

OFFICE OF THE NASSAU COUNTY COMPTROLLER
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

POPULAR ANNUAL FINANCIAL REPORT OF THE COMPTROLLER

Transparency and Modernization



NASSAU COUNTY, NEW YORK

COMPTROLLER
JACK SCHNIRMAN

A MESSAGE FROM THE COMPTROLLER

To The People of Nassau County,

On June 30, 2020, the Comptroller's Office submitted the Comprehensive Annual Financial Report ("the CAFR") for the year ended December 31, 2019, as required by New York State County Law 577[1] (j)-(k). I am proud to report that our audited financial statements and CAFR are once again presented timely for the third year in a row, despite the difficulties encountered due to the Coronavirus (COVID-19). The report showed significant improvements in the year 2019 before the onset of COVID-19 had upended that trajectory in 2020.

Our Office continues to institute improvements to how we discuss and present the County's financial performance—both operating and financial condition. These improvements will ensure that all stakeholders have as comprehensive, clear, and accurate view of the County's fiscal health as possible. These improvements are discussed below.

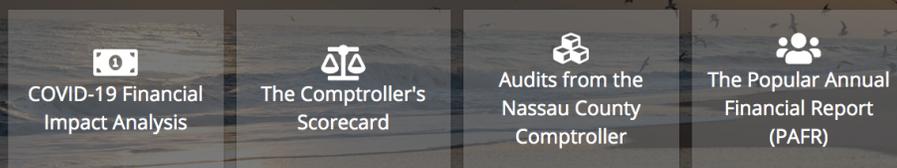
The release of the PAFR is another step towards modernizing and opening up County finances. Combined with our recently created Open Nassau Transparency Hub, an open financial data portal, the public now has unprecedented access to Nassau County's finances: OpenNassau.NassauCountyNY.Gov

Open Nassau is the Transparency Hub of the Comptroller's Office that provides public access to the County's finances in a user-friendly online platform. Open Nassau features the Comptroller's Scorecard, a dashboard that displays the key indicators that the Comptroller's Office utilizes to measure Nassau County's fiscal health. Open Nassau also features several policy and research reports released by the Comptroller's Office that focus on policy challenges faced by Nassau residents and "the Deal" of living in Nassau County.

Welcome to Open Nassau: Nassau County's Transparency Portal



Quick Links



Featured Stories Section



What is "The Deal"?

After World War II, "The Deal" of living in Nassau County became an affordable option for young families with a quality of life based upon our schools, services, beaches, parks and access to New York City.

A MESSAGE FROM THE COMPTROLLER

We stand with the brave frontline workers and first responders who have selflessly put their lives on the line throughout the COVID-19 pandemic. Both our Office and the Nassau County Executive's Office are tracking and assessing COVID-19's local economic impacts. Beyond its role in providing essential services, local government plays a critical role in the local economy. To that end, the Comptroller's Office launched an analysis of the potential financial impact that COVID-19 may have on the County's sales tax revenues. This analysis is further discussed under "Sales Tax" and "Major Initiatives."

The Comptroller's Office monitors the books, and we saw COVID-19 as a unique and unprecedented revenue crisis. This is about anticipating and projecting revenue loss with an unclear timeline. I also want to mention a few of the other unique things in 2019 that we have embarked upon this year regarding innovation, modernization and transparency - a resiliency tracker for municipalities, in which we partnered with environmental groups; a food insecurity map of our County; reports on child care, retaining the next generation here in Nassau, and housing; and reports on economic equity. All these items affect the Nassau County economy, which affects the County's sales tax revenues.

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.

2019 Financial Results

The County ended fiscal year 2019 with a **\$145.3 million surplus** in its three primary operating funds (as defined) under GAAP as compared to a **\$27.5 million deficit in 2018**, a **significant improvement of \$172.8 million** over the prior year's results. 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 \$22.0 million at fiscal year-end 2018** to a **positive \$112.2 million at the end of 2019**, a **\$134.2 million improvement**. Unassigned fund balance represents fund balance that has not been restricted, committed or assigned to specific purposes within the General Fund. 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 2019 results over the prior year mainly due to higher sales tax revenues and lower expenditures primarily resulting from salary and fringe costs.

A MESSAGE FROM THE COMPTROLLER

The County's overall long-term obligations, including serial bonds, decreased from the prior year balance of **\$12,610.0 million** at fiscal year-end 2018 to **\$11,612.7 million** at the end of 2019. Although certain liabilities increased from the prior year, such as the net pension liability, and the estimated liability for workers' compensation claims, the increases were offset by decreases in other certain liabilities, such as the total Other Post-Employment Benefits (OPEB) liability. The net pension liability, which is actuarially computed by the State, increased due primarily to the State's investment results that did not meet expectations. The estimated liability for workers' compensation increased as a result of the County assuming liabilities, that had previously been reported by the State, in exchange for the net present value of that long-term liability. The County's long-term OPEB liability, which is computed by an actuarial firm, decreased primarily due to changes in the actuarial assumptions. 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 Labor Department and the Federal Bureau of Labor and Statistics, the County's unemployment rate increased from 3.2% to 3.4% from December 2018 to December 2019. Similarly, the County's unemployment rate was also lower than the statewide and national rates of 3.7% and 3.5%, respectively. In addition, sales tax collections grew by 3.5% year over year and the County continued to see strong collections in the first quarter of fiscal year 2020, until the COVID-19 shutdown. The onset of COVID-19 upended day-to-day life for all of us, causing not only a public health crisis but a crushing blow to our economy. As of April 2020, Long Island's unemployment rate stands at 16% and projections from our Office's financial analysis showed significant impacts to sales tax.

Median household incomes in Nassau County are significantly above the national average and the State as a whole. According to the 2018 American Community Survey, the most recent available, Nassau County's median family income totals \$133,326, as compared to the State and national median family income of \$83,311 and \$76,401, respectively.

Nassau County is considered largely developed with limited vacant parcels. 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 slow down the County's economic recovery 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

Since taking office in 2018, the current Comptroller laid out four priorities, the first of which was to open and modernize County finances. In 2018, the County launched the Open Nassau portal with 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, the Comptroller's 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 platforms comprise a transparency and financial data sharing initiative that the County Executive and Comptroller's Offices are undertaking.

In 2019, the Comptroller's Office continued working on the above platforms and beyond, recently launching Cash Receipts, making available all expenditures through the checkbook and payroll, as well as the revenues coming in and their sources.

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.

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Audited Results for Fiscal Year 2019

Significant 2019 Improvement Before Unprecedented 2020 Crisis



Surplus in the Primary Operating Funds

-\$27.5M → **\$145.3M**
FY 2018 FY 2019



Positive Unassigned Fund Balance

-\$22.0M → **\$112.2M**
FY 2018 FY 2019

Report Highlights

- This marks the third year in a row that this important financial report has been filed on time.
- The CAFR 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.
- At the end of fiscal year 2019, the financial condition of the County ended with **\$145.3 million** in its primary operating funds, a significant improvement from a **negative \$27.5 million** at fiscal year-end 2018 and a **negative \$122.4 million** at fiscal year-end 2017.
- At the end of fiscal year 2019, the County’s unassigned fund balance for all its governmental funds was a **\$112.2 million**, a significant improvement of **\$134.2 million** from a **negative \$22.0 million** at the end of fiscal year 2018 and a **negative \$68.8 million** at fiscal year-end 2017.

Key Factors Contributing to Improved Results

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

- Higher sales tax revenues driven by a robust pre-COVID Long Island economy. Sales tax collections grew by **3.5%** in 2019. Total revenues in 2019 grew by **\$47.7 million** from 2018.
- Less spent on personnel costs primarily resulting from salary and fringe cost savings.
- Higher OTB revenue due to Video Lottery Terminal (VLT) receipts of **\$15 million**.
- **\$15 million** in funds received from New York State to assume liability for certain types of workers’ compensation injuries.

Ongoing Challenges

- Total tax certiorari liability decreased by **\$16.1 million** to **\$588.5 million** at fiscal year-end 2019; outstanding tax certiorari liability continues to be significant.
- Other Post-Employment Benefits (OPEB) continue to be a significant liability at **\$5.2 billion**, a **\$1.1 billion decrease** from last year.
- Net pension liability increased from **\$147.2 million** to **\$269.0 million**, primarily due to actual earnings on the State’s pension plans not meeting the State’s expectations.
- *While having no effect on what is reported in the 2019 CAFR, in 2020, our Office conducted an analysis which shows the unprecedented potential impact of COVID-19 on future sales tax collections and other economically driven revenue.*

2019 Finances At A Glance

Nassau County, NY

Primary Operating Funds Sources of Revenue:

\$3 Billion Total

\$993M



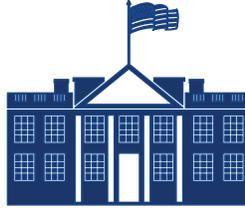
Sales Tax*

\$958M



Property Taxes

\$391M



State and Federal Aid

\$228M

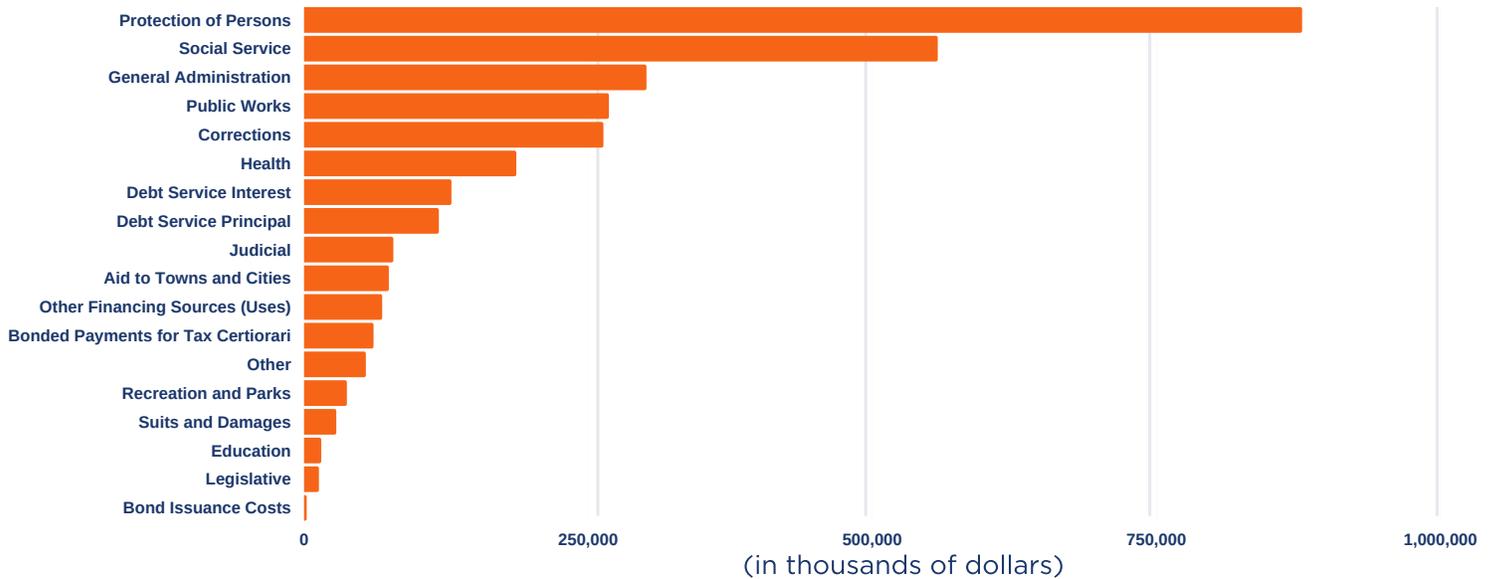


Department Revenue

*Does not account for \$143 Million retained by NIFA to pay County debt

Primary Operating Funds Expenditures:

\$3 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 2019 CAFR.

Sales Tax:

In May of 2020, after the end of fiscal year 2019, my Office released an analysis of the potential financial impact that COVID-19 may have on the County's sales tax revenues. Sales tax is the largest source of revenue for the County, historically 40% of all County revenues. The analysis models the County's sales tax collections and breaks down industry sub-sectors to present a range of scenarios as to how this pandemic may impact the County's primary revenue source. With the current phased reopening of our local economy, projections indicate a potential sales tax drop ranging from 12% to 28% in 2020. An additional scenario, assuming a hypothetical second wave, may result in a billion-dollar loss in sales tax revenues over a two-year period.

Governmental Fund Financial Statements: December 31, 2019

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 Government Funds	Total Governmental Funds
Total Revenues	\$2,575,960	\$144,530	\$425,013	\$144,227	\$80,652	\$5,341	\$146,977	\$3,522,700
Total Expenditures	\$2,562,066	\$1,769	\$399,413	\$107,140	\$213,345		\$307,000	\$3,590,733
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$13,894	\$142,761	\$25,600	\$37,087	(\$132,693)	\$5,341	(\$160,023)	(\$68,033)
Total Other Financing Sources (Uses)	\$116,513	(\$142,698)	(\$2,396)	(\$45,408)	\$147,883	(\$1,613)	\$146,498	\$218,779
Net Change in Fund Balance (Deficit)	\$130,407	\$63	\$23,204	(\$8,321)	\$15,190	\$3,728	(\$13,525)	\$150,746
Total Fund Balance (Deficit) at the Beginning of the Year	\$67,012	\$824	(\$4,023)	\$8,640	\$283,442	\$2,109	\$109,423	\$467,427
Total Fund Balance at the End of the Year	\$197,419	\$887	\$19,181	\$319	\$298,632	\$5,837	\$95,898	\$618,173

*The circled numbers are the primary operating funds surplus

Source 2019 CAFR Exhibit X-5

\$145.3 million surplus in the primary operating funds
\$112.2 million 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 Government Funds	Total Governmental Funds
Total Fund Balance								
Nonspendable	\$40,160	\$61	\$11,839	\$347			\$1,054	\$53,461
Spendable								
Restricted	\$8,064				\$2,912	\$5,837	\$94,101	\$110,914
Committed	\$36,920		\$6,273		\$295,720		\$352	\$339,265
Assigned	\$71	\$826	\$1,069				\$391	\$2,357
Unassigned	\$112,204			(\$28)				\$112,176
Total Fund Balance	\$197,419	\$887	\$19,181	\$319	\$298,632	\$5,837	\$95,898	\$618,173

*The circled number is the total unassigned fund balance

Source 2019 CAFR Exhibit X-3

Key Terms

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.

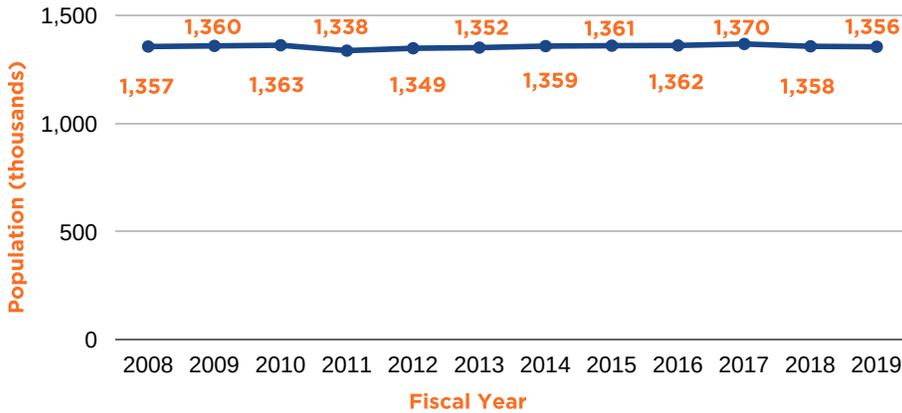
Primary Operating Funds: The primary operating funds are the General Fund; the Police District Fund; and the Sewer and Storm Water District Fund.



Nassau County At A Glance

The County

Nassau County Population Growth

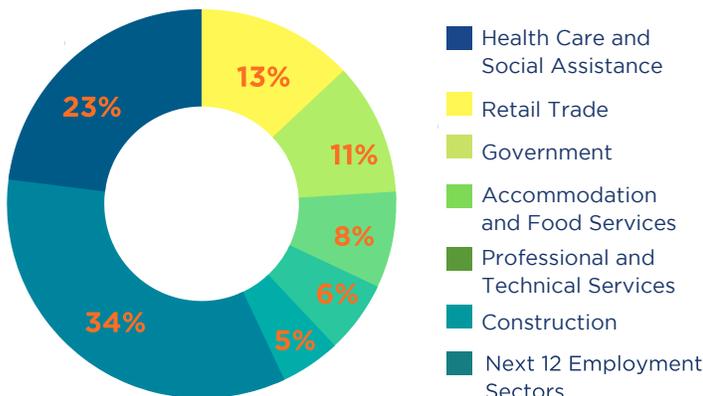


- 287 square miles, approximately 15 miles east of Manhattan
- 3 towns, 2 cities, 64 villages, and 56 school districts
- Robust County services including health, social services, public safety, public works, and recreation.

The Economy

- Diversified:** 18 unique sectors employing over 621,216 people.
- Low Unemployment:** Average pre-COVID unemployment rate of 3.4% compared to the New York State unemployment rate of 3.7% in 2019. A consistent positive 10 year trend in Nassau County.
- High Wages:** Median family income of \$133,326 compared to New York State median family of \$83,311 and a 15% increase in per capita personal income over 9 years.
- Consumer Spending:** The sales tax collections grew in 2019 by 3.5%

Top Six Employment Sectors in Nassau County



*Includes Local, Federal, and State Government Employees

Nassau County Employment Rate Trends

