

POPULAR ANNUAL FINANCIAL REPORT



County of Suffolk, New York

For the year ended
December 31, 2017

Suffolk County, New York
Popular Annual Financial Report
For the Fiscal Year Ended December 31, 2017

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

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

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



John M. Kennedy, Jr.
Suffolk County Comptroller



June 29, 2018

The Citizens of the County of Suffolk:

The County of Suffolk is pleased to present the Suffolk County Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2017. This report provides a brief analysis of where County revenues come from and where those dollars are spent, as well as an overview of the County's demographics.

Most of the information in this report has been taken from the 2017 Suffolk County Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of 204 pages of detailed financial statements, notes, schedules, and reports. The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and audited by the County's independent auditor, Deloitte & Touche LLP, and received an unmodified opinion. An unmodified opinion is given when an auditor can state that the financial statements are materially correct. The PAFR is unaudited and presented on a GAAP basis. This is a summarized report that presents selected statistical and primary government information. Reported within the primary government are the County's general fund, which is the primary operating fund, fifty-one special revenue funds which are used to report the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, three capital funds which are used to report financial resources that are restricted to expenditures for capital outlays, and two enterprise funds. This report does not include the County's discretely presented component units, legally separate entities that the County is considered to be financially accountable for, and fiduciary funds information.

Suffolk County has received the Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the 34th consecutive year from the Government Finance Officers Association (GFOA) of the United States and Canada. This is the highest award for excellence in governmental accounting. The 2017 CAFR has been submitted to the GFOA for evaluation for the 35th Certificate of Achievement.

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

Sincerely,

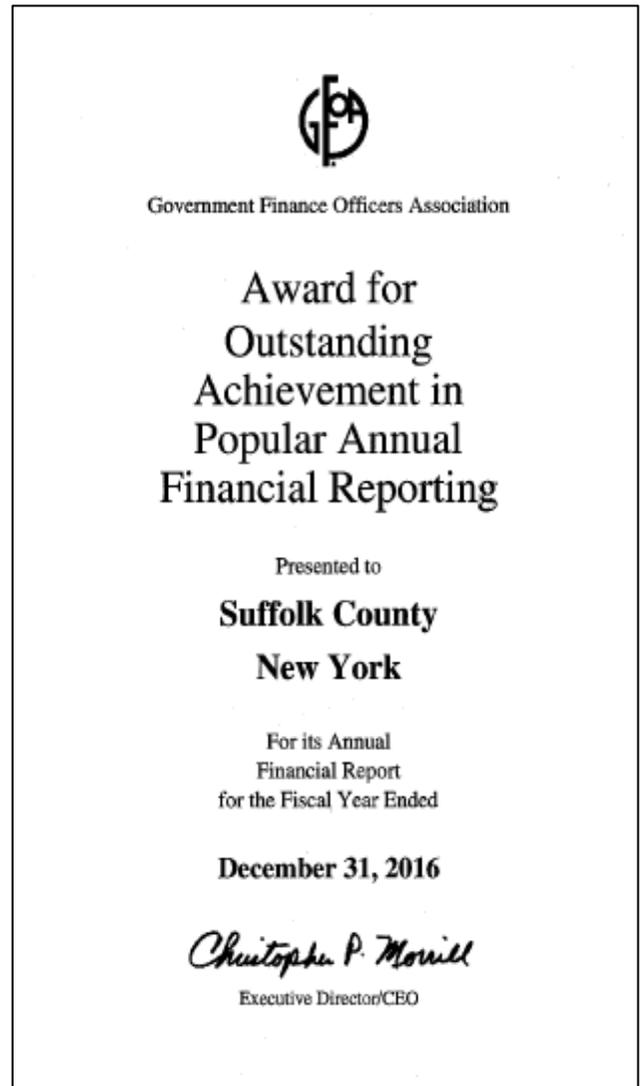
John M. Kennedy, Jr.
Suffolk County Comptroller

The Government Finance Officers Association

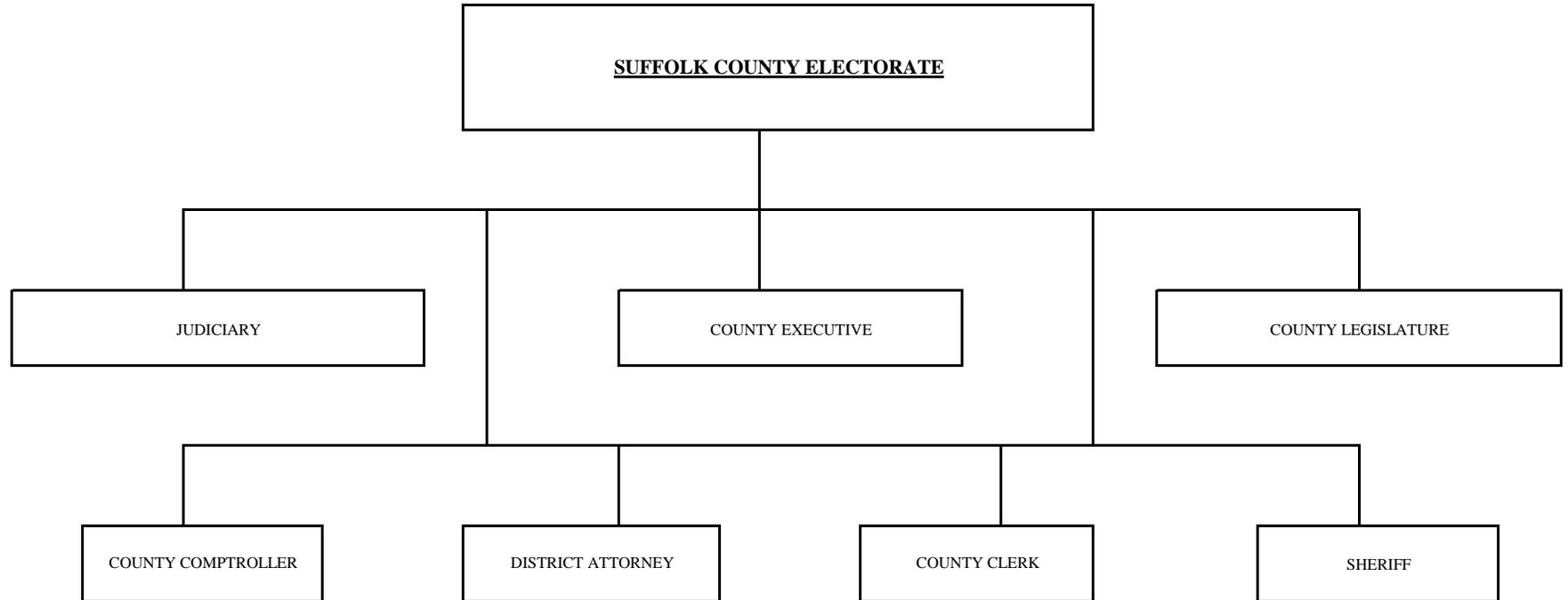
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Suffolk County, New York for its Popular Annual Financial Report for the fiscal year ended December 31, 2016. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

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

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting our 2017 PAFR to GFOA.



SUFFOLK COUNTY ORGANIZATIONAL CHART



SUFFOLK COUNTY, NEW YORK

List of Principal Officials

At December 31, 2017

Suffolk County Legislature

District

1 st	Al Krupski
2 nd	Bridget Fleming
3 rd	Kate M. Browning
4 th	Tom Muratore
5 th	Kara Hahn
6 th	Sarah S. Anker
7 th	Robert Calarco*
8 th	William J. Lindsay III
9 th	Monica R. Martinez
10 th	Tom Cilmi
11 th	Thomas F. Barraga
12 th	Leslie Kennedy
13 th	Robert Trotta
14 th	Kevin J. McCaffrey
15 th	DuWayne Gregory**
16 th	Steven H. Stern
17 th	Louis D'Amaro
18 th	William Spencer

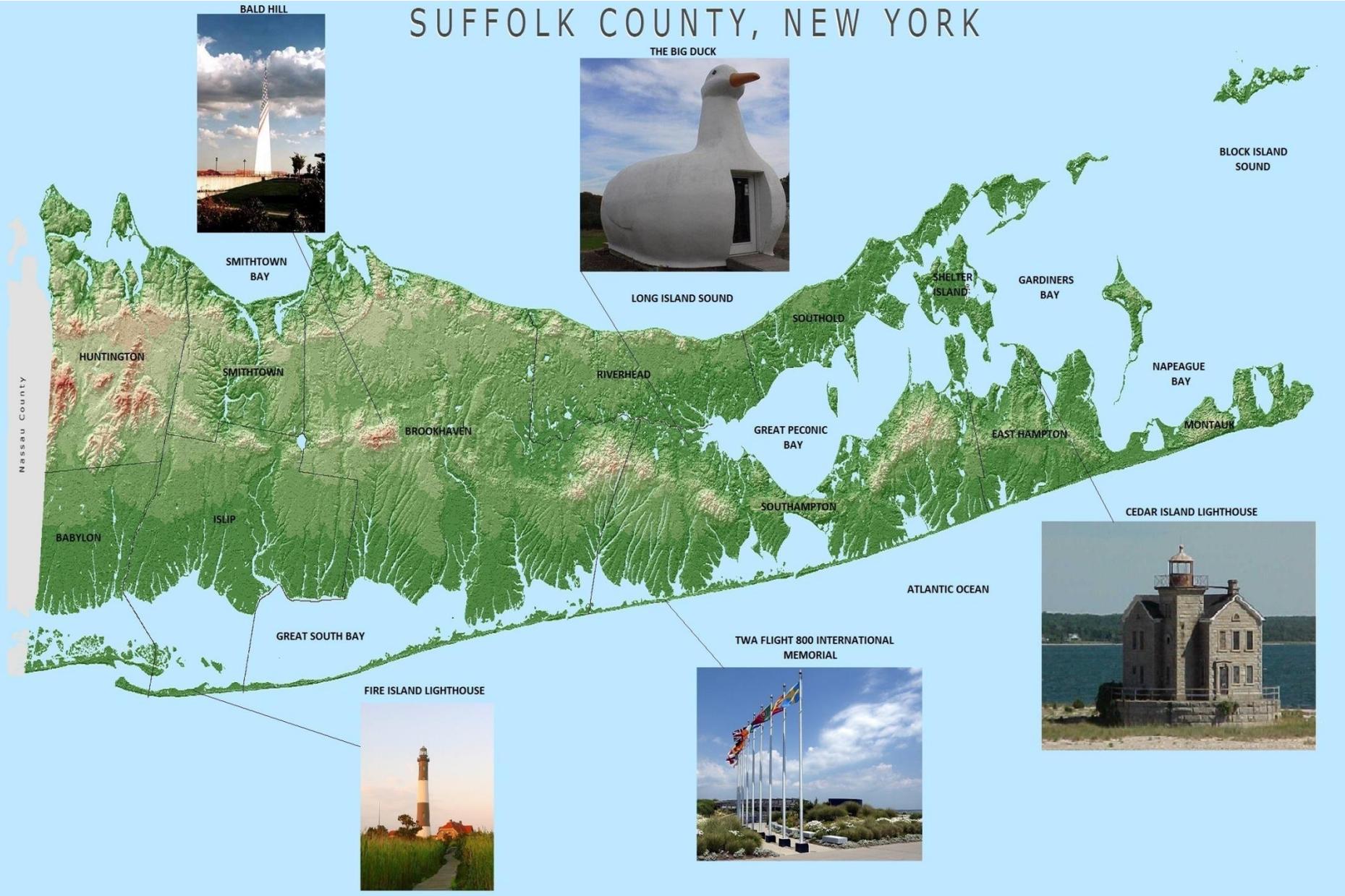
County Executive	Steven Bellone
County Comptroller	John M. Kennedy, Jr.
County Clerk	Judith A. Pascale
Acting District Attorney	Emily Constant
Sheriff	Vincent F. DeMarco

Notes:

* Deputy Presiding Officer

** Presiding Officer

SUFFOLK COUNTY, NEW YORK



County of Suffolk

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

The County Legislature is the principal policy-making body of the County, and its members are elected to two-year terms. The County Executive, who heads the executive branch of the County, and the County Comptroller, who is the Chief Fiscal Officer of the County, are each elected to four-year terms.

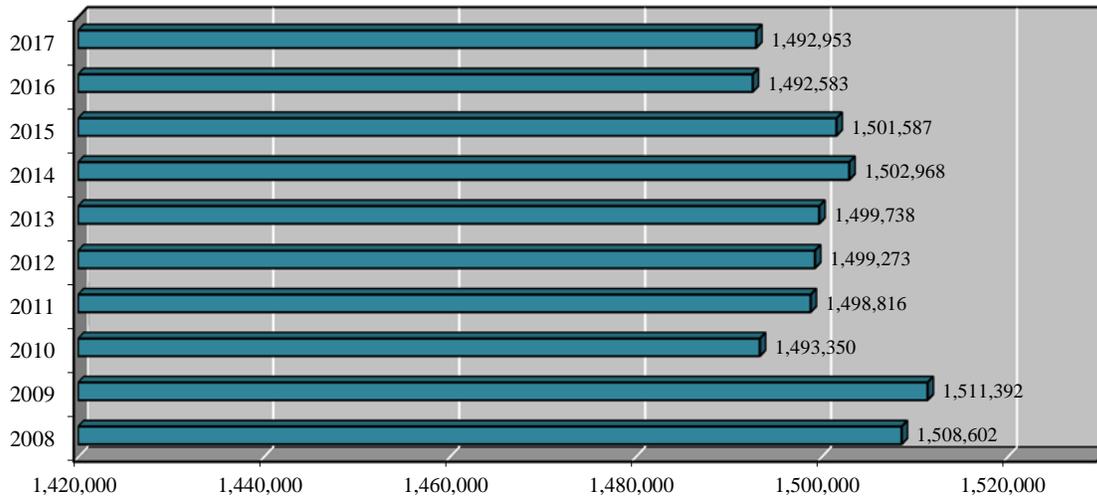
Suffolk County comprises the eastern two-thirds of Long Island and, with a 2017 population of 1,492,953, contains slightly more than one-half the population of Long Island. Suffolk County's western border is approximately 15 miles from the eastern border of the City of New York and the County is bordered by Nassau County to the west, Long Island Sound to the north and the Atlantic Ocean to the south and east. It covers an area of approximately 911 square miles of land.

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

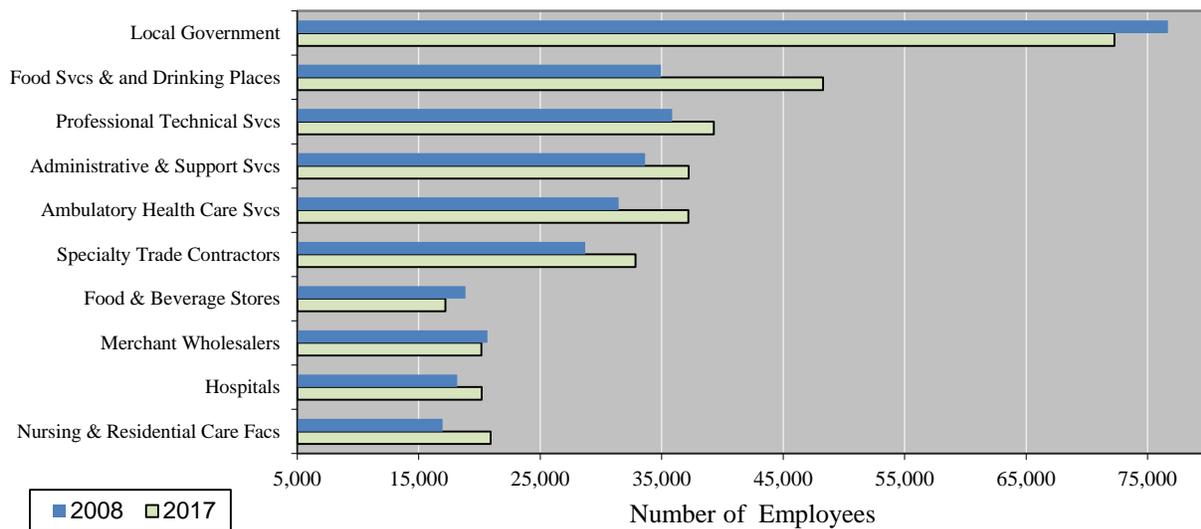


Demographics

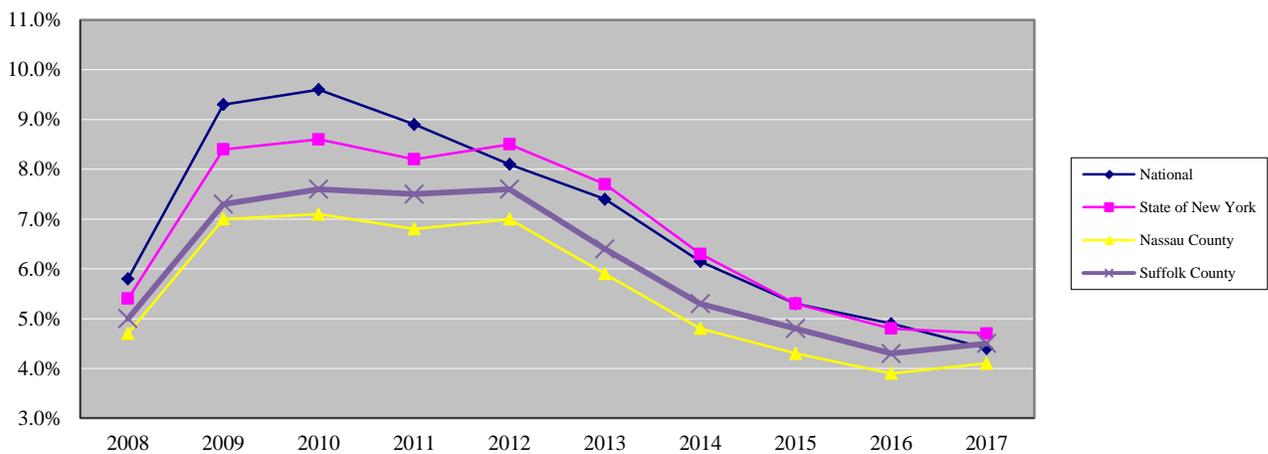
Population



Principal Employment Sectors 2017 & 2008

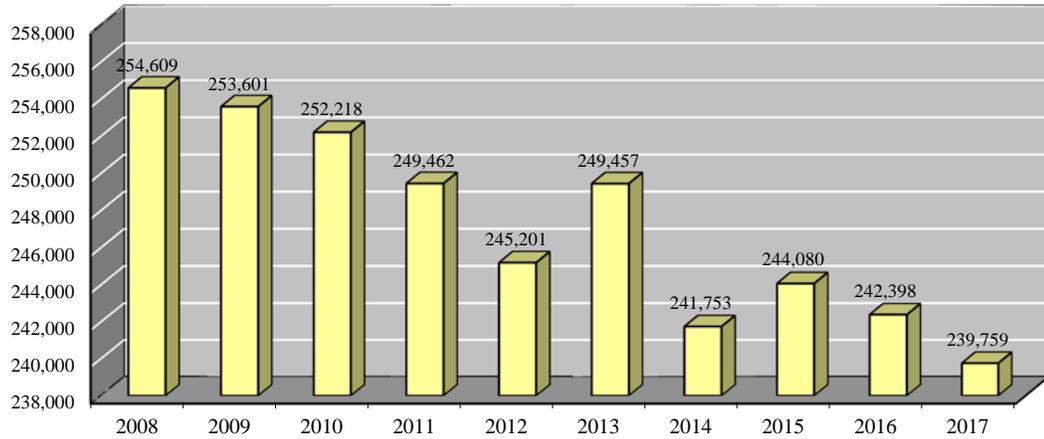


Unemployment Rate - National, State, and County

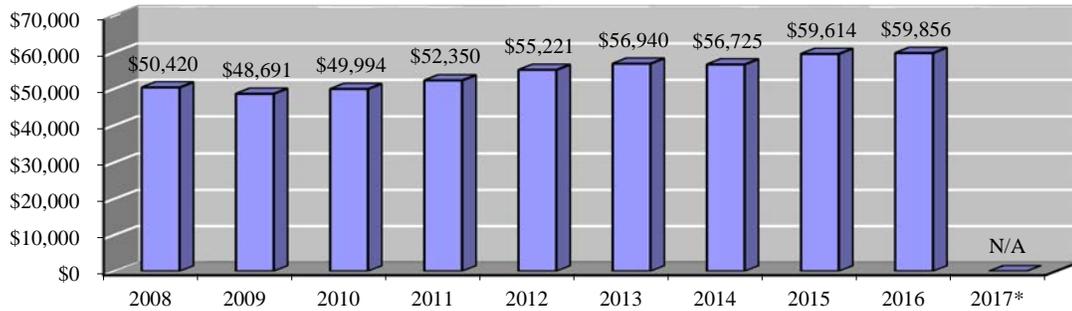


Demographics

Public School Enrollment



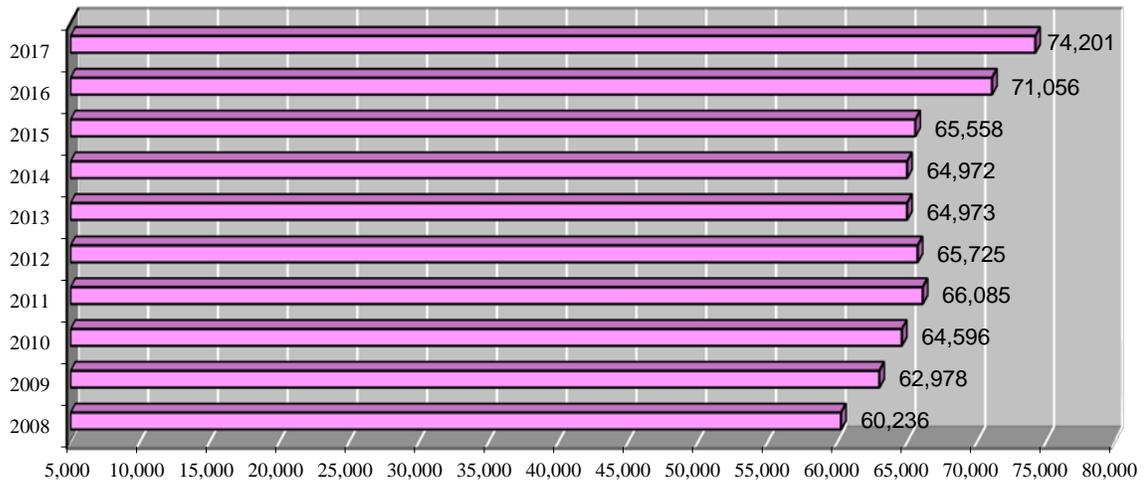
Income Per Capita



*Information not available for 2017

Assessed Property Values

(in millions of dollars)



Major Initiatives

Land and development rights totaling \$1.5 million were acquired during 2017 pursuant to land preservation/protection programs. In addition, land purchases, condemnations and easements were acquired during 2017 pursuant to the Fire Island Inlet-Moriches Inlet Stabilization Project. This \$207 million Federal government financed project will strengthen/protect Fire Island. Costs for 2017 totaled \$18.7 million, reaching over \$50 million at year end.



Suffolk County is responsible for 25 sewer districts and over 1250 miles of sewer piping. Plant capacities range in size from 35,000 gallons/day to 30.5 million gallons/day. Sewer system projects began, continued, and finished in 2017. At fiscal year end, sewer system construction costs reached \$212.0 million, with \$28.5 million spent in 2017.

Suffolk County maintains over 420 miles of county roads. Paving and repair of roads to improve both surface and structural conditions increases overall road life and safety. Road projects began, continued, and finished in 2017. At fiscal year end, road construction costs reached \$93.0 million, with \$64.5 million spent in 2017 and \$15.3 million completed improvements.

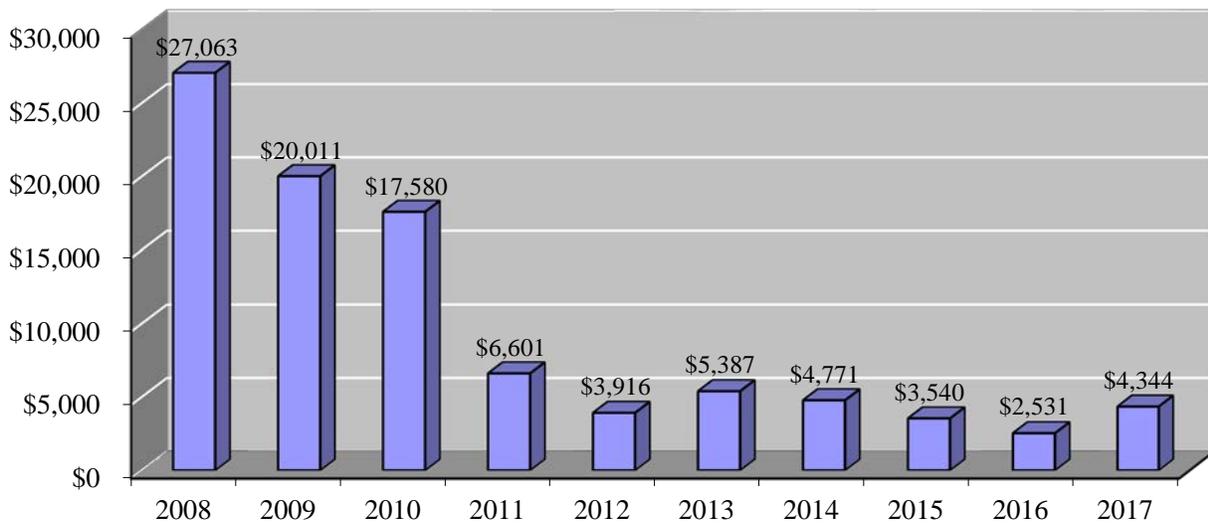


Investments

At December 31, 2017, Suffolk County's bank balance in all financial institutions was \$777,557,144. The entire bank balance was covered either by federal depository insurance or by collateral held by the County's agent in the County's name.

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

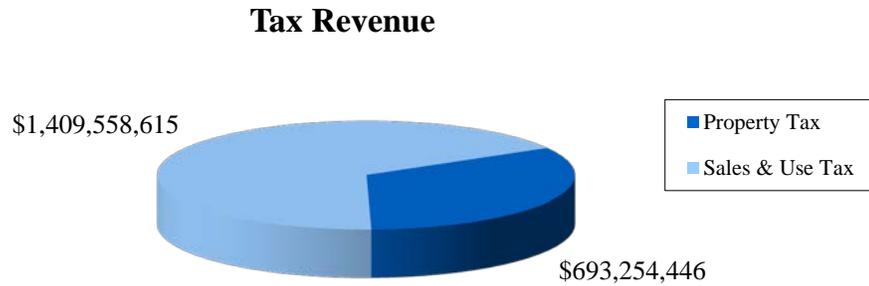
Investment Earnings (Amounts in 000's)



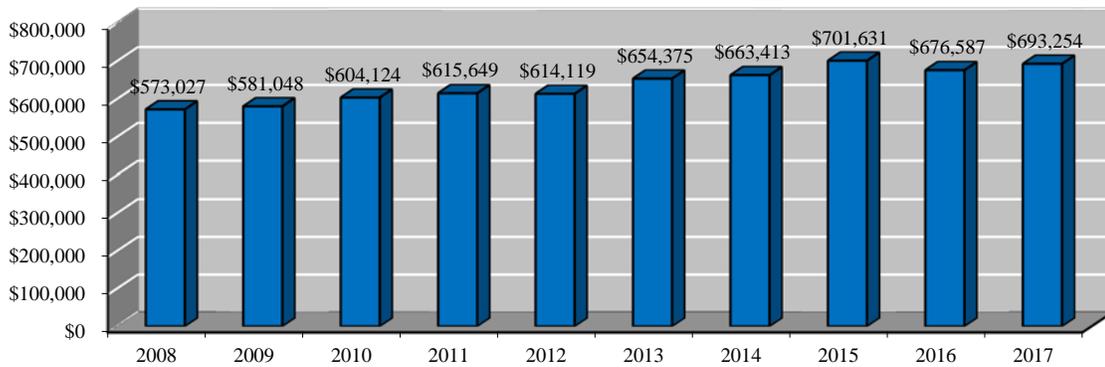
Investment earnings represent the amount of interest income earned by the County. The factors affecting interest income are interest rates and portfolio size, which fluctuate over time.

Taxes

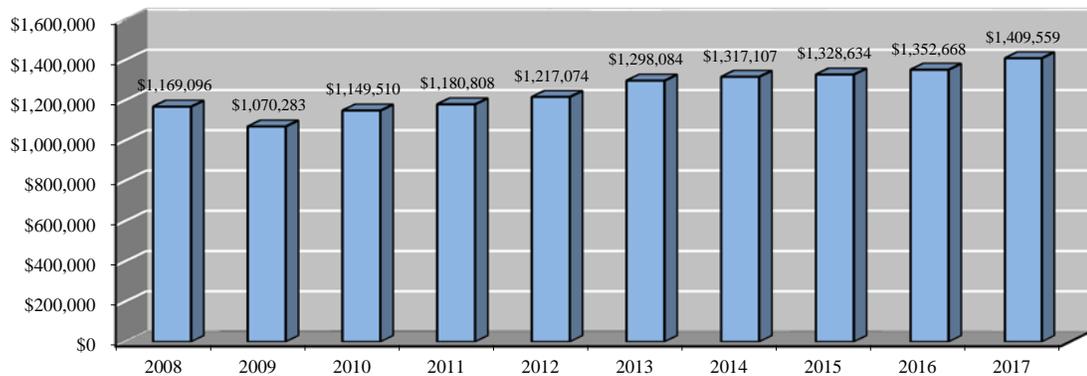
During 2017, Suffolk County received \$2.1 billion in tax revenue. The following chart shows the proportion derived from each type of tax.



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



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



Financial Position

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

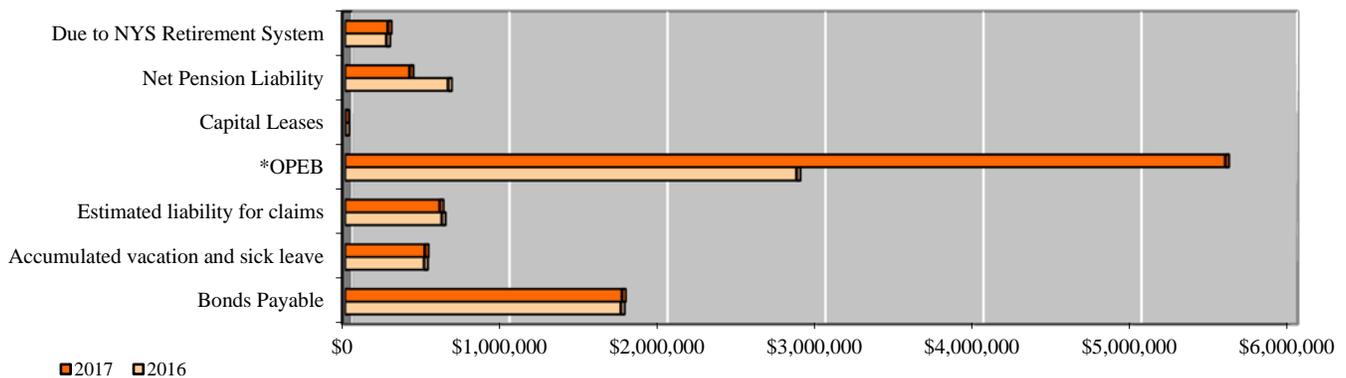
Outstanding Debt and Other Long-Term Obligations

The outstanding debt and other long-term obligations for governmental and business-type activities for the year ended December 31, 2017 are shown below:

	2017 Beginning Balance	Additions	Reductions	2017 Ending Balance
General Obligation debt (inclusive of advanced refunding)	\$ 1,381,345	\$ 515,974	\$ 506,204	\$ 1,391,115
STASC	299,974	2,105	1,783	300,296
Lease revenue bonds	63,052	-	2,561	60,491
Total Bonds Payable	1,744,371	518,079	510,548	1,751,902
Accumulated vacation and sick leave	499,191	35,009	30,344	503,856
Estimated liability for claims	610,947	38,242	51,214	597,975
OPEB (Other Post Employment Benefits)	2,856,930	2,851,240	133,220	5,574,950
Capital Leases	569	-	487	82
Net Pension Liability	651,206	263,252	506,815	407,643
Due to NYS Retirement System	260,511	35,235	25,842	269,904
Total Long-Term Liabilities	\$ 6,623,725	\$ 3,741,057	\$ 1,258,470	\$ 9,106,312

A bond credit rating assesses the credit worthiness of a municipality’s debt issues. Suffolk County maintains an “A-” with a stable outlook rating from Standard & Poor’s, an “A-” with a stable outlook rating from Fitch and an “A3” with a negative outlook rating from Moody’s for general obligation debt. All three ratings represent a quality of bond in the upper medium grade. The County’s ratings indicate a strong capacity to meet its financial commitments, but are somewhat more susceptible to changes in economic conditions.

2016 & 2017 Long-Term Obligations
(Amounts in 000's)



*Implemented GASB 75 in 2017

Financial Position

Capital Assets

The composition of the capital assets for governmental and business-type activities at December 31, 2017 is shown below:

(December 31; net of depreciation, amounts in 000's)

	2017	2016
Land	\$ 941,482	\$ 926,359
Development Rights	261,930	256,896
Historic Buildings	4,608	4,608
Construction in Progress	389,966	342,024
Buildings	643,838	643,516
Improvements other than Buildings	56,868	53,591
Vehicles and Equipment	139,489	122,744
Infrastructure	769,320	775,517
Total	<u>\$ 3,207,501</u>	<u>\$ 3,125,253</u>

The net increase in Suffolk County's investment in capital assets for the current fiscal year was \$82.2 million, which represents a 2.63 percent increase.

Land

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

Development Rights

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

Historic Buildings

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

Construction in Progress (CIP)

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

Buildings

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

Improvements other than Buildings

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

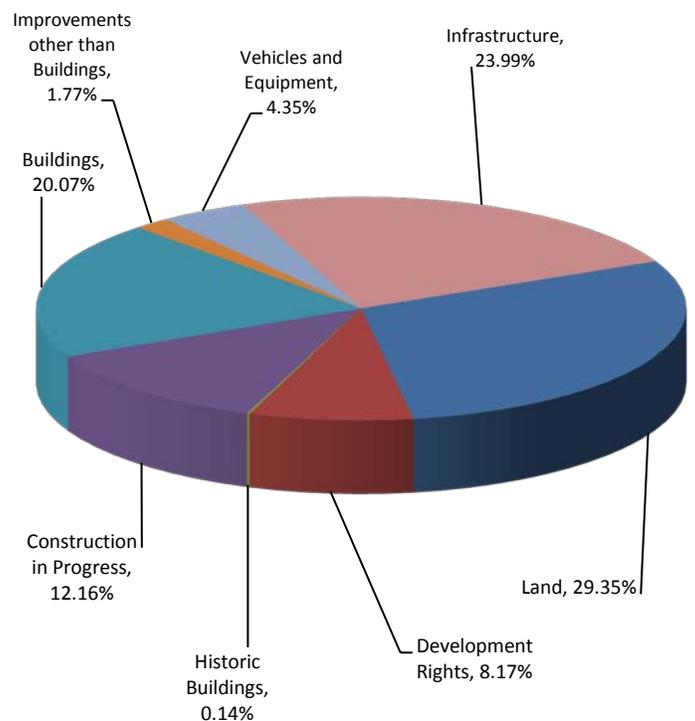
Vehicles and Equipment

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

Infrastructure

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

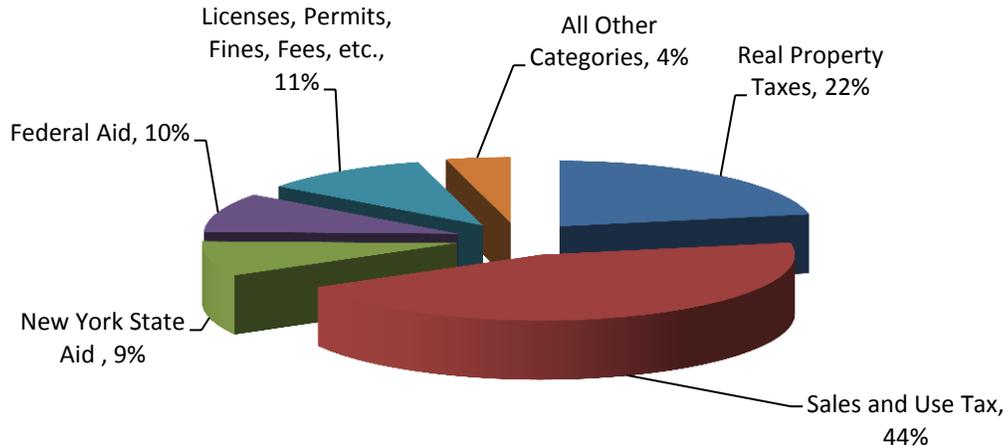
2017 Capital Assets



Governmental Fund Revenues

The revenues presented are the total governmental funds reported in the 2017 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary revenue sources are Sales and Use Tax, and Real Property Taxes.

Revenue Percent by Source



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

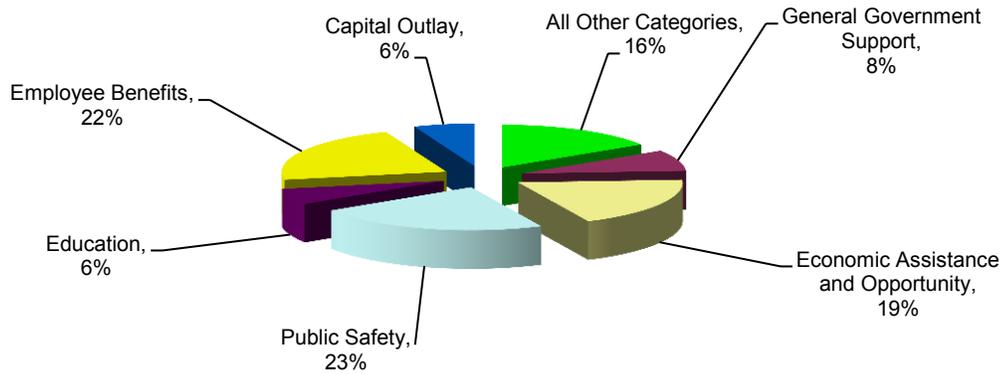
Revenues	2017 Actual	2016 Actual	\$ Change	% Change
Real Property Taxes	\$ 693,254	\$ 676,587	\$ 16,667	2.46%
Sales and Use Tax	1,409,559	1,352,668	56,891	4.21%
State Aid	302,906	331,481	(28,575)	-8.62%
Federal Aid	304,572	282,212	22,360	7.92%
Licenses, Permits, Fines, Fees, etc.	338,137	288,629	49,508	17.15%
All Other Categories	126,356	137,685	(11,329)	-8.23%
	<u>\$3,174,784</u>	<u>\$3,069,262</u>	<u>\$105,522</u>	3.44%

- Licenses, permits, fines and fees increased (17.15%) is primarily the result of a mortgage verification fee imposed by the County Clerk's office effective in 2017.
- The Federal Aid increase (7.92%) is partly attributed to aid received through the Federal Transit Authority for the purchase of public transportation vehicles.
- The Sales and Use Tax increase (4.21%) can be attributed to increases in inflation, consumer confidence and motor fuel prices.
- The State Aid decrease (8.62%) over the prior year is mainly due to reduction of aid received to repair damage to Fire Island, from Superstorm Sandy.
- The decrease (8.23%) in other revenue over the prior year is partly attributable to the one-time tobacco revenue payment received in 2016 related to the 1998 master settlement agreement, which is based on cigarette sales.

Governmental Fund Expenditures

The expenditures presented are the total governmental funds reported in the 2017 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary expenditure functions are Public Safety, Economic Assistance and Opportunity, and Employee Benefits.

Expenditure Percent by Function



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

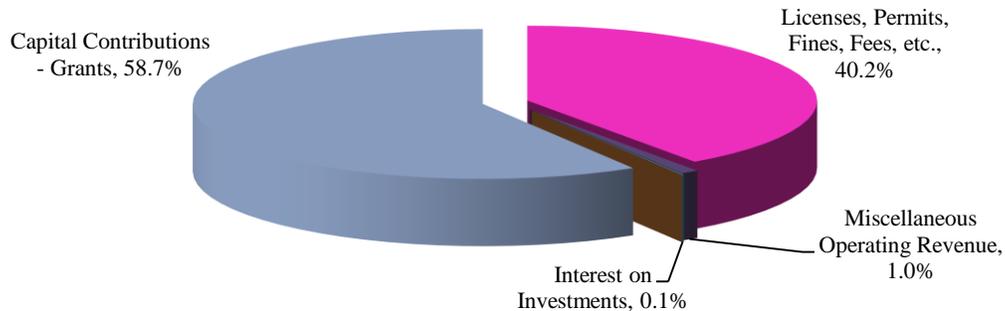
(Amounts in 000's)				
Expenditures	2017 Actual	2016 Actual	\$ Change	% Change
General Government Support	\$ 276,289	\$ 259,793	\$ 16,496	6.35%
Economic Assistance & Opportunity	637,885	650,796	(12,911)	-1.98%
Public Safety	747,511	725,579	21,932	3.02%
Education	187,322	182,909	4,413	2.41%
Employee Benefits	731,012	672,908	58,104	8.63%
Capital Outlay	195,100	212,712	(17,612)	-8.28%
All Other Categories	542,547	542,087	460	0.08%
	<u>\$ 3,317,666</u>	<u>\$ 3,246,784</u>	<u>\$ 70,882</u>	2.18%

- The increase (8.63%) in Employee Benefits is the result of the increased expenditures in the Employee Medical Health Plan, the County's self-insured fund as well as a decline in pension amortization, thereby increasing the pension costs in 2017.
- The increase (6.35%) in General Government Support is partly attributable to the settlement of lawsuits against the County in 2017.
- Public Safety increased (3.02%) as a result of separation pay for retirees and increases in Police and Sheriff departments' payroll, including new recruits graduating in March and October 2017.
- The decrease (8.28%) in Capital Outlays is partly attributable to a Southwest Sewer District expansion project that is winding down.

Enterprise Fund Revenues

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

Revenue Percent by Source



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

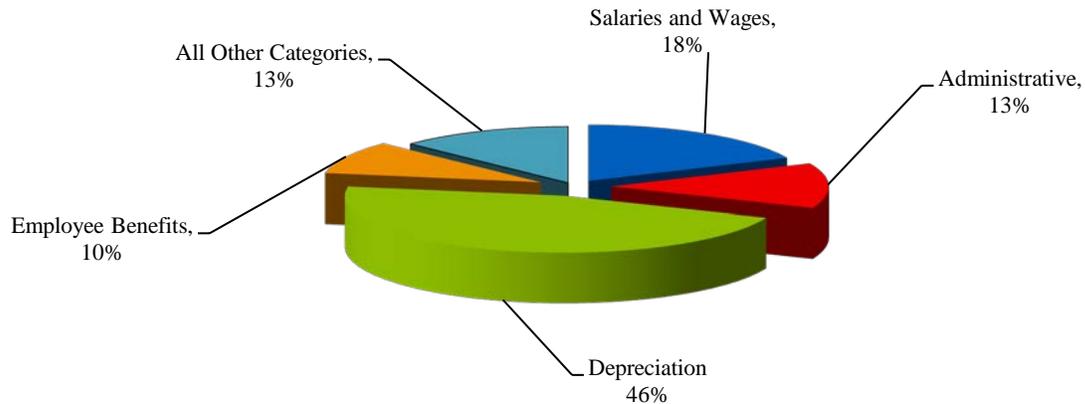
Revenues	(Amounts in 000's)			
	2017 Actual	2016 Actual	\$ Change	% Change
Licenses, Permits, Fines, Fees, etc.	\$ 3,434	\$ 3,643	\$ (209)	-5.74%
Miscellaneous Operating Revenue	88	194	(106)	-54.64%
Interest on Investments	8	8	-	0.00%
Capital Contributions - Grants	5,010	3,258	1,752	53.78%
	<u>\$ 8,540</u>	<u>\$ 7,103</u>	<u>\$ 1,437</u>	20.23%

- The increase (53.78%) in Capital Contributions relates to increased Federal and State funding for major renovations and construction projects at the Airport.
- The decrease (5.74%) in Licenses, Permits, Fines, Fees, etc., is due to an overall reduction of fees and rents received at the Airport.
- The decrease (54.64%) in Miscellaneous Operating Revenue is mainly due to a reduction in the amount recognized from debt service reserve. The reserve is available to offset the Airport's long term bond payments.

Enterprise Fund Expenses

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

Percentage of Expenses by Type



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

Expenses	(Amounts in 000's)			
	2017 Actual	2016 Actual	\$ Change	% Change
Salaries and Wages	\$ 517	\$ 539	\$ (22)	-4.08%
Administrative	367	270	97	35.93%
Depreciation	1,315	1,310	5	0.38%
Employee Benefits	271	416	(145)	-34.86%
Loss on Disposition of Capital Assets	-	50	(50)	-100.00%
All Other Categories	363	321	42	13.08%
	<u>\$ 2,833</u>	<u>\$ 2,906</u>	<u>\$ (73)</u>	<u>-2.51%</u>

- The increase in Administrative expenses (35.93%) is the result of additional costs of operating the new facilities constructed as part of the ongoing renovations at the Airport.
- The increase in All Other expenses (13.08%) is the result of additional costs of building repairs at the ballpark.
- The decrease in Employee Benefits (34.86%) is mainly due to the adoption of GASB 75 for reporting post-employment benefits other than pensions.

SUFFOLK'S SENSATIONAL SITES

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

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

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

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

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

- ❖ The Scully Estate, located in Islip, was built in 1917 by architect Grosvenor Atterbury. In the early 1980's, the property was donated to the National Audubon Society and, in 2004, the County purchased the 70 acre property from Audubon. The estate building now houses the Suffolk County Environmental Center, which is operated by the Seatuck Environmental Association.

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

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

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