

# **Nassau County Sewer and Storm Water Finance Authority**

Report to the Board of Directors  
March 23, 2017



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Board of Directors  
Nassau County Sewer and Storm Water Finance Authority  
Mineola, New York

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Attention: Board of Directors

We are pleased to present this report related to our audit of the financial statements of the Nassau County Sewer and Storm Water Finance Authority (the Authority) as of and for the year ended December 31, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Authority.

*RSM US LLP*

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## Contents

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Required communications	1-2
Summary of significant accounting estimates	3
Exhibit A—Significant written communications between management and our firm	
Representation letter	

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated November 21, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year: GASB 72, <i>Fair Value Measurement and Application</i>. The requirements of this statement were effective for years beginning after June 15, 2015. This statement required additional disclosures regarding the valuation methods and fair value hierarchy for those items recorded at fair value.</p> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
<b>Uncorrected Misstatements</b>	We are not aware of any uncorrected misstatements, other than misstatements that are clearly trivial, if any.

Area	Comments
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of significant written communications between our firm and the management of the Authority, including the draft representation letter to be provided to us by management, are attached as Exhibit A.

## Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority's December 31, 2016 financial statements.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Amortization of deferred outflows of resources – deferred loss on refunding</b>	Deferred outflows of resources represent a consumption of net position that is applicable to future reporting period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until that time. Recognition as expense/expenditure is achieved through amortization each year.	The deferred loss on refunding is recognized as a component of interest expense over the shorter of the life of the refunded debt or refunding debt.	RSM has recalculated amortization expense and has concluded that management's estimates are reasonable.
<b>Investments</b>	Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.	Fair value is determined based on quoted market prices or average daily yield, where available.	We have independently tested the fair value of investments at December 31, 2016 and have concluded that management's estimates are reasonable.

**Exhibit A—Significant Written Communications Between Management and Our Firm**

March XX, 2017

RSM US LLP  
1185 Avenue of the Americas  
New York, NY 10036

This representation letter is provided in connection with your audit of the basic financial statements of the Nassau County Sewer and Storm Water Finance Authority (the "Authority"), a component unit of the County of Nassau, New York (the "County"), as of and for the year ended December 31, 2016 for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of March XX, 2017:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated November 21, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the County or other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.



8. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Net positions(deficit) and fund balance classifications and related disclosures
9. In February 2015, GASB issued Statement No. 72, Fair Value Measurements and Application (GASB 72). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Authority has adopted GASB 72 during the year ended December 31, 2016. The effects of this adoption are included in note 3 of the financial statements.
10. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 10 and No. 62.
11. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.
12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
13. We have no knowledge of any uncorrected misstatements in the financial statements.

#### Information Provided

14. We have made available to you:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared, as may have been requested.
15. All transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have made available to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of allegations of fraud or suspected fraud affecting the Authority's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.

18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.
19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
20. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.
21. We have disclosed to you the identity of the Authority's related parties and all the related-party relationships and transactions of which we are aware.
22. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize and report financial data.
23. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

#### **Supplementary Information**

25. With respect to management's discussion and analysis presented as required by the Government Accounting Standards Board to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

1. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
2. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
3. Has not identified any instances that have occurred, or are likely to have occurred, of fraud or noncompliance with provisions of laws and regulations that have or may have a material effect on the

financial statements or other financial data significant to the audit objectives, or any other instances that warrant the attention of those charged with governance.

4. Has not identified any instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have or may have a material effect on the determination of financial statement amounts.
5. Has not identified any instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
6. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
7. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
8. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports, if any.
9. Has a process to track the status of audit findings and recommendations.
10. Has not identified any previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
11. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report, if any.
12. Acknowledges that no nonaudit services have been performed by the auditor.

Nassau County Sewer and Storm Water Finance Authority

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Beaumont Jefferson, Nassau County Treasurer