

OFFICE OF THE NASSAU COUNTY COMPTROLLER
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

POPULAR ANNUAL FINANCIAL REPORT OF THE COMPTROLLER

Transparency and Modernization



NASSAU COUNTY, NEW YORK
July 31, 2019

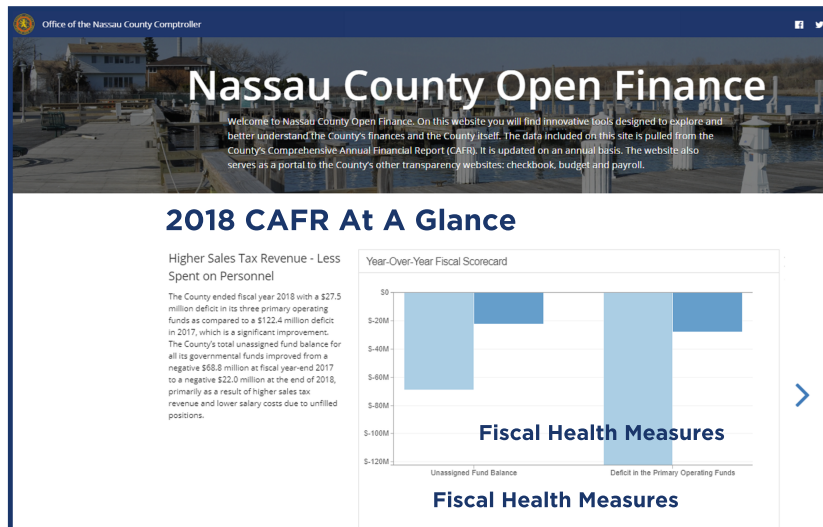
COMPTROLLER:
JACK SCHNIRMAN

A MESSAGE FROM THE COMPTROLLER

To The People of Nassau County,

For the first time, the Office of the Nassau County Comptroller has prepared a Popular Annual Financial Report (PAFR) to be released in conjunction with its Comprehensive Annual Financial Report. Reviewed by the Government Finance Officers Association (GFOA), the PAFR is designed to present government finances in a way that is readily accessible and easily understandable to the general public. Creating a PAFR is another step toward modernizing and opening up the County's finances. Combined with our recently created Open Nassau Transparency Hub, an open financial data portal, the public now has unprecedented access to Nassau County's finances: OpenNassau.NassauCountyNY.Gov

I am excited to present this new tool to the public and help continue to move Nassau County forward.



Open Nassau Transparency Hub: An open financial data portal, the public now has unprecedented access to Nassau County's finances

Visit:
OpenNassau.NassauCountyNY.Gov

The data is based on the best available information presented to the Office of the Nassau County Comptroller, the data, as presented, is accurate in all material aspects and presents the financial and operational condition of the County fairly, as measured by the financial activity of the governmental entity, its various funds and component units, and includes all necessary disclosures. County management is responsible for the contents of the report.

2018 Results for the Primary Operating Funds

Beginning with the 2017 reporting year and consistently going forward, our discussion of the financial performance will be under the GAAP basis. The County is required to report its financial statements in accordance with GAAP, therefore discussion of the County's financial results on a GAAP basis provides the readers of the financial statements the ability to better understand the County's fiscal standing. Talking about the County's results under the GAAP basis makes it easier for a reader of the financial statements to compare the County to other governmental entities.

Profile of the Government

Nassau County funds a wide range of municipal services, which include, but are not limited to, public safety, health, highways, water and sewer, college education, sanitation, public improvements, parks, recreational facilities, and cultural events, as well as planning and general administrative services. Incorporated in 1899, the County contains three towns, two cities, 64 incorporated villages, 56 school districts, and approximately 200 special taxing districts that provide services in specific areas, such as garbage collection and water supply. With a population of more than 1.3 million people, it occupies 287 square miles located approximately 15 miles east of Manhattan.

A MESSAGE FROM THE COMPTROLLER

2018 Financial Results

The County ended fiscal year 2018 with a \$27.5 million deficit in its three primary operating funds (as defined) under GAAP as compared to a \$122.4 million deficit in 2017, which is a significant improvement. The negative unassigned fund balance has improved from 2017. The County's total unassigned fund balance for all its governmental funds improved from a negative \$68.8 million at fiscal year-end 2017 to a negative \$22.0 million at the end of 2018. A negative unassigned fund balance represents an overspending of the fund balance and that a municipality's assets and deferred outflows of resources are insufficient to fund governmental obligations owed as of the end of the fiscal year. The improvement in the County's total unassigned fund balance was primarily the result of improved 2018 results over the prior year mainly due to higher sales tax revenues and lower salary costs related to unfilled positions and less fund balance needed to pay for restricted, committed, or assigned purposes.

The County's overall long-term obligations, including serial bonds, increased from the prior year balance of \$12,151.7 million (as restated) at fiscal year-end 2017 to \$12,610.0 million at the end of 2018. Although certain liabilities increased from the prior year, such as the estimated liability for litigation and total OPEB liability, the increases were offset by decreases in other certain liabilities, such as the net pension liability, which has seen a decline due to a decrease in rates and employee retirements. Details of the County's long-term obligations may be found in Note 12 of the CAFR.

Local Economy

Nassau County is considered an affluent community and is a diversified economic engine with extensive access to the New York City and the metropolitan area. Major industries located within the County boundaries include a mix of large utilities, corporate facilities, hospitals and retail. According to the New York State Department of Labor and the Federal Bureau of Labor and Statistics, Nassau County's unemployment rate decreased from 3.5% to 2.9% from April 2018 to April 2019. Similarly, the County's unemployment rate is also lower than statewide and national rate 3.9% and 3.6%, respectively. In addition, sales tax collections have grown by 3.3% year over year and continue to show strong collections in fiscal year 2019.

Median household incomes in Nassau County are significantly above the national average and the State as a whole. According to the 2017 American Community Survey, the most recent available, Nassau County's median family income totals \$108,133, as compared to the State and national median family income of \$64,894 and \$60,336, respectively.

Although Nassau County is considered developed with limited vacant parcels, the County is not fulfilling its potential to compete in the innovative economy. The County is struggling to maximize assets, such as world class research institutions, a highly educated population, innovative companies, and a developed digital infrastructure. Ongoing projects to increase housing options, transit-oriented development, walkable downtowns, and investment in startups are essential to expanded growth.

Lastly, it is important to note that the federal cap on State and Local Taxes "SALT deductions," may continue to pose a risk to the County's economy and housing activity in the coming year.

A MESSAGE FROM THE COMPTROLLER

Demographics

In 2018, alongside local stakeholders, nonprofit executives, and minority and women business leaders, the Comptroller's Office released a Countywide demographic profile and issue brief that detailed the changing populations specific to Nassau County, including breakdowns by town and city. Our Office is taking the data about our changing County and bringing it directly to the local leaders best in a position to make impactful changes. Government needs to better serve its entire population if we are to keep growing our local economy. That means we must prepare to better communicate and provide services to an increasingly aging and diverse population while also putting policies in place that will attract and retain young people.

Major Initiatives

We have created a way for residents to transparently see the County's finances just like they can with their own. In 2018, the County announced the launch of Nassau County Open Checkbook, a new cloud-based web portal that creates for the first time an easy-to-read online checkbook that details more than a billion dollars of annual County third-party expenditures. Since then, my office has leveraged the web portal to launch Open Budget, Open Payroll, and Open Finance -- three additional platforms that provide a host of County financial data in a user-friendly platform. Altogether, these programs comprise a holistic transparency and financial data sharing initiative the County Executive and Comptroller's Offices are undertaking.

Opening up and modernizing the County's finances is key to a government that uses data to ask and answer questions to find efficiencies. That is why we have invited residents, students, reporters, and researchers to join us in looking at this data for opportunities to improve. To that end, in 2018, my Office formed a Policy and Research Unit, which has been analyzing data to create innovative reports and policy proposals, including a Demographic Profile of Nassau County and Report on Black Economic Equity; issue briefs related to the upcoming 2020 Census and MWBEs; and fact sheets highlighting key issues including veterans, food insecurity, and women in the workforce.

Sincerely,



Jack Schnirman

Comptroller

Note:

The Popular Annual Financial Report (PAFR) is derived from the information contained in the Comprehensive Annual Financial Report (CAFR) which is prepared in conformity with Generally Accepted Accounting Principles and can be accessed at <https://www.nassaucountyny.gov/4517/Financial-Reports>. The CAFR includes detailed County financial statements, notes, schedules and reports.

2018 Finances At A Glance

Nassau County, NY

Primary Operating Funds Sources of Revenue:

\$3 Billion Total

\$953M



Sales Tax*

\$942M



Property Taxes

\$368M



State and Federal Aid

\$227M

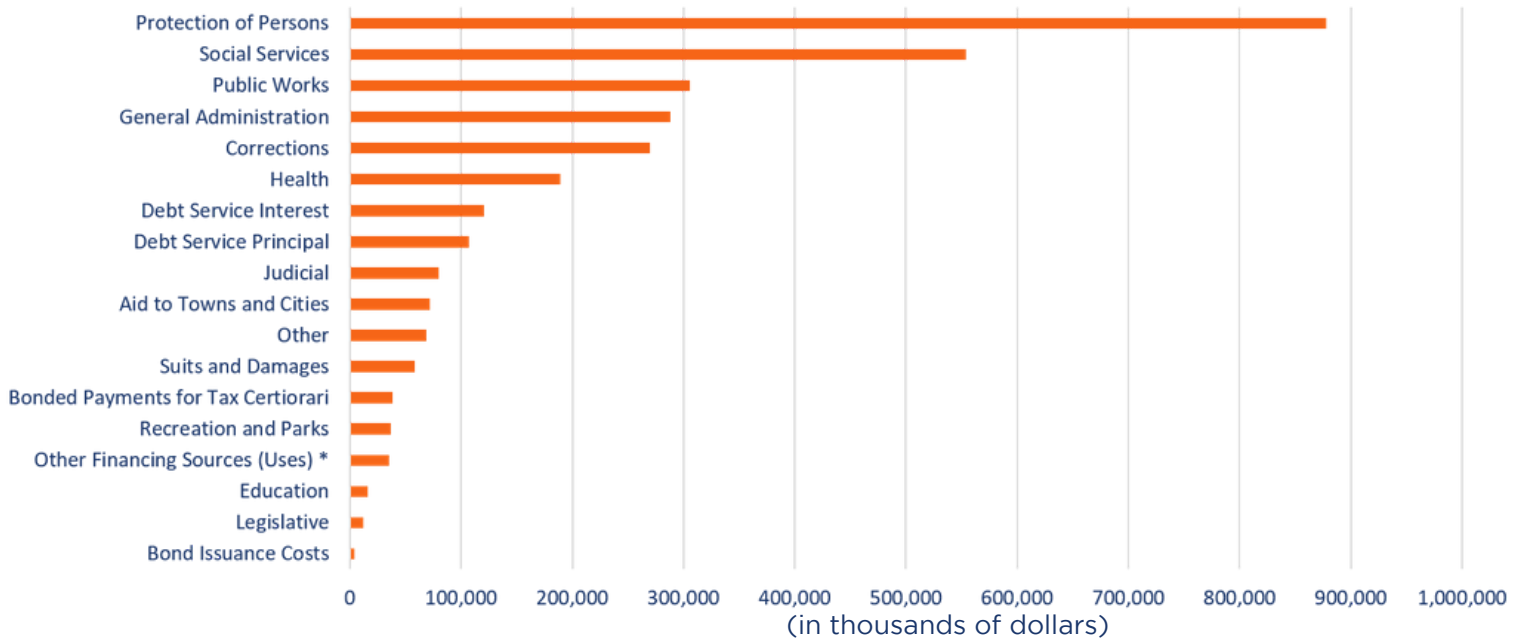


Department Revenue

*Does not include \$146 Million due for NIFA

Primary Operating Funds Expenditures:

\$3.1 Billion Total



*Other Financing Sources includes: Transfers In and Out, Transfers In and Out from Blended Component Units, Issuance of Debt, and Premium on Bonds

**The funds depicted in this graphical representation come from the primary operating funds, which can be found on Exhibit X-5 in the 2018 CAFR.

Sales Tax:

Sales Tax is the leading source of revenue for Nassau County, accounting for 31% of the Primary Operating Funds' total revenue base as reported in the 2018 CAFR. Sales tax collections have grown by 3.3%. Moreover, total Nassau County Total Sales Tax Revenue has increased by 24% over the last ten years, largely driven by an improvement in the economy.



Audited Results for Fiscal Year 2018

Gradually Improving



Deficit in the Primary Operating Funds

-\$122.4M → **-\$27.5M**
FY 2017 FY 2018



Negative Unassigned Fund Balance

-\$68.8M → **-\$22M**
FY 2017 FY 2018
(Rainy Day Fund)

Highlights

- ▶ Presents official fiscal results for the County, providing an independent, transparent, and standardized view of the County’s finances. Our goal is to create a full and complete picture of the County’s finances to help guide the decision-making process.
- ▶ The County’s primary operating funds reported a deficit of **\$27.5 million** at the end of fiscal year 2018. At the end of Fiscal year 2017, the deficit was **\$122.4 million**.
- ▶ The County’s unassigned fund balance (rainy day fund) was negative **\$22 million** at the end of fiscal year 2018. The fund balance was negative **\$68.8 million** at the end of fiscal year 2017.

Key Factors Contributing to Improved Results

The Operating Fund saw an improvement over the previous fiscal year. Some factors include:

- ▶ Higher sales tax revenues driven by a robust Long Island economy. The revenues in 2018 grew by **3.7% or \$43.1 million** from 2017.
- ▶ **\$59.9 million** less spent on personnel costs, excluding fringe benefits.
- ▶ **\$9.5 million** increase in PILOT (payment in lieu of taxes) revenues.
- ▶ **\$10.4 million** increase in Public Safety fee revenues.

Ongoing Challenges

- ▶ Outstanding tax certiorari liability is **\$603.5 million**, up from **\$569.3 million**.
- ▶ Litigation liabilities are **\$414.8 million**, up from **\$391.5 million**.
- ▶ Postemployment Benefits Other Than Pensions (OPEB) continues to be a significant unfunded liability at **\$6.3 billion**.

*These highlights and key factors come from our total governmental funds.

Governmental Fund Financial Statements: December 31, 2018

Nassau County, New York

Revenues, Expenditures and Changes in Fund Balance

| Exhibit X-5 (Dollars in Thousands) | General Fund | NIFA Fund | Police District Fund | Sewer and Storm Water District Fund | Capital Fund | Disputed Assessment Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|--------------|------------|----------------------|-------------------------------------|--------------|--------------------------|-----------------------------|--------------------------|
| Total Revenues | \$2,492,053 | \$147,562 | \$405,684 | \$139,170 | \$118,397 | \$2,473 | \$137,644 | \$3,442,983 |
| Total Expenditures | \$2,592,650 | \$1,601 | \$396,964 | \$110,430 | \$242,058 | 0 | \$295,603 | \$3,639,306 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$-100,597 | \$145,961 | \$8,720 | \$28,740 | \$-123,661 | \$2,473 | \$-157,959 | \$-196,323 |
| Total Other Financing Sources (Uses) | \$86,517 | \$-145,872 | \$-6,737 | \$-44,185 | \$259,258 | \$-426 | \$159,272 | \$307,827 |
| Net Change In Fund Balance (Deficit) | \$-14,080 | \$89 | \$1,983 | \$-15,445 | \$135,597 | \$2,047 | \$1,313 | \$111,504 |
| Total Fund Balance (deficit) at the Beginning of Year | \$81,092 | \$735 | \$-6,006 | \$24,085 | \$147,845 | \$62 | \$108,110 | \$355,923 |
| Total Fund Balance (Deficit) at the End of year | \$67,012 | \$824 | \$-4,023 | \$8,640 | \$283,442 | \$2,109 | \$109,423 | \$467,427 |

*The circled numbers are the primary operating fund deficit

Excerpt from CAFR

\$27.5 million deficit in the annual primary operating funds
\$22 million negative annual unassigned fund balance (rainy day fund)

Governmental Funds Balance Sheet

| Exhibit X-3 (Dollars in Thousands) | General Fund | NIFA Fund | Police District Fund | Sewer and Storm Water District Fund | Capital Fund | Disputed Assessment Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------------|--------------|-----------|----------------------|-------------------------------------|--------------|--------------------------|-----------------------------|--------------------------|
| Total Fund Balance Deficit | | | | | | | | |
| Nonspendable | \$40,482 | \$61 | \$12,185 | \$410 | | | \$1,016 | \$54,154 |
| Spendable | | | | | | | | |
| Restricted | \$9,526 | | | | \$2,912 | \$2,109 | \$107,620 | \$122,167 |
| Committed | \$21,473 | | \$1,273 | | \$280,530 | | \$370 | \$303,646 |
| Assigned | | \$763 | | \$8,230 | | | \$417 | \$9,410 |
| Unassigned | \$-4,469 | | \$-17,481 | | | | | \$-21,950 |
| Total Fund Balance Deficit | \$67,012 | \$824 | \$-4,023 | \$8,640 | \$283,442 | \$2,109 | \$109,423 | \$467,427 |

*The circled number is the unassigned fund balance

Excerpt from CAFR

Notes

GAAP (Generally Accepted Accounting Principles):

GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

Primary Operating Funds: The General Fund; Police District Fund; and the Sewer and Storm Water.

