

**NASSAU COUNTY SEWER AND
STORM WATER FINANCE AUTHORITY**

**A COMPONENT UNIT OF THE
COUNTY OF NASSAU, NEW YORK**

**Financial Statements
(Together with Independent Auditors' Report)**

and

**Reports in Accordance with
*Government Auditing Standards***

December 31, 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
(A Component Unit of The County of Nassau, New York)**

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

and

Reports in Accordance with *Government Auditing Standards*

DECEMBER 31, 2020

CONTENTS

| | <u>Page</u> |
|---|--------------------|
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis (Unaudited) | 3-7 |
| Basic Financial Statements as of and for the Year Ended December 31, 2020: | |
| Government-wide Financial Statements | |
| Statement of Net Position (Deficit) | 8 |
| Statement of Activities | 9 |
| Governmental Funds Financial Statements | |
| Governmental Funds Balance Sheet | 10 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position (Deficit)..... | 11 |
| Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances | 12 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 13 |
| Notes to Financial Statements | 14-22 |
| Government Auditing Standards: | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 23-24 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Nassau County Sewer and Storm Water Finance Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nassau County Sewer and Storm Water Finance Authority (the "Authority"), a component unit of the County of Nassau, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



New York, NY
May 27, 2021

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
Year Ended December 31, 2020
(Dollars in Thousands)

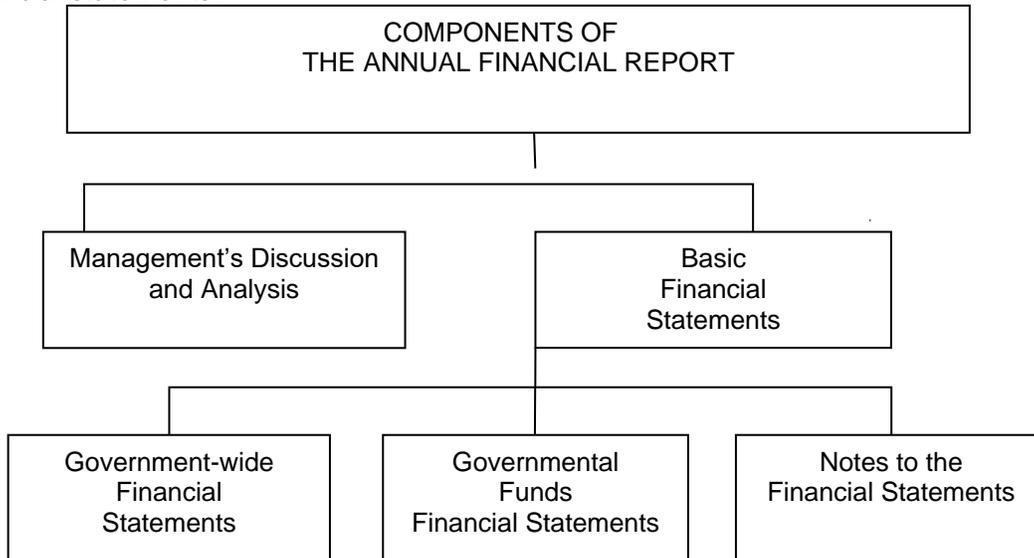
As management of the Nassau County Sewer and Storm Water Finance Authority (the "Authority"), we offer readers of the financial statements this narrative overview and analysis of our financial activities for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements.

The Authority was established in 2003 by the State of New York (the "State") under the Nassau County Sewer and Storm Water Finance Authority Act, codified as Title 10-D of Article 5 of the Public Authorities Law of the State, as a public benefit corporation. The Authority was established primarily to refinance outstanding sewer and storm water resources debt issued by or on behalf of Nassau County (the "County") and to finance future County sewer and storm water resources projects.

Most of the Authority's revenues are derived through the imposition, by the County, of assessments for sewer and storm water resources services. The County has directed each city and town receiver of taxes to remit all such assessments directly to the Trustee for the Authority's bonds. The Authority retains sufficient funds to service all principal and interest due in the current year and pay its operating expenses, and then remits the remaining funds to the County (on behalf of the Nassau County Sewer and Storm Water Resources District (the "District")).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of the following components: 1) government-wide financial statements, 2) governmental funds financial statements and 3) notes to basic financial statements.



Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position (deficit) reports all of the Authority's assets, liabilities, deferred outflows/inflows of resources, and net position. This combines and consolidates the Authority's current financial resources with capital assets and long-term obligations. The purpose of this statement is to give the reader an understanding of the Authority's total net worth.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
Year Ended December 31, 2020
(Dollars in Thousands)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements (continued)

The statement of activities presents information showing how the Authority's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Authority's governmental funds financial statements.

The intent of the government-wide financial statements is to give the reader a long-term view of the Authority's financial condition.

Governmental Funds Financial Statements

The governmental funds financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Authority, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Authority's near term financial decisions. In addition to these two statements, the financial statements include reconciliations between the government-wide and governmental fund statements.

The Authority maintains two individual governmental funds, the general fund and the debt service fund, both of which are reported as major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental funds financial statements.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
Year Ended December 31, 2020
(Dollars in Thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The statement of net position (deficit) details the assets, liabilities and deferred outflows/inflows of resources (if any) of the Authority based on their liquidity, utilizing current and noncurrent categories. The resulting net position, in this statement, is displayed as either net investment in capital assets, restricted net position or unrestricted net position. For the year ended December 31, 2020, the Authority's liabilities exceeded its assets and deferred outflows of resources, which resulted in a net position (deficit) of (\$106,553).

The analysis below focuses on the net position and changes in net position of the Authority's governmental activities.

Net Position (Deficit)

Condensed Statement of Net Position (Deficit)
As of December 31st,

| | 2020 | 2019 |
|---------------------------------------|--------------|--------------|
| Assets | | |
| Current and other assets | \$ 2,616 | \$ 3,145 |
| Total Assets | 2,616 | 3,145 |
| Deferred Outflows of Resources | | |
| Deferred charges on refundings | 8,139 | 9,137 |
| Total Deferred Outflows of Resources | 8,139 | 9,137 |
| Liabilities | | |
| Current | 13,612 | 13,399 |
| Non-current | 103,696 | 118,048 |
| Total Liabilities | 117,308 | 131,447 |
| Net Position (Deficit) | | |
| Restricted for debt service | 2,493 | 2,788 |
| Unrestricted | (109,046) | (121,953) |
| Total Net Position (Deficit) | \$ (106,553) | \$ (119,165) |

Current and other assets decreased by \$529 during 2020; this was due to the decrease in cash and investments required to be held for future debt payments.

Deferred outflows of resources decreased by \$998 during 2020; this was due to the current year amortization of loss on refunding, due to the recognition of deferred charges on refunding in relation to the 2014 refunding bonds that were issued.

Total liabilities decreased by \$14,139 during 2020, primarily due to principal payments and amortization of the premiums.

Net deficit decreased by \$12,612, resulting in a net deficit at December 31, 2020 of \$106,553.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
Year Ended December 31, 2020
(Dollars in Thousands)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in Net Position (Deficit)

Condensed Statement of Activities
For the Years Ended December 31st,

| | 2020 | 2019 |
|--|--------------|--------------|
| Revenues | | |
| Sewer and storm water assessments | \$ 157,185 | \$ 138,137 |
| Less: Distribution to the District | (140,120) | (121,116) |
| Investment income | 16 | 238 |
| Total Revenues, net | 17,081 | 17,259 |
| Expenses | | |
| General government support | 29 | 35 |
| Interest expense | 4,440 | 5,014 |
| Total Expenses | 4,469 | 5,049 |
| Change in Net Position | 12,612 | 12,210 |
| Net Position (Deficit) at Beginning of Year | (119,165) | (131,375) |
| Net Position (Deficit) at End of Year | \$ (106,553) | \$ (119,165) |

Sewer and storm water assessments totaled \$157,185 for 2020, an increase of \$19,048 from the prior year.

Distributions to the District increased from the prior year due to the increase in sewer assessments available to be transferred, and a decrease in the amount required to be reserved for debt service payments, as compared to prior year.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, the spendable fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

The Authority does not have a legally adopted budget as per the definition provided by the GASB Comprehensive Implementation Guide.

General Fund

At the end of 2020, the total fund balance of the general fund was \$2,616, a decrease of \$319 from the prior year. Of the \$157,185 of sewer and storm water assessments collected, 89% (or \$140,120) was distributed to the District; the remaining amount was transferred to the debt service fund or used to pay for the operations of the Authority.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
Year Ended December 31, 2020
(Dollars in Thousands)

Debt Service Fund

During the year, the debt service fund received \$17,371 from the general fund, which was used to pay debt service requirements for the Authority's bonds.

DEBT ADMINISTRATION

At the end of 2020, the Authority had total bonded debt outstanding of \$116,061 (including premiums).

Outstanding Debt

A summary of activity for the year ended December 31, 2020 is as follows:

| | Balance 1/1/2020 | Additions | Reductions | Balance 12/31/2020 |
|-------------------------|-----------------------|-----------------|------------------------|-----------------------|
| Revenue bonds payable: | | | | |
| Series 2014A | \$ 111,525 | \$ - | \$ (11,795) | \$ 99,730 |
| Premiums | 18,318 | - | (1,987) | 16,331 |
| Total bonds payable | <u>\$ 129,843</u> | <u>\$ -</u> | <u>\$ (13,782)</u> | <u>\$ 116,061</u> |

At the end of 2020, the Authority's 2014A bonds were rated AAA by S&P Global Ratings and Aa3 by Moody's Investors Service, Inc.

Additional information on the Authority's indebtedness is shown in Note 6 to the financial statements.

FUTURE ECONOMIC FACTORS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which spread throughout the United States. The Authority could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Authority's mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their future spread, among others. Accordingly, the Authority cannot predict the extent to which the Authority's financial condition and results of operations will be affected.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's interested parties with an overview of the Authority's financial operations and financial condition. If you have any questions about this report or need additional information, contact the Nassau County Sewer and Storm Water Finance Authority, 1 West Street, 1st Floor, Mineola, New York 11501.

BASIC FINANCIAL STATEMENTS

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2020
(Dollars in Thousands)

| | | |
|---|--------------------------------------|--------------|
| Assets | | |
| Cash and cash equivalents | \$ | 123 |
| Investments | | 2,493 |
| | | 2,493 |
| | Total Assets | 2,616 |
| Deferred Outflows of Resources | | |
| Deferred charges on refundings | | 8,139 |
| | Total Deferred Outflows of Resources | 8,139 |
| Liabilities | | |
| Accrued interest | | 1,247 |
| Bonds payable: | | |
| Due within one year | | 12,365 |
| Due in more than one year | | 87,365 |
| Unamortized bond premiums | | 16,331 |
| | | 117,308 |
| | Total Liabilities | 117,308 |
| Net Position (Deficit) | | |
| Restricted for debt service | | 2,493 |
| Unrestricted | | (109,046) |
| | | (106,553) |
| | Total Net Position (Deficit) | \$ (106,553) |

See notes to the financial statements.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020
(Dollars in Thousands)

| | | |
|--|---|---------------------|
| Expenses: | | |
| General government support | \$ | 29 |
| Interest on debt | | 4,440 |
| | | 4,469 |
| | Total Expenses | 4,469 |
| Revenues | | |
| Sewer and storm water assessments | | 157,185 |
| Less: distribution to the District | | (140,120) |
| Investment income | | 16 |
| | | 17,081 |
| | Total Revenues, net | 17,081 |
| | Change in Net Position | 12,612 |
| Net Position (Deficit) at Beginning of Year | | (119,165) |
| | Net Position (Deficit) - End of Year | \$ (106,553) |

See notes to the financial statements.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2020
(Dollars in Thousands)

| | General | Debt Service | Total (Governmental Funds) |
|-------------------------------------|----------|-----------------|----------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 123 | \$ - | \$ 123 |
| Investments | 2,493 | - | 2,493 |
| Total Assets | \$ 2,616 | \$ - | \$ 2,616 |
| Fund Balances | | | |
| Restricted for debt service | \$ 2,493 | \$ - | \$ 2,493 |
| Unassigned | 123 | - | 123 |
| Total Fund Balances | 2,616 | - | 2,616 |
| Total Liabilities and Fund Balances | \$ 2,616 | \$ - | \$ 2,616 |

See notes to the financial statements.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION (DEFICIT)
December 31, 2020
(Dollars in Thousands)

| | | |
|---|----|-------|
| Total Fund Balances - Governmental Funds | \$ | 2,616 |
|---|----|-------|

Amounts reported for governmental activities in the statement of net position are different because:

| | | |
|---|--|-------|
| Deferred charges that are included in the statement of net position (deficit) | | 8,139 |
|---|--|-------|

Long-term liabilities are not due and payable in the current period, and accordingly, are not reported in the funds:

| | | |
|---------------------------|--|----------|
| Authority bonds payable | | (99,730) |
| Unamortized bond premiums | | (16,331) |
| Accrued interest | | (1,247) |
| | | (18,308) |

| | | |
|--|-----------|------------------|
| Net Position (Deficit) of Governmental Activities | \$ | (106,553) |
|--|-----------|------------------|

See notes to the financial statements.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended December 31, 2020
(Dollars in Thousands)

| | General | Debt Service | Total (Governmental Funds) |
|--|-----------------|-----------------|----------------------------------|
| Revenues | | | |
| Sewer and storm water assessments | \$ 157,185 | \$ - | \$ 157,185 |
| Investment income | 16 | - | 16 |
| Total Revenues | <u>157,201</u> | <u>-</u> | <u>157,201</u> |
| Expenditures | | | |
| General government support | 29 | - | 29 |
| Distribution to the District | 140,120 | - | 140,120 |
| Debt service: | | | |
| Principal | - | 11,795 | 11,795 |
| Interest | - | 5,576 | 5,576 |
| Total Expenditures | <u>140,149</u> | <u>17,371</u> | <u>157,520</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>17,052</u> | <u>(17,371)</u> | <u>(319)</u> |
| Other Financing Sources (Uses) | | | |
| Transfer out | (17,371) | - | (17,371) |
| Transfer in | - | 17,371 | 17,371 |
| Total Other Financing Sources (Uses) | <u>(17,371)</u> | <u>17,371</u> | <u>-</u> |
| Net Change in Fund Balances | (319) | - | (319) |
| Fund Balances - Beginning of year | <u>2,935</u> | <u>-</u> | <u>2,935</u> |
| Fund Balances - End of Year | <u>\$ 2,616</u> | <u>\$ -</u> | <u>\$ 2,616</u> |

See notes to the financial statements.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020
(Dollars in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ (319)

Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of gains or losses on refundings, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The following amounts are the net effect of these differences in the treatment of long-term debt and related items:

| | |
|---|--------|
| Principal payments of bonds | 11,795 |
| Accrued interest payable and amortization of deferred charges on refundings | (851) |

Governmental funds report premium on debt issued as other financing sources. However, in the statement of activities, the premium on debt issued is amortized over the life of the related debt.

1,987

| | |
|---|-----------|
| Changes in Net Position of Governmental Activities | \$ 12,612 |
|---|-----------|

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nassau County Sewer and Storm Water Finance Authority (the "Authority") is a public benefit corporation created by the Nassau County Sewer and Storm Water Finance Authority Act, codified as Title 10-D of Article 5 of the Public Authorities Law of the State of New York (the "Act") in 2003. Although legally separate and independent of Nassau County (the "County"), the Authority is a component unit of the County and, accordingly, is included in the County's financial statements. Additional information regarding the County can be found in the County's financial statements, which can be obtained by contacting the Nassau County Comptroller's Office at 240 Old Country Road, Mineola, NY 11501.

The Authority is governed by seven board members, each appointed by the County Executive of the County with confirmation by the County Legislature. Each member serves a three-year term without compensation.

The Authority was established to finance future County sewer and storm water resources projects, as well as to refinance outstanding sewer and storm water resources debt issued by or on behalf of the County, up to \$350,000.

The Nassau County Interim Finance Authority ("NIFA") has certain limited authority under Title 1 of Article 10-D of the N.Y. Public Authorities Law (the "NIFA Act") to monitor and oversee the finances of the County and covered organizations such as the Authority, and upon the declaration of a "control period" as defined in the NIFA Act, additional oversight authority.

Most of the Authority's revenues are derived through the imposition, by the County, of assessments for sewer and storm water resources services. The County has directed each city and town receiver of taxes to remit all such assessments directly to the Trustee for the Authority's bonds. As required by the 2014 General Revenue Bond Resolution, the Authority retains sufficient funds to service principal and interest due and to pay its operating expenses; the remaining funds are remitted to the County (on behalf of the District).

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. GOVERNMENT-WIDE AND GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

The Authority's basic financial statements include both the government-wide (reporting the Authority as a whole) and the governmental funds financial statements (reporting the Authority's major funds).

Government-Wide Financial Statements

The government-wide financial statements of the Authority, which include the statement of net position (deficit) and the statement of activities, are presented to display information about the reporting entity as a whole. The statement of net position (deficit) and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. GOVERNMENT-WIDE AND GOVERNMENTAL FUNDS FINANCIAL STATEMENTS
(continued)

Governmental Funds Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. These governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The Authority uses the following major governmental funds to report its activities:

- The general fund accounts for sewer and storm water assessments and other revenues received by the Authority for its general operating expenses, transfers to the debt service fund to pay debt service as it comes due, and distributions to the County (on behalf of the District).
- The debt service fund is used to account for and report financial resources that are for principal and interest payments.

The Authority does not have a legally adopted budget as per the definition provided by the GASB Comprehensive Implementation Guide and therefore, no budget to actual information is presented in these financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured whereas the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of year end. Revenue susceptible to accrual generally includes investment income. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest are recognized as expenditures when due.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position (deficit) and the changes in net position (deficit).

C. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, NET POSITION (DEFICIT), AND FUND BALANCE

1. Cash, Cash Equivalents and Investments

The Authority invests in accordance with the applicable law, authorizing resolutions, and the Authority's investment guidelines. All bank deposits of the Authority are required to be fully collateralized or insured. The money market accounts are recorded at cost, which approximates fair value.

The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value, which include accrued interest receivable.

2. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that is applicable to future period(s) and therefore will not be recognized as an outflow of resources (expense) until that time. The Authority reports deferred outflows for deferred charges on refunding which totaled \$8,139 that will be recognized in future periods.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, NET POSITION (DEFICIT), AND FUND BALANCE (continued)

3. Long-Term Obligations

Liabilities for long-term obligations consisting of amounts due for the Authority's revenue bonds are reported in the government-wide financial statement of net position (deficit). Bond premiums and discounts are capitalized and amortized over the lives of the related debt issues using the straight-line method, which approximates the effective interest method, and are included with long-term debt in the government-wide financial statements. Issuance costs are expensed when incurred.

In the governmental funds financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures. Debt principal payments are reported as debt service expenditures.

4. Interfund Transactions

Interfund transactions and balances have been eliminated from the government-wide financial statements. In the governmental funds statements, interfund transactions consist of transfers to the debt service fund from the general fund to finance the required debt service costs.

5. Net Position and Fund Balance Classifications

The net position in the government-wide financial statements is displayed in two components:

- a) Restricted net position — consists of net position with constraints placed on the use of such, either by: (1) external groups such as creditors, grantors or contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b) Unrestricted net position — is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of any other component of net position. The unrestricted net position is currently a deficit due to liabilities exceeding assets and deferred outflows of resources.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, NET POSITION (DEFICIT), AND FUND BALANCE (continued)

5. Net Position and Fund Balance Classifications (continued)

In the governmental funds financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

- 1) Nonspendable fund balance includes amounts that cannot be spent because they are either: (a) not in spendable form (i.e. prepaid items or inventories), (b) will not convert to cash within the current period (i.e. long-term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

- 2) Restricted fund balance reflects the constraints imposed on resources either: (a) externally by creditors, grantors or contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Authority is not empowered to establish law; accordingly, the Authority will not have committed fund balances.
- 4) Assigned fund balance reflects the amounts constrained by the Authority's "intent" to be used for specific purposes, but are neither restricted nor committed. The governing body of the Authority has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are not restricted.
- 5) Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, and then unrestricted resources – assigned and unassigned - in order, as needed.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. REVENUES AND EXPENDITURES/EXPENSES

Interest expense is recognized on the accrual basis of accounting in the government-wide financial statements. In the governmental fund statements, interest expenditures are recognized when due.

Sewer and storm water assessments are collected by the city and town receivers of taxes, and the County has directed them to remit all such assessments directly to the Authority's Trustee. The Authority retains funds to service its debt and pay its operating expenses, then remits remaining funds to the County (on behalf of the District). The District is responsible for paying all of the operational costs of the System.

E. USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires the Authority's management to make estimates and assumptions in determining the reported amounts of assets, deferred outflows, and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. NEW ACCOUNTING PRINCIPLES

The Authority has adopted all of the current Statements of the GASB that are applicable during the year ended December 31, 2020.

G. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

2. TRANSACTIONS WITH AND ON BEHALF OF RELATED ENTITIES

NASSAU COUNTY

The Act and other legal documents of the Authority establish various financial relationships between the Authority and the County, which includes the District.

The legal documents of the Authority require revenue remaining after application of amounts needed to fund debt service requirements and operations of the Authority to be remitted to the County (on behalf of the District). During the year ended December 31, 2020, the Authority remitted \$140,120 to the County (on behalf of the District).

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The following table summarizes the Authority's cash and cash equivalents held by the Authority's Trustee as of December 31, 2020:

| | |
|-------------------|---------------|
| Money Market Fund | <u>\$ 123</u> |
|-------------------|---------------|

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Dollars in Thousands)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the Authority may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, the Authority will be unable to recover the value of its investments or collateral securities that are in possession of an outside party. The Authority does not participate in a multi-municipal cooperation investment pool.

Deposits are to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized, or
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the Authority’s name.

Credit Risk - State law and the Authority’s policies limit investments to those authorized by the State statutes. The Authority has a written investment policy which is designed to protect deposits and investment principal by limiting permitted investments.

Interest Rate Risk - The risk that changes in interest rates will adversely affect the fair value of an investment. The Authority’s investments are relatively short-term investments based on the cash flow needs of the Authority. All investments held at December 31, 2020 matured on March 25, 2021.

Concentration of Credit Risk - Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5% or more in securities of a single issuer. All of the Authority’s investments are in U.S. Treasury Bills at December 31, 2020.

At December 31, 2020, the Authority’s cash and cash equivalents balance was fully covered by the Federal Deposit Insurance Corporation and/or collateralized. All cash, cash equivalents and investments are held by the Authority’s Trustee solely as agent of the Authority.

The following is a summary of the fair value of investments of the Authority as of December 31, 2020:

| | |
|--------------------------|-----------------|
| U.S. Treasury securities | <u>\$ 2,493</u> |
|--------------------------|-----------------|

Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the Authority does not value any of its investments using Level 3 inputs).

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Dollars in Thousands)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique provided by third party custodians. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Authority's current investments in U.S. Treasury securities are valued using pricing provided by a third party pricing service (Level 2 inputs).

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the year ended December 31, 2020, the general fund transferred \$17,371 to the debt service fund for payment of principal and interest on debt.

5. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources from the deferred loss on refunding are as follows for the year ended December 31, 2020.

| | |
|--------------------------------------|-----------------|
| Deferred outflows of resources from: | |
| Loss on refunding | \$ 14,263 |
| Less accumulated amortization | <u>(6,124)</u> |
| | <u>\$ 8,139</u> |

6. LONG-TERM DEBT

A summary of changes in long-term debt for governmental activities is as follows:

| | Balance 1/1/2020 | Additions | Reductions | Balance 12/31/2020 | Due within One Year | Non-current |
|------------------------|---------------------|-------------|--------------------|-----------------------|------------------------|-------------------|
| Revenue bonds payable: | | | | | | |
| Series 2014A | \$ 111,525 | \$ - | \$ (11,795) | \$ 99,730 | \$ 12,365 | \$ 87,365 |
| Premiums | 18,318 | - | (1,987) | 16,331 | - | 16,331 |
| Total bonds payable | <u>\$ 129,843</u> | <u>\$ -</u> | <u>\$ (13,782)</u> | <u>\$ 116,061</u> | <u>\$ 12,365</u> | <u>\$ 103,696</u> |

Authority Bonds

The County is required to levy assessments and/or impose charges each year of no less than 200% of the Authority's fiscal year's debt service payment requirements over the life of the debt. The 2014 General Revenue Bond Resolution, dated October 1, 2014, requires that the Authority pledge those revenues to the debt service payments. The 2014 System Revenue Bonds proceeds were used to refinance outstanding Authority bonds previously issued for capital improvements to the sewer and storm water system and to fund additional capital improvements to the sewer and storm water system.

NASSAU COUNTY SEWER AND STORM WATER FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
(Dollars in Thousands)

6. LONG-TERM DEBT (continued)

Aggregate debt service to maturity for Authority Bonds as of December 31, 2020, excluding premiums, is as follows:

| Years Ending December 31st, | Principal | Interest | Total |
|--|------------------|------------------|-------------------|
| 2021 | \$ 12,365 | \$ 4,987 | \$ 17,352 |
| 2022 | 12,865 | 4,368 | 17,233 |
| 2023 | 13,445 | 3,725 | 17,170 |
| 2024 | 10,285 | 3,053 | 13,338 |
| 2025 | 8,640 | 2,539 | 11,179 |
| 2026-2030 | 32,685 | 6,189 | 38,874 |
| 2031-2034 | 9,445 | 1,210 | 10,655 |
| | <u>\$ 99,730</u> | <u>\$ 26,071</u> | <u>\$ 125,801</u> |

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the
Nassau County Sewer and Storm Water Finance Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Nassau County Sewer and Water Finance Authority (the "Authority"), a component unit of the County of Nassau, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marks Paneth LLP

New York, NY
May 27, 2021