



***WATER AUTHORITY OF WESTERN NASSAU COUNTY  
FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, AND  
SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)***

---



Connected  
to your business  
goals  
success

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, AND SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

### TABLE OF CONTENTS

---

#### Financial Section

Independent Auditors' Report.....	1
Management's Discussion and Analysis ("MD&A") .....	5

#### Basic Financial Statements

Statements of Net Position.....	17
Statements of Revenues, Expenses, and Changes in Net Position.....	18
Statements of Cash Flows .....	19
Notes to the Financial Statements.....	21

#### Required Supplementary Information Other than MD&A

Schedule of Changes in Total OPEB Liability and the Related Ratios .....	52
Schedule of Proportionate Share of the Net Pension	
Liability - New York State Employees' Retirement System .....	53
Schedule of the Contributions to the New York State Employees' Retirement System .....	54

#### Compliance Section

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</i> <i>Auditing Standards</i> .....	55
Schedule of Findings and Responses .....	57

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Water Authority of Western Nassau County  
New Hyde Park, New York



### *Opinion*

We have audited the financial statements of the business-type activities of the Water Authority of Western Nassau County (the "Water Authority") as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Water Authority as of May 31, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

#### *Prior Period Adjustments*

As part of our audit of the May 31, 2022 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the May 31, 2021 financial statements. Within Note 12, we have outlined the impact of our adjustments on the previously issued financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the May 31, 2021 financial statements of the Water Authority other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the May 31, 2021 financial statements as a whole.

### *Responsibilities of Management for the Financial Statements*

The Water Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Matter***

#### ***Report on Summarized Comparative Information***

The financial statements of the Water Authority as of and for the year ended May 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those financial statements on September 29, 2021. As discussed in Note 12, the Water Authority has restated its May 31, 2021 financial statements during the current year for the correction of an error. In addition, the prior-year financial statements are presented in a summarized format for comparative purposes and the total summarized comparative information was derived from the Water Authority's May 31, 2021 financial statements except where amounts have been reclassified, as discussed in Note 12, for comparative purposes to conform to the presentation in the current year financial statements. As a result of the restatement/reclassifications, the prior year's footnote disclosures have been modified to conform to the current year's presentation. The other auditors' report on the May 31, 2021 financial statements was before these restatements/reclassifications.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5-16 and required supplementary information, on pages 52-54, as listed in the table of contents, 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 November 11, 2022, on our consideration of the Water 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 Water 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 Water Authority's internal control over financial reporting and compliance.

*Cerini & Associates LLP*

Bohemia New York  
November 11, 2022

# **WATER AUTHORITY OF WESTERN NASSAU COUNTY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

---

The Water Authority of Western Nassau County (the "Water Authority") was established to provide potable water to portions of western Nassau County that encompass the Incorporated Villages of Bellerose, Floral Park, New Hyde Park, South Floral Park, Stewart Manor, and portions of Garden City and Valley Stream. The service area also includes the unincorporated areas of Bellerose Terrace, Elmont, Floral Park, Floral Park Centre, New Hyde Park, and portions of Franklin Square and North Valley Stream.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of three sections: (1) Required Supplementary Information (including management's discussion and analysis); (2) the Financial Statements, and (3) Notes to the Financial Statements that explain in more detail some of the information in the Financial Statements.

The Statements of Net Position provide information about the nature and amount of investment in resources (assets) and obligations to the Water Authority's creditors (liabilities), as well as deferred outflows and inflows of resources, with the difference between these amounts being reported as net position. The Statement of Net Position represents the difference between all other elements in a statement of financial position in three components: net investment in capital assets; restricted (distinguishing between major categories or restrictions) and unrestricted. It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Water Authority. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present the results of the activities of the Water Authority and information as to how the net position changed during the 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 the related cash flows. This statement also provides information about whether the Water Authority has successfully recovered its costs through its user fees and other charges, its profitability, and credit worthiness.

The Statements of Cash Flows present the changes in cash and cash equivalents resulting from operating, investing, and capital financing and non-capital financing activities. The statements present cash receipts and cash disbursements information, without consideration of the earning events, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Water Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### FINANCIAL HIGHLIGHTS

Management believes the Water Authority's financial condition is strong and has significantly improved. The Water Authority is well within its debt covenants and the more stringent financial policies and guidelines set by its Board. The following are financial highlights:

- As of May 31, 2022, total assets were \$226,253,606 and deferred outflows were \$5,288,709. They exceeded total liabilities of \$182,268,623 and deferred inflows of \$5,863,334 by \$43,410,358 (i.e., net position). Of the total net position, \$36,181,143 was invested in capital assets, \$2,000,000 was within restricted net position for rate stabilization, and \$5,229,215 was within unrestricted net position to be used for the general operations of the Water Authority.
- During the fiscal year ended May 31, 2022, the Water Authority's net position increased by \$6,437,516 (17.5%) over the previous year. The change in net position was the net result of the \$22,990,501 of operating revenues, \$12,409,606 of operating expenses, and net non-operating expenses of \$4,143,379.
- Operating revenues were \$22,990,501 in fiscal 2022; a \$2,313,193 (11.2%) increase over prior year operating revenues of \$20,677,308.
- Capital grant revenues from New York State Environment Facilities Corporation were \$1,047,295 and \$3,112,193 in fiscal 2022 and 2021, respectively. The decrease in capital grant revenues was the result of a reduction in capital grant expenditures during 2022.
- Residential water sales showed an increase of \$1,234,908 (8.5%) over prior year. Commercial, municipal, and other water sales revenue showed an increase of \$1,078,285 (17.3%) over prior year. The primary reason for the increases in water sales were the rate increases effective June 1, 2021.
- The increased water rates of 10.77% and 10.57%, on June 1, 2021, and 2020, respectively, were to provide for the debt service costs of \$63.6 million obtained from the issuance of \$52.4 Series 2021A Bonds at a premium of \$11.3 million, in June 2021. The proceeds of Series 2021A Bonds together with the debt service cost savings, with a present value of \$5.2 million, from the issuance of \$43 million Series 2021B Refunding Bonds will be used to make major improvements of the water production and distribution infrastructure.
- Total operating expenses were \$12,409,606 in fiscal 2022; a decrease of \$2,561,196 (17.1%) from prior year operating expenses of \$14,970,802. The decrease in operating expenses was primarily the result of a \$2,786,817 (100.0%) decrease in change in OPEB benefit terms.
- The Water Authority issued Series 2021 bonds during fiscal 2022. This resulted in an increase of long-term debt over prior year of \$59,940,867 (57.5%).
- Noncurrent assets had an increase of \$58,320,276 (40.1%) over prior year. Other noncurrent assets included the restricted proceeds from issuing the Series 2021 bonds.



# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

### FINANCIAL ANALYSIS OF THE WATER AUTHORITY

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

The Water Authority's net position as of May 31, 2021 and 2020 were restated due to the correction of errors. The changes resulted in an increase in total net position. The following is a summary of these changes:

	2022	2021
	Statement of Net Position	Statement of Net Position
<i>Additions</i>		
Grants receivable	\$ 3,386,688	\$ 2,303,716
Interest subsidy receivable	74,956	-
Capital assets, correction of overdepreciated items	499,716	319,105
<i>Reductions</i>		
Accounts payable and accrued liabilities	(219,121)	(292,522)
GASB 68 Pension Adjustments	(249,605)	(1,144,558)
Net adjustment total	3,492,634	1,185,741
Net Position Beginning of Year, as Reported	33,480,208	30,112,668
Net Position Beginning of Year, as Restated	\$ 36,972,842	\$ 31,298,409

A summary of the Water Authority's condensed statement of net position, as restated is presented in the following table:

	May 31,			2021 to 2022		2020 to 2021	
	2022	2021	2020	Increase/(Decrease)		Increase/(Decrease)	
	Amount	Amount	Amount	Amount	%	Amount	%
Current assets	\$ 25,411,698	\$ 21,536,258	\$ 11,313,491	\$ 3,875,440	18.0%	\$ 10,222,767	90.4%
Other noncurrent assets	72,238,063	24,383,458	39,322,298	47,854,605	196.3%	(14,938,840)	(38.0%)
Capital assets	128,603,845	118,138,174	102,984,803	10,465,671	8.9%	15,153,371	14.7%
<b>Total assets</b>	<b>\$ 226,253,606</b>	<b>\$ 164,057,890</b>	<b>\$ 153,620,592</b>	<b>\$ 62,195,716</b>	<b>37.9%</b>	<b>\$ 10,437,298</b>	<b>6.8%</b>
Deferred outflows	\$ 5,288,709	\$ 4,439,309	\$ 4,223,246	\$ 849,400	19.1%	\$ 216,063	5.1%
Current liabilities	\$ 11,563,561	\$ 12,515,771	\$ 6,484,668	\$ (952,210)	(7.6%)	\$ 6,031,103	93.0%
Noncurrent liabilities	10,763,832	12,789,391	13,460,938	(2,025,559)	(15.8%)	(671,547)	(5.0%)
Long-term debt-bonds, net	159,941,230	101,425,363	105,330,908	58,515,867	57.7%	(3,905,545)	(3.7%)
<b>Total liabilities</b>	<b>\$ 182,268,623</b>	<b>\$ 126,730,525</b>	<b>\$ 125,276,514</b>	<b>\$ 55,538,098</b>	<b>43.8%</b>	<b>\$ 1,454,011</b>	<b>1.2%</b>
Deferred inflows	\$ 5,863,334	\$ 4,793,832	\$ 1,268,915	\$ 1,069,502	22.3%	\$ 3,524,917	277.8%
Net invested in capital assets	\$ 36,181,143	\$ 36,011,476	\$ 34,853,624	\$ 169,667	0.5%	\$ 1,157,852	3.3%
Restricted for rate stabilization	2,000,000	2,000,000	2,000,000	-	-	-	-
Unrestricted	5,229,215	(1,038,634)	(5,555,215)	6,267,849	(603.5%)	4,516,581	(81.3%)
<b>Total Net Position</b>	<b>\$ 43,410,358</b>	<b>\$ 36,972,842</b>	<b>\$ 31,298,409</b>	<b>\$ 6,437,516</b>	<b>17.4%</b>	<b>\$ 5,674,433</b>	<b>18.1%</b>

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### FINANCIAL ANALYSIS OF THE WATER AUTHORITY (continued)

The table above shows that total assets increased by \$62,195,716 (37.9%), from \$164,057,890 on May 31, 2021 to \$226,253,606 on May 31, 2022. During the same period, total liabilities increased by \$55,538,098 (43.8%) from \$126,730,525 to \$182,268,623.

Current assets increased by \$3,875,440 (18.0%) during the fiscal year primarily because of an increase in unrestricted cash of \$5,574,886 (41.9%) offset by a decrease in grant receivables of \$1,834,951 (54.2%).

The other non-current assets, which includes restricted cash and cash equivalents and investment of bond proceeds, increased by \$47,854,605 (196.3%) in the current year. The increase in other non-current assets were mainly due to bond proceeds received during the year.

Capital assets increased by \$10,465,671 (8.9%) in the current year.

During the current year, the current liabilities decreased by \$982,260 (7.8%) from \$12,621,741 on May 31, 2021, to \$11,639,481, on May 31, 2022. The principal reason for this decrease was the \$2,087,705 (68.9%) decrease in customer advances on construction and \$1,425,000 (50.1%) increase in bond payables.

The current portion of bond payables increased by \$1,425,000 (50.1%) during the years ended May 31, 2022. The large current year increase was because of the issuance of the Series 2021 bonds during fiscal 2022.

### CHANGE IN NET POSITION

As of May 31, 2022, the Water Authority provided water to 26,765 residential customers 1,472 commercial customers, 209 private fire customers and 2,448 municipal fire hydrants. The corresponding figures for May 31, 2021 were 26,708 residential customers, 1,469 commercial customers, 208 private fire customers and 2,432 municipal fire hydrants.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

### CHANGE IN NET POSITION (continued)

The Water Authority's condensed statements of revenues, expenses and changes in net position are as follows:

	2022	May 31,		2021 to 2022		2020 to 2021	
		2021	2020	Increase/(Decrease)		Increase/(Decrease)	
		Amount	%	Amount	%		
Operating revenues	\$ 22,990,501	\$ 20,677,308	\$ 18,070,081	\$ 2,313,193	11.2%	\$ 2,607,227	14.4%
Operating expenses	(12,409,606)	(14,970,802)	(12,751,263)	2,561,196	(17.1%)	(2,219,539)	17.4%
Operating income	10,580,895	5,706,506	5,318,818	4,874,389	85.4%	387,688	7.3%
Net non-operating income	1,427,142	3,464,239	3,401,177	(2,037,097)	(58.8%)	63,062	1.9%
Net non-operating expenses	(5,570,521)	(3,496,311)	(4,538,099)	(2,074,210)	59.3%	1,041,788	(23.0%)
Change in total net position	6,437,516	5,674,434	4,181,896	763,082	13.4%	1,492,538	35.7%
Net position, beginning, as restated	36,972,843	31,298,408	27,116,512	5,674,435	18.1%	4,181,896	15.4%
Net position, ending	<u>\$ 43,410,359</u>	<u>\$ 36,972,842</u>	<u>\$ 31,298,408</u>	<u>\$ 6,437,517</u>	<u>17.4%</u>	<u>\$ 5,674,434</u>	<u>18.1%</u>

\*As restated

Non-operating revenue includes interest earnings on cash equivalents and investment, realized and unrealized gain or losses on investments, and miscellaneous income. The total of net interest income and gain or losses were \$25,816 and \$21,878, in the years ended May 31, 2022, and 2021, respectively. The interest income and gains or losses on investments are mainly earned on the unexpended proceeds of Series 2021 and 2015 Bonds, held as reserves.

Net non-operating expenses increased by \$2,074,210 (59.3%) in the current fiscal year primarily due to interest expense on Series 2021 bonds. Net non-operating income decreased by \$2,037,097 (58.8%) primarily due to a decrease in capital grant revenue.

Miscellaneous income was \$354,031 and \$330,168, for the years ended May 31, 2022, and 2021, respectively. This miscellaneous income involves the rental income realized from the lease of space atop water towers to cellular phone companies.

### OPERATING REVENUES AND EXPENSES

The Water Authority provides water treatment and distribution to an estimated population of over 120,000, approximately equals 9% of Nassau County's total population, who reside within the towns of Hempstead and North Hempstead in Nassau County, NY. The Water Authority's customer base is diverse with no significant customer concentration. It benefits economically from its proximity to New York City. Limited growth is expected in the residential sector but there is large, planned renovations to the Belmont Park Complex which should have a substantial effect on revenues in the near future.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### OPERATING REVENUES AND EXPENSES (continued)

Customer levels have been steady in the last five-years, while income levels have remained very high, with median household income ("MHI") equal to nearly 185% of the national average.

All of the water supplied comes from groundwater drawn from 24 wells from the Lloyd, Magothy, and Upper Glacial aquifers. Water pumped from the aquifers is limited by the New York State Department of Environmental Conservation to 6.81 billion gallons per year. However, annual production has remained comfortably below this limit and was 4.1 billion gallons in fiscal 2021. The ongoing coronavirus pandemic has not resulted in significant impairment to the Water Authority's revenue or cost profiles.

The water storage facilities along with existing well fields provide ample pumping capacity (46 million gallons per day) in relation to actual demand. The water system is compliant with all applicable permits and regulatory standards. February 2022 Fitch Rating Inc.'s revenue defensibility assessment reflects the Water Authority's independent legal ability to set rates and very favorable demographic trends and expected affordability of water cost to the vast majority of customers despite the rate increases.

In the current year, the total operating revenues increased by \$2,313,193 (11.2%). The increase in revenues in the year ended May 31, 2022 were related to increases in water rates. The water rates increased by 10.77% in the year ended May 31, 2022. The increase in water rates is to provide for the debt service costs of the planned major capital improvement projects in forthcoming years.

In 2019 and 2021, the Water Authority was awarded two grants in the amounts of \$4,930,200 and \$3,000,000, respectively, from the New York State Environmental Facilities Corporation to finance, in part, its two capital asset improvement projects in the amounts of \$11,918,280 and \$8,217,000, respectively. The grants were awarded under the New York State Water Infrastructure Improvement Act of 2015 and the New York State Water Infrastructure Improvement Act of 2017 in support of water quality infrastructure projects. Amounts are recognized as grant revenue as capital expenditures are recognized. Grant revenue is presented within non-operating income on the Statement of Revenue, Expenses, and Changes in Net Position.

In the year ended May 31, 2022, the quarterly minimum charge for water uses of up to 9,000 gallons increased from \$53.54 to \$59.31, for the next 135,000 gallons increased from \$4.90 to \$5.42, per 1,000 gallons, and for the usage above 144,000 gallons increased from \$5.02 to \$5.56, per 1,000 gallons.

During the year ended May 31, 2022, the total amount of pumpage was down by 229 million gallons (5.5%). During the same period, gallons used for residential and commercial customers decreased by 4.79% and increased by 3.89%, respectively.

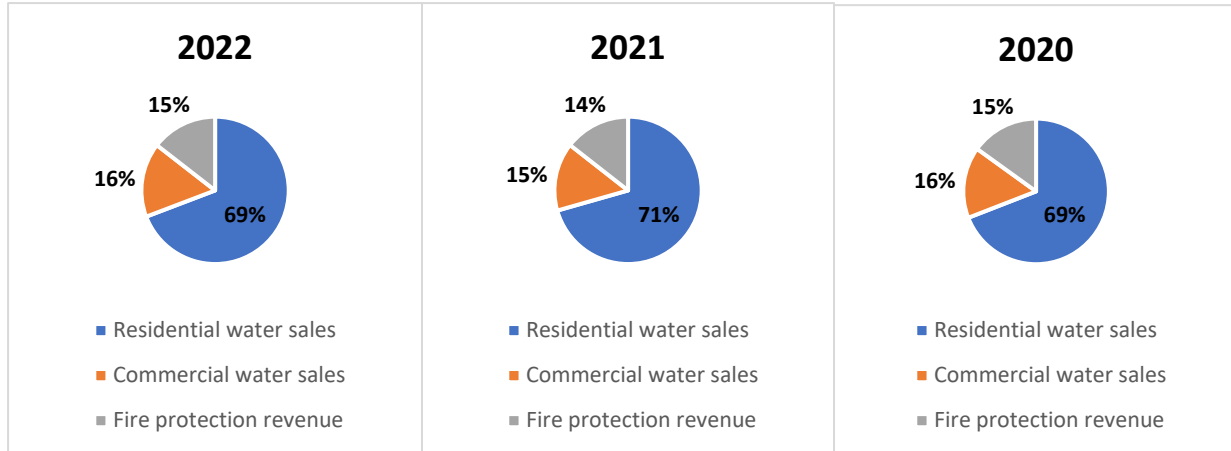
# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

---

**OPERATING REVENUES AND EXPENSES (continued)**

The breakout of operating revenue over the past three fiscal years is as follows:

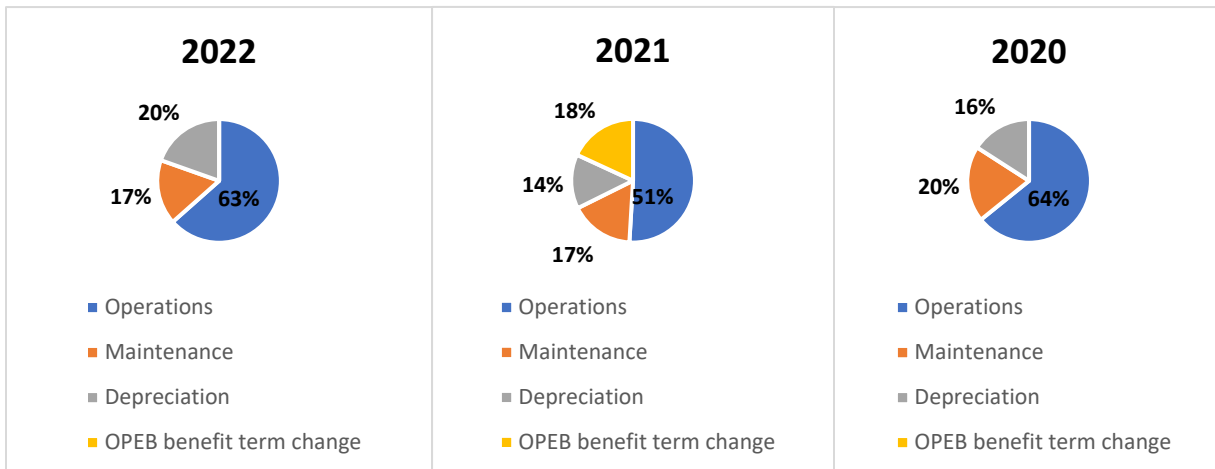


The decrease in total operating expenses during the current year was \$2,561,196 (17.1%). The principal reason for fluctuations in operating expenses was the change in the benefit terms of other post-employment benefits which was accounted for during the year ended May 31, 2021. There were no additional changes in terms during the year ended May 31, 2022.

In the current year, there was an increase in operations expense of \$292,921 (3.9%) and a decrease in maintenance expense of \$383,170 (15.4%). There was also an increase in depreciation expense of \$315,870 (15.0%).

Changes in operating revenues and expenses, caused the current year operating income to increase by \$4,874,389 (85.4%).

The breakout of operating expenses over the past three fiscal years is as follows:



# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

## CAPITAL ASSETS

The Water Authority owns and maintains a broad range of infrastructure items including water treatment plants, water distribution lines, well-stations, administrative facilities, vehicles, and equipment necessary for the treatment and distribution of potable water to its customers. As of May 31, 2022, the Water Authority had \$128,603,845 in net capital assets, an increase of \$10,465,671 (8.9%) from the prior year.

Capital assets consisted of the following for the years ended May 31:

Capital Assets	2022	2021	2020
Land	\$ 2,082,947	\$ 1,237,093	\$ 599,074
Construction in progress	28,551,405	17,506,709	31,226,816
Wells and standpipes	6,086,412	6,086,412	6,086,412
Pumping and purification	53,469,793	53,433,720	24,092,579
Distribution system	46,395,196	45,591,904	45,036,612
Building vehicles and equipment	20,412,067	20,494,093	20,161,161
Total capital assets	156,997,820	144,349,931	127,202,654
Accumulated depreciation	(28,393,975)	(26,211,757)	(24,217,851)
Net capital assets	\$ 128,603,845	\$ 118,138,174	\$ 102,984,803

The new capital plan covers the anticipated projects for the fiscal years ending May 31, 2023 to 2027. The total plan amount is \$77,657,653 which is financed by the balance of the Series 2015 A funds, Series 2021 Bonds, and excess of revenues over expenses. Also, a \$3,000,000 State of New York grant was received toward the cost of an emerging contaminant Treatment Station 57, as well as a \$4,800,000 grant for installation of a GAC well head Treatment Station 44. The planned spending is aimed primarily at improvements to the treatment system, structure and improvements, and repair and replacement of transmission and distribution lines. The planned capital expenditures for the year ending May 31, 2023 and five years ending May 31, 2027 are as follows:

**Planned Capital Expenditures  
Year Ending May 31, 2023, and Total for Years ending May 31, 2023 to 2027  
(Unaudited)**

	May 31, 2023		May 31, 2023 to 2027	
Wells & stations including treatment	\$ 13,646,450	56.1%	\$ 52,495,802	67.6%
Meters and reading system	378,595	1.6%	1,943,467	2.5%
Transmission and distribution	9,987,713	41.0%	21,681,874	27.9%
Computer equipment	96,082	0.4%	396,110	0.5%
Vehicles and tools	204,500	0.8%	1,015,400	1.3%
Contingency	25,000	0.1%	125,000	0.2%
Total projected capital expenditures	\$ 24,338,340	100%	\$ 77,657,653	100%

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

---

**CAPITAL ASSETS (continued)**

The major additions of completed projects put into service to the capital assets in the fiscal years ended May 31, 2022, 2021 and 2020 are presented in the following table:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Wells and standpipes.....	\$ -	\$ 638,019	\$ -
Distribution System:			
Mains .....	87,453	35,565	97,966
Services.....	394,807	354,664	350,398
Meters and meter equipment .....	321,742	157,257	241,164
Hydrants .....	179,500	122,065	112,084
Land and land rights:			
Pumping land .....	845,853	-	-
Pumping and purification.....			
Electric pumping equipment.....	36,054	2,931	124,741
Structures and improvement.....	-	908,476	-
Water treatment equipment.....	-	28,429,733	4,579
Building and Vehicles:			
Office equipment.....	6,965	94,534	28,884
Vehicles .....	-	253,138	60,193
Office building.....	1,171	-	-
Miscellaneous equipment .....	566	1,158	25,331
Total additions.....	<u>\$ 1,874,111</u>	<u>\$ 30,997,540</u>	<u>\$ 1,045,340</u>

The expenditures for completed projects were \$1,874,111, \$30,997,540, and \$1,045,340 in the years ended May 31, 2022, 2021, and 2020, respectively. In the year ended May 31, 2022, \$36,054 (1.9%) was expended for pumping and purification, \$983,502 (52.5%) for distribution system, \$845,853 (45.1%) for land and land rights, and \$8,702 (0.5%) for vehicles and equipment. The Water Authority had disposals of \$269,087 during the year ended May 31, 2022. These disposals included \$180,191 of the distribution system, \$88,878 from building, vehicles, and equipment, and \$18 from pumping and purification.

**LONG-TERM DEBT**

The Water Authority's investment strategy is designed to eliminate the default risk and to maximize interest income by matching the maturities of investments with the cash requirements of construction activities. The strategy minimizes the risk of having to liquidate investments to pay construction under unfavorable market interest conditions. All of the Water Authority's investments are in the US Treasury Notes and Bonds with maturities of less than three years. All deposits were with a major national bank and were insured by FDIC or collateralized over 102% by the securities held by the Bank of New York Mellon under a tri-party collateral agreement.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### LONG-TERM DEBT (continued)

During June 2021, the Water Authority issued \$52,385,000 in revenue bonds, Series 2021A (Green Bonds) at a \$11,250,626 premium, and \$43,070,000 in revenue refunding bonds, Series 2021B (Green Bonds). The proceeds of the Series 2021A bonds are to be used to (i) finance costs of acquisition and construction of improvements and additions to the water system, (ii) fund a deposit into the reserve account, and (iii) pay issuance costs. Proceeds of the Series 2021B bonds were used to (i) refund \$37,605,000 of Series 2015 A bonds, (ii) pay costs of issuance, and (iii) provide funds in escrow to cover debt service payments that contractually could not yet be defeased.

In May 2021, Moody's Investors Service assigned an A1 rating to the Water Authority of Western Nassau County, New York's \$51,400,000 Revenue Bonds, Series 2021A (Green Bonds) and \$44,500,000 Revenue Refunding Bonds, Series 2021B (Federally Taxable) (Green Bonds). Moody's affirm the A1 rating on the Water Authority's outstanding rated revenue bonds. Also, in May 2021, Fitch Ratings assigned an 'AA-' rating to the Series 2021A Bonds, 2021B Bonds, and to the outstanding revenue bonds (Series 2010B, 2015A, and 2015B Bonds). In addition, Fitch affirmed the Water Authority's Issuer Default Rating (IDR) at 'AA-' and designated the Rating outlook Stable. The refunding of a portion of Series 2015A Bonds resulted in an estimated net present value saving of approximately \$5,300,000 in interest cost and a deferred outflow of \$2,800,000.

In February 2022, Fitch Rating, Inc. assessed the Water Authority's operating risk at 'AA-', which takes into consideration a very low operating cost burden and very low life-cycle investment needs. At \$3,684 per million gallons in fiscal 2020, the operating cost burden was substantially below Fitch's \$6,500 threshold and is expected to remain there based on the Water Authority's operating expense and demand assumptions.

For the fiscal years ended May 31, 2022, and 2021, interest expense, net of bond premium amortization was \$5,545,985 and \$3,471,775, respectively. The Water Authority was required to adopt Governmental Accounting Standards Board ("GASB") statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period. All interest incurred during the year ended May 31, 2022 was expensed.



# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

---

## **DEBT SERVICE COVERAGE**

The Water Authority's debt coverage ratio as of May 31, 2022 was as follows:

<b>Cash available and Debt Service Requirement</b>	<b>Amount</b>
Operating income	\$ 10,580,895
Add: Depreciation	2,426,626
Interest and other income	379,847
Total cash available for coverage	13,387,368
Debt service requirements:	
Interest payments	5,746,989
Principal payments	4,270,000
Total debt service requirements	\$ 10,016,989
Coverage Ratio	1.34
Coverage requirement	1.20

## **FORECAST OF REVENUES AND EXPENSES**

The Water Authority has prepared and published an operating plan and forecast of revenues, expenses and changes in net position, for the years ending May 31, 2023, as presented below:

Forecasted Revenues, Expenses and Changes in Net Position  
Year Ending May 31, 2023  
(Unaudited)

	<b>Amount</b>
Operating revenues .....	\$ 24,714,920
Operating expenses.....	(14,987,820)
Operating income.....	9,727,100
Net non-operating expenses .....	(4,298,000)
Net position .....	\$ 5,429,100
Debt Service .....	\$ 10,306,800
Projected debt service coverage .....	1.39

## **ECONOMIC FACTORS AND NEXT YEAR'S PLAN AND RATES**

The Water Authority's Board of Directors and Management considered many factors when setting the fiscal year ended May 31, 2023 operating plan, user fees and charges. Population changes, unemployment rates in Nassau County and changes in the consumer price index for the New York - Northern New Jersey - Long Island area are among these factors.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### ECONOMIC FACTORS AND NEXT YEAR'S PLAN AND RATES (continued)

In planning the future revenues, the key considerations have been the forecast of water consumption and adjustment of the water rates to meet the additional new debt service requirements, expected rises in capital and operating costs. For the year ending May 31, 2023, the total operating revenue is estimated at \$24,714,920, as compared to the actual revenues of \$22,990,501 for 2022. The rise in the estimated revenues of \$1,724,419 (7.5%) reflects the 2.51% increase in the water rates. Total operating expenses are projected to increase by \$2,578,214 (20.8%), from the actual amount of \$12,409,606, in the current year, to \$14,987,820, in the year ending May 31, 2023.

### CONTACTING THE WATER AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Water Authority's customers, creditors, and public with a general overview of the Water Authority's finances and to demonstrate the Water Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Water Authority's Superintendent at 1580 Union Turnpike, New Hyde Park, NY 11040.

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**

**STATEMENTS OF NET POSITION**

**MAY 31, 2022**

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

	2022	2021
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents.....	\$ 18,874,584	\$ 13,299,698
Receivables, net of allowance for doubtful accounts.....	4,146,042	4,131,845
Grant receivables.....	1,551,737	3,386,688
Prepayments and other current assets.....	492,626	432,205
Other assets.....	346,709	285,822
<b>TOTAL CURRENT ASSETS</b>	<b>25,411,698</b>	<b>21,536,258</b>
Restricted cash and cash equivalents.....	70,787,305	20,413,900
Restricted investments.....	-	3,621,971
Capital assets:		
Non-depreciable.....	30,634,352	18,743,802
Depreciable.....	97,969,493	99,394,372
Net pension asset - proportionate share.....	1,147,769	-
Other Assets.....	302,989	347,587
<b>TOTAL ASSETS</b>	<b>226,253,606</b>	<b>164,057,890</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension plan.....	2,425,016	2,835,539
Deferred charge from refund.....	2,744,582	22,404
Deferred outflows from Other Post-Employment Benefits.....	119,111	1,581,366
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>5,288,709</b>	<b>4,439,309</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities.....	4,578,910	5,189,613
Unearned revenue.....	211,023	120,074
Accrued interest payable.....	961,650	748,889
Customer advances on construction.....	941,579	3,029,284
Bonds payable.....	4,270,000	2,845,000
Accrued vacation and sick leave.....	600,399	582,911
<b>TOTAL CURRENT LIABILITIES</b>	<b>11,563,561</b>	<b>12,515,771</b>
Bonds payable, net of current portion.....	159,941,230	101,425,363
Customer and other deposits.....	1,353,099	1,317,868
Net pension liability - proportionate share.....	-	12,617
Other post employment benefits.....	8,738,015	10,656,417
Accrued vacation and sick leave.....	672,718	802,489
<b>TOTAL LIABILITIES</b>	<b>182,268,623</b>	<b>126,730,525</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Changes in retirement system assumptions.....	3,940,807	3,721,221
Changes in other post-employment benefits assumptions.....	1,922,527	1,072,611
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>5,863,334</b>	<b>4,793,832</b>
<b>NET POSITION</b>		
Net investment in capital assets.....	36,181,143	36,011,476
Restricted for rate stabilization.....	2,000,000	2,000,000
Unrestricted.....	5,229,215	(1,038,634)
<b>TOTAL NET POSITION</b>	<b>\$ 43,410,358</b>	<b>\$ 36,972,842</b>

*The accompanying notes to the financial statements are an integral part of these statements.*

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

	2022	2021
Operating Revenue		
Residential water sales.....	\$ 15,691,482	\$ 14,456,574
Commercial water sales.....	3,695,577	3,069,873
Fire protection revenue.....	3,270,064	2,955,449
Fees, fines, and other charges.....	333,378	195,412
<b>TOTAL OPERATING REVENUES</b>	22,990,501	20,677,308
Operating Expenses		
Operations.....	7,874,362	7,581,441
Maintenance.....	2,108,618	2,491,788
Depreciation.....	2,426,626	2,110,756
Change in OPEB benefit terms.....	-	2,786,817
<b>TOTAL OPERATING EXPENSES</b>	12,409,606	14,970,802
<b>OPERATING INCOME</b>	10,580,895	5,706,506
Non-operating revenues (expenses):		
Capital grant.....	1,047,295	3,112,193
Interest income.....	25,816	21,878
Lease income.....	354,031	330,168
Interest on long-term debt, net.....	(5,545,985)	(3,471,775)
Other amortization, net.....	(24,536)	(24,536)
<b>CHANGE IN NET POSITION</b>	6,437,516	5,674,434
Total net position, beginning of year, as restated.....	36,972,842	31,298,408
Total net position, end of year.....	\$ 43,410,358	\$ 36,972,842

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2022**

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers.....	\$ 22,976,304	\$ 20,258,405
Rental property revenues.....	354,031	330,168
Payments to suppliers for goods or services.....	(10,691,590)	(3,831,815)
Payments for employee services.....	(4,911,297)	(4,501,830)
	<b>7,727,448</b>	<b>12,254,928</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Proceeds from issuance of bonds.....	106,705,626	-
Payment to escrow agent.....	(44,729,928)	-
Repayment of bonds payable.....	(4,665,000)	(2,720,000)
Acquisition of capital assets.....	(10,170,124)	(13,124,662)
Interest paid on bonds payable.....	(5,449,764)	(4,613,403)
Capital grant.....	2,882,246	2,029,221
	<b>44,573,056</b>	<b>(18,428,844)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Redemption of treasury bonds/notes.....	3,621,971	3,865,214
Interest and dividends received.....	25,816	21,878
	<b>3,647,787</b>	<b>3,887,092</b>
Net increase/(decrease) in cash and cash equivalents.....	55,948,291	(2,286,824)
Total cash and cash equivalents, beginning of year.....	33,713,598	36,000,422
Total cash and cash equivalents, end of year.....	\$ 89,661,889	\$ 33,713,598
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for interest.....	\$ 5,980,320	\$ 5,347,924
Construction in progress transferred.....	\$ -	\$ 30,346,216
Unrestricted cash and cash equivalents.....	\$ 18,874,584	\$ 13,299,698
Restricted cash and cash equivalents.....	70,787,305	20,413,900
Total cash and cash equivalents.....	\$ 89,661,889	\$ 33,713,598

*The accompanying notes to the financial statements are an integral part of these statements.*

**WATER AUTHORITY OF WESTERN NASSAU COUNTY**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2022**

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income.....	\$ 10,580,895	\$ 5,706,506
 <u>Adjustments to reconcile operating income to net cash provided by operating activities:</u>		
Depreciation and amortization.....	2,426,626	2,110,756
Rental income.....	354,031	330,168
 <u>Changes in operating assets and liabilities:</u>		
Accounts receivable.....	464,803	(414,903)
Accrued unbilled revenue.....	(479,000)	(4,000)
Prepaid items and other assets.....	(60,421)	(112,071)
Inventory of materials and supplies.....	(60,887)	44,870
Other assets.....	44,598	133,110
Deferred outflows.....	(849,100)	(216,063)
Accounts payable, accrued expenses.....	(610,703)	(1,549,775)
Accrued sick and vacation.....	(112,283)	229,800
Customer advances on construction.....	(2,087,705)	2,821,156
Unearned revenues.....	90,949	8,893
Net pension asset/liability.....	(1,160,386)	(3,429,889)
Customer deposits.....	35,231	13,985
Other post-employment benefits.....	(1,918,402)	3,057,468
Deferred inflows.....	1,069,202	3,524,917
	<b>\$ 7,727,448</b>	<b>\$ 12,254,928</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		

*The accompanying notes to the financial statements are an integral part of these statements.*

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 1 - ORGANIZATION

The Water Authority of Western Nassau County (the "Water Authority") was established on July 25, 1990, pursuant to the "Water Authority of Western Nassau County Act," of the State of New York, as amended on July 31, 1992 and codified under Title 8-C of Article 5 of the Public Authorities Law. As a governmental agency constituting a public benefit corporation, the Water Authority was created for the purpose of acquiring, constructing, maintaining and operating a water supply and distribution system within the territorial boundaries of the Water Authority of Western Nassau County District (the "District").

On May 28, 1996, the Water Authority, by exercise of the power of eminent domain, acquired the water supply and distribution system situated in the District previously owned by Jamaica Water Supply Company. The District serves a population of approximately 120,000 people within the Towns of Hempstead and North Hempstead. The Town of Hempstead component includes the incorporated villages of Bellerose, Floral Park, New Hyde Park, South Floral Park, Stewart Manor, and portions of Garden City and Valley Stream. The area within the Town of Hempstead also includes the unincorporated areas of Bellerose Terrace, Elmont, and portions of Franklin Square and North Valley Stream. The area within the Town of North Hempstead includes the unincorporated areas of Floral Park, Floral Park Centre, and New Hyde Park.

The Water Authority is governed by a Board of Directors consisting of nine members. The town board of the Town of Hempstead appoints two members, and the town board of the Town of North Hempstead appoints one member to the Board. The village boards of the Villages of Bellerose, Floral Park, Garden City, New Hyde Park, South Floral Park, and Stewart Manor each appoint a single member to the Board. Each member serves for a period of two years. The number of votes of each Board member is proportional to the number of water customers in the town or village that appoints them.

Under the Government Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, Statement No. 39, *Determining Whether Certain Organizations Are Component Units*-an Amendment of GASB Statement No. 14, and Statement No. 61, *The Financial Reporting Entity: Omnibus*; the Water Authority is classified as a primary government agency with no component units. The classification is based on the following criteria: (1) it has a separately appointed governing body; (2) pursuant to its charter, the Water Authority is a legally separate and distinct entity from the State of New York, the County of Nassau, and the Towns and Villages that appoint its Board of Directors, and (3) neither the State of New York, nor any of its municipal entities, are financially accountable or liable for the indebtedness of the Water Authority. The Water Authority determines its operating plan, sets rates, and issues bonded debt without approval by another government entity.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The financial statements of the Water Authority have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Water Authority applies all applicable pronouncements of GASB.

The activities of the Water Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. The flow of economic resources refers to the reporting of all the net position available to the Water Authority for the purposes of providing related water services. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent), and associated activities, are reported, and equity is reported as net position.

Basis of accounting refers to when revenues, expenses, transfers and the related assets and liabilities are recognized and reported in the financial statements. Specifically, it relates to the timing of the measurements made regardless of the nature of the measurement.

The Water Authority uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. Proprietary-type accounting also distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing water services and producing potable water for the service area in connection with the Water Authority's principal ongoing operations. The principal operating revenues of the Water Authority are charges to customers to provide potable water service. Other ancillary fees and services related to providing water are also recognized as operating revenues. Operating expenses include the cost of service, administration, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The Water Authority has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements established reporting standards for all state and local governments, which include the Statements of Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows; and inclusion of Management's Discussion and Analysis.



# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Net Position of the Water Authority reports all assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position. The Statement of Net Position represents the difference between all other elements in a statement of financial position in three components: net investment in capital assets; restricted (distinguishing between major categories or restrictions), and unrestricted. The Statement of Net Position provides information about the nature and amount of investment in resources (assets) and obligations to the Water Authority's creditors (liabilities) at year-end. It also provides the basis for computing rate of return, evaluating the capital structure of the Water Authority, and assessing the liquidity and financial flexibility of the Water Authority. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

The Statement of Net Position requires the classification of net position into three components as follows:

1. Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets. Deferred outflows of resources and deferred inflow of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the period, the portion of the debt or deferred inflow of resources attributable to unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets. Generally, a liability relates to the restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted asset reported. This component of net position consists of restrictions placed on net position as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and Cash Equivalents: For the purpose of the Statement of Cash Flows, the Water Authority considers all highly liquid investments with maturity of three months or less, when purchased, to be cash equivalents. The Statement of Cash Flows presented, uses the direct method of reporting cash flows.

Under the Bonds Covenants, the Water Authority maintains its cash and cash equivalents in the Water Revenue Fund, General Fund, and Operating Fund. The Water Authority pays into the Water Revenue Fund all of the revenues and all other moneys required to be paid into the fund other than the revenues and other amounts expressly required or permitted to be credited to, or deposited in, any other fund account. Cash in the General Fund may be used for any lawful purpose of the Water Authority. All reasonable and necessary operations and maintenance expenses are paid from the Operating Fund.

Restricted Cash, Cash Equivalents and Investments held by Trustee:

Restricted cash, cash equivalents, and investments are held in the following funds:

Rate Stabilization Fund - This is a fund maintained by the Water Authority. Money deposited into the Rate Stabilization Fund is used in the following order:

1. To the extent provided in the current operating plan, money should be credited to or transferred to any other fund or account created under resolution.
2. Transferred to the Bond Fund Trustee for deposit in the Bond Fund to ensure that there are no deficiencies in payments to the Bond Fund.
3. Transferred to the Bond Fund Trustee for deposit in the Secondary Bond Fund to ensure that there are no deficiencies in payments to the Secondary Bond Fund.
4. Transferred to Unrestricted - Operating.

The amount of Rate Stabilization Fund cash and cash equivalents was \$2,000,000 as of both May 31, 2022, and May 31, 2021.

Bond Construction Fund - In accordance with the bond resolution, money deposited in the Bond Construction Fund from the proceeds of the Water System Revenue Bonds, Series 2015 and Series 2010 are restricted to the cost of improvements or the replacement of the water system. The Bond Construction Fund is to be maintained in trust and held by the fund trustee. There were no remaining funds within the Bond Construction Fund as of May 31, 2022. The total amounts in the Bond Construction Fund as of May 31, 2021 was \$12,475,866. As of May 31, 2021, the balance of the Construction Fund was from 2015 Bond Series.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Bond Reserve Funds – Under the Series 2015A and 2010 Resolutions, the Water Authority is required to deposit into the Reserve Accounts, the lesser of (i) 10% of the proceeds of the Series 2015A, Series 2010A, and Series 2010B Bonds, (ii) the maximum principal and interest payments due on the Series 2015A, 2010A, and Series 2010B Bonds in any Fiscal Year, (iii) 125% of the average of the annual installments of Debt Service with respect to all Series 2015A, Series 2010A, and Series 2010B Bonds for the current and all future Fiscal Years.

Under the Series 2021 Resolution authorizing the Series 2021A Bonds, the Water Authority is required to deposit into the Reserve Account for the Series 2021A Bonds the lesser of (i) ten percent (10%) of the proceeds of the Series 2021A Bonds, (ii) 50% of the maximum principal and interest payments due on the Series 2021A Bonds in any Fiscal Year, (iii) 125% of the average of the annual installments of Debt Service with respect to all Series 2021A Bonds for the current and all future Fiscal Years, and (iv) the maximum amount permitted by federal tax law to be funded from Bond proceeds and invested without regard to yield limitations. The Water Authority expects to fund the Reserve Account for the Series 2021A Bonds in an amount equal to 50% of the maximum principal and interest due on the Series 2021A Bonds due in any Fiscal Year.

Under the Series 2021 Resolution authorizing the Series 2021B Bonds, the Water Authority is required to deposit into the Reserve Account for the Series 2021B Bonds the lesser of (i) ten percent (10%) of the proceeds of the Series 2021B Bonds, (ii) 50% of the maximum principal and interest payments due on the Series 2021B Bonds in any Fiscal Year, (iii) 125% of the average of the annual installments of Debt Service with respect to all Series 2021B Bonds for the current and all future Fiscal Years, and (iv) the maximum amount permitted by federal tax law to be funded from Bond proceeds and invested without regard to yield limitations. The Water Authority expects to fund the Reserve Account for the Series 2021B Bonds in an amount equal to 50% of the maximum principal and interest due on the Series 2021B Bonds due in any Fiscal Year.

The Bond Reserve Funds are to be maintained in trust and held by the fund trustee. Amounts in the Reserve Accounts are available to pay debt service when insufficient funds for that purpose are available in the Bond Fund.

As of May 31, 2022, and May 31, 2021, the total amounts of Bond Reserve Funds were \$8,907,840 and \$9,078,937, respectively. The Water Authority considers the expected changes in treasury yield curve in determining the optimal allocation of its debt reserve funds between cash and cash equivalents and investments.

Bond Payment Fund - The Water Authority's bond resolution authorizing the Water System Revenue Bonds, Series 2021, Series 2015, and Series 2010 bond issues has established the Bond Payment Fund. The Bond Fund is to be maintained in trust and held by the fund trustee. The Bond Fund is comprised of two separate fund accounts including the Bond Principal and Interest Fund. All money deposited in the Bond Fund is used solely for the purpose of paying the principal and interest on the bonds. On May 31, 2022 and May 31, 2021, the amounts in the Bond Fund cash and cash equivalents were \$60,570,343 and \$1,210,455, respectively.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investment Securities** – Investments are reported at fair value in the financial statements. Fair value is the amount in which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an investment, the fair value is the total number of trading units of the instrument times the market price per unit. All investment income, including changes in fair value of investments is recognized as non-operating revenue in the operating statement.

**Unbilled Accounts Receivable:** Unbilled Account Receivable represent revenue earned in the current year but not yet billed to customers until a future period, usually within three months, based on the estimated billings occurring in the three months of the succeeding year. Historical trend is used to estimate accrued unbilled revenues.

**Accounts Receivable:** Accounts receivable is net of an allowance for doubtful accounts of \$25,000 at both May 31, 2022 and May 31, 2021. The allowance is estimated based on trends in historical collection rates and write-offs. The Water Authority requires certain security deposits from customers which reduces its overall exposure to uncollectible accounts.

**Prepaid Items:** Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statement of Net Position.

**Materials and Supplies:** Materials and supplies inventory are valued at weighted average cost, which approximates market.

**Capital Assets:** Capital assets are defined by the Water Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are carried at cost to the Water Authority. Improvements, renewals purchased or contributed property, replacements of retired units of property and significant repairs inclusive of materials, labor, and certain overhead that extends the life of the asset are capitalized while minor repairs and maintenance costs are expensed as incurred.

Depreciation is provided on the straight-line basis using the following estimated useful lives for each asset type:

<u>Capital Asset</u>	<u>Useful Life (Years)</u>
Distribution system	35 - 105
Wells and standpipes	40 - 60
Pumping and purification	20 - 50
Other property and equipment	5 - 10

When assets are retired or otherwise disposed of, the related assets and accumulated depreciation is written off and any related gains or losses are recorded.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations: In the financial statements, long-term debt is reported as a liability in the Statement of Net Position. Long-term debt is reported at face value less any loss on defeasance and plus or minus applicable premium or discount, respectively.

Bond premiums and bond discounts are deferred and amortized over the life of the bonds in relation to principal payment over the life of the issue. The costs related to the insurance on long-term debt and the loss on the early retirement of refunded debt is amortized in relation to principal repayment over the life of the issue.

For the year ended May 31, 2022, the amortizations of bond premiums, Series 2021 deferred gain, Series 2015 deferred loss, and the Series 2005 deferred gain were \$570,074, \$108,165, \$51,433, and \$53,033, respectively. For the year ended May 31, 2021, the amortization of bond premiums, Series 2015 deferred loss, and the Series 2005 deferred gain were \$1,060,163, \$51,433, and \$53,033, respectively.

Unearned Revenues: Unearned revenues include advance payments by customers and charges for future water asset replacements. The Water Authority recognizes the amounts charged as liabilities and recognizes them as revenue only when associated costs are incurred.

Other Postemployment Benefits: In addition to providing pension benefits, the Water Authority provides health insurance coverage for eligible retired employees. Substantially all the Water Authority's employees may become eligible for these benefits provided the employee has a minimum of ten years of full-time employment with the Water Authority, has obtained 55 years of age, and has terminated employment with the Water Authority within five years from the date on which they are entitled to a retirement allowance from the New York State and Local Employees Retirement System.

The Water Authority's Board of Directors adopted a resolution dated September 17, 2002, as amended November 9, 2009, that provides eligible enrollees with post-retirement medical insurance coverage, limited to the health insurance programs offered by the Water Authority to its then full-time employees, as modified from time to time by the Board of Directors of the Water Authority.

Accrued Vacation and Sick Leave: In the event of termination or upon retirement, employees are entitled to receive accumulated but unused vacation and sick leave at various rates subject to certain maximum limitations pursuant to policies adopted by the Board of Directors.

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent obligations on the Statement of Net Position. The current portion of this liability is estimated based on historical trends. The liability for accrued vacation was \$526,776 and \$572,600 as of May 31, 2022 and 2021, respectively. The liability for accrued sick leave was \$746,341 and \$812,800 as of May 31, 2022 and 2021, respectively.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Water Authority's employees earn vacation leave each month at a scheduled rate in accordance with the years of service and sick leave at the rate of one day per month. The maximum accumulated sick leave is 100 days. Accumulated unpaid vacation and sick leave amounts are accrued as earned.

Net Pension Obligation and Deferred Outflows: The Water Authority provides retirement benefits for substantially all of its regular, full-time employees through contributions to the New York State and Local Employees' Retirement System. The system provides various plans and options, and all full-time employees are required to join the plan.

The Water Authority recognizes a net pension liability, which represents the Water Authority's proportional share of excess total pension liability over the pension plan assets, actuarially calculated, of New York Employees Retirement System, a cost-sharing multiple-employer plan, measured as of the pension plan's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred.

Revenue Recognition: Revenues from water sales are recognized at the time-of-service delivery based on actual or estimated water meter readings. Billings for water service are generally rendered on a quarterly basis except for one consumer, which is billed monthly due to the requirements of a legal settlement. The Water Authority's Board of Directors has the power to set rates and charges, which are sufficient to meet its obligations, independently and is not subject to the regulation of any department or commission, including the New York State Public Service Commission.

Operating and Non-Operating Revenues and Expenses: Operating revenues and expenses are related to operating transactions. The operating transactions are those other than capital and related financing activities, noncapital financing activities, and investing activities. Operating revenues generally result from sales of water, grants for production and delivery of water, and reimbursement of operating expenses. Operating expenses include depreciation on all fixed assets. Non-operating revenue includes interest earnings on investment assets and miscellaneous income. Non-operating expenditures include interest expense on long-term debt.

Taxes: As a Public Benefit Corporation, the Water Authority is exempt from federal and state income taxes, as well as state and local property taxes.

Deferred Inflows of Resources/Deferred Outflows of Resources: Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating and Capital Plans: The Water Authority adopts annual operating and capital plans. Plans are adopted on a basis consistent with generally accepted accounting principles. The current operating plan details the Water Authority's plans to earn and expend funds for charges incurred for operations, maintenance, certain interest, and other charges for the fiscal year. The capital plan details the Water Authority's plan to receive and expend capital contribution fees and revenues for improving and expanding capital facilities.

All unexpended or encumbered appropriations in the operating plan remaining at the end of the fiscal year lapse. No appropriations for capital projects in the capital plan lapse until the purpose for which the appropriation was made, has been accomplished or changed.

Management submits a proposed plan to the Water Authority's Board of Directors prior to the commencement of the next fiscal year. A plan is adopted by resolution prior to June 1. During the year, the Board of Directors has to authorize the transfer of planned amounts between line items.

Fair Value Measurements: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Fair Value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. It gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three fair value hierarchies are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Water Authority has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for investments measured at fair value:

Cash and Cash Equivalents: - The fair value of cash and cash equivalents, consisting primarily of deposits and government money market funds is classified as Level 1.

Treasury notes and bonds - Valued at the closing price reported on the active market on which the individual securities are listed, valued at Level 1.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Water Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash includes petty cash on hand, demand deposits, and deposits in other kinds of accounts that have the general characteristics of demand deposit accounts, in that the Water Authority may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. Cash equivalents include short-term, highly liquid investments that are both:

- a. Readily convertible to known amounts of cash.
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

In accordance with the bond resolutions the Water Authority has deposited cash and made investment in various restricted accounts with the Bond Trustee. Also, the Water Authority holds customer deposits in a restricted bank account. The restricted cash and investment are as follows:

Restricted for bond payment: This cash account is established to meet the debt service requirements on the outstanding water revenue bonds as they become due and payable.

Restricted for bond reserve: The restricted cash and investment bond reserve accounts are established to hold sufficient amount of money that remains outstanding through final bond maturity to ensure debt service payments.



# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

Restricted for construction: The restricted cash and investment bond construction accounts are committed for capital expenditures.

Restricted for customer deposits: This restricted cash account is established to keep deposits received from customers to secure the payment of their water bills.

May 31, 2022	Level 1	Level 2	Level 3
<b>Unrestricted cash:</b>			
Cash and bank deposits	\$ 18,874,584	\$ -	\$ -
<b>Restricted cash:</b>			
Customer deposits-Bank deposits	1,309,122	-	-
Bond payment:			
Bank deposits	60,570,343	-	-
Bond reserve funds:			
Bank deposits	8,907,840	-	-
Total restricted cash	70,787,305	-	-
Total cash and cash equivalents	\$ 89,661,889	\$ -	\$ -

May 31, 2021	Level 1	Level 2	Level 3
<b>Unrestricted cash:</b>			
Cash and bank deposits	\$ 13,299,698	\$ -	\$ -
<b>Restricted cash:</b>			
Customer deposits-Bank deposits	1,270,614	-	-
Bond payment:			
Bank deposits	840,724	-	-
Government money market funds	369,731	-	-
Bond reserve funds:			
Bank deposits	2,994,138	-	-
Government money market funds	2,462,828	-	-
Bond reserve funds:			
Bank deposits	809,686	-	-
Government money market funds	11,666,179	-	-
Total restricted cash	20,413,900	-	-
<b>Restricted investments:</b>			
Bond reserve funds-us treasury notes/bonds	3,621,971	-	-
Total cash, cash equivalents, and investments	\$ 37,335,569	\$ -	\$ -

All cash equivalents and investments classified in Level 1 of the fair value hierarchy were valued using quoted prices in active markets.

Custodial Credit Risk: All cash deposits of the Water Authority are required to be insured by the Federal Deposit Insurance Corporation (“FDIC”) or to be secured by obligations of, or guaranteed by, the United States of America or the State of New York at a market value equal to the amount on deposit, and all banks and trust companies are authorized to give such security for such deposits.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED MAY 31, 2022

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

The Water Authority's cash accounts are secured by the appropriate amount from the FDIC with all remaining amounts covered by fully pledged collateral securities, at 102% of the amounts on deposit. All pledged collateral is classified in the highest category by being held by the Bank of New York Mellon under a tri-party collateral agreement in the Water Authority's name. All time and savings deposits and demand deposits of the Water Authority are held in insured depository institutions within the State of New York and are separately insured for up to \$250,000.

On May 31, 2022 and 2021, all Water Authority funds were invested in credit risk free US Treasury Securities and money market funds with the highest credit rating. The money market funds are managed by Dreyfus Corporation, a BNY Mellon Company. Dreyfus Government Securities Fund invests in securities issued or guaranteed as to the timely payment of principal and interest by the U.S. Government, or its agencies or instrumentalities. The investment in the money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

Interest Rate Risk - When investing idle funds, there is the risk that changes in interest rates will adversely affect the fair value of that investment. The Water Authority currently has an investment policy that limits its exposure to fair value losses by establishing maturity timeframes that meet the cash flow requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

## **NOTE 4 - PROPERTY, PLANT AND EQUIPMENT**

The changes in the cost of capital assets and accumulated depreciation during the years ended May 31, 2022, and May 31, 2021, are reflected in the following table:

Year Ended May 31,	2021	Increase	Reclassifications and Retirements	2022
Capital assets not subject to depreciation:				
Land and land rights	\$ 1,237,093	\$ 845,854	\$ -	\$ 2,082,947
Construction in progress	17,506,709	11,044,696	-	28,551,405
Total capital assets not being depreciated	18,743,802	11,890,550	-	30,634,352
Capital assets being depreciated:				
Wells and standpipes	6,086,412	-	-	6,086,412
Pumping and purification	53,433,720	36,073	-	53,469,793
Distribution system	45,591,904	962,872	(159,580)	46,395,196
Building, vehicles, and equipment	20,494,093	6,852	(88,878)	20,412,067
Total capital assets being depreciated	125,606,129	1,005,797	(248,458)	126,363,468
Less accumulated depreciation:				
Wells and standpipes	(1,856,126)	(126,320)	-	(1,982,446)
Pumping and purification	(8,313,789)	(991,441)	-	(9,305,230)
Distribution system	(9,761,695)	(936,105)	159,111	(10,538,689)
Building, vehicles, and equipment	(6,280,147)	(372,760)	85,297	(6,567,610)
Total accumulated depreciation	(26,211,757)	(2,426,626)	244,408	(28,393,975)
Total net capital assets being depreciated	99,394,372	(1,420,829)	(4,050)	97,969,493
Total net capital assets	\$ 118,138,174	\$ 10,469,721	\$ (4,050)	\$ 128,603,845

## **NOTE 5 - BONDS PAYABLE**

The General Resolution requires the Water Authority to establish rates and other charges for the water that will be sufficient in each fiscal year to produce revenues (with deposits from Rate Stabilization Fund) that will be at least equal to: (i) the fiscal year's debt service and reserve fund replenishment obligations, operations and maintenance expenses (including amounts to be deposited to the Rate Stabilization Fund), and any other charges or liens, and (ii) 1.20 times the debt service for such Fiscal Year.

Series 2021 Revenue Bonds Payable: On June 3, 2021, the Water Authority issued the \$52,385,000 Water System Revenue Bonds Series 2021A and \$43,070,000 Water Revenue Refunding Series 2021B. The Series 2015A proceeds are used to finance the cost of construction of improvements to water system, to fund a portion of reserve accounts and to pay certain issuance costs. The proceeds of Series 2021B Bond were applied to refund the \$2,942,336 outstanding balance of the Series 2015A Bonds, to pay \$162,433 of interest, to fund a portion of reserve accounts, and to pay certain issuance costs.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

### NOTE 5 - BONDS PAYABLE (continued)

Sources:			Uses:		
Bond Proceeds:			Escrow Fund	\$	44,374,128
Par Amount	\$	95,455,000	Construction Fund		62,000,000
Net Premium		11,250,626	Reserve account, Series 2015		1,522,875
			Deposit to Capitalized		
Released Bond Funds		3,821,238	Interest Account, Series 2015		2,123,754
			Cost of Issuance		506,107
Total sources	\$	<u>110,526,864</u>	Total Uses	\$	<u>110,526,864</u>

Outstanding Revenue Bonds Payable: The outstanding Water System Revenue Bonds on May 31, 2022 and 2021 consist of the following:

Revenue Bonds	Date	Interest Rate	Average Interest Rate	Principal Balance May 31,		Principal Balance May 31,		Principal Balance May 31,		
				2021	Bond Issuance	Matured	Refunding	2022	Current	Noncurrent
Series 2010:										
Term Bond 2025 - (2010B)	2025	6.01%	6.01%	\$ 4,965,000	\$ -	\$ (1,170,000)	\$ -	\$ 3,795,000	\$ 1,215,000	\$ 2,580,000
Term Bond 2030 - (2010B)	2030	6.45%	6.45%	7,420,000	-	-	-	7,420,000		7,420,000
Term Bond 2040 - (2010B)	2040	6.70%	6.70%	20,455,000	-	-	-	20,455,000		20,455,000
Total Series 2010 Bonds				32,840,000		(1,170,000)		31,670,000	1,215,000	30,455,000
Series 2015:										
Serial Bonds - (2015A)	2035	4%-5%	4.56%	21,075,000		(85,000)	(9,965,000)	11,025,000	90,000	10,935,000
Serial Bonds - (2015B)	2035	3%-5%	4.51%	11,265,000		(1,590,000)	-	9,675,000	1,670,000	8,005,000
Term Bond 2040 - (2015A)	2040	5.00%	5.00%	17,640,000		-	(17,640,000)	-		-
Term Bond 2045 - (2015A)	2045	5.00%	5.00%	10,000,000		-	(10,000,000)	-		-
Term Bond 2045 - (2015A)	2045	4.00%	4.00%	4,900,000		-	-	4,900,000		4,900,000
Total Series 2015				64,880,000		(1,675,000)	(37,605,000)	25,600,000	1,760,000	23,840,000
Series 2021:										
Serial Bonds - (2021A)	2041	3%-5%	4.55%	-	27,700,000	(1,165,000)	-	26,535,000	885,000	25,650,000
Term Bond 2046 - (2021A)	2046	4%	4.00%	-	11,140,000	-	-	11,140,000		11,140,000
Term Bond 2051 - (2021A)	2051	4%	4.00%	-	13,545,000	-	-	13,545,000		13,545,000
Serial Bonds - (2021B)	2036	3.06%-2.625%	1.71%	-	19,320,000	(655,000)	-	18,665,000	410,000	18,255,000
Term Bond 2040 - (2021B)	2041	2.958	2.96%	-	16,640,000	-	-	16,640,000		16,640,000
Term Bond 2045 - (2021B)	2045	3.058	3.06%	-	7,110,000	-	-	7,110,000		7,110,000
Total Series 2021				-	95,455,000	(1,820,000)	-	93,635,000	1,295,000	92,340,000
Total				97,720,000	95,455,000	(4,665,000)	(37,605,000)	150,905,000	4,270,000	146,635,000
Premium				6,550,363	11,250,626	(557,577)	(3,937,182)	13,306,230	-	13,306,230
Total, net of premium				\$ 104,270,363	\$ 106,705,626	\$ (5,222,577)	\$ (41,542,182)	\$ 164,211,230	\$ 4,270,000	\$ 159,941,230

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

---

**NOTE 5 - BONDS PAYABLE (continued)**

Future Debt Service Requirements:

<u>Date</u>	<u>Principal</u>	<u>Gross Interest</u>	<u>Subsidy</u>	<u>Net Interest</u>	<u>Total Gross</u>	<u>Total Net</u>
2023	\$ 4,270,000	\$ 6,432,608	\$ (727,062)	\$ 5,705,546	\$ 10,702,608	\$ 9,975,546
2024	4,455,000	6,225,915	(701,517)	5,524,398	10,680,915	9,979,398
2025	4,645,000	6,008,264	(674,921)	5,333,343	10,653,264	9,978,343
2026	4,845,000	5,779,536	(647,274)	5,132,262	10,624,536	9,977,262
2027	5,065,000	5,533,312	(616,454)	4,916,858	10,598,312	9,981,858
2028-2032	28,715,000	23,705,800	(2,571,660)	21,134,140	52,420,800	49,849,140
2033-2037	34,525,000	16,837,735	(1,550,042)	15,287,694	51,362,735	49,812,694
2038-2042	33,140,000	9,157,778	(336,558)	8,821,220	42,297,778	41,961,220
2043-2047	20,200,000	3,921,653	-	3,921,653	24,121,653	24,121,653
2048-2051	11,045,000	905,300	-	905,300	11,950,300	11,950,300
Total	<u>\$ 150,905,000</u>	<u>\$ 84,507,901</u>	<u>\$ (7,825,488)</u>	<u>\$ 76,682,413</u>	<u>\$ 235,412,901</u>	<u>\$ 227,587,413</u>

**NOTE 6 - PENSION**

Retirement Plan Description: The Water Authority participates in the New York State and Local Employees' Retirement System (the "System"), a cost-sharing multiple-employer defined benefit retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System.

System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Water Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance.

The System issues its own financial statements. The System's annual comprehensive financial reports, annual financial statements, annual employer allocation and pension amounts, and annual actuarial assumptions reports may be found at:

- <https://www.osc.state.ny.us/retirement/resources/financial-statements-and-supplementary-information>;
- or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 6 - PENSION (continued)

Eligibility and Benefits: The Water Authority employees are classified into tiers, based on the period of their enrollment time. Each employee's eligibility, contributions, and benefits depend on their respective tier. The employee tiers are as follows:

<u>Tier</u>	<u>Enrollment Period</u>
Tier 1	Before July 1, 1973
Tier 2	July 1, 1973 to July 27, 1976
Tier 3	July 27, 1976 to September 1, 1983
Tier 4	September 1, 1983 to January 1, 2010
Tier 5	January 1, 2010 to April 1, 2012
Tier 6	April 1, 2012 and after

Tiers 1 and 2 Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Tiers 1 and 2 Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2.0% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tiers 3, 4, and 5 Eligibility: Tier 3, 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 6 - PENSION (continued)

Tiers 3, 4, and 5 Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2.0% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6 Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Tier 6 Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2.0% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

Ordinary Disability Benefits: Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits: For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4, 5, and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits: Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 6 - PENSION (continued)

Post-Retirement Benefit Increases: A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for ten years; (iii) all disability retirees, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

Vesting Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) require ten years of service credit to be 100 percent vested.

Member Contributions: The System is contributory for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976. For Tier 1 and Tier 2 employees, who had joined the System before July 27, 1976, the System is noncontributory. Generally, Tier 3, 4, and 5 members must contribute 3 percent of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Employer Contributions: Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2022 was approximately 16.2 percent of covered employee payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For the fiscal year ended March 31, 2022, the applicable interest rate was 5.9 percent.

For the three years ended May 31, the Water Authority's contributions to the System were as follows:

<u>Year Ended May 31,</u>	<u>Contribution</u>
2022	\$739,932
2021	\$636,667
2020	\$631,620



# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

**NOTE 6 - PENSION (continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: On May 31, 2022 and 2021, the Water Authority reported an (asset)/liability of (\$1,147,769) and \$12,617, respectively, for its proportionate share of the net pension liability. The net pension liability reported by the Water Authority on May 31, 2022, and 2021 was measured as of March 31, 2022, and March 31, 2021, respectively. The total pension liability, used to calculate net pension liability, as of March 31, 2022, was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2021. The Water Authority's proportion of the net pension liability was based on a projection of the Water Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. On May 31, 2022 and 2021, the Water Authority's proportion was 0.0140407% and 0.0126710%, respectively.

For the year ended May 31, 2022 and May 31, 2021, the Water Authority recognized pension expenses of \$704,554 and \$653,878, respectively. On May 31, 2022 and 2021, the Water Authority's reported deferred outflows of resources related to pensions from the following sources:

	<u>May 31, 2022</u>		<u>May, 31 2021</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 86,922	\$ -	\$ 154,087	\$ -
Net difference between expected and actual investment earnings on pension assets	-	3,758,463	-	3,624,337
Changes in assumptions	1,915,498	32,322	2,319,854	43,753
Change in proportion and differences between employer's contribution and proportionate share of contributions	334,652	37,270	238,277	53,131
Authority contributions subsequent to the measurement date	87,944	112,752	123,321	-
Total deferred outflows and inflows of resources	<u>\$2,425,016</u>	<u>\$3,940,807</u>	<u>\$2,835,539</u>	<u>\$3,721,221</u>

The amounts of \$87,944 reported as deferred outflows of resources on May 31, 2022, is related to pensions resulting from the Water Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources related to pensions are recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 188,745
2024	342,650
2025	914,810
2026	157,530
2027	-

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

---

**NOTE 6 - PENSION (continued)**

Actuarial Assumptions: The total pension (asset)/liability as of March 31, 2022, measurement date, was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension asset to March 31, 2022, measurement date.

	2022	2021
Measurement date	March 31, 2022	March 31, 2021
Actuarial valuation date	April 1, 2021	April 1, 2020
Actuarial cost method	Aggregate cost	Aggregate cost
Inflation rate	2.70%	2.50%
Investment rate of return,	5.9% compounded annually	6.8% compounded annually
Salary increases	4.4% indexed by service	4.5% indexed by service
Cost of living adjustment	1.4% annually	1.3% annually

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020, System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions to measure the pension liability. The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

For the measurement date of March 31, 2022, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	32.0%	3.30%
International equity	15.0%	5.85%
Private equity	10.0%	6.50%
Real estate	9.0%	5.00%
Opportunistic/ARS portfolio	3.0%	4.10%
Credit	4.0%	3.78%
Real assets	3.0%	5.80%
Fixed income	23.0%	0.00%
Cash	1.0%	(1.00%)
	<u>100%</u>	

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

---

**NOTE 6 - PENSION (continued)**

Discount-Rate: The discount rate used to calculate the total pension liability was 5.9 percent. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption: The following presents the Water Authority's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what the Water Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (4.9%) or one-percentage point higher (6.9%) than the current rate:

<b>The Water Authority's Proportionate Share of Net Pension (Asset)/Liability</b>			
	1% Decrease 4.9%	Current Discount 5.9%	1% Increase 6.9%
As of May 31, 2022	\$ 2,954,345	\$ (1,147,769)	\$ (4,578,990)

<b>The Water Authority's Proportionate Share of Net Pension (Asset)/Liability</b>			
	1% Decrease 5.8%	Current Discount 5.9%	1% Increase 6.9%
As of May 31, 2021	\$ 3,501,990	\$ 12,617	\$ (3,205,402)

Collective Net Position Liability of Participating Employers and Actuarial Information. The components of the net pension liability of the employers as of March 31, 2022 and 2021 were as follows:

(In thousands)	<b>2022</b>	<b>2021</b>
Employers' total pension liability .....	\$ 223,874,888	\$ 220,680,157
Plan net position .....	(232,049,473)	(220,580,583)
Employers' net pension (asset)/liability .....	\$ (8,174,585)	\$ 99,574
Fiduciary net position as a percentage of total pension asset/liability .....	103.65%	99.95%

Due to current volatility of the market, it is at least reasonably possible that changes in the values of the net pension asset will occur in the near term and that such changes could affect the Water Authority financial statements..

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description: The New York State Department of Civil Service (“DCS”) administers the New York State Health Insurance Program (“NYSHIP”) which provides health insurance to current and retired employees of New York State, participating public authorities, and local governments. As administrator of NYSHIP, DCS performs all relevant administrative tasks. Annual benefit premiums charged to and paid by participants are generally the same, regardless of each individual employer’s risk profile. The annual benefit premiums collected by DCS are remitted to the health insurance carrier for participants in the Empire Plan.

NYSHIP, as the name implies, is a program and does not exist as a separate entity or fund; therefore, it does not satisfy the requirements to be classified as a trust or trust equivalent as defined in paragraph 4 of GASBS 43 and paragraph 3 of GASBS 74.

Postemployment health insurance coverage is afforded under single employer defined benefit plan to the Water Authority’s retired employees and their dependents in accordance with the provisions of a resolution adopted by the Water Authority’s Board of Directors on September 17, 2002 and as amended November 9, 2009. The Board adopted resolution and amended resolution provide eligible enrollees with postretirement medical insurance coverage, limited to the health insurance programs offered by the Water Authority to its then full-time employees, as modified from time-to-time by the Board. These benefits continue for the lifetime of the retiree.

The summary of the retiree medical benefits and life insurance used in the valuation were as follows:

#### Retiree Medical Benefit:

##### Eligibility:

Tier 1 - Hired prior to July 25, 2011: age 55 with 10 years of service.

Tier 2 - Hired on or after July 25, 2011: age 55 with 20 years of service.

##### Contribution:

Tier 1 - retiree pays 40% of the cost of individual retiree medical coverage, and 60% of the cost of spousal coverage.

Tier 2 - retiree pays 50% of the cost of individual retiree medical coverage, and 65% of the cost of spousal coverage.

Effective June 1, 2020, all new retirees pay 20% of the cost of retiree medical coverage. The new cost share applies to all Tiers and Coverage Levels.

Plans: NYSHIP pre-65. Medicare Supplement post-65.

Medicare Part B - Reimbursement of the Part B premium for employee and or spouse.

Retiree Life Insurance: Date of hire prior to June 1, 1996, \$20,000 for hourly employees and \$40,000 for salaried employees, at no cost to the retiree.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

Participant Count and Average Age: The number of participants and their average ages as of June 1, 2021, the effective date of the annual OPEB valuation, was as follows:

<u>Participants</u>	<u>Number</u>
Active employees	46
Retired employees	<u>12</u>
Total	58

Funding Policy: The Water Authority funding policy is to contribute the employer portion of retiree benefit payments annually.

Total OPEB Liability: The June 1, 2021 (“Valuation date”) Actuarial Valuation was used to calculate the June 1, 2021 Total OPEB Liability (“TOL”). The June 1, 2021 TOL was increased (“rolled forward”) by service cost and interest and decreased by benefit payments to estimate the TOL as of May 31, 2022. The TOL as of May 31, 2022 was also adjusted to reflect any material plan changes after the valuation, if applicable.

The following table presents the balances and changes of the total OPEB Liability during the fiscal years ended May 31,:

	<b>2022</b>	<b>2021</b>
Total OPEB liability		
Beginning balance	\$ 10,656,417	\$ 7,598,949
Changes for the year:		
Service cost	477,952	310,796
Interest cost	243,066	169,665
Changes of benefit terms	-	2,786,817
Differences between expected and actual experience	(1,059,077)	(17,292)
Changes of assumptions	(1,407,580)	(82,164)
Benefit payments	(172,763)	(110,354)
Net change in total OPEB liability	(1,918,402)	3,057,468
Total OPEB liability - ending	\$ 8,738,015	\$ 10,656,417

Sensitivity of the Total OPEB Liability to Changes in Discount Rate: The discount rate assumption affects the net OPEB liability. The following table presents the effect of 1% change in the current discount rate of 3.16% on the amount of total OPEB liability:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Discount rate	2.16%	3.16%	4.16%
Total OPEB liability as of May 31, 2022	\$ 10,459,995	\$ 8,738,015	\$ 7,373,342

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

	1% Decrease	Current	1% Increase
Discount rate	1.20%	2.20%	3.20%
Total OPEB liability as of May 31, 2021	\$ 12,981,079	\$ 10,656,417	\$ 8,845,263

Sensitivity of the Total OPEB Liability to Healthcare Cost Trend Rates: The volatility of the healthcare costs trend rates affects the size of the total OPEB liability. The following table presents the effect of 1% change in initial 6.50% and ultimate 4.6% healthcare cost trend rates on the amount of total OPEB liability:

	1% Decrease	Current	1% Increase
Healthcare cost trend rate (initial and ultimate)	(5.50%-3.40%)	(6.50%-4.40%)	(7.50%-5.40%)
Total OPEB liability as of May 31, 2022	\$ 7,230,763	\$ 8,738,015	\$ 10,736,595

	1% Decrease	Current	1% Increase
Healthcare cost trend rate (initial and ultimate)	(5.50%-3.60%)	(6.50%-4.60%)	(7.50%-5.60%)
Total OPEB liability as of May 31, 2021	\$ 8,541,563	\$ 10,656,417	\$ 13,555,891

	May 31,	
	2022	2021
Service cost	\$ 477,952	\$ 310,796
Interest on the total OPEB liability	243,066	169,665
Differences between expected and actual experience - amortized	(209,161)	(117,861)
Changes of assumptions - amortized	54,675	176,018
Changes of benefit terms	-	2,786,817
Total OPEB expense	\$ 566,532	\$ 3,325,435

	Amount for Period	Portion of Period	Interest Rate	Interest on the Total OPEB Liability
Beginning total OPEB liability	\$ 10,656,417	100%	2.20%	\$ 234,441
Service Cost	477,952	100%	2.20%	10,515
Benefit payments	(172,763)	50%	2.20%	(1,890)
Total interest on the OPEB liability				\$ 243,066

As of May 31, 2022, the unamortized balances of deferred inflows and deferred outflows were as follows:

Description	Deferred outflows	Deferred inflows
Difference between expected and actual experience	\$ -	\$ (1,922,527)
Change in assumptions	119,111	-
Total	\$ 119,111	\$ (1,922,527)

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

---

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

As of May 31, 2021, the unamortized balances of deferred inflows and deferred outflows were as follows:

<u>Description</u>	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Difference between expected and actual experience	\$ -	\$ (1,072,611)
Change in assumptions	1,581,366	-
Total	<u>\$ 1,581,366</u>	<u>\$ (1,072,611)</u>

The deferred outflows and inflows are amortized over 11.1 years, and included in OPEB expense as follows:

<u>Year Ending May 31,</u>	<u>Amount Included in Expense</u>
2023	\$ (154,486)
2024	(154,486)
2025	(154,486)
2026	(154,486)
2027	(154,486)
Thereafter	(1,030,986)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Water Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The selection of all assumptions used in determining the total OPEB liability were made in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Actuarial Methodologies:

Reporting Date: May 31, 2022

Measurement Date: May 31, 2022

Actuarial Valuation Date: June 1, 2021

Asset Valuation Method:

Not applicable (Unfunded Plan)

Actuarial Cost Method:

Change in Actuarial Cost Method: None.

Description of Current Actuarial Cost Method: Entry Age Normal (level percentage of salary)

Normal Cost: Under this method, the total normal cost is the sum of amounts necessary to fund each active member's normal retirement benefit if paid annually from entry age to assumed retirement age. Entry age is the age at which the employee would have been first eligible for the plan, if it had always been in effect. The cost for the plan is the difference between the total normal cost for the year and the anticipated member contributions for that year.

Past Service Liability: The present value of future benefits that relates to service before the valuation date is the total past service liability. The unfunded past service liability is the difference between the total past service liability and the assets (including accumulated member contributions) if any.

Changes in actuarial assumptions as of June 1, 2021: The valuation reflects changes in the actuarial assumptions regarding interest, mortality, inflation, healthcare cost trend rates and morbidity. The assumptions were changed to represent the enrolled actuary's current best estimate of anticipated experience of the plan.

Interest (Discount Rate): 3.16% (Prior: 2.20%)

Since the OPEB plan is not funded, the selection of the discount rate is consistent with the GASB 74/75 standards linking the discount rate to the 20-year AA municipal bond index for unfunded OPEB plans. The discount rate used for this valuation is equal to the published Bond Buyer GO 20-Bond Municipal Index effective as of May 31, 2022.

Rate of compensation increase (including inflation): 2.40%. (Prior 2.60%)

The assumption is based on historical national wage increases and input from the plan sponsor regarding future expectations.

Inflation: 2.40%. (Prior 2.60%)

This assumption is consistent with the Social Security Administration's current best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust (OASDI).



# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Mortality: Pub-2010 Public Retirement Plans Mortality tables for General Employees, for nonannuitants and annuitants, projected to the valuation date with scale MP-2021.

Mortality Improvement: Projected to date of decrement using Scale MP-2021 (generational). (Prior: Projected to date of decrement using Scale MP-2019 (generational). The mortality assumption was updated to better reflect anticipated experience.

Retirement Age: The assumed rate of retirement are as follows:

<u>Age</u>	<u>Rate</u>
Less than 62	0%
62-64	9%
65-69	20%
70+	100%

The actuarial assumptions in regards to the rates of retirement shown above are based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor.

Termination Prior to Retirement: Sample Age-Based Withdrawal Rates (until eligible to retire).

Vaughn Ultimate Table multiplied by 0.5:

<u>Age</u>	<u>Rate</u>
25	6.80%
30	5.05%
35	3.95%
40	3.25%
45	2.75%
50	2.25%
55+	0.00%

The actuarial assumption regarding the withdrawal rates is based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor.

Utilization: 90% of current active members will elect medical coverage at retirement. (Prior: 90% of current active members will elect medical coverage at retirement.)

Spousal Coverage: 50% of active members are assumed to be married and elect spousal benefits at retirement with wives 3 years younger than husbands.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MAY 31, 2022 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

---

### NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Healthcare Cost Trend Rates: The rate of increase is 6.50% in 2021, decreasing by 0.2% each year to an ultimate rate of 4.60% per year for 2032 and later. (Prior: 6.50% in 2019, reducing by 0.2% each year to a final 4.60% per year rate for 2029 and later.) Medicare Part B is assumed to increase by 3.40% per year. (Prior: 2.60% per year.)

Healthcare cost trend rates reflect both the current and long-term outlook for increases in healthcare costs. The short-term rates are based on recent industry surveys, plan experience and near-term expectations. The long-term trend rate is based on our general inflation assumption plus an adjustment to reflect expectations for long-term medical inflation.

<u>Annual Medical Premium Rates</u>	<u>2021</u>
Pre-65 - Employee Only	\$ 12,514
Pre-65 - Family	28,953
Post 65 - Employee Only	4,839
Post 65 - Two Person	13,603
Medicare Part B	1,626

Expected Claim Costs: The sample per capita claim for plans not integrated with Medicare was developed as follows: Using the total count of active participants eligible for post-retirement medical benefits and retirees currently electing medical coverage in a non-Medicare supplement plan, we calculate the total projected claims by multiplying the total count by the average annual premium. Using the cost increases derived from a study sponsored by the Society of Actuaries prepared by Dale H. Yamamoto from May 2013: "Health Care Costs from Birth to Death", we allocate the total projected claims by age and gender.

For plans integrated with Medicare, the post Medicare eligible premium is assumed to be unaffected by age.

Patient Protection and Affordable Care Act ("PPACA"): For purposes of this valuation, extended coverage for adult children and 100% coverage of preventative care are assumed to be reflected in per capita costs.

For purposes of this valuation, elimination of lifetime maximum benefits and removal of the limits on essential healthcare are assumed to have no impact on plan liabilities.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

**NOTE 8 - NET POSITION**

Net position represents the difference between assets and liabilities. As of May 31, 2022 and 2021 the components of net position were:

	2022	2021
<b>Invested in capital assets net of related debt:</b>		
Capital assets, net of accumulated depreciation	\$ 128,603,845	\$ 118,138,174
Revenue bonds payable and capital related payables	(164,211,230)	(104,270,363)
Deferred outflows	2,744,582	22,404
Unspent debt proceeds in construction and reserve funds	71,381,404	22,765,258
Capital Grant Proceeds Receivable	1,551,737	3,386,688
Accounts payable and accrued liabilities	(3,889,195)	(4,030,685)
Total invested in capital assets, net of related debt	36,181,143	36,011,476
Total restricted for capital activity, rate stabilization and debt service	2,000,000	2,000,000
Unrestricted	5,229,215	(1,038,634)
<b>Total net position</b>	<b>\$ 43,410,358</b>	<b>\$ 36,972,842</b>

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

Litigation: The Water Authority is subject to lawsuits in the ordinary conduct of its affairs. The Water Authority does not believe, however, that any such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Water Authority.

Risk Management: The Water Authority is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Insurance: The Water Authority's commercial insurance coverage provides for virtually all risks of loss including property, liability, automobile accidents and public official's coverage. The Water Authority also carries umbrella liability insurance coverage. This coverage is comparable to that of the prior fiscal year.

Compliance: The Water Authority is subject to various laws and regulations, which establish uniform minimum national water quality standards. The Water Authority has set up procedures for the continued evaluation of its operations to identify potential exposures and assure compliance with these standards.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

## **NOTE 10 - LEASE REVENUE AGREEMENTS**

The Water Authority has four lease agreements in place with different cell phone providers (licensees) for the leasing of Water Authority property to install and maintain cell phone transmission towers. Licensees may terminate the Agreement at any time with a thirty-day prior written notice to the Water Authority provided that Licensee has removed all of its personal property and has vacated and surrendered the nonexclusive possession of the Licensed Premises to the Water Authority prior to the effective date of the termination. The lease agreements are subject to an annual rental increase of 2% to 4%. For the year ended May 31, 2022, and 2021 the revenues from the lease agreements were \$354,031 and \$330,168, respectively

## **NOTE 11 - RATE CHANGES**

Under the Water Authority Charter, the Board is empowered to set rates for all its customers. The rates are to be sufficient to pay for operations, maintenance, reserves, debt service, additions, extensions and betterment of the facilities. The Board approved a 10.77% increase in water rates effective on June 1, 2021.

## **NOTE 12 - RESTATEMENT OF NET POSITION**

During the year ended May 31, 2022, the Water Authority made certain adjustments to its net position as of May 31, 2021 and 2020. The nature of these adjustments and their impact on the Water Authority's statement of net position as of May 31, 2021 and 2020, and the results of its activities for the years then ended, are as follows:

Description of Adjustment	Impact on Net Position	Impact of Assets	Impact on Deferred Outflows	Impact on Liabilities	Impact on Deferred Inflows	Impact on Revenue	Impact on Expenses
Grants receivable.....	\$ 3,386,688	\$ 3,386,688	\$ -	\$ -	\$ -	\$ 3,386,688	\$ -
Interest subsidy.....	74,956	-	-	(45,901)	-	-	(29,055)
Capital assets.....	499,716	499,716	-	-	-	-	(499,716)
Accounts payable and accrued liabilities.....	(219,121)	-	-	219,121	-	-	219,121
GASB 68 Pension.....	(249,605)	-	-	-	-	-	249,605
<b>Totals.....</b>	<b>\$ 3,492,634</b>	<b>\$ 3,886,404</b>	<b>\$ -</b>	<b>\$ 173,220</b>	<b>\$ -</b>	<b>\$ 3,386,688</b>	<b>\$ (60,045)</b>

Total net position as of May 31, 2021, as previously stated.....	\$ 33,480,208
Total impact of above prior period adjustments.....	3,492,634
Total net position as of May 31, 2021, as restated.....	<u>\$ 36,972,842</u>

Description of Adjustment	Impact on Net Position	Impact of Assets	Impact on Deferred Outflows	Impact on Liabilities	Impact on Deferred Inflows	Impact on Revenue	Impact on Expenses
Grants receivable.....	\$ 2,303,716	\$ 2,303,716	\$ -	\$ -	\$ -	\$ 2,303,716	\$ -
Capital assets.....	319,105	319,105	-	-	-	-	(319,105)
Accounts payable and accrued liabilities.....	(292,522)	-	-	292,522	-	-	292,522
GASB 68 Pension.....	(1,144,558)	-	-	-	-	-	(1,144,558)
<b>Totals.....</b>	<b>\$ 1,185,741</b>	<b>\$ 2,622,821</b>	<b>\$ -</b>	<b>\$ 292,522</b>	<b>\$ -</b>	<b>\$ 2,303,716</b>	<b>\$ (1,171,141)</b>

Total net position as of May 31, 2020, as previously stated.....	\$ 30,112,668
Total impact of above prior period adjustments.....	1,185,741
Total net position as of May 31, 2020, as restated.....	<u>\$ 31,298,409</u>

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

*NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2022  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)*

---

**NOTE 13 - SUBSEQUENT EVENTS**

The Water Authority evaluated subsequent events from May 31, 2022, through November 11, 2022, the date on which the financial statements were available to be issued. The Water Authority determined that there were no material subsequent events.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND THE RELATED RATIOS  
AS OF MAY 31,**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Measurement Date.....	June 1, 2021	June 1, 2020	June 1, 2019	June 1, 2018
<b>TOTAL OPEB LIABILITY</b>				
Service Cost.....	477,952	310,796	242,793	208,985
Interest.....	243,066	169,665	248,011	242,479
Changes in benefit terms.....	-	2,786,817	-	-
Differences between expected and actual experience.....	(1,059,077)	(17,292)	(1,250,091)	(43,074)
Changes in assumptions or other inputs.....	(1,407,580)	(82,164)	1,675,361	380,094
Benefit payments.....	<u>(172,763)</u>	<u>(110,354)</u>	<u>(81,181)</u>	<u>(65,124)</u>
<b>NET CHANGE IN OPEB LIABILITY</b>	<b>(1,918,402)</b>	<b>3,057,468</b>	<b>834,893</b>	<b>723,360</b>
<b>TOTAL OPEB LIABILITY, BEGINNING</b>	<u><b>10,656,417</b></u>	<u><b>7,598,949</b></u>	<u><b>6,764,056</b></u>	<u><b>6,040,696</b></u>
<b>TOTAL OPEB LIABILITY, ENDING</b>	<u><u><b>\$ 8,738,015</b></u></u>	<u><u><b>\$ 10,656,417</b></u></u>	<u><u><b>\$ 7,598,949</b></u></u>	<u><u><b>\$ 6,764,056</b></u></u>
Covered employee payroll.....	\$ 4,202,129	\$ 4,293,018	\$ 4,184,228	\$ 4,078,195
Total OPEB liability as a percentage of covered employee payroll.....	207.94%	248.23%	181.61%	165.86%
Discount rate.....	3.16%	2.20%	2.16%	3.56%

**\*Note:** This schedule is presented to illustrate the requirement to share information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM  
 LAST NINE FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015**	2014**
Measurement date.....	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Water Authority's proportion of the net pension (asset)/liability.....	0.014041%	0.012671%	0.013000%	0.013530%	0.0137008%	0.0134700%	0.0139611%	0.0139346%	0.0139346%
Water Authority's proportionate share of the net pension (asset)/liability.....	(1,147,769)	12,617	3,442,508	958,653	442,184	1,265,672	2,240,800	470,745	629,685
Water Authority's covered payroll.....	\$ 4,345,771	\$ 4,653,949	\$ 4,972,664	\$ 4,329,622	\$ 4,226,374	\$ 4,021,348	\$ 3,746,954	N/A	\$ 4,173,365
District's proportionate share of asset/liability as a percentage of its covered payroll.....	26.41%	0.27%	69.23%	22.14%	10.46%	31.47%	59.80%	N/A	15.09%
Plan fiduciary net position as a percentage of the total pension liability.....	103.65%	99.95%	86.39%	96.30%	98.20%	94.70%	90.70%	97.90%	97.20%

\*Note: This schedule is presented to illustrate the requirement to share information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.

\*\*Note: Covered payroll data is not available for these periods.

**SCHEDULE OF THE CONTRIBUTIONS TO THE NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

Year ended May 31,.....	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution.....	\$ 739,932	\$ 640,872	\$ 631,620	\$ 638,525	\$ 624,506	\$ 595,561	\$ 688,041	\$ 748,116	\$ 724,700	\$ 696,918
Contributions in relation to the contractually required contribution.....	739,932	640,872	631,620	638,525	624,506	595,561	688,041	748,116	724,700	696,918
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Authority's covered payroll.....	4,911,297	4,293,917	4,184,228	4,314,686	4,213,397	3,991,415	3,893,563	3,924,590	3,776,376	3,589,958
Contributions as a percentage of covered payroll.....	15.07%	14.93%	15.10%	14.80%	14.82%	14.92%	17.67%	19.06%	19.19%	19.41%



**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**



Board of Directors  
Water Authority of Western Nassau County  
1580 Union Tpke  
New Hyde Park, New York 11040

We have audited, 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, the financial statements of the Water Authority of Western Nassau County as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Water Authority of Western Nassau County's basic financial statements, and have issued our report thereon dated November 11, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Water Authority of Western Nassau County's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority of Western Nassau County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Authority of Western Nassau County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

*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. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2022-01 to be a material weakness.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Water Authority of Western Nassau County'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 financial statements. 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*.

### **Water Authority of Western Nassau County's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Water Authority of Western Nassau County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Water Authority of Western Nassau County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 entity'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.

*Cerini & Associates LLP*

Bohemia, New York

November 11, 2022

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED MAY 31, 2022

---

FINDING  
NUMBER:

2022-001

FINDING:

Financial Statement Finding – Material Weakness

**Internal Control Over Financial Reporting**

**Criteria:**

In accordance with accounting principles generally accepted in the United States of America (“GAAP”) and United States generally accepted auditing standards (“GAAS”), material adjustments to the financial statements are indicative of a material weakness in internal control over financial reporting.

**Condition/context:**

The Water Authority of Western Nassau County (the “Water Authority”) maintains their books and records on a cash basis and adjusts from the cash basis to accrual basis by recording routine estimated accruals for assets (i.e. receivables) and liabilities (i.e. accounts payables and accrued expense, etc.) throughout the year.

The Water Authority has relied on outside parties to assist with nonroutine accounting transactions in the past, and based on the results of the current year’s audit, there were certain nonroutine accounting transactions that were omitted from being recorded in the prior year(s) or recorded incorrectly, and as a result, during the current year’s audit, prior period adjustments were required to restate the opening net position balance resulting in an increase in the opening balance of \$3,492,634. The prior period adjustments were as follows:

- (1) Understatement of capital grants receivable as of May 31, 2021 in the amount of \$3,386,688, resulting in a restatement to increase the opening net position by that amount;
- (2) Overstatement of capital assets accumulated depreciation due to the accumulated depreciation exceeding the asset carrying amount by a cumulative amount of \$499,716, resulting in a restatement to increase the opening net position by that amount;
- (3) GASB 68 required net pension liability and related deferred outflows/inflows being recorded using the March 31, 2020 (rather than the March 31, 2021) report for the May 31, 2021 financial statements, resulting in a restatement to decrease the opening net position by \$249,605.

In addition to the prior period adjustments, as a result of the current year’s audit, the following adjustments were required to be made to the books and records as of or for the year ended May 31, 2022:

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED MAY 31, 2022

---

- (1) Overstatement of water sales revenue and related receivable in the amount of \$566,000, due to receivable being estimated based on budgeted amounts prior to final billing amounts being available, resulting in a reduction of water sales revenue and related receivable;
- (2) Correction of 2021 bond refunding accounting transaction to account for the write-off of the existing bond issue premium from the 2015 bond payable as a result of the issuance of the 2021 bond payable, which partially refunded the remaining balance of the 2015 bond payable. The net effect of the adjustment resulted in a reduction of the 2015 premium outstanding of \$3,831,322, a reduction in the loss recorded from the 2021 bond refunding transaction of \$3,937,182 and additional amortization expense being recorded of \$105,860;

As a result of the prior period adjustments and the current year adjustments indicated above, the cumulative effect of our adjustments on the Water Authority's books and records were as follows:

- (1) Increase in assets of \$2,669,116;
- (2) Decrease in deferred outflows of \$6,218,244;
- (3) Decrease in liabilities of \$9,490,611;
- (4) Increase in deferred inflows of \$4,694,988;
- (5) Increase in net position of \$3,492,636;
- (6) Decrease in revenues of \$2,430,006;
- (7) Decrease in expenses of \$183,865.

**Cause:**

The Water Authority has historically relied on outside parties to assist with the accounting of nonroutine transactions required by GAAP and GAAS.

**Effect:**

The net position amounts as of May 31, 2021 and 2020 were cumulatively and materially understated, by \$3,492,634 and \$1,185,741 respectively, resulting in opening balance prior period adjustments being made to the net position balances as of June 1, 2021 and 2020. In addition, there were current year adjustments to the books and records. The cumulative net impact on the books and records of the prior period adjustments and current year adjustments are outlined in the condition/context section above.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED MAY 31, 2022

---

### **Recommendation:**

The Water Authority should assess its internal capabilities and determine how to expand its accounting capabilities either through internal means (redeployment of resources or additional staff) or external means (outsourced accounting assistance).

### **The Water Authority's Response:**

The Water Authority has addressed this issue by hiring additional staff and is in the training process. Once completed, this will allow the internal capacities to handle the non-routine accounting transactions, rather than relying on outside sources.