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Numbers Don't Lie... but They Might Not Tell the Whole Truth

A Statement by Elaine Phillips, Nassau County Comptroller

It may be true that numbers don't lie, but numbers can be misunderstood, misrepresented, and even manipulated.

As the Nassau County Comptroller, and a long-time finance professional and public servant, I am struck by how many ways the very same financial figures can be presented. As a government entity, Nassau County aligns its reporting with Generally Accepted Accounting Principles (GAAP) for governments, as decreed by the Governmental Accounting Standards Board (GASB).

There are various ways* to get to the "bottom line" in government accounting, some of which yield more meaningful results than others.

So why should a taxpayer care about which version of the bottom line is being reported in your government's annual financial statements?

First and foremost because it's *your money*, your tax dollars, coming in and going out to fund the services *you and your neighbors receive* (police, fire, roads and more). School taxes are remitted to your local school districts.

Nassau County is home to 1.396 million residents, and we have an annual budget of approximately \$3.68 billion, but the process for determining our "bottom line" is similar to that of the households we serve. Fundamentally, we all look at how much money is coming in and how much we are paying out.

When spending outweighs income, you're operating at a deficit. When the reverse is true and you have more money coming in than you're spending, you have a surplus.

In the late 1990s, when Nassau County was in financial distress, New York State created the Nassau County Interim Finance Authority (NIFA) to monitor and oversee the County's finances. NIFA has its own formula for calculating the County's financial results, but it is inconsistent with general government reporting. It is not used by any other government entity in New York or the nation, does not accurately reflect the County's fiscal health and is therefore irrelevant for comparing Nassau to any other county.

In 2011, NIFA placed Nassau County in a "Control Period," which grants the state agency even greater authority over our County. This occurred when NIFA found that the County faced an



operating deficit of more than one percent in 2011, which is one of five possible criteria that could justify imposition of a Control Period. (See https://nifa.ny.gov/about_nifa.html and NYS Public Authorities Law §3669 for more information about what circumstances would warrant a control period.)

Now, eleven years later, the County does not meet any of the conditions for the Control Period, especially after reporting increasing year-end surpluses for three years in a row, both under the Generally Accepted Accounting Principles for governments and under NIFA’s calculations. While the County’s actual audited surplus for 2021 was a record \$479.5 million in all its governmental funds for fiscal year 2021, the unique NIFA calculation had it at \$27.2 million.

On July 17, 2022, Newsday reported the lower NIFA number in an article titled “Comptroller Report: Nassau had \$27.2 million surplus in 2021,” despite the surplus of nearly \$480 million as reported in the official audited government financial statements.

NIFA, whose State-appointed board has the authority to end the control period, said “It’s a question of how they are going to use [the surplus] funds going forward in a way to bring about structural balance.” The Newsday article did not mention that by early 2022, \$432 million of the surplus funds had already been allocated to paying down current and future liabilities to further improve the County’s financial stability.

Last year, on April 29, 2021, Newsday reported that the same NIFA spokesperson said NIFA would not consider removing Nassau from its Control Period until reviewing the 2021 budget, at a minimum. Since then, NIFA approved the County’s 2022 Budget and the Multi-Year Financial Plan for fiscal years 2022-2025.

NIFA continues to move the goal posts for removing the County from the Control Period, citing speculative concerns such as the unknown outcome of upcoming collective bargaining negotiations. No other government entity in New York is judged based on “what if” scenarios, nor should Nassau County be, especially after three consecutive years of robust financial success.

In light of Nassau County’s consistent financial success, it no longer meets the criteria for state control. Therefore, I hereby call on NIFA to lift this unwarranted management condition.

The need for a restrictive control period has passed. It is time for the state-appointed agency to step aside and allow the officials who were elected by the people of Nassau County to govern.

***Various Ways to Get to the “Bottom Line”**

- **Government-wide Financial Statements** provide a broad, long-term, overview of the County’s finances in a way similar to a private-sector business. Includes all activities of the government (except fiduciary), including governmental activities and component units that are operationally codependent upon the primary government. They include economic resources, assets, and liabilities beyond one year.



- **Governmental Funds Financial Statements** reflect the core subset of government services and their funding -- typically taxes and grants; makes up most of governmental activities; reports current (short-term) financial resources and uses the modified accrual basis, which recognizes revenues as they become available and records expenditures when liabilities are incurred.
- **Financial Statements** using the **NIFA Calculation** omit consideration of several important factors. NIFA calculations are not consistent with GASB and not used by any other government, which makes them immaterial to comparison with other counties.

About the Comptroller: Elaine Phillips is the Nassau County Comptroller. Prior to being elected to this role in 2021, she served as a New York State Senator, Mayor of the Village of Flower Hill, and finance professional in the private sector.