NASSAU COUNTY
NEW YORK

2026 Mid-Year Report on Nassau County's Financial Condition

July 30, 2026

ELAINE PHILLIPS

Nassau County Comptroller

Hon. Elaine Phillips
Nassau County Comptroller

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July 30, 2026

On behalf of the Office of the Nassau County Comptroller, I am proud to present my administration's fifth Mid-Year report, as required by the Nassau County Charter. This report provides our projections for the 2026 fiscal year measured against the 2026 Adopted Budget, which was adopted and approved by the Nassau County Legislature and the Nassau County Interim Finance Authority (NIFA) in 2025. This report is based upon year-to-date financial data, and our analysis is based on current variables, factors, trends and known events affecting the County's finances as of mid-fiscal year 2026. Not all actions of the Administration or other events in the remainder of the year can be predicted and included in this analysis.

Budgeting is a financial management tool, providing a framework for strategic planning, performance evaluation, and effective resource utilization. By establishing clear financial goals and guidelines, organizations can navigate their financial landscape more effectively and work towards sustainable growth. Other opportunities or events can occur during the year, resulting in potential changes to the budget plan.

A government's budget informs taxpayers, voters, and the Legislature and provides a process to ensure that expenditures and revenues are properly authorized by the government.

I look forward to responding to any questions as our Nassau County stakeholders have the chance to review our findings.

Sincerely,

Elaine Phillips
Nassau County Comptroller

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EXECUTIVE SUMMARY

Purpose

According to the Nassau County Charter §402 (9) "The Comptroller shall on or before the thirty-first day of July of each year commencing July thirty-first, two thousand three, prepare a report on the status of the budget for the first six months of the current fiscal year, which shall include an opinion, for such period, as to whether a surplus or deficit shall exist."

Financial Reporting

Fund Accounting

The Comptroller's financial reporting is presented in accordance with Generally Accepted Accounting Principles (GAAP). These principles, standards, and procedures for financial reporting enable the County to comparatively track its performance relative to other municipalities.

A basic principle of governmental GAAP is fund accounting. Given the diverse nature of governmental operations and the numerous legal and fiscal constraints under which those operations must be conducted, it is impossible to record all governmental financial transactions and balances in a single accounting entity. Therefore, unlike a private business which is accounted for as a single entity, a governmental unit is accounted for through separate funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts.

The Governmental Accounting Standards Board (GASB) issues GAAP standards for governments to follow to ensure consistent reporting among municipalities and enable comparisons.

The projections in this report are based on the County's five budgetary funds, which are managed by the County's Administration. See *Appendix A: County Operating Funds* for a detailed explanation of the difference between the two.

Major Budget Revenues and Expenditures

This report analyzes the County's actual budgetary financial results for the first six months of the year and projects budgetary results for the remainder of 2026. The full year projections are compared against the 2026 Adopted Budget.

This report reviews the County's revenue sources in the five (5) budgetary funds[1], with particular focus on major revenue sources, such as Sales Tax, Property Taxes, State and Federal Aid, and Departmental Revenues. These categories have remained relatively constant as a percentage of total revenues in recent years.

Similarly, the report reviews the County's obligations of the five (5) budgetary funds, with particular focus on the largest categories of expenditures/obligations, including Payroll and Fringe Benefits, Debt Service, Early Intervention, and Social Service Programs.

[1] The General Fund, the Police Headquarters Fund, the Fire Commission Fund, the Debt Service Fund and the Police District Fund. The first four have the same taxing authority while the Police District Fund is a separate taxing authority.

Projected 2026 Fiscal Year Budgetary Results

The Comptroller's 2026 mid-year financial projections estimate the County will meet the Adopted Budget for the 5 budgetary funds.

STATE OF THE ECONOMY

Employment and Income

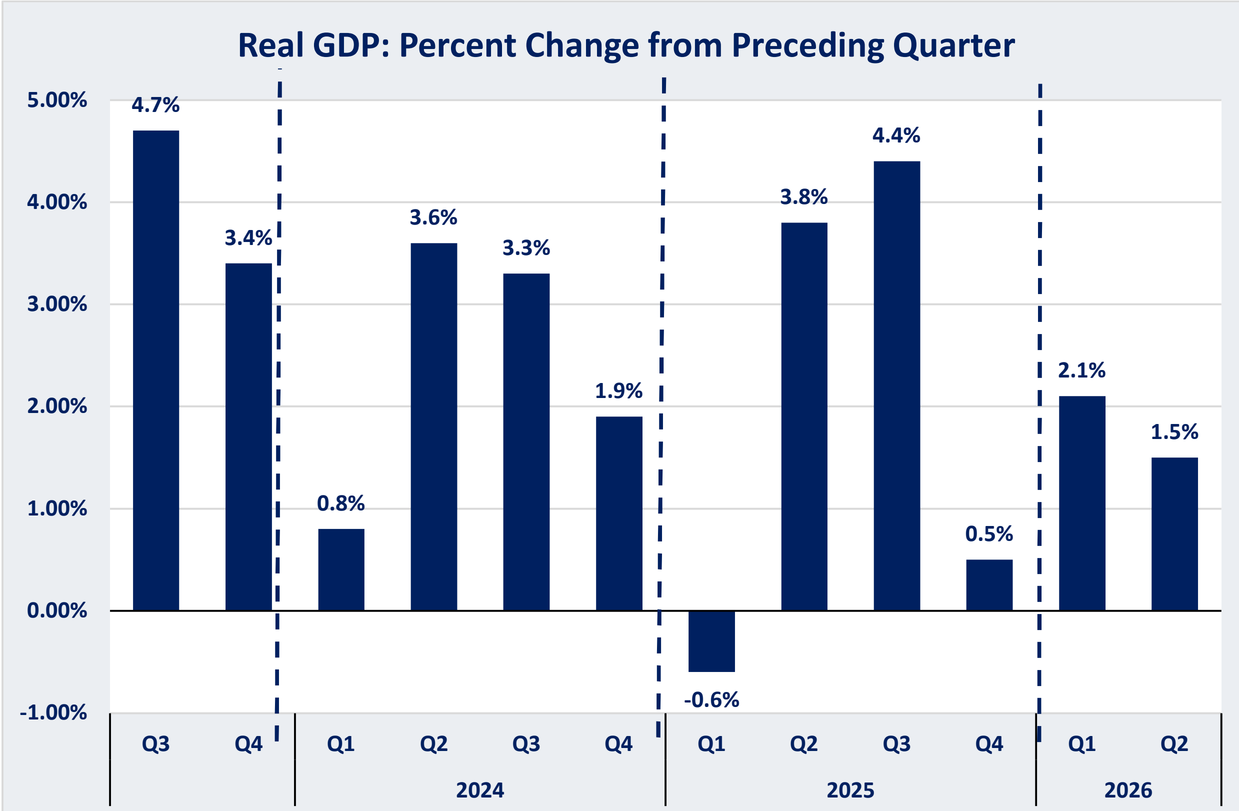
Nassau County is considered an affluent suburban area. The unemployment rate and the percentage of families below the poverty level are low and compare favorably to New York State and the United States. Nassau County's median household income is high, which also compares favorably to New York State and the U.S. The County has fared better than New York State and the United States in these three economic measures since 2000. Nassau County is ranked 10th highest for median household income out of 3,143 counties in the U.S.[2]

Economic Indicator	Nassau County	New York State	U.S.
Median Household Income (2024)	$146,202	$85,974	$80,734
Families Below Poverty Level (2024)	3.1%	14.0%	12.1%
Unemployment Rate (2025)	3.3%	4.3%	4.3%

Gross Domestic Product[3] (GDP)

GDP measures economic growth in the value of goods and services produced by the economy. Second quarter 2026 GDP reflects steady but moderate growth, with strong business investment offsetting weaker consumer spending and trade pressures, while inflation and labor market conditions remain broadly stable[4].

[2] Federal Reserve Economic Data | FRED | St. Louis Fed (stlouisfed.org). The median household income and the percentage of families below the poverty level are reported annually, while unemployment is updated monthly
[3] The National Bureau of Economic Research uses Gross Domestic Product (GDP), a measure of economic output, among other factors, to either declare a recession (when GDP declines for two consecutive quarters) or an expansion (when GDP increases for two consecutive quarters following a recession) which indicates the end of a recession.
[4] gdp 2q 2026 - Search

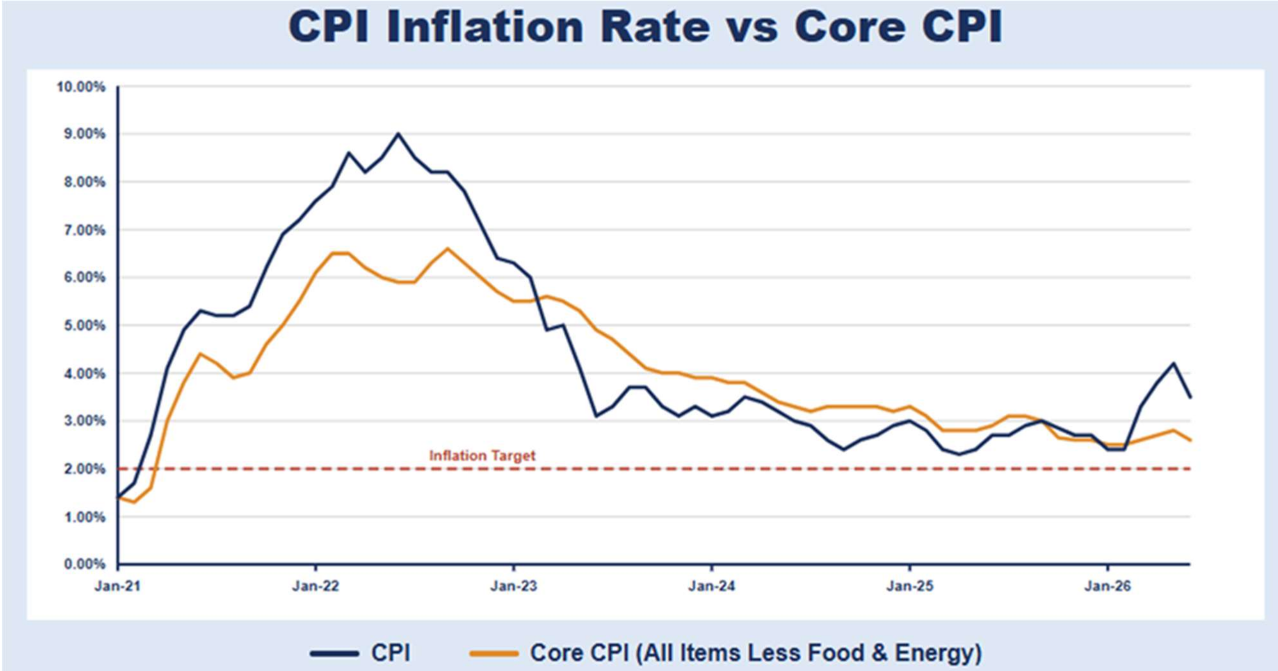


Source: Gross Domestic Product, Second Quarter 2026 | U.S. Bureau of Economic Analysis (BEA): BEA Interactive Data Application

Inflation[5]

The following graph illustrates the Consumer Price Index (CPI)[6] and the Core Consumer Price Index (All Items Less Food and Energy)[5] from January 2021 to June 2026. As expected, CPI is higher than Core CPI in 2026 which excludes food and energy costs which have been affected by the war in the Middle East.

[5] Inflation is the overall increase in the price of goods or services resulting from demand exceeding supply. Inflation erodes the purchasing power or the buying power of dollars over time. When inflation occurs, consumer spending habits may change as people eat out less, buy in bulk and switch brands.
[6] The **Consumer Price Index** (CPI-U) and **Core Consumer Price Index** are provided by the U.S. Department of Labor Bureau of Labor Statistic.



RATING AGENCY UPGRADES IN MAY 2026

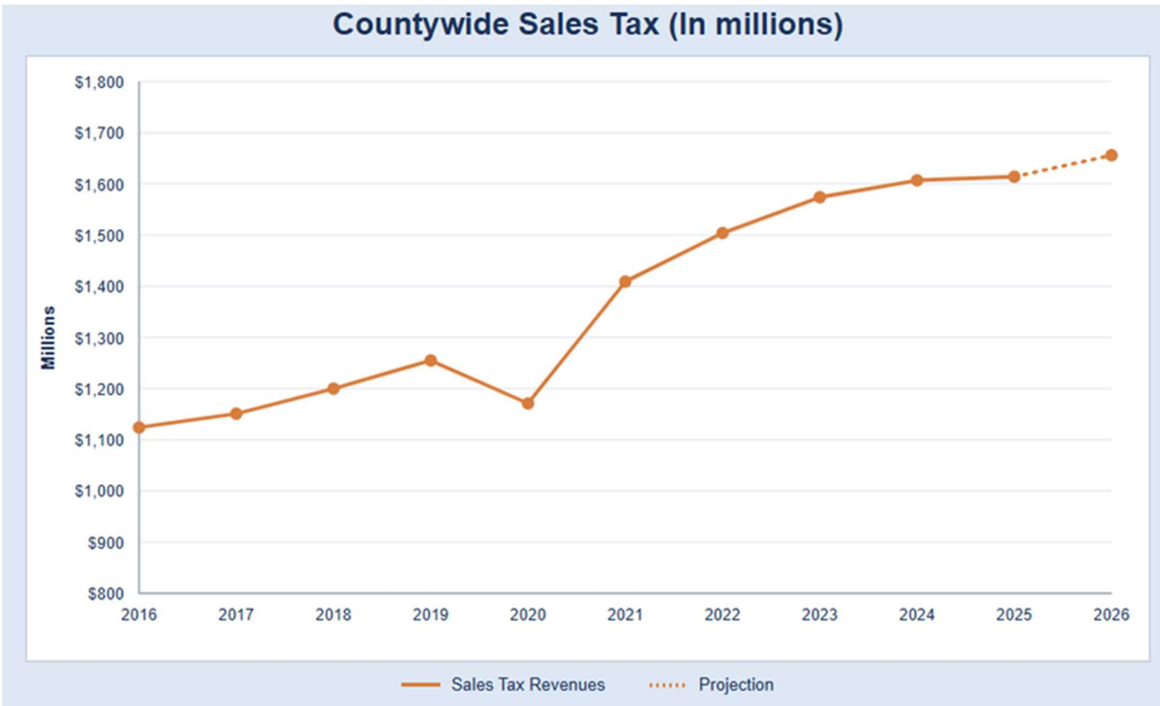
The rating agencies review the credit ratings of the general obligation of the County annually, which normally coincides with bond issuance. Moody's upgraded its AA stable outlook of the County to AA positive outlook.

Nassau County General Obligation Bond Ratings						
	2024-June		2025-June		2026-June	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Moody's Investors Services	Aa2	Stable	Aa2	Stable	Aa2	Positive
S&P Global Ratings	AA-	Positive	AA	Stable	AA	Stable
Fitch Ratings	AA	Stable	AA	Stable	AA	Stable

The June 2026 rating agency reports noted the following improvements:

- Conservative budgeting and strong expense management
- The stabilization of County reserves and liquidity, which align Nassau with higher rated peers.
- The County also continues to manage and reduce its exposure to various liabilities.

Sales tax revenues –The rating agencies consider sales tax, the County's largest revenue source, less reliable than property tax. However, the following table and graph indicate that, with the exception of the decline in 2020 due to COVID, sales tax revenues have been a reliable source of revenue for many years. Countywide sales tax collections[7] are projected for fiscal year 2026 in the following graph. Moody's noted that the County is budgeting sales tax in line with realistic expectations.



OTHER LONG-TERM MATTERS

Nassau Health Care Corporation (NHCC), a New York State public benefit corporation, is experiencing very serious continuing financial problems. This is the fourth consecutive year that NHCC's auditors have indicated substantial doubt about the hospital's ability to continue as an ongoing concern. Per financial statements as of December 31, 2024[8], NHCC had a negative net position of $1,381.7 million and reported a decrease in net position of $148.1 million for fiscal year 2024. However, the County-guaranteed debt of NHCC is a limited, manageable outstanding financial liability of $52.055 million following the scheduled debt repayment on August 1, 2026. Beginning in 2027 through August 1, 2029, when the final payment is due, scheduled debt service

[7] Countywide Sales Tax excluded Preempted Sales Tax in Lieu of Property Taxes (also known as Part County Sales Tax). See *Appendix C – Sales Tax Terminology* for further information on Countywide and Part County Sales Tax.
[8] NHCC financial statements as of December 31, 2025, have not yet been issued.

payments are less than $20 million in any year. Effective June 1, 2025, the majority of the appointed Board of Directors of NHCC are appointed by the State.

Nassau County Tobacco Settlement Corporation (NCTSC), a blended component unit of the County, defaulted on its Tobacco Settlement Asset-Backs Bonds, Series 2006 in June 2026. The tobacco settlement revenues of $14.7 million were insufficient to pay the principal of $35.9 million and the interest of $8.4 million due on June 1, 2026. The bonds are limited obligations of the corporation, secured solely from the collateral, as defined in the indenture, without recourse to the County.

Tax Certiorari – Through June 2026, the County has disbursed approximately $11.4 million in tax certiorari payments, of which approximately 1% were paid from reserves, and 99% paid from the Disputed Assessment Fund (DAF) for commercial properties. The reserves have afforded the County the funding to continue to pay down this long-term obligation and the County has made strides in reducing the backlog of this long-term liability. As of December 31, 2021, the County's total tax certiorari liability was $707.3 million and as of December 31, 2025, the liability dropped to $292.7 million, primarily due to the settlement of long-term utility litigation and an effort in prior years to reduce the backlog of writs.

Fiscal Year	Total Tax Certiorari Liability* *in $millions*
2021	$ 707,278
2022	383,374
2023	269,624
2024	247,230
2025	292,739

**Source: Fiscal Year ACFRs*

In 2026, the County's Assessment Review Commission (ARC), wrote off approximately $50.0 million of writs. This reduction in the liability will be part of the fiscal year-end 2026 valuation. Approximately $118.9 million remains in the reserve fund for tax certiorari payments. See the reserve table on page 10 for the balance available.

GFOA Recommended Unrestricted Fund Balance – The GFOA recommends, at a minimum, that general-purpose governments maintain unrestricted fund balance in their general fund of no less than two months of regular General Fund operating revenues or expenditures.

Under GAAP reporting, the "Fund Balance Guidelines for the General Fund" published by the Government Finance Officers Association (GFOA) defines Unrestricted Fund Balance as the sum of the Committed Fund Balance, the Assigned Fund Balance and the Unassigned Fund Balance because the only constraint on spending, if any, is imposed by the government itself.

The unaudited General Fund's unrestricted fund balance as of December 31, 2025, meets the GFOA recommendations.

	2024	2025
Unrestricted Fund Balance ($ Million)	677	597
Equivalent Number of Months of Budgetary Expenditures	2.7	2.4

County Reserve Funds – The County has various reserve funds[9] which accumulate resources to pay long-term liabilities, such as tax certiorari refunds, judgments and settlements, and termination pay, as well as reserves for labor and health benefits costs, and capital purchases of non-public safety vehicles. At the end of 2025, on a budgetary basis, these reserve funds had $658.0 million available, down from $750.8 million at the end of 2024. In 2025, the County paid $19.4 million of tax certiorari refunds, $50.7 million of judgments and settlements, and $5.3 million of termination pay as contributions to the 401(a) benefit plan, from the reserve funds. Through June 2026, there is $632.8 million in resources to fund various long-term liabilities and other costs.

[9] The Bond Indebtedness Reserve Fund, the Retirement Contribution Reserve Fund, the Employee Benefit Accrued Liability Reserve Fund, and the Litigation Fund, which reserves funds for tax certiorari and litigation costs. The first three are established in accordance with NYS General Municipal Law Section 6.

Funds/Reserves for Liabilities - Millions of Dollars					
Fund	**2022**	**2023**	**2024**	**2025**	**2026 YTD June**
Bond Indebtedness Reserve Fund *(a) (c)*	$125.0	$63.0	$80.6	$64.7	$65.6
Retirement Contribution Reserve Fund *(a) (c)*	$70.3	$72.9	$86.0	$89.2	$90.3
Capital Reserve Fund *(c)*	$0.0	$0.0	$10.0	$10.3	$10.3
Operating Reserve Fund:					
Labor Reserve	$0.0	$33.9	$33.5	$33.5	$33.5
Insurance Reserve	$0.0	$10.0	$10.0	$10.0	$10.0
Health Insurance Reserve	$0.0	$50.1	$93.4	$93.4	$95.3
Total Operating Reserve Fund *(a)*	**$0.0**	**$94.0**	**$136.9**	**$136.9**	**$138.8**
Employee Benefit Accrued Liability Reserve Fund:					
Legislative Reserve	$0.8	$1.0	$1.0	$0.8	$0.8
PDD Reserve	$13.3	$23.9	$31.1	$21.9	$22.9
General Fund Reserve	$0.0	$20.0	$54.0	$66.5	$66.5
Total Employee Benefit Accrued Liability Reserve Fund *(b) (c)*	**$14.1**	**$44.9**	**$86.1**	**$89.2**	**$90.2**
Litigation Fund:					
Tax Certiorari Reserve	$147.2	$77.9	$120.3	$103.1	$118.9
Workers Compensation Reserve	$14.0	$14.0	$13.7	$10.1	$10.1
Health Insurance Reserve	$25.0	$0.0	$0.0	$0.0	$0.0
Labor Reserve	$20.0	$0.0	$0.0	$0.0	$0.0
Insurance Reserve	$10.0	$0.0	$0.0	$0.0	$0.0
Litigation Reserve:					
GEN	$130.4	$86.5	$139.0	$87.4	$53.6
PDD	$27.8	$28.8	$21.6	$17.8	$13.8
Total Litigation Reserve	$158.2	$115.3	$160.6	$105.2	$67.4
Longevity Reserve:					
GEN	$37.6	$34.7	$32.7	$27.3	$21.2
PDD	$29.4	$27.5	$23.9	$20.4	$18.4
Total Longevity Reserve	$67.0	$62.2	$56.6	$47.7	$39.6
JUUL Settlement	$0.0	$0.0	$0.0	$1.6	$1.6
Total Litigation Fund *(b)*	**$441.4**	**$269.4**	**$351.2**	**$267.7**	**$237.6**
Total All Reserve Funds	**$650.8**	**$544.2**	**$750.8**	**$658.0**	**$632.8**
Opioid Litigations Settlement Fund *(a) (c)*	$77.3	$85.6	$88.6	$79.9	$72.1

(a) This fund is consolidated into the General Fund for reporting purposes.
(b) Some revenues/expenditures reported in the index codes in this fund are consolidated into the General Fund for reporting purposes while others are reported in the Police District Fund.
(c) This fund has been established in accordance with NYS General Municipal Law, which dictates how the fund may be used.

Source: Nassau Integrated Financial System (NIFS)

NYSHIP Health Insurance Costs – The majority of County employees are covered by health insurance provided by NYSHIP. Contribution rates vary from zero, 3% of salary, to 15% of premiums. NYSHIP premiums have increased over the last few years, with a projected total for the fiscal year of $407.6 million.[10]

NYSHIP Health Insurance Premiums*			
Fiscal Year	Premium Payments	% increase	$ Amount Increase
2023	$ 329,855,108		
2024	$ 380,481,267	15.3%	$ 50,626,159
2025	$ 384,269,759	1.0%	$ 3,788,492
2026 Projected	$ 407,628,386	6.1%	$ 23,358,627

**the amounts above are gross and do not include a reduction for employee contributions*

Pension Costs – The County participates in the NYS pension system. Contributions are made to the Police and Fire Retirement System (PFRS) and the Employee Retirement System (ERS). The employee's tier is what dictates the contribution amount required from either the County, the employee, or both. Prior to 2022, the County deferred pension payments for several years, and repaid the outstanding balances in 2022 and in 2023 for PDD. The County has received the projected invoice for 2027, which is expected to be prepaid in December 2026, saving the County approximately $2.0 million.

Pension Costs (budgetary basis)			
Fiscal Year	PFRS	ERS	Total
2023	$ 101,762,625	$ 65,810,999	$ 167,573,624
2024	$ 106,734,336	$ 73,939,450	$ 180,673,786
2025	$ 138,132,546	$ 90,087,086	$ 228,219,632
2026	$ 148,310,325	$ 121,298,356	$ 269,608,681
2027 Projected	$ 166,484,630	$ 116,912,055	$ 283,396,685
$ Change in 2026 Projected over 2023	$ 46,547,700	$ 55,487,357	$ 102,035,057
%Change in 2026 Projected over 2023	45.74%	84.31%	60.89%

This report is also available online at https://www.nassaucountyny.gov/4517/Financial-Reports

2026 ADOPTED BUDGET

At this point in time, the County is on track to meet its 2026 Adopted Budget for the **5 budgetary funds**[11] of $4.388 billion with some potential opportunities and risks that will require management to manage their effect on the final 2026 results.

[10] This amount represents the gross premiums and does not include a reduction for employee contributions.
[11] The General Fund, the Police Headquarters Fund, the Fire Commission Fund, the Debt Service Fund and the Police District Fund.

Potential Opportunities and Risks – Budgetary Basis

Key Highlights: 2026 Opportunities and Risks to 2026 Adopted Budget		
5 Budgetary Funds		
Potential Opportunities		
Sales Tax	+ $11.3 million	• Projecting year-to-date actuals plus 2% on the remaining checks
State Aid	+ $34.6 million	• Higher State Aid due to the Statewide Mass Transportation Operating Assistance (STOA) program for County bus operations of $9.4 million; • Reimbursements anticipated of $26.3 million for projected higher Pre-School and Special Education costs and projected higher Safety Net Assistance and Day Care costs.
Federal Aid	+ $8.0 million	• Reimbursements of $ 13.3 million anticipated for projected higher Temporary Assistance for Needy Families and Day Care costs; • Offset by lower Federal Aid of $5.4 million from the Federal Transit Administration for County bus operations.
Debt Service	+ $19.5 million	• Projected opportunity due to debt service budgeted for 2026 but defeased in 2025.
Judgments and Settlements/Property Tax Refunds	+ 26.4 million	• Projected opportunity due to use of reserves for these payments.
Property Taxes	+ $6.9 million	• Due to LIPA Direct Assessment, restored taxes and abatements.
Interfund Transfers	+ $35.0 million	• Anticipated use of reserve funds

Key Highlights: 2026 Opportunities and Risks to 2026 Adopted Budget		
5 Budgetary Funds		
Potential Risks		
Payroll and Fringe	- $85.8 million	• Termination pay ($82.4 million) and overtime ($35.0 million) risks are offset by $9.6 million and $7.9 million projected opportunities in other salary costs and fringes, respectively.
Social Services Programs	- $38.6 million or -$15.5 million after Federal and State reimbursements	• Potential risks in Recipient Grants, Purchased Services, Emergency Vendor Payments are offset by opportunities of $13.3 million and $9.8 million in Federal and State Aid, respectively. • Higher Safety Net costs due to an increase in the demand for emergency shelter.
Early Intervention and Pre-School	- $23.0 million or -$6.5 million after State reimbursements	• Higher caseloads than budgeted, the cost of which is offset by $16.5 million in the State Aid opportunity.
Fines and Forfeitures	- $22.1 million	• $5.0 million risk for the Ticket Reconciliation program not yet implemented; • Risk of $15.2 million in TPVA fines based on current run-rate.
Departmental Revenues	- $29.5 million	• Risk of $11.0 million in GIS Tax Map revenues; • Risk of $11.75 million in prior year Ambulance Fee collections; • $10.0 million risk for Income and Expense Law; • Offset by opportunities of $4.2 million in Mortgage and Deed Recording Fees.
Investment Income	- $18.7 million	• Potential risk based on current run rate.
Capital Resources for Debt	-$7.5 million	• Potential risk due to projects closeout reduction.
Rents and Recoveries	-$23.4 million	• Potential risks for Sale of County Property ($13.2 million), prior year recoveries ($7.5 million) and other recoveries ($2.2 million).

POTENTIAL OPPORTUNITIES

There are several areas where potential opportunities to the 2026 Adopted Budget were identified: Sales Tax, State and Federal Aid, Debt Service costs, Judgment and Settlements and Property Tax Refunds, and Property Taxes. These are discussed below.

Sales Tax

Sales tax is the largest source of revenue for the County[12], representing 40.9% of the 2026 Adopted Budget for the County's five (5) budgetary funds total budgeted revenues, excluding eliminating interfund revenues, of $4.024 billion.

The Comptroller's Office identified a potential opportunity for 2026 sales tax collections (excluding deferred Part County) to exceed the 2026 Adopted Budget by $11.3 million, or 0.69% higher than budgeted to $1,655.6 million. The projection is based on the year-to-date sales tax collections through July 10, 2026, plus 2% over the 2025's actual results for the remainder of the fiscal year.

Sales Tax collections are distributed by the NYS Department of Taxation over the course of 26 checks throughout the year. Sales Tax revenues are recorded in the County's financial system and reported in its financial statements. Collections are a part of revenue, however, there are adjustments that are required to be made in accordance with State law as it pertains to Preempted Sales Tax in Lieu of Property Taxes (aka Part County Sales Tax). Appendix C: *Sales Tax Terminology* provides more detail on those adjustments. In the following table, sales taxes are reported as Countywide Sales Tax and Part County Sales Tax, which comprise total collections. Part County Sales Tax, or Preempted Sales Tax In Lieu of Property Taxes, and Deferred Part County Sales Tax are explained in the Appendix C of this report.

Sales Tax Revenue - Millions of Dollars					
Category	**2025 Actual**	**2026 Budget**	**2026 YTD June**	**2026 Forecast***	**Variance**
Countywide Sales Tax	$1,478.7	$1,514.7	$590.4	$1,529.5	$14.8
Part County Sales Tax Receipts	$125.6	$129.6	$37.2	$126.1	($3.5)
Total Collections	$1,604.3	$1,644.3	$627.6	$1,655.6	$11.3
Net Deferred Part County Sales Tax	$10.4	$0.0	$0.0	$0.0	$0.0
Total Sales Tax	**$1,614.7**	**$1,644.3**	**$627.6**	**$1,655.6**	**$11.3**

** computed as year-to-date collections through the July 10, 2026 check plus 2% growth on checks collected August 2025 through the end of fiscal year 2025.*

[12] Includes Countywide sales tax, part county sales tax, and deferred part county sales tax.

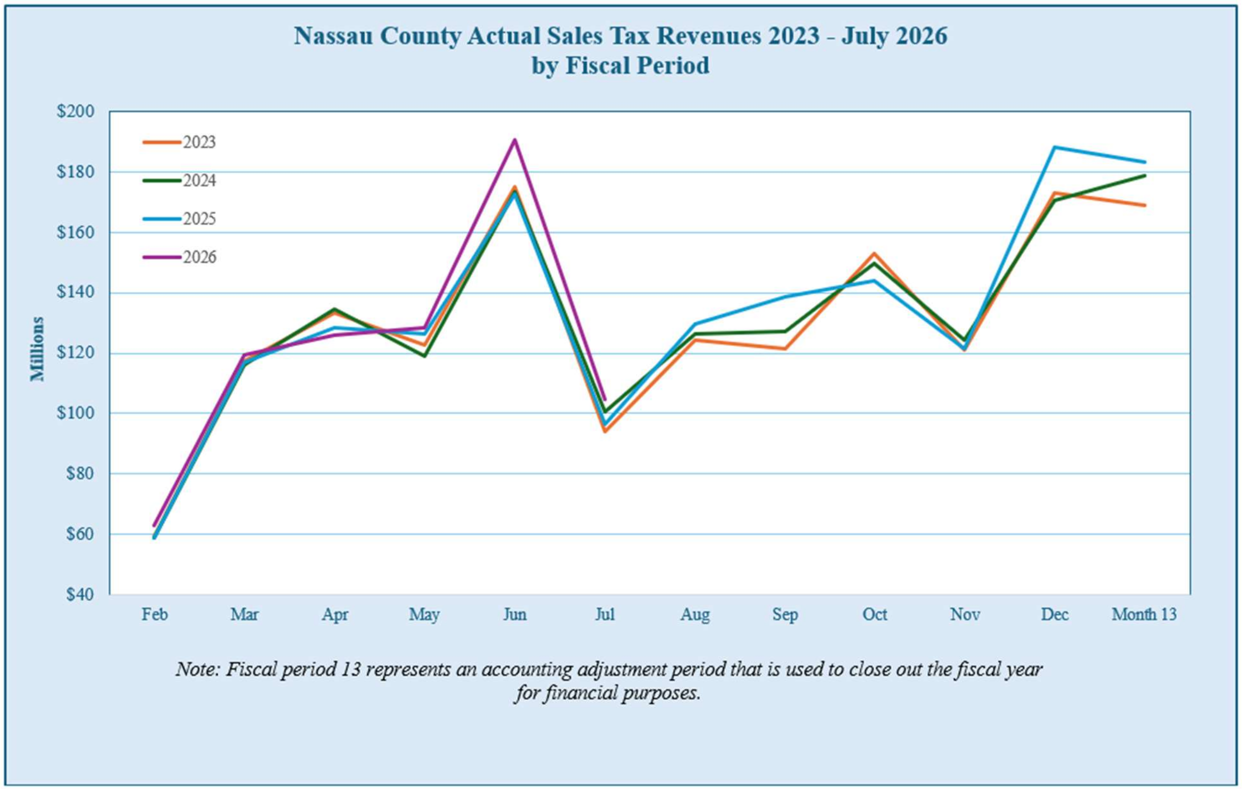
Sales Tax is greatly affected by economic factors. Through the collection of the July 10, 2026 check, the County's sales tax revenues have been 4.7% higher than the same collections in 2025. The Comptroller's Office anticipates an opportunity in sales tax collections of $11.3 million over budget based on year-to-date collections and the effect of a 2% increase in the remaining sales tax checks (blue shaded column in 2026 Sales Tax Collections Scenarios table below). If the collections continue at a similar year-to-date rate of 4.7%, there is a potential for an opportunity somewhere between $29.4 million and $38.4 million.

in $ millions **2026 Sales Tax Collections Scenarios**	**2026 OMB June Projection**	**Actual* + Flat to 2025**	**Actual* + +1%**	**Actual* + +2%**	**Actual* + +3%**	**Actual* + +4%**
2026 Budget	$ 1,644.3	$ 1,644.3	$ 1,644.3	$ 1,644.3	$ 1,644.3	$ 1,644.3
Projected Total Sales Tax**	$ 1,652.3	$ 1,637.5	$ 1,646.5	$ 1,655.6	$ 1,664.6	$ 1,673.7
Difference from Budget	$ 8.0	$ (6.8)	$ 2.2	$ 11.3	$ 20.3	$ 29.4
% Difference from Budget	0.5%	-0.4%	0.1%	0.7%	1.2%	1.8%

** Actual = actual sales tax receipts in 2026 year-to-date through the 7/10/2026 check*
*** Includes Countywide + Part County excluding Net Part County Deferrals*

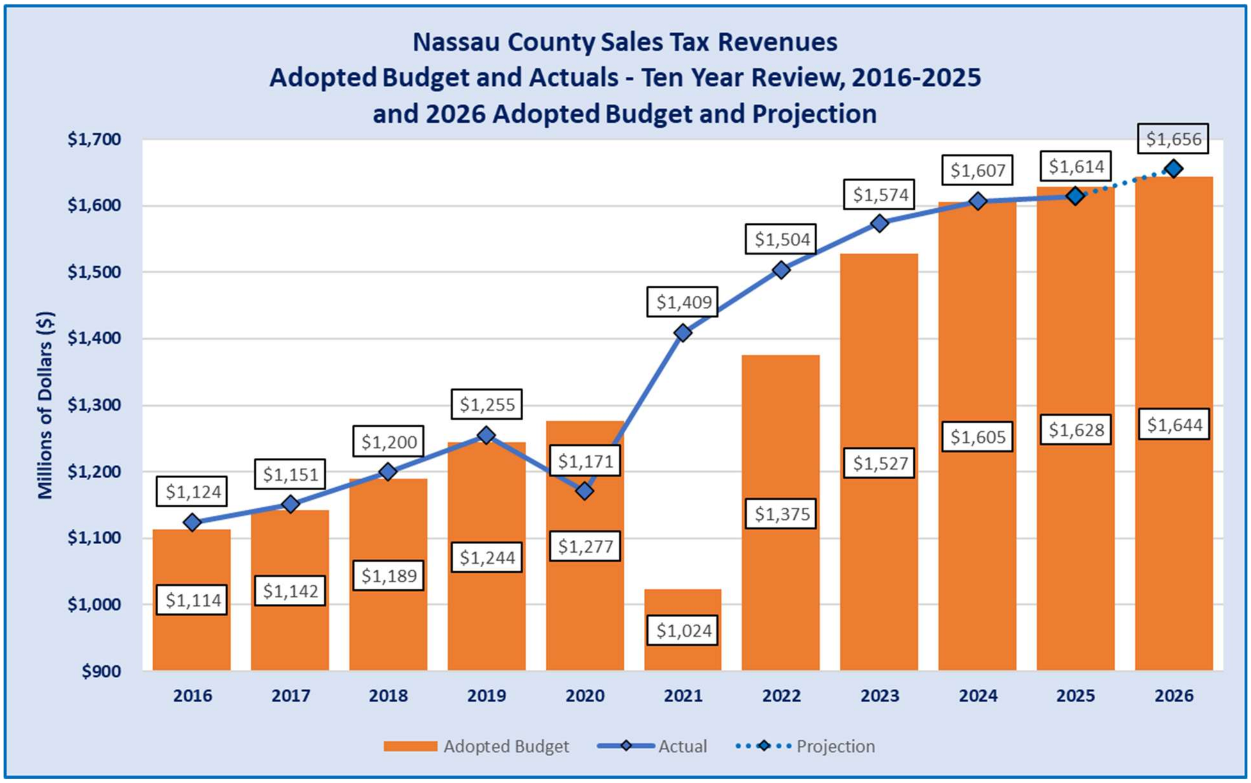
Sales Tax Trends

As illustrated by the following graph, the monthly trends in sales tax revenues have been fairly consistent over the years. There is a spike in sales tax revenues from May to June, then a decline from June to July, followed by a general increase to December.



The following chart illustrates how consistent sales tax revenue[13] has been over the past 10 years. With the exception of the impact of shutdowns in reaction to COVID in 2020, sales tax collections generally continued to increase, due in part to the June 2019 "Enhanced Internet Sales Tax" enacted by New York State, which requires online sellers to charge sales tax to buyers in the buyers own tax districts. The growth in sales tax revenue due to the Enhanced Internet Sales Tax appears to have leveled off.

[13] Sales Tax revenue includes deferred part county revenue while sales tax collections represent the sales tax checks provided from New York State.



State Aid

State Aid represents 8.5% of the total budgeted revenues (excluding eliminating interfund revenues) of $4.024 billion reported in the 2026 Adopted Budget for the County's five budgetary funds.

There is a potential opportunity in State Aid up to $34.6. million, of which $26.3 million is the anticipated reimbursement due to the projected increases in Social Services and Preschool programs.

The primary reasons include:

- an opportunity of $9.4 million due to higher than budgeted State Operating Assistance (STOA) reimbursements for the County's transit system;
- an opportunity of $16.5 million in Pre-School and Early Intervention services due to the projected increase in expenditures for which the County is reimbursed a portion of what is expended; and
- opportunities for State Aid reimbursements for social service programs, such as Safety Net Assistance (SNA) of $5.2 million due to an increase in homelessness expenditures, and Social Services / Childcare & Development Block grants of $4.7 million due to increased costs for day care. The County is reimbursed, at varying rates, for a portion of these pre-school and social service programs.

Federal Aid

Federal Aid represents 5.5% of the 2026 Adopted Budget for the County's five budgetary funds' total budgeted revenues (excluding eliminating interfund revenues) of $4.024 billion.

The Comptroller's Office identified an opportunity of $8.0 million Federal Aid, of which $13.3 million is the projected opportunity related to Federal reimbursements related to the projected increase in Social Services programs costs.

The opportunity in Federal Aid is primarily due to:

- an increase in Day Care cost reimbursements in the Department of Social Services of approximately $12.5 million as the ability to qualify for Day Care has been expanded significantly by NYS.
- an additional reimbursement of $0.8 million is possible in Temporary Assistance to Needy Families (TANF) as there is an increase in homelessness.

These opportunities are offset with a projected risk of $5.4 million in Federal Transit Administration-Coronavirus Response and Relief Supplemental Appropriations and American Rescue Plan Act receipts for the County's transit system.

Debt Service

Debt Service expenditures represent 7.5% of the 2026 Adopted Budget for the County's five budgetary funds' total budgeted obligations[14] (excluding eliminating interfund charges) of $4.024 billion.

The Comptroller's Office identified a potential opportunity of $19.5 million in debt service costs based on the current bond amortization schedules.

The opportunity is comprised of $0.9 million in interest savings and $18.6 million in principal savings. The savings identified are mainly due to the December 2025 defeasance of debt, which reduced the required 2026 debt service expenditures.

The County normally issues bonds prior to mid-year. In 2026, the County has not issued bonds through July. The County Administration anticipates bonding of $375.0 million in 2026 as follows:

- $195.0 million for general capital improvements;
- $85.0 million for sewer system improvements; and
- $95.0 million for the Bay Park conversion project.

The County is continuing to work on the Bay Park Conveyance project, which is estimated to cost over $500.0 million. The County is funding the project with monies from the New York State

[14] Obligations refer to expenditures and encumbrances.

Environmental Facilities Corporation (EFC) and $67.3 million in grants from the NYS Division of Homeland Security & Emergency Services Hazard Mitigation programs, which was used to pay down EFC loans. Through July 2026, the County received $414.8 million in funding; $307.3 million in bonds and $107.5 million in grant funding. The County enters into bond anticipation notes with EFC that are subsequently converted to long-term bonds payable to EFC. The debt payable to EFC is secured by County general revenues. Debt service for EFC bonds is paid from the Sewer and Storm Water Fund.

Judgments and Settlements/Property Tax Refunds

Judgment and Settlements/Property Tax Refund expenditures represent 0.75% of the 2026 Adopted Budget for the County's five budgetary funds' total budgeted obligations (excluding eliminating interfund charges) of $4.024 billion.

The Comptroller's Office identified potential opportunity in Property Tax Refunds (tax certiorari) of $12.2 million and a potential opportunity in Judgments and Settlements of $14.2 million.

The 2026 Adopted Budget reduced the appropriations set aside for the payment of tax certiorari and litigation costs from the five budgetary funds. The opportunities identified are primarily due to the historical trend of paying these costs from the Litigation (LIT) Fund, which holds a reserve set aside for these payments.

The reduction in tax certiorari refunds in general is primarily due to the decline in the long-term liability for these costs. As mentioned earlier in this report, the 2025 total tax certiorari liability decreased $414.5 million, or 58.6% from 2021.

Property Taxes

Property Taxes represent 18.8% of the 2026 Adopted Budget for the County's five budgetary funds' total budgeted revenues (excluding eliminating interfund revenues) of $4.024 billion.

The Comptroller's Office identified an opportunity of $6.9 million Property Taxes against the adopted budget.

The projected opportunity is related to property taxes assessed on two (2) LIPA properties related to the settlement of outstanding assessment grievances and the net of County restored taxes offset by restored abatements. It is important to note that year-end adjustments for uncollected and uncollectible property taxes may unfavorably impact these revenues, however, it is not possible to estimate the adjustments at this point in the fiscal year.

Net Interfund Transfers In/Out

The Adopted Budget included $35.0 million of Transfers In from the reserve funds to the Police Funds and the General Fund as follows:

Budgeted Transfers In from Reserves		
Reserve Fund	To Fund	Amount Budgeted
Litigation	Police District	$ 2,000,000
Employee Accrued Benefit	Police District	$ 7,000,000
Employee Accrued Benefit	Police Headquarters	$ 18,000,000
Operating Reserve	General	$ 8,000,000
Total		$ 35,000,000

While it is unclear at this time whether the transfers from the reserve funds will be brought into the Police Funds and the General Fund, or if expenditures will be transferred from these funds to the reserve funds, either way, it is likely that at least $35.0 million of reserve funds will be utilized in 2026.

Eliminating Interfund Transfers, such as those between the General Fund, Police Headquarters and the Fire Commission Fund, have not been noted since they eliminate upon consolidation of the 5 budgetary funds.

POTENTIAL RISKS

There are several areas of potential risk, such as, costs for Payroll and Fringe Benefits, Social Services Programs, Early Intervention and Pre-School, Fines and Forfeitures, Departmental Revenues, and Rent and Recoveries. With proper management, some of these risks may be mitigated prior to the close of the fiscal year.

Payroll and Fringe Benefits

Payroll and Fringe Benefits represent 46.6% of the 2026 Adopted Budget for the County's five budgetary funds' total budgeted expenditures (excluding eliminating interfund charges) of $4.024 billion.

Two major events have taken place in 2026 that have, and will have, an impact on Payroll and Fringe Benefits expenditures.

Voluntary Separation Incentive Program

In February 2026, the County announced a Voluntary Separation Incentive Program (VSIP) which offered $2,000 per year for each year of consecutive full-time completed County service to full-time Nassau County union employees with a minimum of ten (10) years of consecutive full-time County employment. As of June 2026, 502 employees have retired from the County as a part of this program with a total cost of $106.0 million, $79.0 million in termination pay and $27.0 million in incentive payments. An additional 88 employees are expected to retire from the VSIP in the coming months for a total of 590 employees and estimated total cost in 2026 of $124.6 million to fund this program. In its most recent projections, the County Administration estimates savings from this program to be approximately $30.0 million, while the 2026 Adopted Budget estimated this savings at $27.0 million.

Expiration of Collective Bargaining Agreements

On June 30, 2026, the collective bargaining agreements for the Police Benevolent Association of the Police Department of the County of Nassau NY Inc. (PBA), Detectives Association Inc. of the Police Department of the County of Nassau NY Inc. (DAI), Superior Officers Association Inc. of the Police Department of the County of Nassau NY Inc. (SOA), Nassau County Investigators Police Benevolent Association Inc. (IPBA) and the Nassau County Sheriff's Correction Officers Benevolent Association Inc. (COBA) expired. The terms of the expired CBAs will continue to be in place until new agreements are negotiated, approved by the County Legislature and NIFA, and ratified by its members. As with most labor negotiations, the County expects there will be a net increase in expenses associated with new collective bargaining agreements. The magnitude of the impact is subject to negotiation and cannot be estimated at this time.

The Comptroller's Office identified a potential net risk in payroll and fringe benefits expenditures of $85.8 million when compared to the 2026 Adopted Budget.

The 2026 Adopted Budget for the 5 budgetary funds includes a total of $1,086.8 million for salaries and $789.2 million for fringe benefits with potential risks/opportunities to the adopted budget as follows:

Total Salaries* - Millions of Dollars

Fund	2025 Actual	2026 Budget	2026 YTD June	2026 Forecast	Variance
General Fund:					
General Fund	$459.4	$464.4	$249.9	$484.6	($20.2)
Police Headquarters Fund	$295.1	$305.2	$182.5	$358.8	($53.6)
Fire Commission Fund	$14.6	$17.4	$8.1	$17.0	$0.4
Total General Fund	**$769.1**	**$787.0**	**$440.5**	**$860.4**	**($73.4)**
Police District Fund	$280.1	$299.8	$150.9	$320.1	($20.3)
Total Salaries	**$1,049.2**	**$1,086.8**	**$591.4**	**$1,180.5**	**($93.7)**

** includes overtime and termination pay*

Fringe Benefits - Millions of Dollars					
Fund	**2025 Actual**	**2026 Budget**	**2026 YTD June**	**2026 Forecast**	**Variance**
General Fund:					
General Fund	$306.0	$346.5	$205.7	$335.7	$10.8
Police Headquarters Fund	$204.7	$224.9	$159.4	$230.7	($5.8)
Fire Commission Fund	$7.0	$8.8	$6.2	$9.5	($0.7)
Total General Fund	**$517.7**	**$580.2**	**$371.3**	**$575.9**	**$4.3**
Police District Fund	$189.5	$209.0	$144.1	$205.4	$3.6
Total Fringe Benefits	**$707.2**	**$789.2**	**$515.4**	**$781.3**	**$7.9**

The primary driver of the potential risk is the result of termination payments resulting from the 2026 VSIP offered to all County union members. However, the risk is mitigated by potential opportunities identified as they relate to vacant positions and the deferral of a general wage increase for CSEA members. The County's reserves are available to absorb all, or part of a shortage resulting in the 5 budgetary funds.

Salaries

The Comptroller's Office anticipates salaries to reach $1,180.5 million by the end of fiscal year 2026, a net risk of $93.7 million.

The 2026 Adopted Budget assumes a total full-time headcount of 7,656 employees for 2026. The current on-board headcount as of June 2026 was 7,089, a reduction of 228 positions when compared to the June 2025 headcount of 7,317.

The County currently has 567 vacant positions funded in the 2026 Adopted Budget as of July with an estimated value of approximately $84.3 million which continues to create a budgetary savings opportunity with positions that remain unfilled.

In June 2025, the County entered into a Memorandum of Agreement (MOA) with the Civil Service Employee Association (CSEA), which modified the terms and conditions of the previously approved labor contract to delay the budgeted general wage increase of 2.5% which had been scheduled for August 1, 2026 to January 1, 2027 creating additional salary savings estimated at $6.2 million.

Although savings are being realized from the 567 budgeted full-time positions that remain vacant in 2026, these savings are reduced by risks forecasted for termination pay of $82.4 million and overtime costs currently projected up to $35.0 million in both the Police Department and the Correctional Center.

Fringe Benefits

The Comptroller's Office identified a potential opportunity of $7.9 million in fringe benefits when compared to the 2026 Adopted Budget.

Potential savings were identified in FICA expenses related to funded but vacant positions, Health insurance for both active employees and retirees combined and pension costs due to a lower payment in 2025 to the State than budgeted.

The County prepaid the 2026 retirement bill in December 2025, which resulted in savings to the County of $1.9 million dollars. The projections in this report assume that the retirement bill due in February 2027 will be prepaid in December 2026 and that the County will continue to not elect to defer pension contributions for 2026. The County has not elected to defer pension contributions beginning with the 2021 fiscal year.

Termination Pay

The Comptroller's Office identified a potential risk in total termination pay for the County could reach up to $82.4 million for the five budgetary funds.

A total of 172 sworn officers have retired to date in fiscal year 2026 with actual expenditures of $64.2 million. Estimating a total of up to 240 police officers retiring from both Police District and Police Headquarters in 2026, would result in an estimated cost up to $93.3 million, an above average year expected due to both the VSIP and the expiration of the police union contracts (PBA, DAI, SOA, COBA and IPBA) on June 30, 2026.

The 2026 Adopted Budget includes $30.0 million appropriated in the EBF Fund reserve to address any possible shortages in termination pay. A subsequent supplemental appropriation for non-PDD appropriations in the EBF Fund was approved, bringing appropriations for the fund up to $60.0 million. The Adopted Budget included Interfund Transfers from the EBF Fund reserve to PDD of $7.0 million and to PDH of $18.0 million.

As of June 2026, a total of $79.0 million was paid out by the County in termination pay related to the incentive. There is adequate funding in the EBF Fund reserve to cover the potential risk in Police Headquarters, however, the EBF Fund reserve does not have adequate funding to cover the entire Police District potential risk.

Termination Pay - Millions of Dollars					
Fund	**2025 Actual**	**2026 Budget**	**2026 YTD June**	**2026 Forecast**	**Variance**
Police District Fund	$5.6	$7.5	$21.7	$31.2	($23.7)
Police Headquarters Fund	$14.5	$20.2	$42.5	$62.1	($41.9)
General Fund	$18.9	$11.8	$20.7	$28.3	($16.5)
Fire Commission Fund	$0.2	$0.2	$0.5	$0.5	($0.3)
Total Termination Pay	**$39.2**	**$39.7**	**$85.4**	**$122.1**	**($82.4)**

Overtime

The Comptroller's Office identified $35.0 million of potential risk in overtime costs for the five budgetary funds when compared to the 2026 budget of $103.1 million.

The potential risk is primarily comprised of $7.2 million in the Police District Fund, $13.8 million in the Police Headquarters Fund, and $13.9 million for the Correctional Center.

Overtime - Millions of Dollars					
Fund	**2025 Actual**	**2026 Budget**	**2026 YTD June**	**2026 Forecast**	**Variance**
Police District Fund	$29.5	$28.0	$6.7	$35.2	($7.2)
Police Headquarters Fund	$42.4	$32.0	$15.1	$45.8	($13.8)
Correctional Center	$40.2	$20.6	$15.6	$34.5	($13.9)
Other	$10.3	$22.5	$9.8	$22.6	($0.1)
Total Overtime	**$122.4**	**$103.1**	**$47.2**	**$138.1**	**($35.0)**

Social Services Programs

Social Services Programs obligations represent 13.6% of the 2026 Adopted Budget for the County's five budgetary funds' total budgeted obligations (excluding eliminating interfund charges) of $4.024 billion.

Potential risks of $38.6 million over the 2026 Adopted Budget for Social Services programs were identified, with a net risk of $15.5 million after projected Federal and State reimbursements.

The primary components of this possible risk are as follows:

- $6.3 million in Recipient Grants;
- $21.5 million in Purchased Services; and
- $10.8 million in Emergency Vendor Payments.

The potential risks in Purchased Services, Recipient Grants and Emergency Vendor Payments are primarily due to an increase in the demand for Day Care, higher costs related to Temporary Assistance for Needy Families (TANF) and Safety Net Assistance (SNA) due to an increase in homelessness. The Social Services programs are mandated programs, with most receiving Federal and/or State Aid reimbursements at varying rates. Federal and State Aid reimbursements related to the potential $38.6 million risk in Social Services programs are estimated to be $13.3 million and $9.8 million, respectively.

Early Intervention/Preschool Program

Early Intervention/Preschool Program obligations represent 5.2% of the 2026 Adopted Budget's total budgeted obligations (excluding eliminating interfund charges) of $4.024 billion for the County's five budgetary funds.

Expenditures for Early Intervention could be as high as $232.8 million, or $23.0 million over the 2026 Adopted Budget or a net risk of $6.5 million, after State reimbursements.

This potential risk is related to an increase in caseloads resulting in higher than budgeted expenditures for Pre-school (3-5 Years) and Pre-school related services. An estimated $16.5 million of State Aid reimbursements for the additional expenditures incurred by the County are projected to partially offset this potential risk (see State Aid in Potential Opportunities section).

Fines and Forfeitures

Fines and Forfeitures represents 2.0% of the 2026 Adopted Budget's total budgeted revenues (excluding eliminating interfund revenues) of $4.024 billion for the County's five budgetary funds.

The Comptroller's Office identified potential net risk of $22.1 million in Fines and Forfeitures.

The potential risks are noted as follows:

- Fines for Red Light Cameras are trending short of budget by $2.5 million based on the current rate of collections and prior year trend.
- Other Fines and Forfeitures of $20.6 million, primarily in Traffic and Parking Violations Bureau (TPVA) revenues.
    - The Adopted Budget included $5.0 million for the Ticket Reconciliation Program (TRP) for which there has been no revenue posted to date. As of the date of this report, the program has not been implemented.
    - The remaining $15.2 million shortfall in TPVA fines is based on the current rate of collections.

The potential risks are mitigated by a potential opportunity of $1.0 million in Police Public Safety Fees based on the current rate of collections.

Departmental Revenue

Departmental Revenue represents 5.6% of the 2026 Adopted Budget for the County's total budgeted revenues (excluding eliminating interfund revenues) of $4.024 billion for the five budgetary funds.

The Comptroller's Office has identified potential net risk in Departmental Revenue of $29.5 million.

These risks are primarily due to the various items described below, and mitigated by an opportunity in Mortgage and Deed Recording Fees**:**

- GIS tax map verification fees in the County Department of Assessment are trending $11.0 million lower than budgeted but trending 6.8% higher year-to-date than last year.
- Since there have been no collections of the Income and Expense Law, budgeted at $10.0 million, this represents a risk to the budget.
- Social Service's revenue from Other Welfare Receipts (Special Education Cost) is trending lower than the adopted budget by $2.4 million.
- Ambulance Fee revenues are comprised of two components: current year fees and prior year fees still outstanding. We are projecting that overall fees will be lower than the adopted budget by $11.8 million because no prior year collections have been recorded in 2026. The County retained a new ambulance billing company. Despite starting in June 2026, we do believe the budgeted amount of $21.0 million for 2026 fees will be met.
- However, Mortgage and Deed Recording Fees are projected to have an opportunity of $4.2 million against the adopted budget due to year-to-date collection trends.

Investment Income

Investment Income represents 1.3% of the total budgeted revenues (excluding eliminating interfund revenues) of $4.024 billion reported in the 2026 Adopted Budget for the County's five budgetary funds.

The Comptroller's Office identified a potential risk of $18.7 million in Investment Income. The risk is due to lower estimated interest income of $18.7 million in the five budgetary funds based on the current run rate and a reduction in overall cash balances in those funds over the prior year and factoring higher 4th quarter interest in the GEN fund in anticipation of cash from the issuance of bonds.

This risk is mitigated by $15.2 million of interest earnings on cash held in the reserve funds which are not included in the five budgetary funds and not included in the 2026 Adopted Budget.

Capital Resources for Debt

Capital Resources for Debt represents 0.6% of the total budgeted revenues (excluding eliminating interfund revenues) of $4.024 billion reported in the 2026 Adopted Budget for the County's five budgetary funds.

Capital resources for debt are projected to be $7.5 million lower than budget. The County identifies completed capital projects that have remaining unused bond proceeds. Once it is determined that the project will no longer have any activity, the remaining unused bond proceeds must be used to pay debt service in accordance with NYS Local Finance Law[15].

The Administration originally budgeted $17.5 million in potential unused bond proceeds, however, has modified projections down to $10 million for 2026. It is important to note that any increase in revenues from unused bond proceeds will decrease the debt service chargeback expenditures that are allocated to the operating funds and the offsetting debt service chargeback revenues. Debt service chargeback revenues and expenditures are reported as part of Interfund Revenues (eliminating) and Interfund Charges (eliminating).

Rents and Recoveries

Rents and Recoveries revenue represents 1.43% of the 2026 Adopted Budget for the County's total budgeted revenues (excluding eliminating interfund revenues) of $4.024 billion for the five budgetary funds.

The Comptroller's Office has identified potential risks in Rents and Recoveries revenue is of $23.4 million.

$8.0 million of the potential risk is related to the recovery of prior year disencumbrances Recoveries of prior year encumbrances have the effect of generating revenue on a budgetary basis; however, under GAAP, encumbrances are not actual expenditures, and these revenues are removed from the GAAP results when converting from budgetary reporting to GAAP reporting. See Appendix B on page 32, with regards to encumbrances.

There is a potential risk of $13.4 million related to the Sale of County Property. Considering the length of time required to close a sale and receive the proceeds, at this time no further sales are expected to generate revenue in 2026, only what has been closed and recorded year-to-date ($0.3 million in the General Fund).

However, we are aware of a sale generating $10.0 million that was approved by the County Legislature but has not closed. Should this sale close prior to year-end, there may be an opportunity to mitigate much of this risk. To the best of our knowledge, no other sales have yet been approved.

Workers' Compensation Recoveries are trending lower than budget by $1.0 million.

[15] NYS Local Finance Law Section 165.00[a].

Other Rent and Recoveries are also trending lower than budget by $1.0 million. This variance is based on trending year-to-date collections in various departments.

LONG-TERM BORROWING

Through July 2026, the County has not issued bonds to fund various public purposes, including capital projects. At this time, the County does not anticipate issuing Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs) in 2026.

The County anticipates bonding $375.0 million in the second half of the year to pay for capital projects as well as various sewer system improvements. Projects for sewer-related improvements may be funded through borrowing by either the County, NYS Environmental Facilities Corporation (EFC) or the Nassau County Sewer and Storm Water Finance Authority (SFA). The table below details projected new long-term debt issued by the County (including borrowings for Nassau Community College, and Sewer and Storm Water Capital Projects).

At 2025 fiscal year-end, the total of the County's general obligation bonds and its component units' long-term serial bonds outstanding was approximately $3.8 billion, including serial bonds and accreted interest of the Nassau County Tobacco Settlement Corporation (NCTS), which are secured only by the Tobacco Settlement Revenues (TSRs) and the bondholders have no recourse to the County. As discussed in Other Long-Term Matters on page 7, NCTS defaulted on its June 1, 2026 payment to bondholders due to insufficient funds received from the TSRs and it is not known at this time when debt service payments may resume. Therefore, the Total Long-Term Borrowings table shown on page 29 does not project a reduction in the outstanding debt of NCTS.

The 2026 actual borrowings, along with projected borrowings for the remainder of the year and projected reductions from maturing debt, will increase the total long-term bonds outstanding by approximately $220.8 million.

Total Projected Long-Term Borrowings*

Total Projected Long-Term Borrowings ($ millions)				
	As of Dec 31, 2025 Actual	Projected Additions	Projected Reductions	As of December 31, 2026 Estimated
County & SSW (a)(b)	$ 2,337.4	$375.0	$78.4	$ 2,634.0
NIFA	905.1		77.6	827.5
Sewer and Storm Water Finance Authority (SFA)	42.1		9.1	33.0
Tobacco Settlement Corp (c)	525.9	11.0		536.9
Total	**$ 3,810.5**	**$386.0**	**$165.1**	**$4,031.4**

(a) Beginning in 2014, the County implemented a change in accounting principle to include the NCC debt as part of the County debt.
(b) Includes $180.0 million of bonds projected to be issued in 2026 to be used for Sewer and Storm Water projects.
(c) December 31, 2025 includes accumulated accreted interest of $144.9 million.

* The table above does not project any debt service payments for NCTC in 2026.

2026 Projected GAAP Adjustments

GAAP adjustments can significantly fluctuate each fiscal year primarily due to the effects of encumbrances. The value of unspent encumbrances as of year-end and expenditures paid after year-end but incurred during the fiscal year are difficult to predict. Thus, these adjustments are estimates based on the actual GAAP adjustments for FY25. See Appendix B on page 32 for further details regarding encumbrances and their effect on GAAP results.

GAAP adjustments related to GASB 87, *Leases*, GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96, *Subscription-Based Information Technology Arrangements*, were also estimated using the actuals recorded in FY25 and will change in FY26 based upon amortization tables as well as any new or modified agreements identified in the fiscal year.

2026 Estimated GAAP Adjustments ($'s in millions)	5 Budgetary Funds
Period of availability adjustments	(8.0)
Use of Fund Balance	
Sale of Mitchel Field Leases	1.3
NCC adjustment for termination pay	(0.8)
Effect of encumbrances adjustment	9.0
Pension expenditure adjustment	(10.7)
Other GAAP adjustments	(15.6)
Total Projected GAAP adjustments	$ (24.8)

** GAAP adjustments can significantly fluctuate until finalized in the year-end financial statements primarily due to the effects of encumbrances; the value of unspent encumbrances as of year-end and the expenditures paid after year-end but incurred during the fiscal year are difficult to predict. Thus, these adjustments are estimates at this point in time based on the actual GAAP adjustments for FY25, or actual FY26 adjustments, where known. GAAP adjustments related to GASB 87, Leases, GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, and GASB 96, Subscription-Based Information Technology Arrangements, were included in the amounts recorded in FY25 and will change in FY26.*

The GAAP pension cost adjustment was significantly down over the prior year's actual final adjustment of $(32.6) million. While the PFRS projected invoice for 2027 increased over 12%, the ERS projected invoice decreased by almost 4%. Seventy-five percent of the 2027 invoice is attributable to FY26 on a GAAP basis.

APPENDICES

APPENDIX A: COUNTY OPERATING FUNDS

Five Budgetary Funds

The County Administration manages to the five budgetary funds: the General Fund (unconsolidated), the Police District and Police Headquarters Funds, the Fire Commission Fund, and the Debt Service Fund. The Administration does not include the reserve funds and the Sewer and Storm Water Fund as part of its "five major funds", although it does annually budget for the Sewer and Storm Water Fund, and occasionally for the reserve funds. The Administration prepares monthly forecast reports, projecting the fiscal year's result, for only the five budgetary funds and the Sewer and Storm Water Fund, but not the reserve funds, even if they had an adopted budget or actual revenues and/or expenditures.

Three Primary Operating Funds

The County's financial statements, the Annual Comprehensive Financial Report (ACFR), are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and encompasses all Governmental Accounting Standards Board Statements (GASBs) that impact the County. The ACFR reports on the County's operations and major funds[16] differently than the Administration in order to comply with GAAP.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* several funds that had previously been reported as separate special revenues funds in the County's financial reporting, were consolidated with the General Fund beginning in fiscal year 2011. GASB Statement No. 54, was adopted by Nassau County in fiscal year 2011.

GASB Statement No. 54 clarified the definitions of a general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type, which caused the County to redefine the County's General Fund to include funds that no longer met the Statement's definition of a special revenue fund. Special Revenue Funds are used to account for and report the "proceeds of specific revenue sources" that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund and have a recurring and steady revenue stream. The consolidated General Fund is more comprehensive than the pre-2011 General Fund.[17]

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[16] As defined and reported in accordance with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued June 1999.
[17] The NIFA Control Period Calculation uses the pre-2011 unconsolidated General Fund.

APPENDIX B: GAAP ADJUSTMENTS, THE EFFECT OF ENCUMBRANCES AND RECOVERIES OF PRIOR YEAR APPROPRIATIONS

GAAP adjustments, which are estimated to arrive at a projected ending GAAP fund balance, can vary significantly at year-end primarily due to the effect that encumbrances have on the County's financial results. Encumbrances are a budgeting control tool which allows governments to set aside budgeted appropriations for obligations that have not yet been spent. This ensures that appropriations authorized by the government's governing board (the County Legislature in the case of the County) are not exceeded. Since unspent encumbrances are not actual expenditures, unspent encumbrances are added back to budgetary results because they have been included when computing those results. Further, expenditures that are paid subsequent to year-end but were part of the unspent encumbrances, are added back as expenditures to arrive at the GAAP results. Encumbrances that are no longer needed prior to year-end are disencumbered; those that originated in a prior fiscal year generate a budgetary revenue because it is the recovery of a prior year's appropriation that was included in a previous year's budgetary surplus or deficit. Dis-encumbrances that result in budgetary revenue are excluded from GAAP results. At the time of the Mid-Year Report, these GAAP adjustments have been estimated based on the information available at this time, based on averages computed using prior year balances or using balances from the prior year. Therefore, these estimates may significantly change depending on how many encumbrances remain unspent and the total encumbrances spent in the ensuing fiscal year.

Recoveries of prior year appropriations are comprised of two categories: (1) recoveries in the form of stale checks, refunds, or other cash recoveries of expenditures paid in prior fiscal years, and (2) recoveries of prior year encumbrances, which have the effect of generating revenue on a budgetary basis. However, in accordance with GAAP, encumbrances are not actual expenditures, and therefore, the budgetary revenues generated from the recoveries of prior year encumbrances (a/k/a, disencumbrances) are removed from the GAAP results when converting from budgetary reporting to GAAP reporting. This adjustment is reflected in the GAAP adjustments.

In addition to the effect of encumbrances and prior year appropriation recoveries on budgetary and GAAP results, budgetary results may need to be adjusted to accurately reflect the effect of GASB Statements. Certain GASB Statements require significant evaluation of County transactions in order to accurately compute necessary adjustments to the County's governmental fund statements. Examples include GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs), and Availability Payment Arrangements (APAs)*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, and GASB Statement No. 101, *Compensated Absences,* the last of which was adopted in fiscal year 2024. Due to the complexity of the calculations and the evaluations required, these GAAP adjustments are performed annually at fiscal year-end to ensure that all transactions have been captured. For purposes of projecting the GAAP adjustments related to GASB Statements, the projections include the prior year's GAAP adjustments.

APPENDIX C: SALES TAX TERMINOLOGY

There are several variables other than economic conditions and some specific to Nassau County that are considered in Nassau County's sales tax forecasts. The section below provides a summary of these factors for informational purposes.

NIFA Set-Aside

- The Nassau County Interim Finance Authority (NIFA) intercepts and withholds a portion of the County's sales tax collections in an amount equal to the NIFA operating costs and the debt service costs it pays on its debt. The County reports its sales tax collections on a gross basis with the offset, the amount withheld by NIFA, reported as debt service on a budgetary basis.
- Due to timing issues with the receipt of sales tax and NIFA's due dates for debt service payments, the amounts withheld from sales tax may differ from the debt service reported by NIFA in the financial statements.

Part County Sales Tax

- For 2024, because Part County sales tax received was lower than budgeted, the City of Glen Cove and the three towns received excess credit on their property tax levies. This shortage of $2.8 million was reflected in the calculation of the County's 2026 tax levies as a credit to the levy due to be collected.
- For 2025, because Part County sales tax received was lower than budgeted, the City of Glen Cove and the three towns received excess credit on their property tax levies. This amount of $4.4 million will need to be included in the calculation of the County's 2027 tax levies and recovered by the County at that time.
- New York State Tax Law §1262(d), provides cities and towns a share of certain sales taxes related to hotel occupancy, restaurants, and other retail establishments. This law gives cities a choice to receive their share of sales tax revenues directly or to receive them as a credit to their county property tax levies. The towns may only receive the revenues via a credit to the property tax levies.
- Nassau County contains two cities and three towns. The City of Glen Cove elected to receive their share of sales taxes as a credit to their property tax levies, while the City of Long Beach receives a direct distribution of these sales taxes from New York State. All three towns (Hempstead, North Hempstead and Oyster Bay) receive the revenues via a credit to their property tax levies.
- The portion of sales tax revenues that the three towns and the City of Glen Cove are entitled to, are budgeted and recorded separately from other sales taxes and are referred to as "Part County" sales tax. This segregation ensures that the property tax bills for the three towns and the City of Glen Cove properly reflect an equal reduction in what otherwise would have been County property taxes owed.

- As Part County sales taxes offset the payment of County property taxes by the three towns and the City of Glen Cove, actual collections can only be recognized up to the amount budgeted each year.
- Variances of actual sales tax received as compared to what is included in the annual adopted budget must be either credited or collected in a subsequent year. Because of the timing of when the operating budget is adopted and when the County's books are closed, any variance to budget for Part County Sales Tax is delayed for two years. This is called a "Prior Year Deferral."
- If the actual amount of sales tax collected is *greater* than budgeted, the County effectively collected too much in property taxes from the City and towns. The County must credit this difference through the Prior Year Deferral.
- If the actual amount of sales tax collected is *less* than budgeted, the County effectively collected too little in property taxes from the City and towns. The County must collect this difference from the City and Towns.
- The amount of the Prior Year Deferral varies each year based on the year-end results of sales tax collections.