

POPULAR ANNUAL FINANCIAL REPORT



County of Suffolk, New York

For the year ended
December 31, 2018

Suffolk County, New York
Popular Annual Financial Report
For the Fiscal Year Ended December 31, 2018

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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 28, 2019

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, 2018. 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 2018 Suffolk County Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of 208 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-two 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 35th 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 2018 CAFR has been submitted to the GFOA for evaluation for the 36th 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,

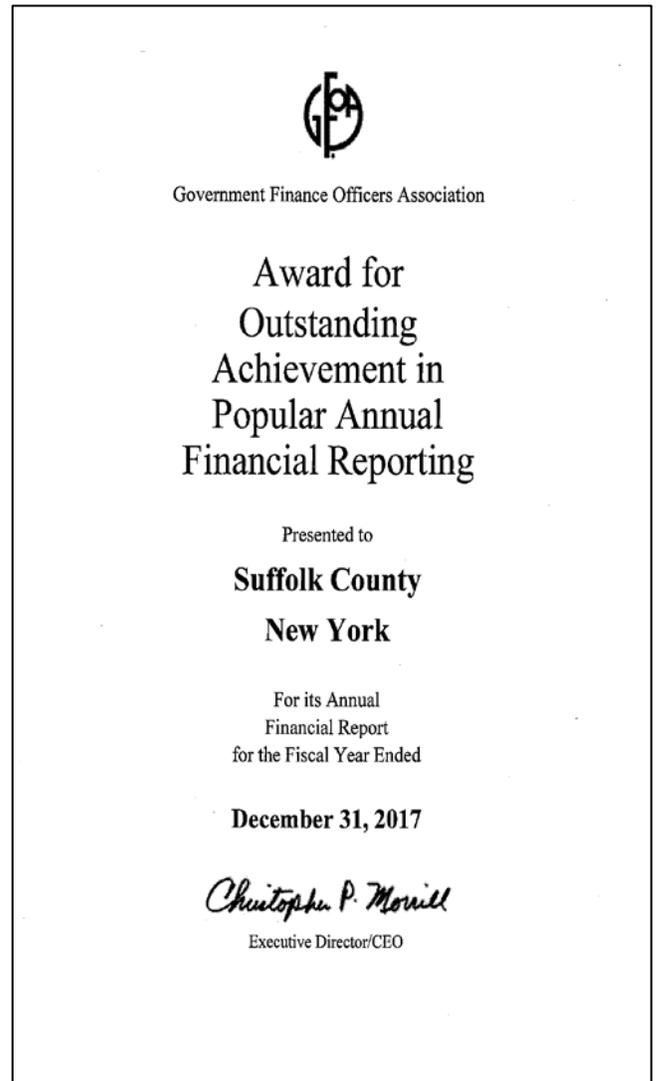
John M. Kennedy, Jr.
Suffolk County Comptroller

The Government Finance Officers Association

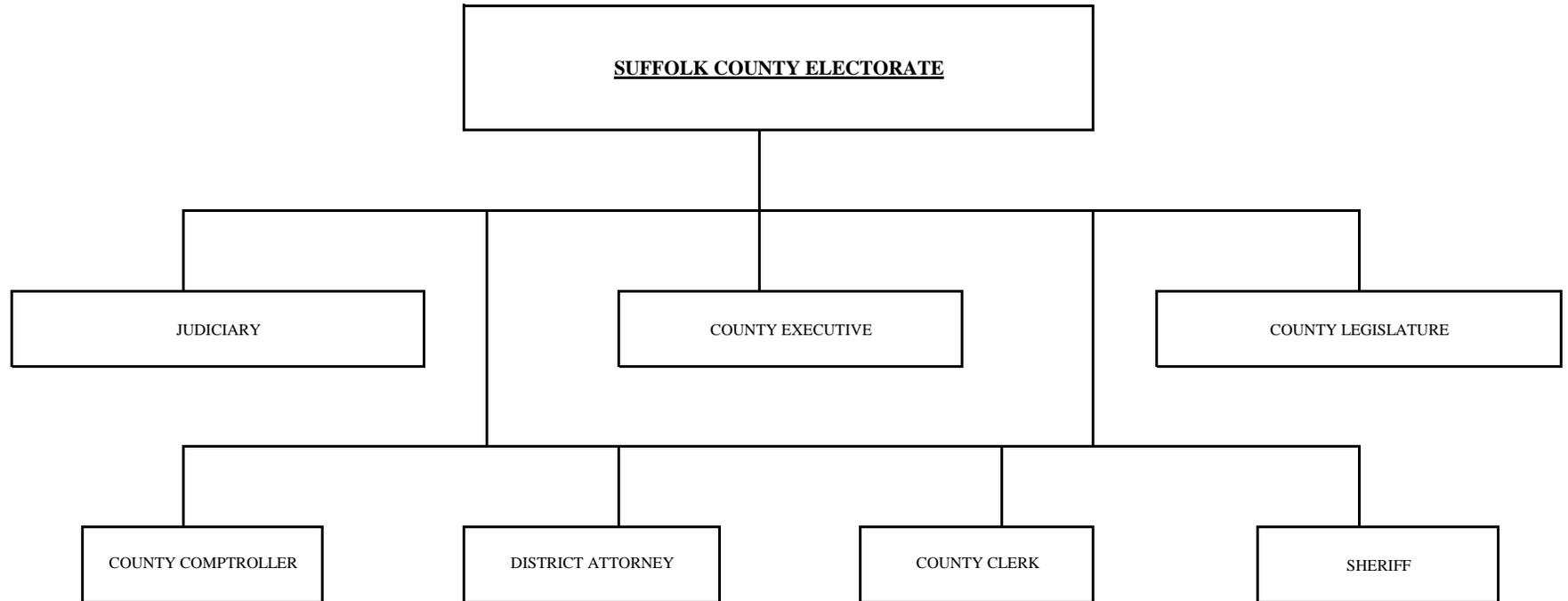
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Suffolk County, New York for its Popular Annual Financial Report for the fiscal year ended December 31, 2017. The Award for Outstanding 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 2018 PAFR to GFOA.



SUFFOLK COUNTY ORGANIZATIONAL CHART



SUFFOLK COUNTY, NEW YORK

List of Principal Officials

At December 31, 2018

Suffolk County Legislature

District

1 st	Al Krupski
2 nd	Bridget Fleming
3 rd	Rudy A. Sunderman
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	Steven J. Flotteron
12 th	Leslie Kennedy
13 th	Robert Trotta
14 th	Kevin J. McCaffrey
15 th	DuWayne Gregory**
16 th	Susan A. Berland
17 th	Tom Donnelly
18 th	William Spencer

County Executive	Steven Bellone
County Comptroller	John M. Kennedy, Jr.
County Clerk	Judith A. Pascale
District Attorney	Timothy D. Sini
Sheriff	Errol D. Toulon, Jr.

Notes:

* Deputy Presiding Officer

** Presiding Officer

SUFFOLK COUNTY, NEW YORK

VANDERBILT MUSEUM & PLANETARIUM

LONG ISLAND VINEYARDS

LONG ISLAND SOUND

SMITHTOWN BAY

HUNTINGTON

SMITHTOWN

RIVERHEAD

SOUTHOLD

SHELTER ISLAND

GARDINERS BAY

NAPEAGUE BAY

BROOKHAVEN

GREAT PECONIC BAY

EAST HAMPTON

MONTAUK

BABYLON

ISLIP

SOUTHAMPTON

GREAT SOUTH BAY

ATLANTIC OCEAN

WINDMILL IN THE HAMPTONS

MONTAUK COUNTY PARK

MARITIME MUSEUM

Nassau County

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.

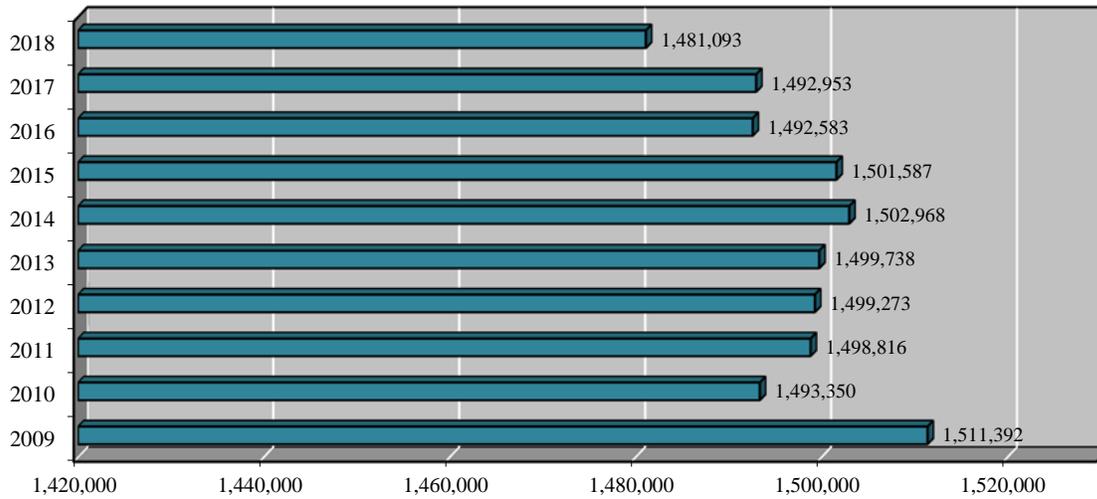
Suffolk County comprises the eastern two-thirds of Long Island and, with a 2018 population of 1,481,093, contains slightly more than one-half the population of Long Island. Suffolk County's western border is approximately 15 miles from the eastern border of the City of New York and the County is bordered 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.

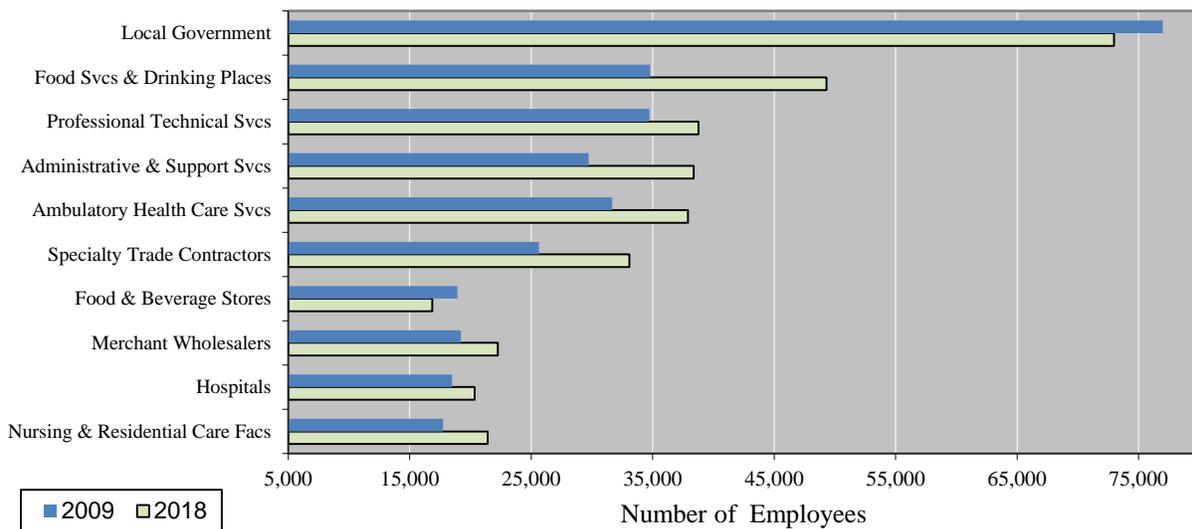


Demographics

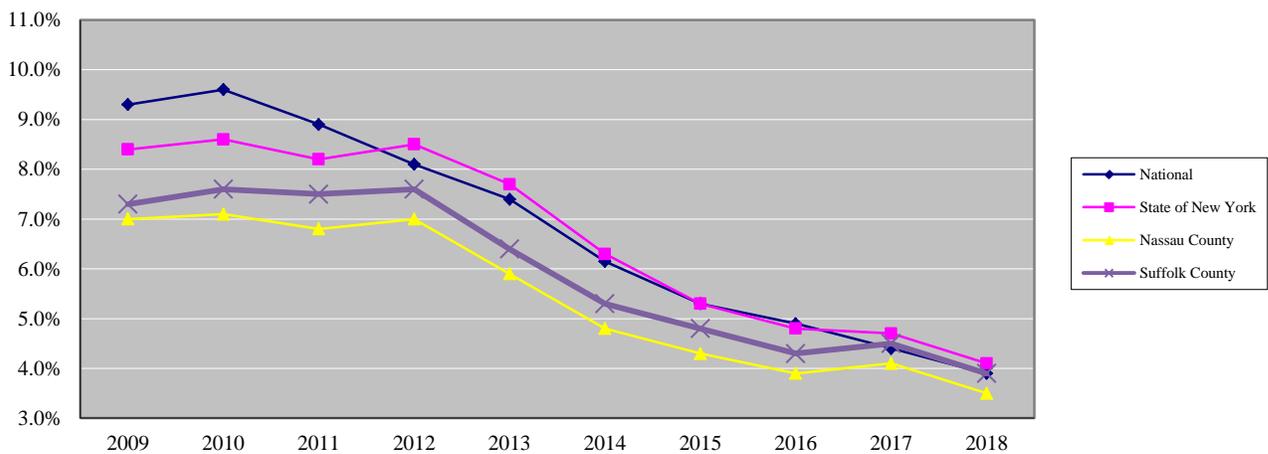
Population



Principal Employment Sectors 2018 & 2009

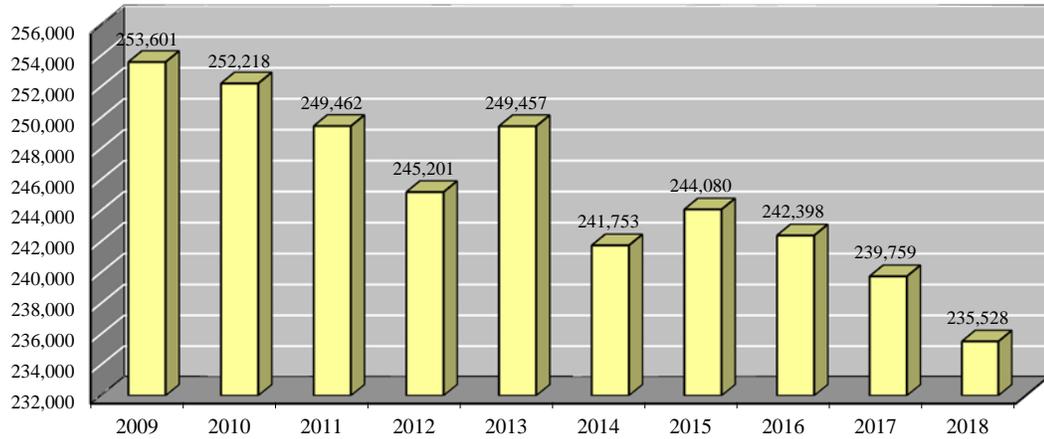


Unemployment Rate - National, State, and County

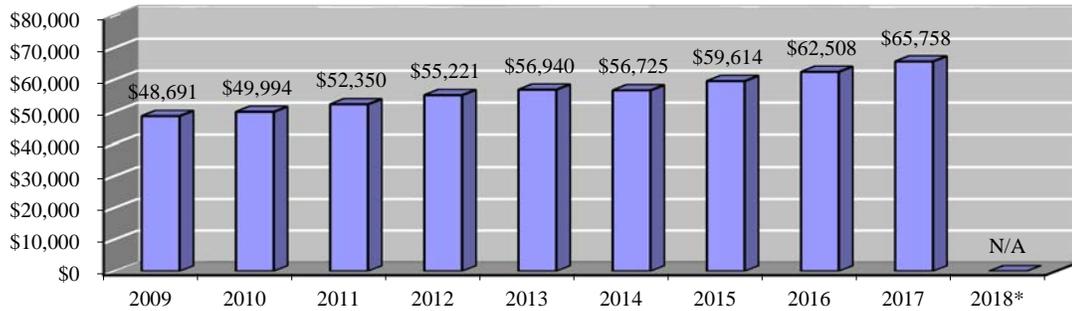


Demographics

Public School Enrollment



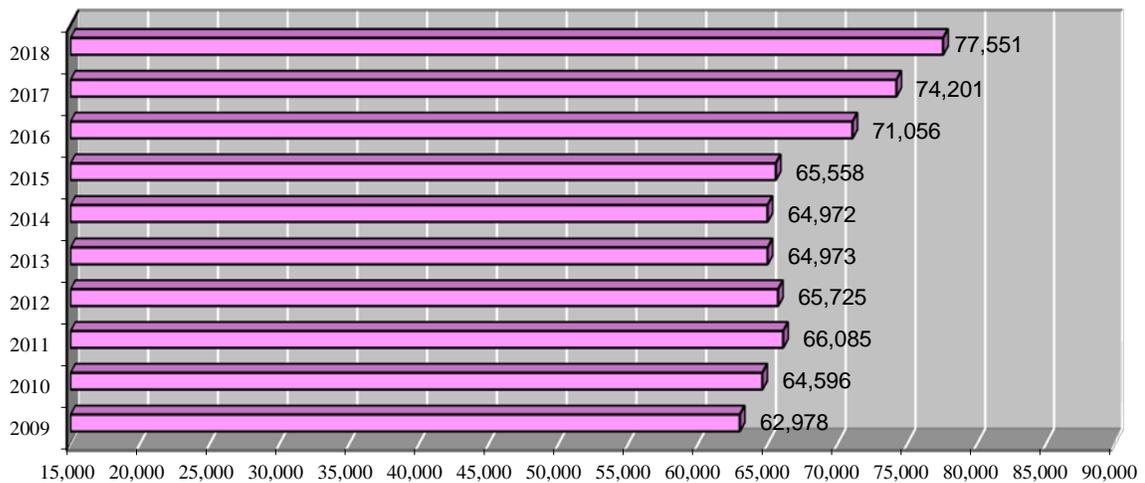
Income Per Capita



*Information not available for 2018

Assessed Property Values

(in millions of dollars)



Major Initiatives

Land and development rights totaling \$18.7 million were acquired during 2018 pursuant to land preservation/protection programs. In addition, land purchases, condemnations, and easements were acquired during 2018 pursuant to the Fire Island Inlet-Moriches Inlet Stabilization Project. This \$207 million federal government financed project will strengthen/protect Fire Island. Costs for 2018 totaled \$14.3 million, reaching a total cost to the project of \$65 million.



Suffolk County Sewer District No. 3 includes an area of approximately 57 square miles, with over 950 miles of sewer lines. The wastewater treatment plant was designed to provide treatment for an average daily flow of 30 million gallons. Sewer projects began or continued in 2018. At fiscal year end, sewer construction costs reached \$254.7 million, with \$42.8 million spent in 2018.

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 2018. At fiscal year end, road construction-in-progress costs reached \$86.3 million, with \$47.5 million spent in 2018 and \$42.8 million in completed improvements.

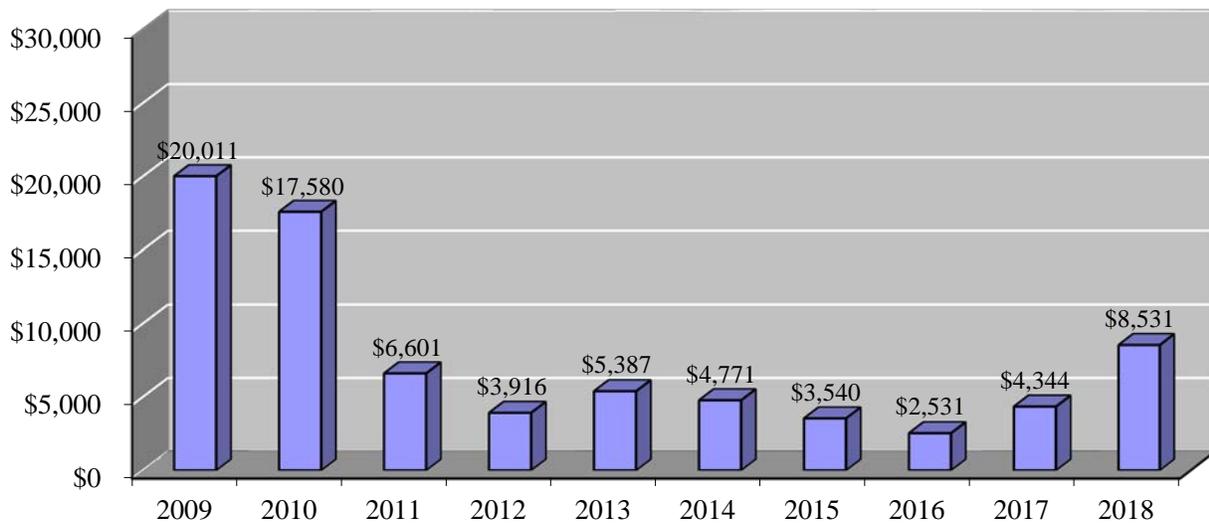


Investments

At December 31, 2018, Suffolk County's bank balance in all financial institutions was \$839,355,973. 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.

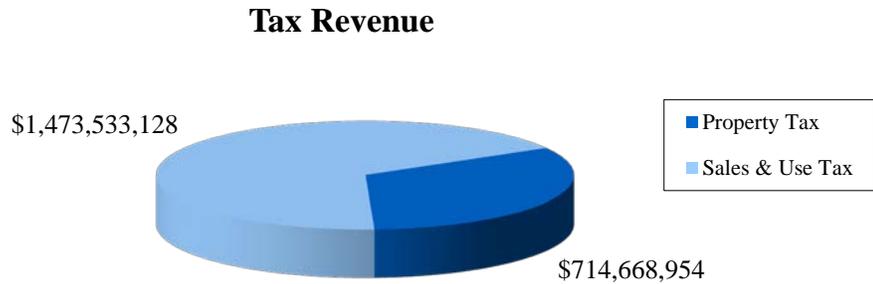
Investment Earnings (Amounts in 000's)



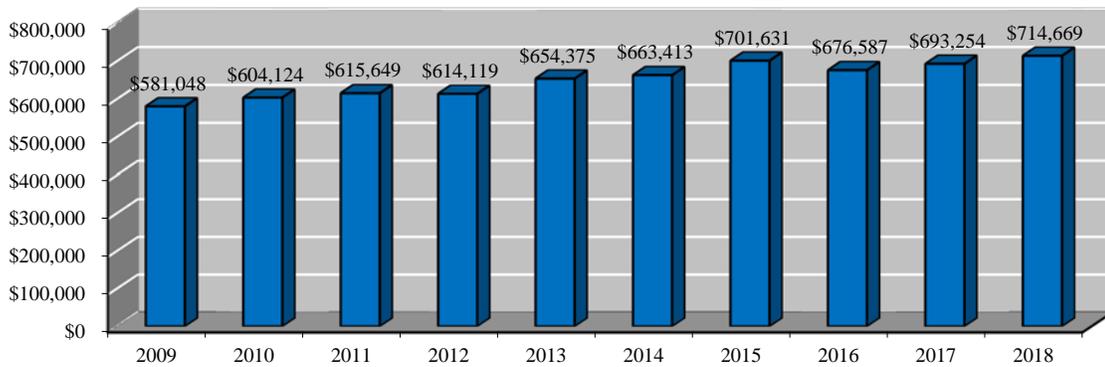
Investment earnings represent the amount of interest income earned by the County. The factors affecting interest income are interest rates and portfolio size, which fluctuate over time.

Taxes

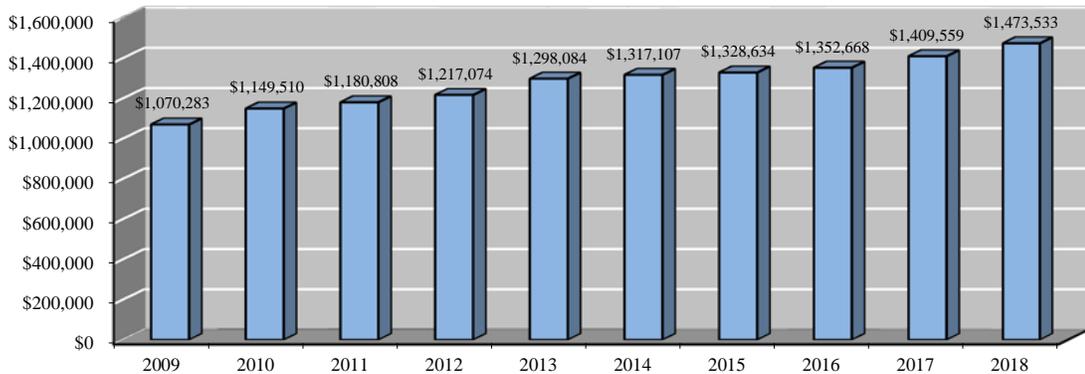
During 2018, Suffolk County received \$2.19 billion in tax revenue. The following chart shows the proportion derived from each type of tax.



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

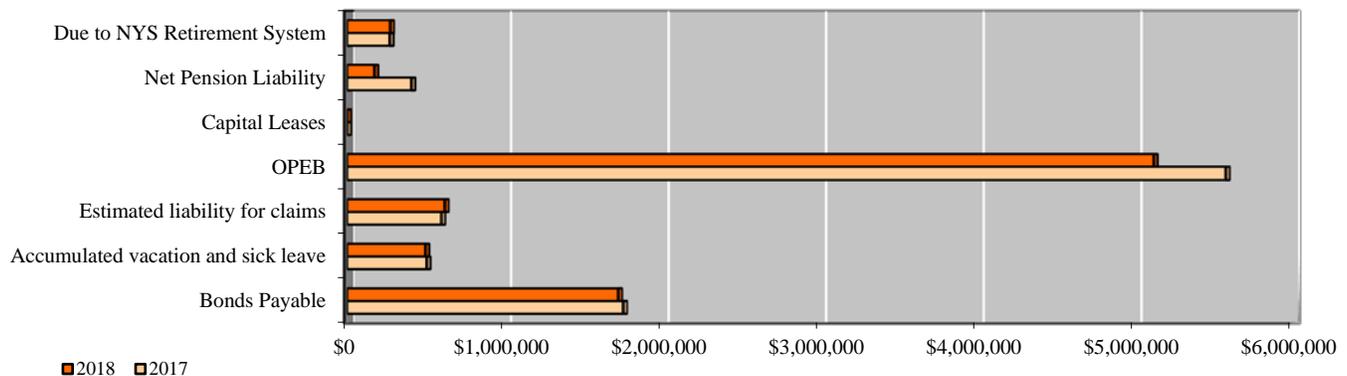
The outstanding debt and other long-term obligations for governmental and business-type activities for the year ended December 31, 2018 are shown below:

Suffolk County Outstanding Debt & Other Long-Term Obligations

	2018 Beginning Balance	Additions	Reductions	2018 Ending Balance
General Obligation debt (inclusive of advanced refunding)	\$ 1,391,114,530	\$ 110,553,750	\$ 137,759,489	\$ 1,363,908,791
Suffolk Tobacco Asset Securitization Corporation	300,295,807	2,275,138	4,113,429	298,457,516
Lease revenue bonds	60,492,004	-	2,685,806	57,806,198
Total Bonds Payable	1,751,902,341	112,828,888	144,558,724	1,720,172,505
Accumulated vacation and sick leave	503,855,277	29,110,185	36,635,681	496,329,781
Estimated liability for claims	597,976,064	69,627,008	47,944,252	619,658,820
Other Post Employment Benefits (OPEB)	5,574,950,000	380,890,000	838,880,000	5,116,960,000
Capital Leases	82,082	-	82,082	-
Net Pension Liability	407,642,782	317,342,085	552,182,634	172,802,233
Due to NYS Retirement System	269,903,214	32,086,087	29,303,832	272,685,469
Total Long-Term Liabilities	\$ 9,106,311,760	\$ 941,884,253	\$ 1,649,587,205	\$ 8,398,608,808

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 negative outlook rating from Fitch, and a “Baa1” with a stable outlook rating from Moody’s for general obligation debt. Two ratings represent a quality of bond in the upper medium grade, and one rating represents a 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.

2017 & 2018 Long-Term Obligations
(Amounts in 000's)



Financial Position

Capital Assets

The composition of the capital assets for governmental and business-type activities at December 31, 2018 is shown below:

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

	2018	2017
Land	\$ 962,141	\$ 941,482
Development Rights	274,337	261,930
Historic Buildings	4,608	4,608
Construction in Progress	449,097	389,966
Buildings	629,093	643,838
Improvements other than Buildings	54,360	56,868
Vehicles and Equipment	131,169	139,489
Infrastructure	789,827	769,320
Total	<u>\$ 3,294,632</u>	<u>\$ 3,207,501</u>

The net increase in Suffolk County's investment in capital assets for the current fiscal year was \$87.1 million, which represents a 2.72 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.

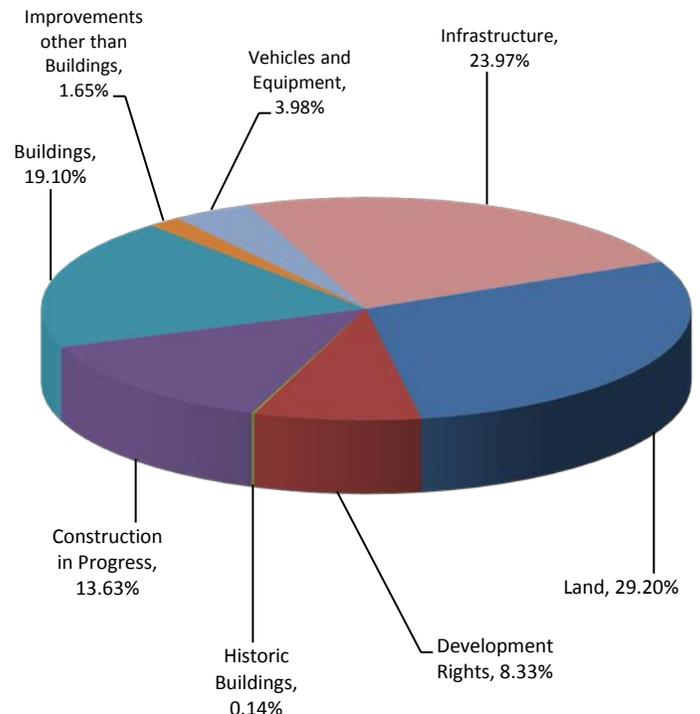
Vehicles and Equipment

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.

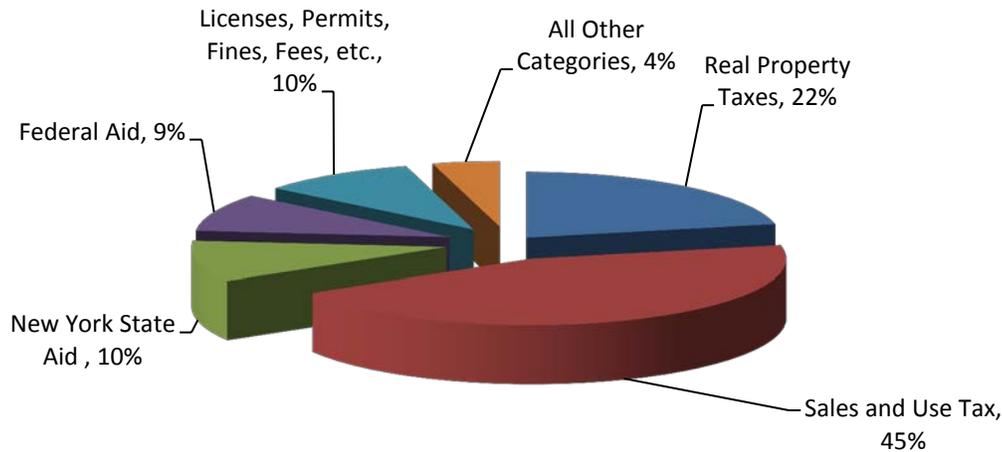
2018 Capital Assets



Governmental Fund Revenues

The revenues presented are the total governmental funds reported in the 2018 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary revenue sources are Sales and Use Tax, and Real Property Taxes.

Revenue Percent by Source



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

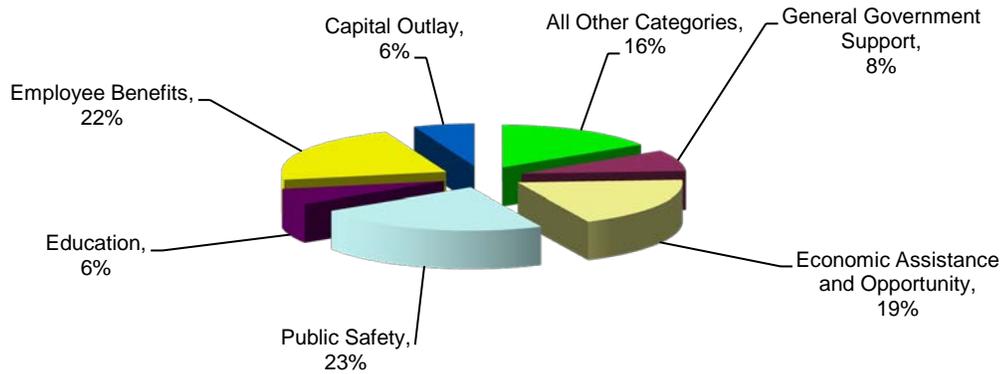
Revenues	(Amounts in 000's)			
	2018 Actual	2017 Actual	\$ Change	% Change
Real Property Taxes	\$ 714,669	\$ 693,254	\$ 21,415	3.09%
Sales and Use Tax	1,473,533	1,409,559	63,974	4.54%
State Aid	332,445	302,906	29,539	9.75%
Federal Aid	272,904	304,572	(31,668)	-10.40%
Licenses, Permits, Fines, Fees, etc.	326,784	338,137	(11,353)	-3.36%
All Other Categories	137,594	126,356	11,238	8.89%
	<u>\$3,257,929</u>	<u>\$3,174,784</u>	<u>\$ 83,145</u>	2.62%

- The State Aid increase (9.75%) is partly attributable to an increase in aid to the County's Preschool Special Education Program, as a result of increases in program expenses.
- The increase (8.89%) in All Other revenue over the prior year is partly attributable to increases in insurance recoveries and interest on investments.
- The Sales and Use Tax increase (4.54%) can be attributed to a low unemployment rate, steady wage growth, and increases in motor fuel sales, consumer confidence and inflation.
- Federal Aid declined (10.40%) partly as a result of aid received through the Federal Transit Authority for the purchase of public transportation vehicles in 2017.
- Licenses, Permits, Fines, Fees, etc., decreased (3.36%) due partly to a decrease in recording and filing fees resulting from a slight decline in home closings in 2018.

Governmental Fund Expenditures

The expenditures presented are the total governmental funds reported in the 2018 CAFR's Statement of Revenues, Expenditures, and Changes in Fund Balances. The primary expenditure functions are Public Safety, Economic Assistance and Opportunity, and Employee Benefits.

Expenditure Percent by Function



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

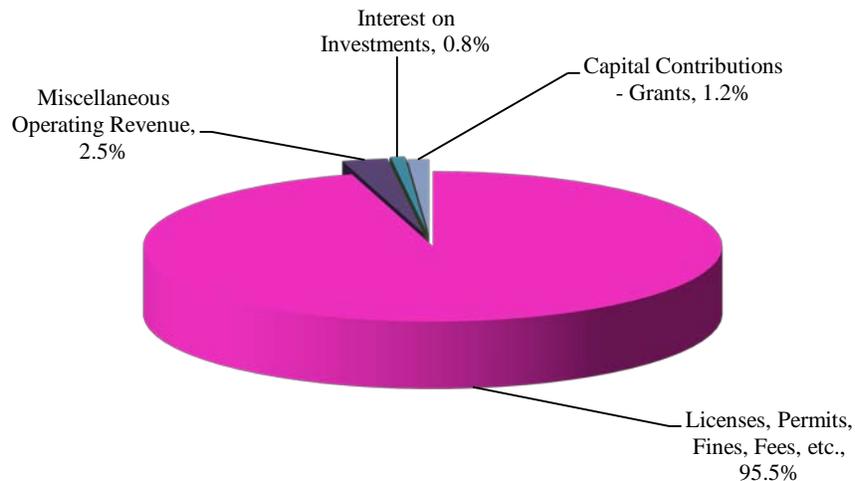
Expenditures	(Amounts in 000's)			
	2018 Actual	2017 Actual	\$ Change	% Change
General Government Support	\$ 275,639	\$ 276,289	\$ (650)	-0.24%
Economic Assistance & Opportunity	629,707	637,885	(8,178)	-1.28%
Public Safety	767,683	747,511	20,172	2.70%
Education	217,378	187,322	30,056	16.05%
Employee Benefits	769,170	731,012	38,158	5.22%
Capital Outlay	235,497	195,100	40,397	20.71%
All Other Categories	545,073	542,547	2,526	0.47%
	<u>\$ 3,440,147</u>	<u>\$ 3,317,666</u>	<u>\$ 122,481</u>	3.69%

- The increase (20.71%) in Capital Outlays is partly attributable to the Southwest Sewer District project replacing the outfall pipe located between the District plant and Fire Island.
- The increase (16.05%) in Education is primarily attributable to the County's Preschool Special Education Program.
- The increase (5.22%) in Employee Benefits is mainly due to an increase in pension costs, resulting from the elimination of pension amortization in 2018.
- Public Safety increased (2.70%) as a result of separation pay for retirees, and increases in Police and Sheriff departments' payroll, including new recruits graduating in August and October 2018.

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 Miscellaneous Operating Revenue.

Revenue Percent by Source



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

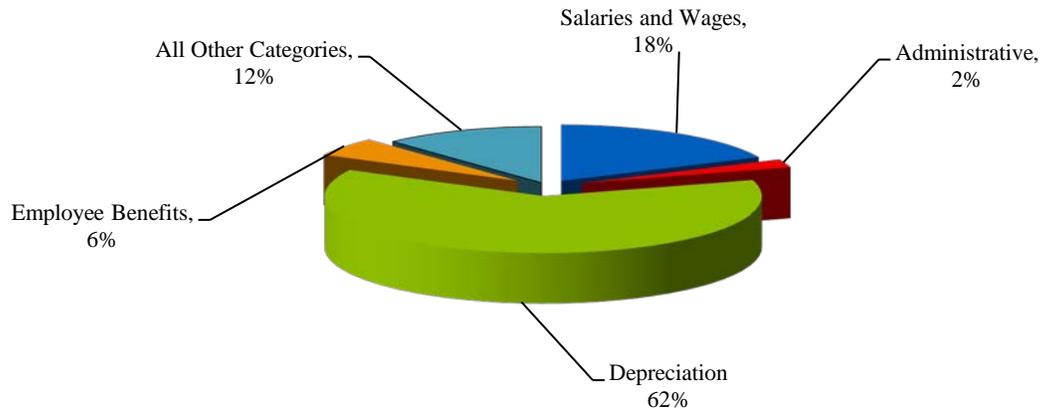
Revenues	(Amounts in 000's)			
	2018 Actual	2017 Actual	\$ Change	% Change
Licenses, Permits, Fines, Fees, etc.	\$ 3,882	\$ 3,434	\$ 448	13.05%
Miscellaneous Operating Revenue	103	88	15	17.05%
Interest on Investments	32	8	24	300.00%
Capital Contributions - Grants	49	5,010	(4,961)	-99.02%
	<u>\$ 4,066</u>	<u>\$ 8,540</u>	<u>\$ (4,474)</u>	<u>-52.39%</u>

- The Interest on Investments increase (300%) is partly attributed to an increase in interest rates in 2018.
- The increase (17.05%) in Miscellaneous Operating Revenue is mainly due to an increase in US Customs revenue received at the Airport.
- The increase (13.05%) in Licenses, Permits, Fines, Fees, etc., is mostly attributed to the increase in lease revenue received at the Airport.
- The decrease (99.02%) in Capital Contributions relates to a reduction in Federal and State funding for major renovations and construction projects at the Airport.

Enterprise Fund Expenses

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

Percentage of Expenses by Type



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

Expenses	(Amounts in 000's)			
	2018 Actual	2017 Actual	\$ Change	% Change
Salaries and Wages	\$ 384	\$ 517	\$ (133)	-25.73%
Administrative	19	367	(348)	-94.82%
Depreciation	1,326	1,315	11	0.84%
Employee Benefits	115	271	(156)	-57.56%
All Other Categories	253	363	(110)	-30.30%
	<u>\$ 2,097</u>	<u>\$ 2,833</u>	<u>\$ (736)</u>	<u>-25.98%</u>

- The decrease in Administrative expenses (94.82%) is due to reduced overhead costs at the Airport.
- The decrease in Employee Benefits (57.56%) is mainly attributable to the decrease in NYS pension contributions, resulting from the reduction in personnel.
- The decrease in All Other expenses (30.30%) is the result of a reduction in costs of building repairs at the ballpark.
- The decrease in Salary expenses (25.73%) is the result of an employee position being transferred to the General Fund and unfilled vacancies.

SUFFOLK'S SENSATIONAL SITES

- ❖ Suffolk County is known for beautiful beaches located along nearly 1,000 miles of marine coastline. Suffolk County Department of Parks operates some of Suffolk County's over 100 beaches including Smith Point Beach in Shirley, Cupsogue Beach in Westhampton, and Meschutt Beach located in Hampton Bays.
- ❖ Many New York State parks and beaches are also in Suffolk such as Bayard Cutting Arboretum State Park in Oakdale, Hither Hills State Park in Montauk, and Wildwood State Park in Wading River.
- ❖ The National Parks Service owns approximately 3,000 acres of the Fire Island National Seashore in Suffolk County. The Fire Island Lighthouse, completed in 1858, is listed on the National Register of Historic Places.
- ❖ The Montauk Point Lighthouse located in Montauk Point State Park was completed in 1796 and is the first lighthouse in New York State.
- ❖ The Suffolk County Department of Parks manages over 200 historic sites and with help from local historical societies provides guided tours and special events. These sites include the Sagtikos Manor in West Bay Shore built in 1692 and the Old Field Farm in Setauket built in 1931.
- ❖ The Big Duck, located at the entrance to Sears Bellows County Park in Flanders, was built in 1931 and is listed on the National Register of Historic Places. Long Island's most famous landmark now serves as a gift shop and as a tourist information center for the Long Island Convention and Visitors Bureau.
- ❖ Suffolk County has a wide variety of museums such as the Long Island Maritime Museum in West Sayville, the Long Island Museum of American Art, History & Carriages in Stony Brook, the Heckscher Museum of Art in Huntington, and the Cold Spring Harbor Whaling Museum in Cold Spring Harbor.
- ❖ The Vanderbilt Museum & Planetarium is located in Centerport on a 43 acre estate, overlooking Northport Harbor. The 147 seat, state of the art planetarium features several different shows on weekdays and weekends, excluding holidays.
- ❖ Long Island's wine region encompasses both the north fork and south fork of Long Island. This part of Long Island, located at the east end of Suffolk County, is home to over 50 wine producers, with most offering tours and tastings.

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