossary of Pass-Through Grantors

The following is a glossary of pass-through grantor acronyms which may be used in the Schedule of Expenditures of Federal Awards.

Acronym	Agency
HRI	Health Research, Inc.
NYC Police	New York City Police Department
NYMTC	NYS Department of Transportation / New York Metropolitan Transit Council
NYS BOE	New York State Board of Elections
NYS DCJS	New York State Division of Criminal Justice Services
NYS DEC	New York State Department of Environmental Conservation
NYS DHSES	New York State Division of Homeland Security & Emergency Services
NYS DOH	New York State Department of Health
NYS DOH - OASAS	New York State Department of Health-Office of Alcohol & Substance Abuse Services
NYS DOH - OMH	New York State Department of Health - Office of Mental Health
NYS DOL	New York State Department of Labor
NYS DOT	New York State Department of Transportation
NYS DTF	New York State Department of Taxation and Finance
NYS EFC	New York State Environmental Facilities Corporation
NYS GTSC	New York State Governor's Traffic Safety Committee
NYS HTF	New York State Housing Trust Fund (GOSR Division)
NYS OFA	New York State Office for the Aging
NYS OTDA	New York State Office of Temporary and Disability Assistance
NYS OVS	New York State Office of Victim Services
RFMHI	Research Foundation for Mental Hygiene, Inc.
UWLI	United Way of Long Island

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SUFFOLK COUNTY
New York

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF AUDITORS' RESULTS		
<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: UNMODIFIED		
Internal control over financial reporting:		
• Material weakness (es) identified?	_____ yes	___X___ no
• Significant deficiency (ies) identified?	_____ yes	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no
Federal Awards		
Internal control over major federal programs:		
• Material weakness (es) identified?	___ X___ yes	_____ no
• Significant deficiency (ies) identified?	___X___ yes	_____ none reported
Type of auditor's report issued on compliance for major federal programs: Qualification for: Eligibility for Individuals for Adoption Assistance Title IV-E; Allowable Costs and Reporting for Block Grants for Community Mental Health Services; Equipment management for Federal Transit – Formula Grants and Cash management, Reporting, Matching and Special Tests and Provisions for Highway Planning and Construction. The Opinions for all other major programs are Unmodified.		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___X___ yes	_____ no
Identification of major federal programs: State Administrative Matching Grants for Supplemental Nutrition Assistance Program (Administrative Costs) (Food Stamp Program) (10.561) Community Development Block and Entitlement Grants (14.218) Airport Improvement Program - 15-33 Design (20.106) Highway Planning and Construction (20.205) Federal Transit Cluster (20.500/20.507) Job Access And Reverse Commute Program (20.516) Low Income Home Energy Assistance (93.568) Adoption Assistance Title IV E (93.659) Social Services Block Grant Title XX (93.667) Child Care and Development Block Grant (93.575) Medical Assistance Program - Federal Medicaid Salary Sharing (93.778) Block Grants for Community Mental Health Services - Adult Clinical Infrastructure – CMHS (93.958)		
Dollar threshold used to distinguish between type A and type B programs:	\$ 3,000,000	
Auditee qualified as low-risk auditee?	_____ yes	___X___ no

II FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None.

III FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

See accompanying pages 119 through 156.

* * * * *

FINDING # - 2016-001

EQUIPMENT MANAGEMENT – QUALIFIED, MATERIAL WEAKNESS

FEDERAL TRANSIT – FORMULA GRANTS (URBANIZED AREA FORMULA PROGRAM) (CFDA # 20.507)

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

1. CRITERIA

Equipment management - Non-Federal entities other than States must follow 2 CFR sections 200.313(c) through (e) which require that:

- Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR section 200.313(d)(1)).
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR section 200.313(d)(2)).
- Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR section 200.313(d)(4)).

2. CONDITION/ PERSPECTIVE

Suffolk County (the “County”) has equipment management internal control procedures in place to maintain effective internal control over equipment purchased from federal funds. However, we noted the following:

- We were not able to determine when the physical inventory was taken and reconciled with the property records.
- We were not provided property records from 2010 through 2016, which includes a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property.

3. CAUSE

The County did not follow policies and procedures, as stated in Uniform Grant Guidance CFR sections 200.313(c) through (e) regarding the equipment management.

FINDING # - 2016-001 (CONTINUED)

EQUIPMENT MANAGEMENT – QUALIFIED, MATERIAL WEAKNESS

FEDERAL TRANSIT – FORMULA GRANTS (URBANIZED AREA FORMULA PROGRAM) (CFDA # 20.507)

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

4. EFFECT

A lack of inventory documentation could result in lack of controls over the equipment and items could be stolen or disposed of without the proper procedures.

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend the County ensure:

- The physical inventory is taken and reconciled with the property records every two years.
- Maintain property records from 2010 through 2016, which includes a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property.

7. QUESTIONED COSTS

Cannot be determined.

8. VIEWS OF RESPONSIBLE OFFICIAL

The County will ensure that detailed property records of federal equipment are kept. These records shall include a description of the property, a serial number or other identification number, acquisition date, cost, percentage of Federal participation, grant number, location, use and condition, who holds title, disposition actions (including date if disposal and sales price), and useful life. These records will be kept in a form where they may be easily updated and produced for inspection.

The County will ensure that a physical inventory of federal equipment is taken and documented at least every two years. This inventory shall be reconciled with the County's property records of federally funded equipment.

Also, see "Corrective Action Plan".

FINDING # - 2016-002

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA # 93.958)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF HEALTH-OFFICE OF MENTAL HEALTH

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF HEALTH SERVICES

1. CRITERIA

Subrecipient Monitoring - As per *Uniform Grant Guidance §200.331* Requirements for pass-through entities. All pass-through entities must:

- (b) Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
 - (1) The subrecipient’s prior experience with the same or similar subawards;
 - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
 - (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
 - (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

2. CONDITION/PERSPECTIVE

Suffolk County Health Services (the “Department”) has subrecipient monitoring procedures in place. We noted the Department did not evaluate subrecipients’ risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

3. CAUSE

The Department did not follow policies and procedures as stated in *Uniform Grant Guidance CFR 200.331* regarding the subrecipient monitoring requirements.

4. EFFECT

The Department is not properly monitoring these subrecipients for all direct and material compliance requirements to ensure they are properly administering the federal funds. A lack of subrecipient policy could result in inappropriate monitoring of the subrecipients.

FINDING # - 2016-002 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA # 93.958)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF HEALTH-OFFICE OF MENTAL HEALTH

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF HEALTH SERVICES

5. REPEAT FINDING

No.

6. RECOMMENDATION

We recommend the Department implement policies and procedures to ensure its subrecipients are evaluated in accordance with *Uniform Grant Guidance CFR 200.331* subrecipient requirements.

7. QUESTIONED COST

None.

8. VIEWS OF RESPONSIBLE OFFICIAL

Although the Department of Health Services has always evaluated and monitored subrecipients of federal funds, a standard formal process to perform and document such evaluation and monitoring in compliance with the Uniform Grant Guidance 2 CFR Part 200 (section 200.331) was developed late last year and implemented on 12/15/16 in accordance with our Corrective Action Plan associated with the prior-year Single Audit. Standard documents in a fillable PDF format to facilitate the documentation process were developed and distributed department-wide shortly after implementation. Formal written evaluations, risk assessments and monitoring plans were performed in early 2017 for all existing subrecipients of the Department of Health Services using the standard documents, and will continue on an annual basis going forward.

Also, see “Corrective Action Plan”.

FINDING # - 2016-003

ALLOWABLE COSTS – QUALIFIED, MATERIAL WEAKNESS

BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA # 93.958)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF HEALTH-OFFICE OF MENTAL HEALTH

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF HEALTH SERVICES

1. CRITERIA

Allowable Costs - As per *Uniform Grant Guidance §200.403- Factors affecting allowability of costs and Direct costs*

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Costs represent charges for actual costs, not budgeted or projected amounts
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Be determined in accordance with Generally Accepted Accounting Principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

2. CONDITION/ PERSPECTIVE

Suffolk County (the “County”) provides advances of federal funds to the subrecipients. However, we noted that the County provided advance funds to its subrecipients based on estimates provided by the subrecipients. At the end of the calendar year, the County reconciles budgeted costs with the actual costs and the adjustment is made on the following year’s schedule of expenditures of federal awards.

3. CAUSE

The County did not follow policies and procedures as stated in Uniform Grant Guidance CFR 200.403 regarding the allowability of costs and Direct costs.

4. EFFECT

The State and Federal agency may disallow all the estimated costs paid to the subrecipients.

FINDING # - 2016-003 (CONTINUED)

ALLOWABLE COSTS – QUALIFIED, MATERIAL WEAKNESS

BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA # 93.958)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF HEALTH-OFFICE OF MENTAL HEALTH

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF HEALTH SERVICES

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend the County ensure the payments to the subrecipients are based on actual costs and, not budgeted or projected amounts.

7. QUESTIONED COSTS

Cannot be determined.

8. VIEWS OF RESPONSIBLE OFFICIAL

The Department follows the policies and procedures provided by the pass-through agency, NYS OMH, contained in the NYS Consolidated Budget Reporting and Claiming Manual. As required by NYS, the funding is advanced to the subrecipients on a quarterly basis, within thirty (30) days of the advance's quarterly receipt by the County. Although NYS advances 25% of the annual budget to the County each quarter, the Department advances the first two quarters based on 25% of the budget, but the third and fourth quarters based on first and second quarter actuals. The Department requests Consolidated Quarterly Reports (CQR) from the subrecipients for the first two quarters in order to adjust the third and fourth quarter payments by actual amounts. All payments are reconciled to the final actual expenses in the year-end Consolidated Claiming Reports (CCR), which are completed and submitted by the subrecipients on June 1st. In addition, as a condition of receiving payments, all subrecipients are required to sign a federal certification form to ensure federal prohibitions have not been violated.

We note that the statement provided as the second bullet in the "Criteria" section above ("Costs represent charges for actual costs, not budgeted or projected amounts") is not a requirement contained in the cited *Uniform Grant Guidance §200.403*, but instead is a suggested compliance audit procedure under *2 CFR part 230/A-122 Cost principles for Non-profit Entities*. We do however ultimately comply with this, as all payments made to subrecipients by the Department represent actual costs upon final reconciliation.

FINDING # - 2016-003 (CONTINUED)

ALLOWABLE COSTS – QUALIFIED, MATERIAL WEAKNESS

BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA # 93.958)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF HEALTH-OFFICE OF MENTAL HEALTH

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF HEALTH SERVICES

In an effort to identify actual amounts more timely, reconciliations of third and fourth quarter actuals will be performed by the Department prior to the CCR reconciliations on June 1st. To accomplish this, the Department will require subrecipients to submit CQRs for all four quarters within 30 days of each quarter close. Final adjustment will be made through the year-end reconciliation upon submission of the CCRs by the subrecipients on June 1st.

Also, see “Corrective Action Plan”.

FINDING # - 2016-004

ELIGIBILITY FOR INDIVIDUALS – QUALIFIED, MATERIAL WEAKNESS

ADOPTION ASSISTANCE (CFDA # 93.659)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

1. CRITERIA

Eligibility for Individuals—Adoption assistance subsidy payments may be paid on behalf of a child only if all of the following requirements are met:

- The child is eligible, or would have been eligible, for the former Aid to Families with Dependent Children (“AFDC”) program (i.e., met the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act) except for his/her removal from the home of a relative pursuant to either a voluntary placement agreement or as a result of a judicial determination to the effect that continuation in the home of removal would have been contrary to the welfare of the child; the child is eligible for Supplemental Security Income; or is a child whose costs in a foster family home or child care institution are covered by the foster care maintenance payments being made with respect to his/her minor parent (42 United States Code (“USC”) 673(a)(2)(A) (i)(I)).
- Nonrecurring expenses of adoption may be paid on behalf of a child only if all of the following requirements are met:
 - The agreement, as a separate document or part of an agreement for State/Tribe or Federal Adoption assistance payment or services, was signed prior to the final decree of adoption (45 Code of Federal Regulations (“CFR”) sections 1356.41(b)).
 - The agreement indicates the nature and amount of the nonrecurring expenses to be paid (45 CFR sections 1356.41(a)).
 - The State or Tribe has determined that the child is a child with special needs (45 CFR sections 1356.41(d)).
 - The child has been placed for adoption in accordance with applicable State and local laws (45 CFR sections 1356.41(d)).
 - The costs incurred by or on behalf of adoptive parents are not otherwise reimbursed from other sources (45 CFR sections 1356.41(g)).

2. CONDITION/PERSPECTIVE

New York State has enacted legislation which allows payments to be made for the care and maintenance of children when they are adopted. Suffolk County Department of Social Services (the “Department”) provides a monthly adoption subsidy payment mandated by law for the care, maintenance, and/or medical needs of a child who fits the definition of handicapped or hard-to-place

FINDING # - 2016-004 (CONTINUED)

ELIGIBILITY FOR INDIVIDUALS – QUALIFIED, MATERIAL WEAKNESS

ADOPTION ASSISTANCE (CFDA # 93.659)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

as defined by New York State law and regulations. Subsidy payments are available to all eligible children until the age of 21 regardless of the adoptive parent's income. These payments are discontinued only when it is determined by a social services official that the adoptive parent(s) is no longer legally responsible for the support of the child or that the child is no longer receiving any support from the parent(s).

Of the sixty files (60) selected for testing:

- Fifty-two (52) files did not include one or more federally required documents. The missing documents were the Eligibility for Title 1V-E Adoption Assistance Form (DSS-3912).

3. CAUSE

The Department did not ensure that all required forms were filed and signed timely.

4. EFFECT

The grantor agency may disallow the claims and reimbursement for the reimbursement for the recipients. County claims could be made on behalf of ineligible recipients.

5. REPEAT FINDING

A similar finding was included in the prior year single audit report as item 2015-009.

6. RECOMMENDATION

We recommend the Department strengthen its monitoring controls over the adoption assistance case files, to ensure the timely and accurate determination of eligibility.

7. QUESTIONED COST

Cannot be determined.

8. VIEWS OF RESPONSIBLE OFFICIAL

The Department of Social Services acknowledges that case records for cases established prior to 2002 do not contain the DSS-3912 form. The Department of Social Services made a procedural change in 2002 that resulted in the DSS-3912 form becoming part of the case record for any case established in the year 2002 and in subsequent years.

Also See "Corrective Action Plan".

FINDING # - 2016-005

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

SOCIAL SERVICES BLOCK GRANT (CFDA # 93.667)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

1. CRITERIA

Subrecipient Monitoring - As per *Uniform Grant Guidance* - §200.331 Requirements for pass-through entities. All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

- Subrecipient name (which must match the name associated with its unique entity identifier);
- Subrecipient's unique entity identifier;
- Federal Award Identification Number (FAIN);
- Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
- Subaward Period of Performance Start and End Date;
- Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
- CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- Identification of whether the award is R&D; and
- Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

FINDING # - 2016-005 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

SOCIAL SERVICES BLOCK GRANT (CFDA # 93.667)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
 - (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
 - (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the Pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
 - (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
 - (6) Appropriate terms and conditions concerning closeout of the subaward.
- (b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
- The subrecipient's prior experience with the same or similar subawards;
 - The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
 - Whether the subrecipient has new personnel or new or substantially changed systems; and
 - The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
- (c) Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in §200.207 Specific Conditions.
- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

FINDING # - 2016-005 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

SOCIAL SERVICES BLOCK GRANT (CFDA # 93.667)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

- Reviewing financial and performance reports required by the pass-through entity.
 - Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (e) Depending upon the pass-through entity’s assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
- Providing subrecipients with training and technical assistance on program-related matters; Performing on-site reviews of the subrecipient’s program operations;
 - Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.
- (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit Requirements.
- (g) Consider whether the results of the subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records.
- (h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

2. CONDITION/PERSPECTIVE

The Suffolk County Department of Social Services, (the “Department”) has subrecipient monitoring procedures in place. We noted the Department’s subrecipient contracts did not include all the required information for its subrecipient contract. We also noted the County did not evaluate subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

3. CAUSE

The Department’s Standard subaward agreement does not include all the required federal awards information. The Department did not follow policies and procedures as stated in *Uniform Grant Guidance CFR 200.331* regarding the subrecipient monitoring requirements.

FINDING # - 2016-005 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

SOCIAL SERVICES BLOCK GRANT (CFDA # 93.667)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

4. EFFECT

Failing to include the Federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also a potential for subrecipients to have an incomplete SFA in their single audit reports and federal funds may not be properly audited at the subrecipient level in accordance with the Uniform Guidance. A lack of Subrecipient policy could result in inappropriate monitoring of the subrecipients.

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend that the Department implement policies and procedures to communicate the federal grant information to all subrecipients in accordance with *Uniform Grant Guidance CFR 200.331* subrecipient requirements.

7. QUESTIONED COST

None.

8. VIEWS OF RESPONSIBLE OFFICIAL

The Department of Social Services in its review of the new *Uniform Grant Guidance CFR 200.331*, understands that a more formal documented policy is most likely needed and we will work with the County Law Department and any other departments in a county wide fashion to create one. If there is no countywide policy, the Department of Social Services will formally document all the necessary language required for subrecipient compliance and create an internal policy going forward.

Also, see “Corrective Action Plan”.

FINDING # - 2016-006

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNFICANT DEFICIENCY

CHILD CARE AND DEVELOPMENT BLOCK GRANT (CFDA # 93.575)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

1. CRITERIA

Subrecipient Monitoring - As per *Uniform Grant Guidance* - §200.331 Requirements for pass-through entities. All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

- Subrecipient name (which must match the name associated with its unique entity identifier);
- Subrecipient's unique entity identifier;
- Federal Award Identification Number (FAIN);
- Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
- Subaward Period of Performance Start and End Date;
- Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
- CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- Identification of whether the award is R&D; and
- Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

FINDING # - 2016-006 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNFICANT DEFICIENCY

CHILD CARE AND DEVELOPMENT BLOCK GRANT (CFDA # 93.575)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
 - (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
 - (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the Pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
 - (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
 - (6) Appropriate terms and conditions concerning closeout of the subaward.
- (b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
- The subrecipient's prior experience with the same or similar subawards;
 - The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
 - Whether the subrecipient has new personnel or new or substantially changed systems; and
 - The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
- (c) Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in §200.207 Specific Conditions.
- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

FINDING # - 2016-006 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

CHILD CARE AND DEVELOPMENT BLOCK GRANT (CFDA # 93.575)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

- Reviewing financial and performance reports required by the pass-through entity.
 - Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (e) Depending upon the pass-through entity’s assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
- Providing subrecipients with training and technical assistance on program-related matters; Performing on-site reviews of the subrecipient’s program operations;
 - Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.
- (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit Requirements.
- (g) Consider whether the results of the subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records.
- (h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

2. CONDITION/PERSPECTIVE

The Suffolk County Department of Social Services, (the “Departments”) has subrecipient monitoring procedures in place. We noted the Department’s subrecipient contracts did not include all the required information for its subrecipient contract. We also noted the County did not evaluate subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

3. CAUSE

The Department’s Standard subaward agreement does not include all the required federal awards information. The Department did not follow policies and procedures as stated in *Uniform Grant Guidance CFR 200.331* regarding the subrecipient monitoring requirements.

FINDING # - 2016-006 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

CHILD CARE AND DEVELOPMENT BLOCK GRANT (CFDA # 93.575)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

4. EFFECT

Failing to include the Federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also a potential for subrecipients to have an incomplete SFA in their single audit reports and federal funds may not be properly audited at the subrecipient level in accordance with the Uniform Guidance. A lack of Subrecipient policy could result in inappropriate monitoring of the subrecipients.

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend that the Department implement policies and procedures to communicate the federal grant information to all subrecipients in accordance with *Uniform Grant Guidance CFR 200.331* subrecipient requirements.

7. QUESTIONED COST

None.

8. VIEWS OF RESPONSIBLE OFFICIAL

The Department of Social Services in its review of the new *Uniform Grant Guidance CFR 200.331*, understands that a more formal documented policy is most likely needed and we will work with the County Law Department and any other departments in a county wide fashion to create one. If there is no countywide policy, the Department of Social Services will formally document all the necessary language required for subrecipient compliance and create an internal policy going forward.

Also see “Corrective Action Plan”.

FINDING # - 2016-007

REPORTING – QUALIFIED, MATERIAL WEAKNESS

BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA # 93.958)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF HEALTH-OFFICE OF MENTAL HEALTH

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF HEALTH SERVICES

1. CRITERIA

Reporting — *Uniform Grant Guidance* requires auditor to Perform (1) - Review applicable statutes, regulations, and the terms and conditions of the Federal award pertaining to reporting requirements. (2) Perform appropriate analytical procedures and ascertain the reason for any unexpected differences. Examples of analytical procedures include:

- Comparing current period reports to prior period reports.
- Comparing anticipated results to the data included in the reports.
- Comparing information obtained during the audit of the financial statements to the reports.

Test for accuracy and completeness: Financial reports – (a) Ascertain if the financial reports were prepared in accordance with the required accounting basis. (b) Review accounting records and ascertain if all applicable accounts were included in the sampled reports (e.g., program income, expenditure credits, loans, interest earned on Federal funds, and reserve funds).

2. CONDITION/PERSPECTIVE

Suffolk County (the “County”) provides advance federal funds to subrecipients based on estimates and at the year-end, the County reconciles the actual costs with the estimated costs. The reconciliation differences are added to or subtracted from subsequent year schedule of federal expenditures. The reconciliations for calendar year ended 2016 have not been completed. All Consolidated Claiming Reports (“CCRs”) have been submitted by the subrecipients, but are not considered final until the reconciliations are completed. We were unable to obtain the final CCRs to perform analytical procedures.

3. CAUSE

The Department did not enforce strict due dates to the subrecipients to submit the CCRs.

4. EFFECT

The County is not in compliance with the requirements to reconcile report on a timely basis, and thus the pass-through entity may not be able to report timely.

FINDING # - 2016-007 (CONTINUED)

REPORTING – QUALIFIED, MATERIAL WEAKNESS

BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA # 93.958)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF HEALTH-OFFICE OF MENTAL HEALTH

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF HEALTH SERVICES

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend the County ensure the Consolidated Claiming Report (CCR) is reconciled and submitted to NYS DOH- OMH within the required time frame.

7. QUESTIONED COST

Cannot be determined.

8. VIEWS OF RESPONSIBLE OFFICIAL

The Department begins to reconcile the subrecipients' Consolidated Claiming Reports (CCR) once they have been submitted to the County and NYS DOH- OMH; however, the NYS June 1st due date for submission is not always met by all subrecipients. The Department will more strictly enforce this due date and future payments due to subrecipients that are not in compliance will be withheld until a final CCR is received.

Also see "Corrective Action Plan".

FINDING # - 2016-008

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REPORTING (“SEFA”) –
NONCOMPLIANCE, SIGNIFICANT DEFICIENCY**

FEDERAL TRANSIT FORMULA GRANTS (CFDA # 20.507)

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

1. CRITERIA

Schedule of Expenditures of Federal Awards Reporting —2 CFR Part 200.510 (b) of Uniform Grant Guidance states that the auditee must prepare a SEFA for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with Part 200.502 basis for Determining Federal Awards Expended.

2. CONDITION/PERSPECTIVE

Suffolk County (the “County”) prepares the Schedule of Expenditures of Federal Awards. The Department of Public Works (“Department”) accrued expenditures for the program, which had no federal contract. Thus, the Department failed to report the proper amount of grant expenditures on the schedule of expenditures of Federal awards for the year ended December 31, 2016. It was determined that the SEFA was overstated by \$920,000. The amount has been correctly adjusted on the 2016 SEFA.

3. CAUSE

The Department did not review its federal grant contracts with the SEFA expenditures.

4. EFFECT

Consequences for failure to report accurate expenses may include a reduction of overall awards and/or a restriction or reduction in future awards.

5. REPEAT FINDING

No

6. QUESTIONED COST

None

7. RECOMMENDATION

We recommend the Department should institute formal policies and procedures to ensure an accurate and complete population of grant related expenses are recorded and reported in the correct period.

FINDING # - 2016-008 (CONTINUED)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REPORTING (“SEFA”) –
NONCOMPLIANCE, SIGNIFICANT DEFICIENCY**

FEDERAL TRANSIT FORMULA GRANTS (CFDA # 20.507)

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

8. VIEWS OF RESPONSIBLE OFFICIAL

The County shall ensure that all grant expenditures reported on the SEFA are programmed in active grant contracts. The person(s) responsible for the completion of the SEFA shall review reported program expenditures with a supervisor who has knowledge of all current grants prior to submission. The County shall not accrue and report program expenditures which are not programmed in active grant contracts, even if the County has reason to believe that grant awards are forthcoming.

Also, see “Corrective Action Plan”.

FINDING # - 2016-009

ELIGIBILITY – DEFICIENCY AND NONCOMPLIANCE

CHILD CARE AND DEVELOPMENT BLOCK GRANT (CFDA # 93.575)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

1. CRITERIA

Eligibility for Individuals — Lead Agencies must have in place procedures for documenting and verifying eligibility in accordance with the following Federal requirements, as well as the specific eligibility requirements selected by each State/Territory/tribe in its approved Plan. A Lead Agency is the designated State, territorial or tribal entity to which the CCDF grant is awarded and that is accountable for administering the CCDF program.

- Children must be under age 13 (or up to age 19, if incapable of self care or under court supervision), who reside with a family whose income does not exceed 85 percent of State/territorial/tribal median income for a family of the same size, and reside with a parent (or parents) who is working or attending a job-training or education program; or are in need of, or are receiving, protective services. Lead Agencies may choose to provide services during periods of job search. Tribes may elect to use State or tribal median income (42 USC 9858 n(4); 45 CFR sections 98.20(a) and 98.80(f)).
- Lead Agencies shall establish a sliding fee scale, based on family size, income, and other appropriate factors, that provides for cost sharing by families that receive CCDF child care services (45 CFR section 98.42). Lead Agencies may exempt families below the poverty line from making copayments and shall establish a payment rate schedule for child care providers caring for subsidized children (45 CFR section 98.43).

2. CONDITION/PERSPECTIVE

The Suffolk County Department of Social Services (the “Department”) performs eligibility determination for Child Care Cluster programs. Of the sixty case files selected for review, one file did not include one federally required document. The missing document was the birth certificate. Therefore, we could not determine if the child was eligible to receive program services, based on the age.

3. CAUSE

The Department did not ensure that all eligibility case files are properly maintained.

4. EFFECT

Evidence supporting the eligibility determination and redeterminations were not included in the file. Payments under Childcare and Development Block Grant may be processed on behalf of ineligible clients.

FINDING # - 2016-009 (CONTINUED)

ELIGIBILITY – DEFICIENCY AND NONCOMPLIANCE

CHILD CARE AND DEVELOPMENT BLOCK GRANT (CFDA # 93.575)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend that the Department ensure that all case files are properly maintained in the Department.

7. QUESTIONED COST

Cannot be determined.

8. VIEWS OF RESPONSIBLE OFFICIAL

The Suffolk County Department of Social Services follows New York State Office of Children and Family Services rules and regulations in performing eligibility determinations for Child Care programs and relies on checklists and supervisory (quality control) oversight to ensure all required documents are gathered, reviewed and filed for each determination. The Department will provide a reminder to all child care eligibility staff and refresher training if needed to ensure that all eligibility rules and regulations are followed and case records are complete in making eligibility determinations.

Also, see “Corrective Action Plan”.

FINDING # - 2016-010

ELIGIBILITY – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

MEDICAL ASSISTANCE PROGRAM (CFDA # 93.778)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

1. CRITERIA

Eligibility for Individuals — The auditor should not test eligibility for determinations based on Modified Adjusted Gross Income (MAGI-based determination). Detailed testing is performed under the Medicaid and CHIP Eligibility Review Pilots, which serve as CMS’ oversight of Medicaid and CHIP eligibility determinations during the initial years of Affordable Care Act implementation. Since the Medicaid and CHIP Eligibility Review Pilots do not focus on non-MAGI-based cases (i.e. Aged, Blind, and Disabled), the auditor should test non-MAGI determinations, as described below.

- The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10).
- There are specific requirements that must be followed to ensure that individuals meet the financial and non-financial requirements for Medicaid.

2. CONDITION/PERSPECTIVE

The Suffolk County Department of Social Services (the “Department”) performs eligibility determination for the Medical Assistance Program. Of the sixty case files selected for review, we noted the following:

- Two files did not include the required Budget document.
- One file included Non-Services Authorization forms (Form 3209), which is an authorization document which is signed by the case worker and quality control employee to ensure that the case is reviewed and proper documentation has been obtained. We noted that the quality control employee did not sign Form 3209.
- Two files did not include federally required documents. The missing documents were Form 3209. Therefore, we could not determine if the child was eligible to receive program services.

3. CAUSE

The Department did not ensure that all eligibility case files are properly maintained.

4. EFFECT

Evidence supporting the eligibility determination and redeterminations were not included in the file. Payments under Medical Assistance Program may be processed on behalf of ineligible clients.

FINDING # - 2016-010 (CONTINUED)

ELIGIBILITY – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

MEDICAL ASSISTANCE PROGRAM (CFDA # 93.778)

STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

COUNTY AGENCY: DEPARTMENT OF SOCIAL SERVICES

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend that the Department ensure that all case files are properly maintained in the Department.

7. QUESTIONED COST

Cannot be determined.

8. VIEWS OF RESPONSIBLE OFFICIAL

The Department of Social Services acknowledges that the above referenced documents were missing from the respective case records. The department also acknowledges that the quality control employee did not sign the Form 3209 in the examined case record. The department will implement the steps outlined in our corrective action plan to address these issues.

Also, see “Corrective Action Plan”.

FINDING # - 2016-011

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS (CFDA # 14.218)

**FEDERAL AGENCY: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COUNTY AGENCY: DEPARTMENT OF ECONOMIC DEVELOPMENT AND PLANNING**

1. CRITERIA

Subrecipient Monitoring - As per *Uniform Grant Guidance* - §200.331 Requirements for pass-through entities. All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

- Subrecipient name (which must match the name associated with its unique entity identifier);
- Subrecipient's unique entity identifier;
- Federal Award Identification Number (FAIN);
- Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
- Subaward Period of Performance Start and End Date;
- Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
- CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- Identification of whether the award is R&D; and
- Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

FINDING # - 2016-011 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS (CFDA # 14.218)

FEDERAL AGENCY: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COUNTY AGENCY: DEPARTMENT OF ECONOMIC DEVELOPMENT AND PLANNING

- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
 - (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
 - (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the Pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
 - (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
 - (6) Appropriate terms and conditions concerning closeout of the subaward.
- (b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
- The subrecipient's prior experience with the same or similar subawards;
 - The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
 - Whether the subrecipient has new personnel or new or substantially changed systems; and
 - The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
- (c) Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in §200.207 Specific Conditions.
- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

FINDING # - 2016-011 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS (CFDA # 14.218)

FEDERAL AGENCY: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COUNTY AGENCY: DEPARTMENT OF ECONOMIC DEVELOPMENT AND PLANNING

- Reviewing financial and performance reports required by the pass-through entity.
 - Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (e) Depending upon the pass-through entity’s assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
- Providing subrecipients with training and technical assistance on program-related matters; Performing on-site reviews of the subrecipient’s program operations;
 - Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.
- (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit Requirements.
- (g) Consider whether the results of the subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records.
- (h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

2. CONDITION/PERSPECTIVE

The Suffolk County Department of Economic Development and Planning, (the “Department”) has subrecipient monitoring procedures in place. The Department performs a CDBG Pre-Funding checklist as well as the Subrecipient risk analysis and appropriate procedures are in place regarding the risk assessment. However, although the assessment was performed, there was no written documentation of the analysis and checklist for our 3 subrecipient selections. As such, we determined subrecipient monitoring risk assessment process is not in compliance and report a finding.

The Suffolk County subrecipient contracts did not include all the required information for its subrecipient contract. The contract did not include Federal Award Identification Number (FAIN), Federal Award Date, Amount of Federal Funds obligated by this action, and identification whether the award is R&D. As such, we determined subrecipient monitoring risk assessment process is not in compliance and report a finding.

FINDING # - 2016-011 (CONTINUED)

SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS (CFDA # 14.218)

**FEDERAL AGENCY: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COUNTY AGENCY: DEPARTMENT OF ECONOMIC DEVELOPMENT AND PLANNING**

3. CAUSE

The Department's Standard subawards agreement does not include all the required federal awards information. The Department did not follow policies and procedures as stated in *Uniform Grant Guidance CFR 200.331* regarding the subrecipient monitoring requirements.

4. EFFECT

Failing to include the Federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also a potential for subrecipients to have an incomplete SFA in their single audit reports and federal funds may not be properly audited at the subrecipient level in accordance with the Uniform Guidance. A lack of Subrecipient policy could result in inappropriate monitoring of the subrecipients.

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend that the Department implement policies and procedures to communicate the federal grant information to all subrecipients in accordance with *Uniform Grant Guidance CFR 200.331* subrecipient requirements.

7. QUESTIONED COST

None

8. VIEWS OF RESPONSIBLE OFFICIAL

We will insure that the risk assessment documentation is performed with the 2017 award funding and future years.

Also, see "Corrective Action Plan".

FINDING # - 2016-012

CASH MANAGEMENT – QUALIFIED, MATERIAL WEAKNESS

HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

1. CRITERIA

Cash management — The reimbursement payment method is the preferred payment method if (a) the non-Federal entity cannot meet the requirements in 2 CFR section 200.305(b)(1) for advance payment, (b) the Federal awarding agency sets a specific condition for use of the reimbursement or (3) if requested by the non-Federal entity (2 CFR sections 200.305(b)(3) and 200.207)). The reimbursement payment method also may be used on a Federal award for construction or for other construction activity as specified in 2 CFR section 200.305(b)(3), program costs must be paid by non-Federal entity funds before submitting a payment request (2 CFR section 200.305(b)(3)), i.e., the non-Federal entity must disburse funds for program purposes before requesting payment from the Federal awarding agency or pass-through entity.

2. CONDITION

The Suffolk County Department of Public Works (the “Department”) performs claims reimbursable expenses through New York State Department of Transportation. The County uses Federal awards for construction activity. We were not provided total reimbursement requested by the Department from New York State, therefore we were unable to select a sample to ensure that program costs were paid by the Department before submitting a payment request.

3. CAUSE

The Department did not maintain record for all reimbursement request by program from the State agency. The Department did not follow policies and procedures as stated in *Uniform Grant Guidance* 2 CFR section 200.305(b)(3)) regarding the reimbursement payment method.

4. EFFECT

The funding agency may not be able to maintain accurate records of reimbursement requested by the Department by program and thus decline the reimbursement.

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend that the Department maintain accurate records of all the reimbursement request to the funding agency. We also recommend the Department ensure its reimbursement request are in compliance with *Uniform Grant Guidance* 2 CFR section 200.305(b)(3)).

FINDING # - 2016-012 (CONTINUED)

CASH MANAGEMENT – QUALIFIED, MATERIAL WEAKNESS

HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

7. QUESTIONED COST

Cannot be determined.

8. VIEWS OF RESPONSIBLE OFFICIAL

Accurate records of all reimbursement requests to the funding agency are maintained by the department. Unfortunately, due to staffing and communication issues during the audit, some of these documents were not provided to Deloitte. These documents are available. The department will address filing and process issues to ensure that documents are scanned and coded to make them more quickly assessable and available to be provided when requested.

From this point forward the department will scan all documents and save in a file location known to and readily available to staff that need to access the documents and reports.

Also, see “Corrective Action Plan”.

FINDING # - 2016-013

REPORTING – QUALIFIED, MATERIAL WEAKNESS

HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

1. CRITERIA

Reporting — As per *PR-20, Voucher for Work Under Provisions of the Federal-Aid and Federal Highway Acts*, as Amended (OMB No. 2125-0507).

The Federal-aid Highway Program provides for the reimbursement to States/subrecipients for expenditure of Federal/State funds for eligible Federal-aid highway projects. The Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts as amended is utilized by the Federal/States to provide project financial data regarding the expenditure of Federal/State funds and to request progress payments from the FHWA. Title 23 U.S.C. 121(b) requires the submission of vouchers. The specific information required on the voucher is contained in 23 U.S.C. 121 and 117. Two types of submissions are required by recipients. One is a progress voucher where the recipient enters the amounts claimed for each FHWA appropriation, and the other is a final voucher where project costs are classified by work type. An electronic version of the Voucher for Work Performed under Provisions of the Federal Aid Highway Acts, as amended, Form PR-20, is used by all recipients to request progress and final payments.

2. CONDITION

The Suffolk County Department of Public Works (the “Department”) is responsible to complete Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts. We were not provided population for Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts forms and whether they were submitted to the State agency. Therefore we were not able to determine if the Department completed the Form P-20 and were submitted to the State agency on a timely manner.

3. CAUSE

The Department did not maintain complete record of all Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts Forms. The Department did not follow policies and procedures as stated in compliance supplement - OMB No. 2125-0507 regarding the reporting requirements.

4. EFFECT

The State agency may not reimburse funds to the Department in a timely manner.

FINDING # - 2016-013 (CONTINUED)

REPORTING – QUALIFIED, MATERIAL WEAKNESS

HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend that the Department maintain accurate records of all Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts. We also recommend the Department ensure its Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts are complete and filed with the State agency on a timely manner.

7. QUESTIONED COST

Cannot be determined.

8. VIEWS OF RESPONSIBLE OFFICIAL

The department maintains accurate records of all vouchers for work performed under provisions of the federal aid and federal highway acts. The department ensures its voucher for work performed under provisions of the federal aid and federal highway acts are complete and filed with the state agency in a timely manner. Unfortunately, due to staffing and communication issues during the audit, some of these documents were not provided to Deloitte. These documents are available. The department will address filing and process issues to ensure that documents are scanned and coded to make them more quickly assessable and available to be provided when requested.

From this point forward the department will scan all documents and save in a file location known to and readily available to staff that need to access the documents and reports.

Also, see “Corrective Action Plan”.

FINDING # - 2016-014

MATCHING – QUALIFIED, MATERIAL WEAKNESS

HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

1. CRITERIA

Matching — Matching – (a) The State generally is required to pay a portion of the project costs. Portions vary according to the type of funds authorized and the type of project and are stated in project agreements. (b) A State’s matching share for a project may be credited by FHWA-approved toll revenues used to build or improve highways, bridges, and tunnels (23 USC 120(i)). (c) Donations of funds, materials, and services by a person or local government may be credited towards a State’s matching share. Donated materials and services must meet the eligibility requirements of the project (23 USC 323(c)). (d) The value of land provided by State or local governments for highway purposes is eligible for a credit towards the non-Federal share of project costs. The value of the donated land shall not include any increase or decrease in value of donated land caused by the project. The value of donated land shall be based on the fair market value of the land, established as of the earlier of (1) the date on which the donation becomes effective, or (2) the date on which equitable title to the land vests in the State. Real property acquired with State funds and required for federally-assisted projects may be credited toward the non-Federal share of project costs (23 USC 323(b); 23 CFR section 710.507). (e) For Transportation Enhancement (TE) projects using TE funds apportioned prior to October 1, 2012, funds from Federal agencies (except U.S. DOT) may be credited toward the non-Federal share of the cost of a project. The value of other non-cash contributions may be credited toward the non-Federal share. The non-Federal share may be calculated on a project, multiple-project, or program-wide basis. The total cost of an individual project may be funded with up to 100 percent Federal funds; however, for a fiscal year, the ratio of Federal funds to non-Federal funds for all TE funded projects must comply with the maximum Federal share provisions in 23 USC 120(b). FHWA guidance on these provisions is available at (f). For projects funded under 23 USC or 49 USC Chapter 53, any Federal funds (except for funds available under 23 USC and 49 USC) may be used to pay the non-Federal share of any transportation project that is within, adjacent to, or provides access to Federal land (23 USC 120(j)). (g) Federal Lands Transportation Program funds and Tribal Transportation Program funds may be used to pay the non-Federal share of projects which provide access to or within Federal or Indian lands which are funded under 23 USC or 49 USC Chapter 53 (23 USC 120(k)). (h) For the Recreational Trails Program (RTP), funds from other Federal programs (including the U.S. Department of Transportation) may be credited toward the non-Federal share of the cost of a project. RTP funds may be used to match other Federal programs. The non-Federal share may be calculated on a project, multiple-project, or program-wide basis (23 USC 206(f)).

Any project sponsor (except for Federal agencies), whether a private individual or organization or a public agency, may donate funds, materials, services (including volunteer labor), or new right-of-way to be credited to the non-Federal share of an RTP project. Federal project sponsors may provide

FINDING # - 2016-014 (CONTINUED)

MATCHING – QUALIFIED, MATERIAL WEAKNESS

HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

funds, materials, or services as part of the Federal share, but may not provide new right-of-way (23 USC 206(h)(1)). (i) Any cost in excess of 20 percent of the cost of the replacement or rehabilitation of a bridge not on a Federal-aid highway that is wholly funded with State and local funds may be used to meet the matching share requirement of projects funded under 23 USC 133 (23 USC 133(g)(3)).

2. CONDITION

The Suffolk County Department of Public Works (the “Department”) is required to match the Matching costs for this program. We were unable to obtain the claims voucher from the department, which indicates the matching costs by the Department. Therefore, we were not able to determine whether the Department complied with its Matching requirements.

3. CAUSE

The Department did not maintain record for all the Matching costs as required by the funding agency.

4. EFFECT

The Department may be liable for matching fund to the State funding agency.

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend that the Department maintain accurate documentation of all Matching costs of the program. We also recommend the Department ensure its Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts are completed and filed with the State agency on a timely manner.

7. QUESTIONED COST

Cannot be determined.

FINDING # - 2016-014 (CONTINUED)

MATCHING – QUALIFIED, MATERIAL WEAKNESS

HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

8. VIEWS OF RESPONSIBLE OFFICIAL

The department maintains accurate documentation of all matching costs of the program. The department ensures its voucher for work performed under provisions of the federal aid and federal highway acts are completed and filed with the state agency on a timely manner. Unfortunately, due to staffing and communication issues during the audit, some of these documents were not provided to Deloitte. These documents are available. The department will address filing and process issues to ensure that documents are scanned and coded to make them more quickly assessable and available to be provided when requested.

From this point forward the department will scan all documents and save in a file location known to and readily available to staff that need to access the documents and reports.

Also, see “Corrective Action Plan”.

FINDING # - 2016-015

SPECIAL TEST AND PROVISION – QUALIFIED, MATERIAL WEAKNESS

HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

1. CRITERIA

Special Test and Provisions — Wage Rate Requirements - Compliance Requirement – The Wage Rate Requirements are applicable to construction work on highway projects on Federal-aid highways or with ADHS or FLTTP funds. These requirements generally do not apply to Federal-aid projects that are not located within the right-of-way of a Federal-aid highway; however, the Transportation Alternatives Program projects (except for the Recreational Trails Program set-aside) and the SAFETEA-LU Safe Routes to School Program must comply with wage rate requirements regardless of location.

Quality Assurance Program - Compliance Requirement – A State DOT or LPA must have a quality assurance (QA) program, approved by FHWA, for construction projects on the NHS to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the State DOT, or by its designated agent, excluding the contractor (23 CFR sections 637.201, 637.205, and 637.207).

Contractor Recoveries - Compliance Requirement – When a State recovers funds from highway contractors for project overcharges due to bid-rigging, fraud, or anti-trust violations or otherwise recovers compensatory damages, the Federal-aid project involved shall be credited with the Federal share of such recoveries (Tennessee v. Dole 749 F.2d 331 (6th Cir. 1984); 57 Comp. Gen. 577 (1978); 47 Comp. Gen. 309 (1967)).

Value Engineering - Compliance Requirement – State DOT's are required to establish a value engineering (VE) program and ensure that a VE analysis is performed on all applicable projects. The program should include procedures to approve or reject recommendations and for monitoring to ensure that resulting, approved recommendations are incorporated into the plans, specifications, and estimate. Applicable projects are (a) projects located on the NHS with an estimated total project cost of \$50 million or more that utilize Federal-aid highway program funding; (b) bridge projects located on the NHS with an estimated total cost of \$40 million or more that utilize Federal-aid highway program funding; and (c) any other projects that the FHWA determines to be appropriate. Projects utilizing the design-build method of construction do not require a VE analysis (23 USC 106(e)(5)). Critical elements of VE programs include identification of a State VE coordinator; establishment of a VE policy, and documented VE procedures, including requirements to identify applicable projects, verify required VE analyses are completed on State DOT and subrecipient projects; and monitor, assess, and report on the performance of the VE program (23 USC 106(e); 23 CFR part 627).

FINDING # - 2016-015 (CONTINUED)

SPECIAL TEST AND PROVISION – QUALIFIED, MATERIAL WEAKNESS

HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

FEDERAL AGENCY: U.S. DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

2. CONDITION

The Suffolk County Department of Public Works (the “Department”) is required to perform above mentioned special test and provision as indicated in the compliance supplement. We were unable to obtain the population or the documentation from the Department. Therefore, we were not able to determine whether the Department complied with its special test and provision requirements as indicated in the compliance requirements.

3. CAUSE

The Department was unable to provide population and documentation for the above mentioned special test and provisions as required by the compliance supplement.

4. EFFECT

The funding agency may not reimburse costs associated with the special test and provisions.

5. REPEAT FINDING

No

6. RECOMMENDATION

We recommend the Department should have adequate controls and documentation to substantiate special test and provisions as indicated in the compliance supplement.

7. QUESTIONED COST

Cannot be determined.

8. VIEWS OF RESPONSIBLE OFFICIAL

The department has adequate controls and documentation to substantiate special test and provisions as indicated in the compliance supplement. Unfortunately, due to staffing and communication issues during the audit, some of these documents were not provided to Deloitte. These documents are available. The department will address filing and process issues to ensure that documents are scanned and coded to make them more quickly assessable and available to be provided when requested. From this point forward the department will scan all documents and save in a file location known to and readily available to staff that need to access the documents and reports.

Also, see “Corrective Action Plan”.

**SUFFOLK COUNTY
NEW YORK**

**SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2016**

Reference Number	Program CFDA Number	Program Name	Summary of Finding	Status								
2015-001	10.557 14.239 14.269 16.606 93.044 93.045 93.053 93.563 93.658 93.659 93.778 93.959 97.067	Special Supplemental Nutrition Program for Women, Infants & Children Home Investment Partnerships Program Hurricane Sandy Community Development Block Grant Disaster Recovery Grants State Criminal Alien Assistance Program-Incarceration of Illegal Aliens Special Programs for the Aging Title III, Part B Grants for Supportive Services & Senior Centers Special Programs for the Aging Title III, Part C Nutrition Services Nutrition Services Incentive Program Child Support Enforcement Foster Care Title IV-E Adoption Assistance Title IV-E Medical Assistance Program Block Grants for Prevention and Treatment of Substance Abuse Homeland Security Grant Program	Internal Controls - The County did not follow policies and procedures, as stated in <i>Uniform Grant Guidance CFR 200.303</i> regarding the documentation of internal controls.	Corrected								
2015-002	93.044 93.045 93.053 93.563 93.658 93.659	Special Programs for the Aging Title III, Part B Grants for Supportive Services & Senior Centers Special Programs for the Aging Title III, Part C Nutrition Services Nutrition Services Incentive Program Child Support Enforcement Foster Care Title IV-E Adoption Assistance Title IV-E	Cash Management - The County did not follow policies and procedures as stated in <i>Uniform Grant Guidance CFR 200.305</i> regarding maintaining written procedures on its cash management.	Corrected								
2015-003	10.557 14.239 14.269 93.778 93.959	Special Supplemental Nutrition Program for Women, Infants & Children Home Investment Partnerships Program Hurricane Sandy Community Development Block Grant Disaster Recovery Grants Medical Assistance Program Block Grants for Prevention and Treatment of Substance Abuse	Procurement - The County did not follow policies and procedures as stated in <i>Uniform Grant Guidance CFR 200.110.6</i> and <i>200.318</i> regarding procurement requirements.	Corrected								
2015-004	10.557	Special Supplemental Nutrition Program for Women, Infants & Children	Subrecipient Monitoring - The Department of Health Services did not follow policies and procedures as stated in <i>Uniform Grant Guidance CFR 200.331</i> regarding the subrecipient monitoring requirements.	Corrected								
2015-005	14.239	Home Investment Partnerships Program	Subrecipient Monitoring - Community Development did not follow policies and procedures as stated in <i>Uniform Grant Guidance CFR 200.331</i> regarding the subrecipient monitoring requirements.	Corrected								
2015-006	93.044 93.045 93.053 93.563 93.778 93.959	<table border="0"> <tr> <td style="vertical-align: middle;">}</td> <td style="vertical-align: middle;">Aging Cluster</td> </tr> <tr> <td></td> <td>Child Support Enforcement</td> </tr> <tr> <td></td> <td>Medical Assistance Program</td> </tr> <tr> <td></td> <td>Block Grants for Prevention and Treatment of Substance Abuse</td> </tr> </table>	}	Aging Cluster		Child Support Enforcement		Medical Assistance Program		Block Grants for Prevention and Treatment of Substance Abuse	Subrecipient Monitoring - The Department of Social Services, Health Services and Office for the Aging did not follow policies and procedures as stated in <i>Uniform Grant Guidance CFR 200.331</i> regarding the subrecipient monitoring requirements.	Partially Corrected - As of 2017, the Departments of Health Services and Social Services have fully implemented their corrective action plans. Office for the Aging has ensured all required language is incorporated in their subrecipient contracts, verified that their subrecipients have not been debarred and is using a subrecipient monitoring form. They are currently working on developing a process to evaluate each subrecipient and document the evaluation.
}	Aging Cluster											
	Child Support Enforcement											
	Medical Assistance Program											
	Block Grants for Prevention and Treatment of Substance Abuse											
2015-007	10.557	Special Supplemental Nutrition Program for Women, Infants & Children	Reporting - Monthly expenditure reports were not filed on a timely basis.	Corrected								

**SUFFOLK COUNTY
NEW YORK**

**SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2016**

Reference Number	Program CFDA Number	Program Name	Summary of Finding	Status
2015-008	97.067	Homeland Security Grant Program	Reporting - Quarterly expenditure reports were not filed on a timely basis.	Partially Corrected - The Police & Sheriff Departments have timely submitted their Homeland Security claims. The Department of Fire, Rescue and Emergency Services submitted a majority of their claims on time; however, there were 5 claims that were submitted past the 30 day deadline. This was due to a change in the claiming methods and the use of a Time & Activity system. The Federal & State Aid Claims Unit has worked very closely with the departments to ensure that claims are submitted within the required submission deadline and is specifically working towards 100% compliance with the Department of Fire, Rescue and Emergency Services to comply with the Federal deadlines.
2015-009	93.659	Adoption Assistance Title IV-E	Eligibility for Individuals - Files did not include the Eligibility for Title IV-E Adoption Assistance Form (DSS-3912).	Repeat Finding - The Department of Social Services acknowledges that case records for cases established prior to 2002 do not contain the DSS-3912 form. The Department of Social Services made a procedural change in 2002 that resulted the DSS-3912 form becoming part of the case record for any case established in the year 2002 and in subsequent years. See Finding No. 2016-004.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE OF NEW YORK DEPARTMENT OF TRANSPORTATION ASSISTANCE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND SCHEDULE OF STATE OF NEW YORK DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED REQUIRED BY PART 43 OF THE NEW YORK STATE CODIFICATION OF RULES AND REGULATIONS

To the Management and Members of the Audit Committee
Suffolk County, New York

Report on Compliance for Each Major State of New York Department of Transportation Assistance Program

We have audited the Suffolk County (the "County"), compliance with the types of compliance requirements described in the *Part 43 of the New York State Codification of Rules and Regulations* ("NYSCRR") that could have a direct and material effect on each of the County's major State of New York Department of Transportation assistance programs for the year ended December 31, 2016. The County's major State of New York Department of Transportation assistance program is identified in the summary of auditor's results section of the accompanying State of New York Department of Transportation assistance expended schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of regulations, and the terms and conditions applicable to its State of New York Department of Transportation assistance program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the County's major State of New York Department of Transportation assistance program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (the "Standards"); and NYSCRR. Those standards and NYSCRR require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State of New York Department of Transportation assistance program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State of New York Department of Transportation assistance program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major State of New York Department of Transportation Assistance Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State of New York Department of Transportation assistance programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with NYSCRR and which are described in the accompanying schedule of findings and questioned costs as item 2016-01S and 2016-02S. Our opinion on each major State of New York Department of Transportation assistance program is not modified with respect to these matters.

The County's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major State of New York Department of Transportation assistance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State of New York Department of Transportation assistance program and to test and report on internal control over compliance in accordance with NYSCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State of New York Department of Transportation assistance program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a State of New York Department of Transportation assistance program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State of New York Department of Transportation assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying *schedule of findings and questioned costs* as item 2016-02S, that we consider to be a significant deficiency.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of NYSCRR. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of State of New York Department of Transportation Assistance Expended as Required by the NYSCRR

We have audited the financial statements of the County as of and for the year ended December 31, 2016, and have issued our report thereon dated June 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of State of New York Department of Transportation Assistance Expended is presented for purposes of additional analysis as required by the NYSCRR and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of State of New York Department of Transportation Assistance Expended is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

September 25, 2017

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**SUFFOLK COUNTY
NEW YORK**

**SCHEDULE OF STATE OF NEW YORK DEPARTMENT OF TRANSPORTATION EXPENDED
YEAR ENDED DECEMBER 31, 2016**

State Grantor Program Title	State Contract #	2016 Expenditures
Suffolk County Department of Public Works		
Mass Transportation Capital Project Agreement	Various	1,771,723
STOA - State Transportation Operating Assistance	STOA	25,927,400
LIE/HOV Express Bus Demo Project	C005011	61,483
CHIPS - Consolidated Street & Highway Improvement Program	CHIPS	6,085,277
NYS Department of Transportation: Highway Planning & Construction		
Closed Loop Traffic Signal System - Phase 7	D033859	668
Closed Loop Traffic Signal System - Phase 8	D033897	12,824
Closed Loop Traffic Signal System - Phase 9	D034155	44,634
Pavement Maintenance- Various State Aid Hwys	D033441	(10,654)
CR111 @ LIE Interchange Improvements	D034781	231,474
CR11 Pulaski Rd, Reconstruction from Oakwood	D032605	828
CR3, Pinelawn Rd Between Ruland Rd & LIE S. Service Road	D011640	1,099,672
CR3, Pinelawn Rd/Ruland Rd/Colonial Springs Rd Intersection Reconstruct	D033686	109,198
CR39/39A North Road Improvements	D013585	828
CR97 BRT	D034746	179,468
CR16 Reconstruction	D010688	94,881
CR67 Reconstruction	D011517	1,103
CR80 Reconstruction	D010664	1,372
CR57 Reconstruction	D010856	8,216
FFY 12 Paving - CR 46	D033892	357,178
FFY 12 Paving - CR 19 & 97	D033893	511
FFY 12 Paving - CR 105 & 111	D033894	360
		2,132,562
Total Suffolk County Department of Public Works		35,978,445
Suffolk County Police Department		
LIE/HOV Dedicated Traffic Enforcement 2015	C032055 Supp 5	32,250
LIE/HOV Dedicated Traffic Enforcement 2016	C032055 Supp 6	166,534
Dedicated Traffic Enforcement 2013-2015	D033338 Supp 2	201
Dedicated Traffic Enforcement 2016-2018	D033338 Supp 3	1,061,694
Total Suffolk County Police Department		1,260,679
Suffolk County Department of Economic Development - Airport		
NYS Aviation Division: Airport Improvement Project		
Rehab Runway 15-33	T036630	5,989
Rehab Runway 15-33	K007216	169,681
Total Suffolk County Department of Economic Development - Airport		175,670
Total - Expenditures of State DOT Awards		\$ 37,414,794

See Notes to Schedule of State of New York Department of Transportation Assistance Expended

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SUFFOLK COUNTY NEW YORK

NOTES TO SCHEDULE OF STATE OF NEW YORK DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED YEAR ENDED DECEMBER 31, 2016

(1) BASIS OF PRESENTATION

a. Reporting Entity

Suffolk County is a charter form of government governed by an elected 18-member County Legislature and administered by an elected County Executive. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the County appointing a voting majority of an organization's governing body and: (1) the ability of the governing body to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burden on the County. Blended component units, although legally separate entities, are in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

b. Basis of Accounting of Basic Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except that agency funds have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the County, available is defined as expected to be received within sixty days of fiscal year-end except for expenditure-driven grant revenues, which are considered available if collected within one year of the fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales and use tax, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**SUFFOLK COUNTY
NEW YORK**

**NOTES TO SCHEDULE OF STATE OF NEW YORK DEPARTMENT OF TRANSPORTATION
ASSISTANCE EXPENDED
YEAR ENDED DECEMBER 31, 2016**

The accompanying Schedule of State of New York Department of Transportation Assistance Expended of the County presents the activity of all financial assistance programs provided by the New York State Department of Transportation to the County.

c. Program Tested

For the County's purpose, a State Transportation Assistance Program, as defined by Part 43 of the NYCRR, is any program that exceeds \$1,122,444 when the total State Transportation Assistance Expended of the reporting entity exceeds \$25 million. Total expenditures incurred by the County for the State Transportation Assistance Programs were approximately \$37 million.

**SUFFOLK COUNTY
NEW YORK**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS — STATE OF NEW YORK
DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF AUDITORS' RESULTS: STATE OF NEW YORK DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED

Internal control over State of New York Department of Transportation Assistance Expended:

Material weakness(es) identified	<u> </u> Yes	<u> ✓ </u> No
Significant deficiency(ies) identified?	<u> ✓ </u> Yes	<u> </u> None Reported
Type of auditor's report issued on compliance for State Transportation Assistance Programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>Part 43 of the New York State Codification of Rules and Regulations</i> ?	<u> ✓ </u> Yes	<u> </u> No

Identification of State of New York Department of Transportation Assistance Programs Tested:

<u>State Grantor Program Title</u>	<u>State Contract Number</u>	<u>Expenditures</u>
Statewide Mass Transportation Operating Assistance Program	STOA	\$25,927,400
Consolidated Street & Highway Improvement Program	CHIPS	\$6,085,277
Dedicated Traffic Enforcement	Various	\$1,260,679

Dollar threshold used to determine program to be tested:		<u>\$1,122,444</u>
Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> ✓ </u> No

2. FINDINGS AND QUESTIONED COSTS RELATING TO STATE OF NEW YORK DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED

See accompanying pages 168 through 171.

**SUFFOLK COUNTY
NEW YORK**

REPORTING – DEFICIENCY AND NONCOMPLIANCE

PROGRAM: STATEWIDE MASS TRANSPORTATION OPERATING ASSISTANCE

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

REFERENCE: 2016-01S

1. **TOPIC SENTENCE**—Service Payment Application reports were not submitted to New York State Department of Transportation on a timely basis.

CRITERIA—Reporting—New York State Department of Transportation (“NYSDOT”) has published the Rules and Regulations for the Statewide Mass Transportation Operating Assistance Program (17 NYCRR Part 975) (“Blue Book”).

Per Statewide Mass Transportation Operating Assistance Program Rules and Regulations 975.6 (a), “Applications must be submitted each quarter using forms to be supplied by the Department.” Such applications shall be filed between the second and seventeenth day of the first day of each quarter, with the quarters tracking the State’s fiscal year.

2. **CONDITION**

Suffolk County (the “County”) has internal control procedures in place to maintain effective internal control over State awards that provides reasonable assurance that the County is managing State awards in compliance with State statutes, regulations, and the terms and conditions of the State award. Per STOA Rules and Regulations 975.6 (a), applications must be submitted within the time prescribed. The application needs to be filed between the second and the seventeenth day of the first month of each quarter with the quarters tracking the State's Fiscal Year. D&T noted the second and fourth quarterly claims for FY16 were submitted on 7/22/16 and 1/18/17, respectively, and as such, they were not submitted timely.

A similar finding was included in the prior year single audit report as item 2015-01S.

3. **CAUSE**

The County’s key personnel did not ensure the required reports were submitted timely as required by the NYSDOT.

4. **EFFECT**

The County is not in compliance with the NYSDOT reporting compliance requirement.

5. **RECOMMENDATION**

We recommend the County establish an effective process to ensure compliance with this requirement.

6. **QUESTIONED MILEAGE**

None

**SUFFOLK COUNTY
NEW YORK**

REPORTING – DEFICIENCY AND NONCOMPLIANCE

PROGRAM: STATEWIDE MASS TRANSPORTATION OPERATING ASSISTANCE

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: DEPARTMENT OF PUBLIC WORKS

REFERENCE: 2016-01S

7. VIEWS OF RESPONSIBLE OFFICIAL

The County will ensure that all necessary ridership information is received from contracted bus service operators and the Town of Huntington by the tenth day of the first month of each quarter and that the application for Statewide Mass Transportation Operating Assistance (STOA) is completed before the seventeenth day of the first month of each quarter. The Transportation Division of the Department of Public Works is looking to add an additional staff member to assist with operating funds accounting, who will assist in the preparation of reports such as this.

Also, see “Corrective Action Plan”.

**SUFFOLK COUNTY
NEW YORK**

ALLOWABLE COST – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

PROGRAM: DEDICATED TRAFFIC PROGRAM

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: POLICE DEPARTMENT

REFERENCE: 2016-02S

1. TOPIC SENTENCE—Allowable cost not supported.

CRITERIA—Allowable costs—New York State Department of Transportation (“NYSDOT”) has published the Rules and Regulations for the Statewide Mass Transportation Operating Assistance Program (17 NYCRR Part 975) (“Blue Book”). Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under State awards:

- Be necessary and reasonable for the performance of the State award and be allocable thereto under these principles.
- Costs represent charges for actual costs, not budgeted or projected amounts.
- Conform to any limitations or exclusions set forth in these principles or in the State award as to types or amount of cost items.

2. CONDITION

Suffolk County (the “County”) has internal control procedures in place to maintain effective internal control over State awards that provides reasonable assurance that the County is managing State awards in compliance with State statutes, regulations, and the terms and conditions of the State award. Of 40 vehicle usage expense selections made, D&T noted that the vehicle usage expense for 8 of them was erroneously calculated by 1 hour each, or \$10.65 per selection for an aggregate of \$85.20.

3. CAUSE

The County’s key personnel did not ensure that only actual expenditures are charged to the state program.

4. EFFECT

The State can disallow such claims and reduce the future reimbursement to the County.

5. RECOMMENDATION

We recommend the County establish an effective process to ensure compliance with this requirement.

6. QUESTIONED COSTS

None

**SUFFOLK COUNTY
NEW YORK**

ALLOWABLE COST – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY

PROGRAM: DEDICATED TRAFFICE PROGRAM

STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION

COUNTY AGENCY: POLICE DEPARTMENT

REFERENCE: 2016-02S

7. VIEWS OF RESPONSIBLE OFFICIAL

The audit finding is correct, however, the Department wanted to note that the error resulted in the County being under-reimbursed; the grantor was not overcharged in the instances where the faulty calculation resulted in a one hour error.

The Department implemented a new system to avoid this problem in the future. To date, when figuring the vehicle usage charge, to which the audit finding refers, we have been using the overtime reports generated by the SCPD's automated overtime system. This is a report that can be run for a specific amount of time for a specific central complaint number. It lists any person who worked during the period of time selected and states the overtime hours earned. Unfortunately, this did not take into account certain situations (as the one described by Deloitte) when an Officer might be paid for time not actually worked due to the contractual obligations of the various labor unions that affect salary and overtime compensation for Sworn employees. As vehicle use should be based on the actual use of the vehicle we will now be using only the actual Record of Overtime forms filled out by the Officer. These forms delineate the actual time worked, which is the time that should be charged for vehicle use.

Beginning with July 1, 2017 any vehicle use claimed will be determined by the actual hours worked as stated on the Record of Overtime completed by any Officer claiming overtime against the grant.

Also, see "Corrective Action Plan".

**SUFFOLK COUNTY
NEW YORK**

**SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDING - STATE OF NEW YORK
DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED DECEMBER 31, 2016**

Reference Number	Program Name	Summary of Finding	Status
2015-01S	State Transportation Operating Assistance (STOA)	Reporting - Quarterly reports submitted to NYSDOT were not reconciled with the supporting reports and/or schedules on a yearly basis. Third and fourth quarter reports were not filed on a timely basis.	Partially Corrected – The STOA mileage reconciliation was submitted to NYSDOT. The Department has been working to file quarterly reports timely; however the fare boxes in all buses were replaced this past March and unfortunately, there were some reporting issues that occurred with the changeover. The department has been in the process of correcting the issues so that they can submit quarterly claims to NYS. The Department has been in contact with NYSDOT and they are aware of the problem.

See Finding No. 2016-01S.

COUNTY OF SUFFOLK



OFFICE OF THE COUNTY EXECUTIVE

Steven Bellone
SUFFOLK COUNTY EXECUTIVE

September 26, 2017

To Whom It May Concern:

In accordance with the Uniform Grant Guidance, attached are Suffolk County's Corrective Action Plans addressing the deficiencies identified in the County's Single Audit for the years ending 2015 and 2016.

If you have any questions, please contact me at 631 852-2812.

Very truly yours,

A handwritten signature in black ink that reads "Angela Kohl". The signature is written in a cursive style.

Angela Kohl
Principal Accountant

REFERENCE # 2015-006	SUBRECIPEINT MONITORING – SIGNIFICANT DEFICIENCY AND NONCOMPLIANCE
Programs	AGING CLUSTER (CFDA 93.044; 93.045; 93.053) CHILD SUPPORT ENFORCEMENT (CFDA 93.563) BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE (CFDA 93.959) MEDICAL ASSISTANCE PROGRAM (CFDA 93.778) STATE AGENCY: NEW YORK STATE OFFICE FOR THE AGING (CFDA 93.044; 93.045; 93.053) NEW YORK STATE OFFICE OF TEMPORARY DISABILITIES ASSISTANCE (CFDA 93.563; 93.778) STATE AGENCY: NEW YORK STATE DEPARTMENT OF HEALTH - OASAS (CFDA 93.959; 93.778) STATE AGENCY: NEW YORK STATE DEPARTMENT OF HEALTH (CFDA 93.778) FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Finding	<p>The Suffolk County Office For The Aging, Department of Social Services and the Department of Health Services (the “Departments”) have subrecipient monitoring procedures in place. We noted the Departments’ subrecipient contracts did not include all the required information for its subrecipient contract. We also noted the County did not evaluate subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.</p>
Questioned Costs:	None
Recommendation	<p>We recommend the Department ensure its subrecipient contracts are in compliance with <i>Uniform Grant Guidance CFR 200.331</i> subrecipient requirements.</p>
<u>Corrective Action Plan</u>	<p><u>The Department of Social Services’ and the Office For the Aging’s response:</u> The Department of Social Services and the Office For The Aging, in its review of the new <i>Uniform Grant Guidance CFR 200.331</i>, understands that a more formal documented policy is most likely needed and we will work with the County Law Department and any other departments in a county wide fashion to create one. If there is no countywide policy, the Department of Social Services and the Office For The Aging will formally document all the necessary language required for subrecipient compliance and create an internal policy going forward.</p> <p>The Department of Social Services and the Office For The Aging still believe, based on current internal controls and contract monitoring practices that the contract in question would be deemed as a low risk when assessed against the criteria according to the <i>Uniform Grant Guidance 200.221 (b)</i>.</p> <p>Based on the criteria within 200.221(b), the subrecipients prior experience with the Department has been a long positive history going back over 20 years, the management team within the contract agency remained consistent and the program division (CSEB) that is responsible for the compliance of the contract had quarterly meetings with the agency’s administration to go over any issues.</p>

Step 3	<p>Health Services Standard documents to facilitate the documentation process were developed and distributed department-wide on 2/7/17 and updated documents in a fillable PDF format were distributed department-wide on 3/2/17. The divisions continued to utilize the documents to prepare formal written evaluations, risk assessments and monitoring plans for all existing subrecipients of the Department.</p>
Action Date	6/30/17
<u>Final Implementation Date</u>	<u>Social Services</u> October 31, 2017 <u>County Executive's Office For The Aging</u> November 30, 2017 <u>Health Services</u> June 30, 2017
<u>Name And Phone # Of Person Responsible For Implementation</u>	<u>Social Services</u> Barry Simon, Management Analyst (631) 854-9860 <u>County Executive's Office For The Aging</u> Joanne Kandell, Principal Accountant (631) 853-8212 <u>Health Services</u> Barbara Marano (631) 854-0097

REFERENCE # 2015-008	REPORTING – SIGNIFICANT DEFICIENCY AND NONCOMPLIANCE
Programs	HOMELAND SECURITY GRANT PROGRAM (CFDA 97.067) STATE AGENCY: NEW YORK STATE DIVISION OF HOMELAND SECURITY EMERGENCY SERVICES (CFDA 97.067) FEDERAL AGENCY: U.S. DEPARTMENT OF HOMELAND SECURITY
Finding	The County is responsible to file the monthly expenditure reports to the NYS DHSES within 30 days from the end of the Quarter. Of the thirty-eight (38) Quarterly expenditure reports selected for review, we noted twenty-three (23) Quarterly expenditure reports were not filed timely as required by the NYS DHSES policies.
Questioned Costs:	None
Recommendation	We recommend the County ensure all required reports are submitted to NYS DHSES within the required time frame.
<u>Corrective Action Plan</u>	<u>Fire, Rescue, & Emergency Services, Sheriff’s Office, Police Department and Federal & State Aid Claims unit collective response:</u> Federal & State Aid Claims unit (FSAC) has been working closely with Fire, Rescue & Emergency Services (FRES), the Sheriff’s Office (SHF) and the Police Department (POL) to ensure that claims are submitted timely. FRES, SHF and POL will continue to work to submit expenses and required documentation to FSAC around a week before the 30 day deadlines so that FSAC has enough time to compile the claims and submit them by the deadline. <u>Fire, Rescue, & Emergency Services response specific for LEMPG grants:</u> This particular grant required additional time to implement the corrective action plan as it is based on time & activity reports which FRES implemented in 2016. We are working to ensure 100% compliance with the time & activity reports within a week of the claim due dates so that LEMPG claims can be submitted timely.
Step 1	<u>Fire Rescue and Emergency Services</u> 9/30/2016
Action Date	<u>Police</u> 9/30/2016 <u>Sheriff</u> 9/30/2016
<u>Final Implementation Date</u>	<u>Fire Rescue and Emergency Services</u> 10/31/2017 <u>Police</u> 9/30/2016

	<u>Sheriff</u> 9/30/2016
<u>Name And Phone # Of Person Responsible For Implementation</u>	<u>Fire Rescue and Emergency Services</u> Jared Cirillo 631-852-5058 <u>Police</u> Susan Krause 631 852-6601 <u>Sheriff</u> Jackie Brown 631-852-2211 <u>Federal & State Aid Claims</u> Angela Kohl 631-852-2812

REFERENCE # 2015-009	ELIGIBILITY FOR INDIVIDUALS – MATERIAL DEFICIENCY AND MATERIAL NONCOMPLIANCE
Programs	ADOPTION ASSISTANCE (CFDA 93.659) STATE AGENCY: NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE (CFDA 93.659) FEDERAL AGENCY: U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Finding	New York State has enacted legislation which allows payments to be made for the care and maintenance of children when they are adopted. Suffolk County Department of Social Services (the “Department”) provides a monthly adoption subsidy payment mandated by law for the care, maintenance, and/or medical needs of a child who fits the definition of handicapped or hard-to-place as defined by New York State law and regulations. Subsidy payments are available to all eligible children until the age of 21 regardless of the adoptive parent’s income. These payments are discontinued only when it is determined by a social services official that the adoptive parent(s) is no longer legally responsible for the support of the child or that the child is no longer receiving any support from the parent(s). Of the sixty files selected for testing: Twenty-one (21) files did not include one or more federally-required documents. The missing documents were the Eligibility for Title 1V-E Adoption Assistance Form (DSS-3912).
Questioned Costs:	Cannot be determined
Recommendation	We recommend the Department strengthen its monitoring controls over the adoption assistance case files, to ensure the timely and accurate determination of eligibility.
<u>Corrective Action Plan</u>	The Department of Social Services acknowledges that case records for cases established prior to 2002 do not contain the DSS-3912 form. The Department of Social Services made a procedural change in 2002 that resulted the DSS-3912 form becoming part of the case record for any case established in the year 2002 and in subsequent years.
Step 1	Cases established in 2002 and subsequent years contain this form.
Action Date	2002.
<u>Final Implementation Date</u>	2002.
<u>Name And Phone # Of Person Responsible For Implementation</u>	Dennis Nowak, Division Administrator 631 854-9431

REFERENCE # 2016-001	EQUIPMENT MANAGEMENT – QUALIFIED, MATERIAL WEAKNESS
Program	FEDERAL TRANSIT – FORMULA GRANTS (Urbanized Area Formula Program) (CFDA 20.507)
Finding	<p>Suffolk County (the “County”) has equipment management internal control procedures in place to maintain effective internal control over equipment purchased from federal funds. However, we noted the following:</p> <ul style="list-style-type: none"> • We were not able to determine when the physical inventory was taken and reconciled with the property records. • We were not provided property records from 2010 through 2016, which includes a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property.
Questioned Costs:	Cannot be determined.
Recommendation	<p>We recommend the County ensure:</p> <ul style="list-style-type: none"> • The physical inventory is taken and reconciled with the property records every two years. • Maintain property records from 2010 through 2016, which includes a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property.
<u>Corrective Action Plan</u>	<p>The County will ensure that detailed property records of federal equipment are kept. These records shall include a description of the property, a serial number or other identification number, acquisition date, cost, percentage of Federal participation, grant number, location, use and condition, who holds title, disposition actions (including date if disposal and sales price), and useful life. These records will be kept in a form where they may be easily updated and produced for inspection.</p> <p>The County will ensure that a physical inventory of federal equipment is taken and documented at least every two years. This inventory shall be reconciled with the County’s property records of federally funded equipment.</p>

Step 1	Compile detailed list of all federally funded assets purchased under 20.507
Action Date	11/30/17
Step 2	Conduct physical inventory of all federally funded assets purchased under 20.507
Action Date	1/31/18
Step 3	Continue to update list of federally funded assets as they are purchased
Action Date	ongoing
<u>Final Implementation Date</u>	1/31/18 - ongoing
<u>Name And Phone # Of Person Responsible For Implementation</u>	Chris Chatterton, Principal Transportation Planner 631-852-4880

REFERENCE # 2016-002	SUBRECIPIENT MONITORING - NONCOMPLIANCE, SIGNIFICANT DEFICIENCY
Program	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA 93.958)
Finding	Suffolk County Health Services (the “Department”) has subrecipient monitoring procedures in place. We noted the Department did not evaluate subrecipients’ risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.
Questioned Costs:	None
Recommendation	We recommend the Department implement policies and procedures to ensure its subrecipients are evaluated in accordance with <i>Uniform Grant Guidance CFR 200.331</i> subrecipient requirements.
<u>Corrective Action Plan</u>	Although the Department of Health Services has always evaluated and monitored subrecipients of federal funds, a standard formal process to perform and document such evaluation and monitoring in compliance with the Uniform Grant Guidance 2 CFR Part 200 (section 200.331) was developed late last year and implemented on 12/15/16 in accordance with our Corrective Action Plan associated with the prior-year Single Audit. Standard documents in a fillable PDF format to facilitate the documentation process were developed and distributed department-wide shortly after implementation. Formal written evaluations, risk assessments and monitoring plans were completed in early 2017 for all existing subrecipients of the Department of Health Services using the standard documents, and will continue on an annual basis going forward.
Step 1	
Action Date	6/30/17
Step 2	Formal written evaluations, risk assessments and monitoring plans using the standard documents will be completed for any new subrecipients of the Department of Health Services throughout the year.
Action Date	12/31/17
<u>Final Implementation Date</u>	12/31/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Barbara Marano (631) 854-0097

REFERENCE # 2016-003	ALLOWABLE COSTS – QUALIFIED, MATERIAL WEAKNESS
Programs	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA 93.958)
Finding	Suffolk County (the “County”) provides advances of federal funds to the subrecipients. However, we noted that the County provided advance funds to its subrecipients based on estimates provided by the subrecipients. At the end of the calendar year, the County reconciles budgeted costs with the actual costs and the adjustment is made on the following year’s schedule of expenditures of federal awards.
Questioned Costs:	Cannot be determined.
Recommendation	We recommend the County ensure the payments to the subrecipients are based on actual costs and, not budgeted or projected amounts.
<u>Corrective Action Plan</u>	<p>The Department follows the policies and procedures provided by the pass-through agency, NYS OMH, contained in the NYS Consolidated Budget Reporting and Claiming Manual. As required by NYS, the funding is advanced to the subrecipients on a quarterly basis, within thirty (30) days of the advance’s quarterly receipt by the County. Although NYS advances 25% of the annual budget to the County each quarter, the Department advances the first two quarters based on 25% of the budget, but the third and fourth quarters based on first and second quarter actuals. The Department requests Consolidated Quarterly Reports (CQR) from the subrecipients for the first two quarters in order to adjust the third and fourth quarter payments by actual amounts. All payments are reconciled to the final actual expenses in the year-end Consolidated Claiming Reports (CCR), which are completed and submitted by the subrecipients on June 1st. In addition, as a condition of receiving payments, all subrecipients are required to sign a federal certification form to ensure federal prohibitions have not been violated.</p> <p>We note that the statement provided as the second bullet in the “Criteria” section above (“Costs represent charges for actual costs, not budgeted or projected amounts”) is not a requirement contained in the cited <i>Uniform Grant Guidance §200.403</i>, but instead is a suggested compliance audit procedure under <i>2 CFR part 230/A-122 Cost principles for Non-profit Entities</i>. We do however ultimately comply with this, as all payments made to subrecipients by the Department represent actual costs upon final reconciliation.</p> <p>In an effort to identify actual amounts more timely, reconciliations of third and fourth quarter actuals will be performed by the Department prior to the CCR reconciliations on June 1st. To accomplish this, the Department will require subrecipients to submit CQRs for all four quarters within 30 days of each quarter close. Final adjustment will be made through the year-end reconciliation upon submission of the CCRs by the subrecipients on June 1st.</p> <p>Step 1</p> <p>Notification will be made to subrecipients of federal awards that CQRs for the third and fourth quarter are due to the Department on October 30, 2017 and January 31, 2018, respectively.</p> <p>Action Date</p> <p>September 30, 2017</p>

Step 2	Third quarter CQR will be reconciled by the Department.
Action Date	November 30, 2017
Step 3	Fourth quarter CQR will be reconciled by the Department.
Action Date	February 28, 2018
<u>Final Implementation Date</u>	February 28, 2018
<u>Name And Phone # Of Person Responsible For Implementation</u>	Sheila Reagan (631) 854-0137

REFERENCE # 2016-004	ELIGIBILITY FOR INDIVIDUALS – QUALIFIED, MATERIAL WEAKNESS
Programs	ADOPTION ASSISTANCE (CFDA 93.659)
Finding	<p>New York State has enacted legislation which allows payments to be made for the care and maintenance of children when they are adopted. Suffolk County Department of Social Services (the “Department”) provides a monthly adoption subsidy payment mandated by law for the care, maintenance, and/or medical needs of a child who fits the definition of handicapped or hard-to-place as defined by New York State law and regulations. Subsidy payments are available to all eligible children until the age of 21 regardless of the adoptive parent’s income. These payments are discontinued only when it is determined by a social services official that the adoptive parent(s) is no longer legally responsible for the support of the child or that the child is no longer receiving any support from the parent(s).</p> <p>Of the sixty files (60) selected for testing:</p> <ul style="list-style-type: none"> • Fifty-two (52) files did not include one or more federally required documents. The missing documents were the Eligibility for Title 1V-E Adoption Assistance Form (DSS-3912).
Questioned Costs:	Cannot be determined
Recommendation	We recommend the Department strengthen its monitoring controls over the adoption assistance case files, to ensure the timely and accurate determination of eligibility.
<u>Corrective Action Plan</u>	The Department of Social Services acknowledges that case records for cases established prior to 2002 do not contain the DSS-3912 form. The Department of Social Services made a procedural change in 2002 that resulted in the DSS-3912 form becoming part of the case record for any case established in the year 2002 and in subsequent years.
Step 1	Cases established in 2002 and subsequent years contain this form.
Action Date	2002
<u>Final Implementation Date</u>	2002
<u>Name And Phone # Of Person Responsible For Implementation</u>	Dennis Nowak, Division Administrator 631-854-9431

REFERENCE # 2016-005	SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY
Program	SOCIAL SERVICES BLOCK GRANT (CFDA 93.667)
Finding	The Suffolk County Department of Social Services, (the “Departments”) have subrecipient monitoring procedures in place. We noted the Department’s subrecipient contracts did not include all the required information for its subrecipient contract. We also noted the County did not evaluate subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.
Questioned Costs:	None
Recommendation	We recommend that the Department implement policies and procedures to communicate the federal grant information to all subrecipients in accordance with <i>Uniform Grant Guidance CFR 200.331</i> subrecipient requirements.
<u>Corrective Action Plan</u>	The Department of Social Services in its review of the new <i>Uniform Grant Guidance CFR 200.331</i> , understands that a more formal documented policy is most likely needed and we will work with the County Law Department and any other departments in a county wide fashion to create one. If there is no countywide policy, the Department of Social Services will formally document all the necessary language required for subrecipient compliance and create an internal policy going forward.
Step 1	The Department of Social Services will ensure that all applicable requirements of the Uniform Grant Guidance CFR will be incorporated into future contracts with the subrecipient. The Department of Social Services will work internally to develop a process to evaluate each subrecipient and document the evaluation and applicable subrecipient monitoring upon subaward as required by the Uniform Grant Guidance CFR.
Action Date	10/2/17-10/31/17
<u>Final Implementation Date</u>	10/31/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Barry Simon, Management Analyst (631) 854-9860

REFERENCE # 2016-006	SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY
Program	Child Care and Development Block Grant (CFDA 93.575)
Finding	The Suffolk County Department of Social Services, (the “Departments”) have subrecipient monitoring procedures in place. We noted the Department’s subrecipient contracts did not include all the required information for its subrecipient contract. We also noted the County did not evaluate subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.
Questioned Costs:	None
Recommendation	We recommend that the Department implement policies and procedures to communicate the federal grant information to all subrecipients in accordance with <i>Uniform Grant Guidance CFR 200.331</i> subrecipient requirements.
<u>Corrective Action Plan</u>	The Department of Social Services in its review of the new <i>Uniform Grant Guidance CFR 200.331</i> , understands that a more formal documented policy is most likely needed and we will work with the County Law Department and any other departments in a county wide fashion to create one. If there is no countywide policy, the Department of Social Services will formally document all the necessary language required for subrecipient compliance and create an internal policy going forward.
Step 1	The Department of Social Services will ensure that all applicable requirements of the Uniform Grant Guidance CFR will be incorporated into future contracts with the subrecipient. The Department of Social Services will work internally to develop a process to evaluate each subrecipient and document the evaluation and applicable subrecipient monitoring upon subaward as required by the Uniform Grant Guidance CFR.
Action Date	10/2/17-10/31/17
<u>Final Implementation Date</u>	10/31/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Barry Simon, Management Analyst (631) 854-9860

REFERENCE # 2016-007	REPORTING – QUALIFIED, MATERIAL WEAKNESS
Programs	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES (CFDA 93.958)
Finding	Suffolk County (the “County”) provides advance federal funds to subrecipients based on estimates and at the year-end, the County reconciles the actual costs with the estimated costs. The reconciliation differences are added to or subtracted from subsequent year schedule of federal expenditures. The reconciliations for calendar year ended 2016 have not been completed. All Consolidated Claiming Reports (“CCRs”) have been submitted by the subrecipients, but are not considered final until the reconciliations are completed. We were unable to obtain the final CCRs to perform analytical procedures.
Questioned Costs:	Cannot be determined.
Recommendation	We recommend the County ensure the Consolidated Claiming Report (CCR) is reconciled and submitted to NYS DOH-OMH within the required time frame.
<u>Corrective Action Plan</u>	The Department begins to reconcile the subrecipients’ Consolidated Claiming Reports (CCR) once they have been submitted to the County and NYS DOH-OMH; however, the NYS June 1st due date for submission is not always met by all subrecipients. The Department will more strictly enforce this due date and future payments due to subrecipients that are not in compliance will be withheld until a final CCR is received.
Step 1	Initial reminders of the June 1st due date will be emailed to subrecipients with notification that payments will not be made until they are in compliance.
Action Date	April 13, 2018
Step 2	For any agencies that have not submitted a CCR by June 1st, an email will be sent advising them that their payments will be withheld starting with the 3rd quarter advance, which is due to be processed on or around July 1st.
Action Date	June 1, 2018
<u>Final Implementation Date</u>	July 1, 2018
<u>Name And Phone # Of Person Responsible For Implementation</u>	Sheila Reagan (631) 854-0137

REFERENCE # 2016-008	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REPORTING (“SEFA”)– NONCOMPLIANCE, SIGNIFICANT DEFICIENCY
Programs	FEDERAL TRANSIT FORMULA GRANTS (CFDA 20.507)
Finding	Suffolk County (the “County”) prepares the Schedule of Expenditures of Federal Awards. The Department of Public Works (“Department”) accrued expenditures for the program, which had no federal contract. Thus, the Department failed to report the proper amount of grant expenditures on the schedule of expenditures of Federal awards for the year ended December 31, 2016. It was determined that the SEFA was overstated by \$920,000. The amount has been correctly adjusted on the 2016 SEFA.
Questioned Costs:	None
Recommendation	We recommend the Department should institute formal policies and procedures to ensure an accurate and complete population of grant related expenses are recorded and reported in the correct period.
<u>Corrective Action Plan</u>	The County shall ensure that all grant expenditures reported on the SEFA are programmed in active grant contracts. The person(s) responsible for the completion of the SEFA shall review reported program expenditures with a supervisor who has knowledge of all current grants prior to submission. The County shall not accrue and report program expenditures which are not programmed in active grant contracts, even if the County has reason to believe that grant awards are forthcoming.
Step 1	Supervisor to review 2017 SEFA prior to submission
Action Date	3/15/18
<u>Final Implementation Date</u>	3/15/18
<u>Name And Phone # Of Person Responsible For Implementation</u>	Chris Chatterton, Principal Transportation Planner 631-852-4880

REFERENCE # 2016-009	ELIGIBILITY – DEFICIENCY AND NONCOMPLIANCE
Program	CHILD CARE AND DEVELOPMENT BLOCK GRANT (CFDA # 93.575)
Finding	The Suffolk County Department of Social Services (the “Department”) performs eligibility determination for Child Care Cluster programs. Of the sixty case files selected for review, one file did not include one federally required document. The missing document was the birth certificate. Therefore, we could not determine if the child was eligible to receive program services, based on the age.
Questioned Costs:	Cannot be determined
Recommendation	We recommend that the Department ensure that all case files are properly maintained in the Department.
<u>Corrective Action Plan</u>	The Suffolk County Department of Social Services follows New York State Office of Children and Family Services rules and regulations in performing eligibility determinations for Child Care programs and relies on checklists and supervisory (quality control) oversight to ensure all required documents are gathered, reviewed and filed for each determination. The Department will provide a reminder to all child care eligibility staff and refresher training if needed to ensure that all eligibility rules and regulations are followed and case records are complete in making eligibility determinations.
Step 1	The Department will provide a reminder to all child care eligibility staff and refresher training if needed to ensure that all eligibility rules and regulations are followed and case records are complete in making eligibility determinations. 10/2/17-10/31/17
Action Date	
<u>Final Implementation Date</u>	10/31/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Carleen Newlands, Bureau Director 631-854-9430

REFERENCE # 2016-010	ELIGIBILITY –NONCOMPLIANCE, SIGNIFICANT DEFICIENCY
Program	MEDICAL ASSISTANCE PROGRAM (CFDA # 93.778)
Finding	<p>The Suffolk County Department of Social Services (the “Department”) performs eligibility determination for the Medical Assistance Program. Of the sixty case files selected for review, we noted the following:</p> <ul style="list-style-type: none"> • Two files did not include the required Budget document. • One file included Non-Services Authorization forms (Form 3209), which is an authorization document which is signed by the case worker and quality control employee to ensure that the case is reviewed and proper documentation has been obtained. We noted that the quality control employee did not sign Form 3209. • Two files did not include federally required documents. The missing documents were Form 3209. Therefore, we could not determine if the child was eligible to receive program services.
Questioned Costs:	Cannot be determined
Recommendation	We recommend that the Department ensure that all case files are properly maintained in the Department.
<u>Corrective Action Plan</u>	The Department of Social Services acknowledges that the above referenced documents were missing from the respective case records. The department also acknowledges that the quality control employee did not sign the Form 3209 in the examined case record. The department will implement the steps outlined in our corrective action plan to address these issues.
Step 1	An email reminder will be issued to all Medical Assistance Program staff, explaining the importance of maintaining proper documentation in every case file.
Action Date	9/21/2017
Step 2	Supervisors will review the importance of maintaining proper documentation during each Unit’s next scheduled monthly unit meeting.
Action Date	Sept-October 2017
<u>Final Implementation Date</u>	10/31/2017
<u>Name And Phone # Of Person Responsible For Implementation</u>	Jim Sluder, SSE IV 631-854-5830

REFERENCE # 2016-011	SUBRECIPIENT MONITORING – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY
Program	COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS (CFDA # 14.218)
Finding	<p>The Suffolk County Department of Economic Development and Planning, (the “Department”) has subrecipient monitoring procedures in place. The Department performs a CDBG Pre-Funding checklist as well as the Subrecipient risk analysis and appropriate procedures are in place regarding the risk assessment. However, although the assessment was performed, there was no written documentation of the analysis and checklist for our 3 subrecipient selections. As such, we determined subrecipient monitoring risk assessment process is not in compliance and report a finding.</p> <p>The Suffolk County subrecipient contracts did not include all the required information for its subrecipient contract. The contract did not include Federal Award Identification Number (FAIN), Federal Award Date, Amount of Federal Funds obligated by this action, and identification whether the award is R&D. As such, we determined subrecipient monitoring risk assessment process is not in compliance and report a finding.</p>
Questioned Costs:	None.
Recommendation	We recommend that the Department implement policies and procedures to communicate the federal grant information to all subrecipients in accordance with <i>Uniform Grant Guidance CFR 200.331</i> subrecipient requirements.
<u>Corrective Action Plan</u>	We will insure that the risk assessment documentation is performed with the 2017 award funding and future years.
Step 1	Informing all municipalities who are requesting 2017 grant funds to submit appropriate documentation and to complete the prefunding checklist.
Action Date	Sept 21, 2017
Step 2	Review all submitted documentation and complete Risk Assessment Analysis Form
Action Date	Dec 1, 2017
Step 3	Approve or deny based on assessment.
Action Date	
<u>Final Implementation Date</u>	December 15, 2017
<u>Name And Phone # Of Person Responsible For Implementation</u>	Rosemarie Pforr (631-853-5711), Justin Hornung (631-853-5710), Laurie Schwinge (631-853-5124)

REFERENCE # 2016-012	CASH MANAGEMENT – QUALIFIED, MATERIAL WEAKNESS
Program	HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)
Finding	The Suffolk County Department of Public Works (the “Department”) performs claims reimbursable expenses through New York State Department of Transportation. The County uses Federal awards for construction activity. We were not provided total reimbursement requested by the Department from New York State, therefore we were unable to a select sample to ensure that program costs were paid by the Department before submitting a payment request.
Questioned Costs:	Cannot be determined.
Recommendation	We recommend that the Department maintain accurate records of all the reimbursement request to the funding agency. We also recommend the Department ensure its reimbursement request are in compliance with <i>Uniform Grant Guidance</i> 2 CFR section 200.305(b)(3)).
<u>Corrective Action Plan</u>	Accurate records of all reimbursement requests to the funding agency are maintained by the department. Unfortunately, due to staffing and communication issues during the audit, some of these documents were not provided to Deloitte. These documents are available. The department will address filing and process issues to ensure that documents are scanned and coded to make them more quickly assessable and available to be provided when requested.
Step 1	From this point forward the department will scan all documents and save in a file location known to and readily available to staff that need to access the documents and reports.
Action Date	10/02/17
<u>Final Implementation Date</u>	12/31/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Steven Forst 631-852-5519

REFERENCE # 2016-013	REPORTING – QUALIFIED, MATERIAL WEAKNESS
Program	HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)
Finding	The Suffolk County Department of Public Works (the “Department”) is responsible to complete Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts. We were not provided population for Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts forms and whether they were submitted to the State agency. Therefore we were not able to determine if the Department completed the Form P-20 and were submitted to the State agency on a timely manner.
Questioned Costs:	Cannot be determined.
Recommendation	We recommend that the Department maintain accurate records of all Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts. We also recommend the Department ensure its Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts are complete and filed with the State agency on a timely manner.
<u>Corrective Action Plan</u>	The department maintains accurate records of all vouchers for work performed under provisions of the federal aid and federal highway acts. The department ensures its voucher for work performed under provisions of the federal aid and federal highway acts are complete and filed with the state agency in a timely manner. Unfortunately, due to staffing and communication issues during the audit, some of these documents were not provided to Deloitte. These documents are available. The department will address filing and process issues to ensure that documents are scanned and coded to make them more quickly assessable and available to be provided when requested.
Step 1	From this point forward the department will scan all documents and save in a file location known to and readily available to staff that need to access the documents and reports.
Action Date	10/02/17
<u>Final Implementation Date</u>	12/31/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Steven Forst 631-852-5519

REFERENCE # 2016-014	MATCHING – QUALIFIED, MATERIAL WEAKNESS
Program	HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)
Finding	The Suffolk County Department of Public Works (the “Department”) is required to match the Matching costs for this program. We were unable to obtain the claims voucher from the department, which indicates the matching costs by the Department. Therefore, we were not able to determine whether the Department complied with its Matching requirements.
Questioned Costs:	Cannot be determined.
Recommendation	We recommend that the Department maintain accurate documentation of all Matching costs of the program. We also recommend the Department ensure its Voucher for Work Performed under Provisions of the Federal Aid and Federal Highway Acts are completed and filed with the State agency on a timely manner.
<u>Corrective Action Plan</u>	The department maintains accurate documentation of all matching costs of the program. The department ensures its voucher for work performed under provisions of the federal aid and federal highway acts are completed and filed with the state agency on a timely manner. Unfortunately, due to staffing and communication issues during the audit, some of these documents were not provided to Deloitte. These documents are available. The department will address filing and process issues to ensure that documents are scanned and coded to make them more quickly assessable and available to be provided when requested.
Step 1	From this point forward the department will scan all documents and save in a file location known to and readily available to staff that need to access the documents and reports.
Action Date	10/02/17
<u>Final Implementation Date</u>	12/31/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Steven Forst 631-852-5519

REFERENCE # 2016-015	SPECIAL TEST AND PROVISION – QUALIFIED, MATERIAL WEAKNESS
Program	HIGHWAY PLANNING AND CONSTRUCTION (FEDERAL-AID HIGHWAY PROGRAM) (CFDA # 20.205)
Finding	The Suffolk County Department of Public Works (the “Department”) is required to perform above mentioned special test and provision as indicated in the compliance supplement. We were unable to obtain the population or the documentation from the Department. Therefore, we were not able to determine whether the Department complied with its special test and provision requirements as indicated in the compliance requirements.
Questioned Costs:	Cannot be determined.
Recommendation	We recommend the Department should have adequate controls and documentation to substantiate special test and provisions as indicated in the compliance supplement.
<u>Corrective Action Plan</u>	The department has adequate controls and documentation to substantiate special test and provisions as indicated in the compliance supplement. Unfortunately, due to staffing and communication issues during the audit, some of these documents were not provided to Deloitte. These documents are available. The department will address filing and process issues to ensure that documents are scanned and coded to make them more quickly assessable and available to be provided when requested.
Step 1	From this point forward the department will scan all documents and save in a file location known to and readily available to staff that need to access the documents and reports.
Action Date	10/02/17
<u>Final Implementation Date</u>	12/31/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Steven Forst 631-852-5519

REFERENCE # 2015-01S	SUPPORTING SCHEDULE NOT RECONCILED WITH QUARTERLY REPORTS SUBMITTED TO NEW YORK STATE DEPARTMENT OF TRANSPORTATION.
Programs	STATEWIDE MASS TRANSPORTATION OPERATING ASSISTANCE STATE AGENCY: NEW YORK STATE DEPARTMENT OF TRANSPORTATION
Finding	Suffolk County (the "County") is responsible for monitoring compliance with State Transportation Assistance laws and regulation. The County has policies and procedures in place to monitor such laws and provision. During our testing, we reviewed all quarterly reports submitted to the State of New York Department of Transportation during calendar year 2015 by the County. We noted that there were differences between Revenue Passenger Ridership reported on the quarterly reports submitted to the NYSDOT and the supporting schedules prepared to support Revenue Passenger Ridership. For the Revenue Passenger Ridership, we noted there was a variance of 30,048 miles. We also noted that third and fourth quarter reports were not filed with the State of New York on a timely basis.
Questioned Mileage:	The difference between quarterly Revenue Passenger Ridership reports the County sends to NYSDOT and the supporting schedule provided to support Ridership was 30,048 miles.
Recommendation	We recommend the County establish an effective process to ensure compliance with this requirement.
<u>Corrective Action Plan</u>	
Step 1	The STOA mileage reconciliation that was prepared August 24, 2016. The reconciliation will rectify the 30,048 mileage difference. This reconciliation was send to New York State so that they can revise previous STOA mileage that was submitted during 2015.
Action Date	8/24/16
Step 2	If not received by the tenth day following the end of the quarter, Senior Accountant to send reminder emails to bus operators and Town of Huntington to provide ridership information for previous quarter.
Action Date	10/10/17
Step 3	Senior Accountant to compile STOA report and send to NYSDOT
Action Date	10/17/17
<u>Final Implementation Date</u>	10/17/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Melissa Jorgensen 631-852-4876

REFERENCE # 2016-001S	REPORTING – DEFICIENCY AND NONCOMPLIANCE
Program	STATEWIDE MASS TRANSPORTATION OPERATING ASSISTANCE
Finding	<p>Suffolk County (the “County”) has internal control procedures in place to maintain effective internal control over State awards that provides reasonable assurance that the County is managing State awards in compliance with State statutes, regulations, and the terms and conditions of the State award. Per STOA Rules and Regulations 975.6 (a), applications must be submitted within the time prescribed. The application needs to be filed between the second and the seventeenth day of the first month of each quarter with the quarters tracking the State's Fiscal Year. D&T noted the second and fourth quarterly claims for FY16 were submitted on 7/22/16 and 1/18/17, respectively, and as such, they were not submitted timely.</p> <p>A similar finding was included in prior year single audit report as item 2015-01S.</p>
Questioned Mileage:	None
Recommendation	We recommend the County establish an effective process to ensure compliance with this requirement.
<u>Corrective Action Plan</u>	The County will ensure that all necessary ridership information is received from contracted bus service operators and the Town of Huntington by the tenth day of the first month of each quarter and that the application for Statewide Mass Transportation Operating Assistance (STOA) is completed before the seventeenth day of the first month of each quarter. The Transportation Division of the Department of Public Works is looking to add an additional staff member to assist with operating funds accounting, who will assist in the preparation of reports such as this.
Step 1	If not received by the tenth day following the end of the quarter, Senior Accountant to send reminder emails to bus operators and Town of Huntington to provide ridership information for previous quarter. 10/10/17
Action Date	
Step 2	Senior Accountant to compile STOA report and send to NYSDOT
Action Date	10/17/17
<u>Final Implementation Date</u>	10/17/17
<u>Name And Phone # Of Person Responsible For Implementation</u>	Melissa Jorgensen, Senior Accountant 631-852-4876

REFERENCE # 2016-002S	ALLOWABLE COSTS – NONCOMPLIANCE, SIGNIFICANT DEFICIENCY
Program	DEDICATED TRAFFIC PROGRAM
Finding	Suffolk County (the “County”) has internal control procedures in place to maintain effective internal control over State awards that provides reasonable assurance that the County is managing State awards in compliance with State statutes, regulations, and the terms and conditions of the State award. Of 40 vehicle usage expense selections made, D&T noted that the vehicle usage expense for 8 of them was erroneously calculated by 1 hour each, or \$10.65 per selection for an aggregate of \$85.20.
Questioned Costs:	None
Recommendation	We recommend the County establish an effective process to ensure compliance with this requirement.
<u>Corrective Action Plan</u>	<p>The audit finding is correct, however, the Department wanted to note that the error resulted in the County being under-reimbursed; the grantor was not overcharged in the instances where the faulty calculation resulted in a one hour error.</p> <p>The Department implemented a new system to avoid this problem in the future. To date, when figuring the vehicle usage charge, to which the audit finding refers, we have been using the overtime reports generated by the SCPD’s automated overtime system. This is a report that can be run for a specific amount of time for a specific central complaint number. It lists any person who worked during the period of time selected and states the overtime hours earned. Unfortunately, this did not take into account certain situations (as the one described by Deloitte) when an Officer might be paid for time not actually worked due to the contractual obligations of the various labor unions that affect salary and overtime compensation for Sworn employees. As vehicle use should be based on the actual use of the vehicle we will now be using only the actual Record of Overtime forms filled out by the Officer. These forms delineate the actual time worked, which is the time that should be charged for vehicle use.</p> <p>Beginning with July 1, 2017 any vehicle use claimed will be determined by the actual hours worked as stated on the Record of Overtime completed by any Officer claiming overtime against the grant.</p> <p>Step 1 Begin using the individual Record of Overtime forms completed by each Officer indicating the actual time worked to determine vehicle use expense instead of the comprehensive overtime report generated by the SCPD Overtime System.</p> <p>Action Date Implemented, the SCPD decided to implement this process on 8/30/17, however, we will be adjusting records dating from 7/1/17 (the beginning of the 3rd Quarter) and ongoing.</p>
<u>Final Implementation Date</u>	Implemented
<u>Name And Phone # Of Person Responsible For Implementation</u>	Susan C. Krause, Grants Analyst 631-852-6601