# WATER AUTHORITY OF WESTERN NASSAU COUNTY

## FINANCIAL STATEMENTS

## FOR THE FISCAL YEAR ENDED MAY 31, 2026

## (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2025)

WATER AUTHORITY OF WESTERN NASSAU COUNTY
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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of the business-type activities of the Water Authority of Western Nassau County (the "Water Authority") as of and for the years ended May 31, 2026, 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, 2026, and the respective changes in its financial position and its cash flows for the years 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 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 Auditor's 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.

### Responsibilities of Management for the Financial Statements

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.

**Responsibilities of Management for the Financial Statements (continued)**

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.

**Auditor's 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 generally accepted auditing standards and *Government Audit Standards* 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 generally accepted auditing standards 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.

**Report on Summarized Comparative Information**

We have previously audited the Water Authority of Western Nassau County's May 31, 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15 and required supplementary information, on pages 53-55, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 September 30, 2026 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.

Rynkar, Vail & Barrett, LLP

RYNKAR, VAIL & BARRETT, LLP

Jericho, New York
September 30, 2026

# WATER AUTHORITY OF WESTERN NASSAU COUNTY
# MANAGEMENT DISCUSSION AND ANALYSIS
# AS OF MAY 31, 2026

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.

## FINANCIAL HIGHLIGHTS

Management believes the Water Authority's financial condition is strong. 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, 2026, total assets were $266,933,847 and deferred outflows were $5,921,039. They exceeded total liabilities of $167,901,875 and deferred inflows of $9,495,625 by $95,457,386 (net position). Of the total net position, $58,051,274 was invested in capital assets, $2,500,000 was restricted net position for rate stabilization, and $34,906,112 was unrestricted net position to be used for the general operations of the Water Authority.

- During the fiscal year ended May 31, 2026, the Water Authority's net position increased by $10,515,910 over the previous year. The change in net position was the net result of $25,868,692 of operating revenues, $16,591,784 of operating expenses, net non-operating expenses of $3,250,527 and capital grants revenue of $4,489,529.

- Operating revenues increased $685,239 from fiscal 2025, which is a 2.7% increase over prior year operating revenues.

- Capital grant revenues from New York State Environment Facilities Corporation were $4,489,529 and $8,271,433 in fiscal years 2026 and 2025, respectively. The decrease in capital grant revenues was the result of a decrease in eligible capital grant expenditures spent during the current fiscal year.

- Residential water sales showed an increase of $322,780 (1.9%) over the prior year. Commercial, municipal, and other water sales revenue showed an increase of $362,459 (4.5%) over the prior year. The primary reason for the increase in water sales was due to an increase in water rates.

- The Water Authority issued serial bonds in 2021 to make improvements to the water treatment system. The improvements to the water treatment system included wellhead treatment for emerging contaminants, and replacement of transmission and distribution lines. The Water Authority was required to increase water rates due to these additional costs and inflation. For the years beginning June 1, 2025, June 1, 2024 and June 1, 2023, the Water Authority increased water rates, 3.21%, 1.66%, and 4.97%, respectively.

## FINANCIAL HIGHLIGHTS (continued)

- Total operating expenses were $16,591,784 in fiscal 2026; an increase of $578,847 (3.6%) from prior year operating expenses of $16,012,937. Increases in salaries, electricity and chemicals were components of this increase.

- Noncurrent assets had a $1,979,663 decrease from the prior year. Capital Assets, net of depreciation increased $12,770,028 while restricted cash and investments decreased $15,422,322 and legal settlement receivables decreased by $532,324.

## 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.

A summary of the Water Authority's condensed Statement of Net Position is presented in the following table:

| | May 31, 2026 | May 31, 2025 | May 31, 2024 |
|---|---|---|---|
| Current assets | $ 55,327,780 | $ 52,365,691 | $ 29,548,842 |
| Capital assets | 182,579,703 | 169,809,675 | 143,728,146 |
| Other noncurrent assets | 29,026,364 | 43,776,055 | 64,201,854 |
| Total assets | $ 266,933,847 | $ 265,951,421 | $ 237,478,842 |
| Deferred outflows | $ 5,921,039 | $ 5,660,802 | $ 6,631,636 |
| Current liabilities | $ 13,436,019 | $ 19,718,005 | $ 9,943,848 |
| Noncurrent liabilities | 15,701,202 | 13,534,141 | 14,298,958 |
| Long-term debt-bonds, net | 138,764,654 | 144,371,345 | 149,758,036 |
| Total liabilities | $ 167,901,875 | $ 177,623,491 | $ 174,000,842 |
| Deferred inflows | $ 9,495,625 | $ 9,047,256 | $ 9,407,323 |
| Net invested in capital assets | $ 58,051,274 | $ 51,543,443 | $ 46,015,562 |
| Restricted for rate stabilization | 2,500,000 | 2,000,000 | 2,000,000 |
| Unrestricted | 34,906,112 | 31,398,033 | 12,686,751 |
| Total Net Position | $ 95,457,386 | $ 84,941,476 | $ 60,702,313 |

The table above shows that total assets increased by $982,426, from $265,951,421 on May 31, 2025 to $266,933,847 on May 31, 2026. During the same period, total liabilities decreased $9,721,616 from $177,623,491 to $167,901,875.

## FINANCIAL ANALYSIS OF THE WATER AUTHORITY (continued)

Current assets increased by $2,962,089 during the fiscal year primarily because of increases in unrestricted cash of $6,953,578 and $1,662,341 in grants receivables, offset by a $6,836,432 decrease in legal settlements receivable.

The other noncurrent assets decreased $1,979,663 in the current year, primarily due to restricted cash and cash equivalents decreasing $15,422,322, but capital assets increasing $12,770,028.

During the current year, the current liabilities decreased by $6,281,986 from $19,718,005 on May 31, 2025, to $13,436,019, on May 31, 2026. The principal reason for this decrease was the $6,169,823 decrease in accounts payable and accrued liabilities.

## CHANGE IN NET POSITION

As of May 31, 2026, the Water Authority provided water to 26,454 residential customers, 1,429 commercial customers, 227 private fire customers and 2,449 municipal fire hydrants. The corresponding figures for May 31, 2025 were 26,647 residential customers, 1,435 commercial customers, 224 private fire customers and 2,449 municipal fire hydrants.

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

| | May 31, 2026 | May 31, 2025 | May 31, 2024 |
|---|---|---|---|
| Operating revenues | $ 25,868,692 | $ 25,183,453 | $ 23,962,982 |
| Operating expenses | (16,591,784) | (16,012,937) | (15,194,086) |
| Operating income | $ 9,276,908 | $ 9,170,516 | $ 8,768,896 |
| Net Non-operating income | 5,696,752 | 11,765,114 | 4,215,222 |
| Net Non-operating expenses | (8,947,279) | (4,967,900) | (5,160,079) |
| Income before capital contributions | $ 6,026,381 | $ 15,967,730 | $ 7,824,039 |
| Capital grants revenues | 4,489,529 | 8,271,433 | 2,996,511 |
| Change in total net position | $ 10,515,910 | $ 24,239,163 | $ 10,820,550 |
| Net position, beginning, as restated | 84,941,476 | 60,702,313 | 49,881,763 |
| Net position, ending | $ 95,457,386 | $ 84,941,476 | $ 60,702,313 |

# WATER AUTHORITY OF WESTERN NASSAU COUNTY
# MANAGEMENT DISCUSSION AND ANALYSIS
# AS OF MAY 31, 2026

## OPERATING AND NON-OPERATING REVENUES AND EXPENSES

The following is the details of operating and non-operating revenues:

| | May 31, 2026 | May 31, 2025 | May 31, 2024 |
|---|---|---|---|
| Operating Revenues | | | |
| Water Sales to customers | $ 21,876,653 | $ 21,299,178 | $ 20,149,209 |
| Fire Protection revenue | 3,737,893 | 3,618,798 | 3,547,720 |
| Fees, Fines and other charges | 254,146 | 265,477 | 266,053 |
| Total Operating revenues | $ 25,868,692 | $ 25,183,453 | $ 23,962,982 |
| | | | |
| Non-Operating Revenues | | | |
| Interest Income | $ 2,349,608 | $ 3,454,117 | $ 3,760,643 |
| Lease Revenue | 390,463 | 465,740 | 454,579 |
| Proceeds from lawsuits | 2,956,681 | 7,845,257 | -0- |
| Total Non-Operating Revenue | $ 5,696,752 | $ 11,765,114 | $ 4,215,222 |

Operating revenues increased $685,239 (2.7%) primarily due to an increase in water rates.
Net non-operating income decreased $6,068,362 from the May 31, 2025 year because of decreases of $1,104,509 in interest revenue and a decrease of $4,888,576 proceeds from lawsuits.

The following is the details of operating and non-operating expenses:

| | May 31, 2026 | May 31, 2025 | May 31, 2024 |
|---|---|---|---|
| Operating Expenses | | | |
| Operations | $ 10,981,552 | $ 10,502,739 | $ 10,197,351 |
| Maintenance | 2,355,873 | 2,596,405 | 2,234,797 |
| Depreciation | 3,254,359 | 2,913,793 | 2,761,938 |
| Total Operating Expenses | $ 16,591,784 | $ 16,012,937 | $ 15,194,086 |
| | | | |
| Non-Operating Expenses | | | |
| Interest on long-term debt, net | $ 4,739,800 | $ 4,943,364 | $ 5,135,543 |
| Lawsuit, legal fees | 644,532 | -0- | -0- |
| Arbitrage rebate expense | 3,538,411 | -0- | -0- |
| Other amortization | 24,536 | 24,536 | 24,536 |
| Total Non-Operating Expenses | $ 8,947,279 | $ 4,967,900 | $ 5,160,079 |

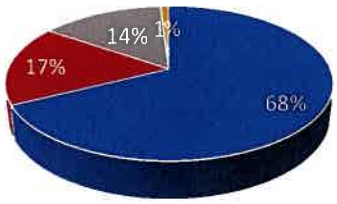
Operating expenses increased only $578,847, (3.6%) during the year with the $340,566 increase in depreciation.
Net non-operating expenses increased $3,979,379 primarily due to a $3,538,411 increase in arbitrage rebate expense.

# WATER AUTHORITY OF WESTERN NASSAU COUNTY
# MANAGEMENT DISCUSSION AND ANALYSIS
# AS OF MAY 31, 2026

## OPERATING REVENUES AND EXPENSES

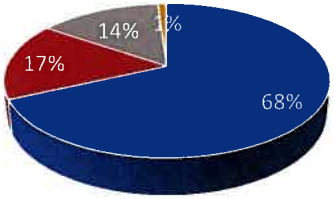
The breakout of operating revenue over the past three fiscal years is as follows:

2026



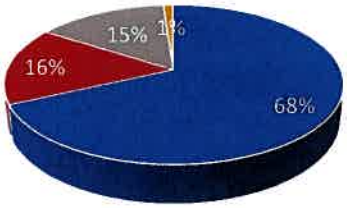

- Residential water sales
- Commercial water sales
- Fire protection revenue
- Fees, fines, and other charges

2025




- Residential water sales
- Commercial water sales
- Fire protection revenue
- Fees, fines, and other charges

2024

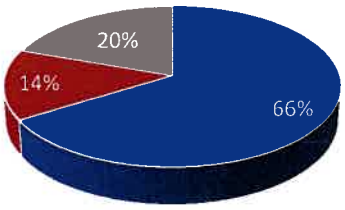



- Residential water sales
- Commercial water sales
- Fire protection revenue
- Fees, fines, and other charges

As illustrated above, there has been little change in the components of operating revenue for the three years ended May 31, 2026.

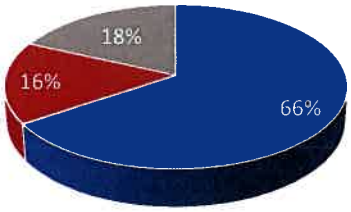
The breakout of operating expenses over the past three fiscal years is as follows:

2026



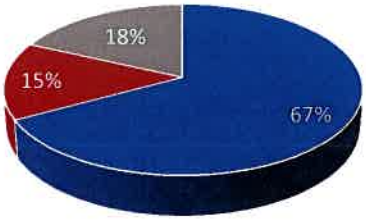

- Operations
- Maintenance
- Depreciation

2025




- Operations
- Maintenance
- Depreciation

2024




- Operations
- Maintenance
- Depreciation

As illustrated above, there has been little change in the components of operating expenses for the three years ended May 31, 2026.

In the current year, there was an increase in operations expense of $478,813 (4.6%), a $240,532 (9.3%) decrease in maintenance expense and a $340,566 (11.7%) increase in depreciation expense.

Changes in operating revenues and expenses, caused the current year operating income to increase $106,392 (1.17%)

**OPERATING REVENUES AND EXPENSES (continued)**

more than operating income from the prior year.

The Water Authority provides water treatment and distribution to an estimated 234 miles of pipe to an estimated population of over 120,000 customers, which approximates nearly 9% of Nassau County's total population. These customers are located 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 renovation to the Belmont Park Complex which opened during fiscal 2023 and could have a substantial effect on revenues in the near future.

Customer levels have been steady in the last five years, while income levels have remained very high, with median household income equal to nearly 1.82 times of the national average.

All 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 6.18 billion gallons per year. However, annual production has remained comfortably below this limit and was 4.3 billion gallons in fiscal 2026 and 4.2 billion gallons in fiscal 2025. For the year ended May 31, 2026, total pumpage increased 103,826,000 (2.45%) gallons.

The water storage facilities along with existing wells 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.

The increase in water sales revenues in the year ended May 31, 2026, was due to the increase in water rates.

In the year ended May 31, 2026, the quarterly minimum charge for water uses of up to 9,000 gallons increased from $64.88 to $66.96, for the next 135,000 gallons increased from $5.93 to $6.12 per 1,000 gallons, and for the usage above 144,000 gallons increased from $6.08 to $6.28, per 1,000 gallons.

## NON-OPERATING REVENUES AND (EXPENSES) AND CAPITAL GRANTS

Non-Operating net expenses at May 31, 2026 of $3,250,527 were $10,047,741 more than the $6,797,214 net revenues for the previous year. The difference is attributed to an increase in arbitrage rebate expense of $3,538,411, a decrease in lawsuit proceeds of $4,888,576, and a decrease in interest income of $1,104,509.

The Water Authority has six active grants totaling $41,389,070 respectively, from the New York State Environmental Facilities Corporation (EFC) to finance, in part, its capital asset improvement projects. 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 and 2024 in support of water quality infrastructure projects. These grants reimburse the Water Authority 60% of eligible project costs. The Water Authority recognizes grants revenue based on 60% of eligible project costs when the costs are incurred. However, the EFC has been reimbursing the Authority 100% of costs submitted up to 75% of the total grant. The excess reimbursement over the 60% eligible costs at May 31, 2026 is $2,936,553 and is included in unearned revenue in the Statement of Net Position. The Water Authority has recognized $21,446,273 of grant revenue since grants inception. Grants revenue is presented after income before capital contributions on the Statement of Revenue, Expenses, and Changes in Net Position. Capital grants revenue decreased $3,781,904 from May 31, 2025.

## 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, 2026, the Water Authority had $182,579,703 in net capital assets, an increase of $12,770,028 (7.5%) from the prior year.

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

| Capital Assets | 2026 | 2025 | 2024 |
|---|---|---|---|
| Land | $ 2,084,744 | $ 2,084,744 | $ 2,084,744 |
| Construction in progress | 31,874,623 | 41,694,259 | 22,017,418 |
| Wells and standpipes | 11,238,319 | 6,086,412 | 6,086,412 |
| Pumping and purification | 85,484,093 | 68,629,155 | 68,610,370 |
| Distribution system | 69,604,648 | 66,511,407 | 57,626,694 |
| Building, vehicles, and equipment | 20,875,413 | 20,560,741 | 20,460,771 |
| Total capital assets | $ 221,161,840 | $ 205,566,718 | $ 176,886,409 |
| Accumulated depreciation | (38,582,137) | (35,757,043) | (33,158,263) |
| Net capital assets | $ 182,579,703 | $ 169,809,675 | $ 143,728,146 |

The new capital plan covers the anticipated projects for the fiscal years ending May 31, 2026 to 2031. The total plan amount is $161,591,822 which is financed by the balance of the Series 2015 A funds, Series 2021 Bonds, grants from the New York State Environmental Finance Corporation, lawsuit settlement funds, and excess of revenues over expenses. The planned spending is aimed primarily at improvements to the treatment system, most notably wellhead treatment for emerging contaminants, structure and improvements, lead and copper service replacements and repair and replacement of transmission and distribution lines. The planned capital expenditures for the year ending May 31, 2026 and five years ending May 31, 2031 are as follows:

## CAPITAL ASSETS (continued)

### Planned Capital Expenditures
### Year Ending May 31, 2026, and Total for Years ending May 31, 2027 to 2031 (Unaudited)

| | May 31, 2026 | | May 31, 2027 to 2031 | |
|---|---|---|---|---|
| Wells & stations including treatment | $ 13,288,288 | 79.4% | $ 88,402,136 | 61.0% |
| Distribution Reservoirs and Standpipes | -0- | 0.0% | 12,171,000 | 8.4% |
| Meters and reading system | 394,748 | 2.4% | 2,818,026 | 1.9% |
| Transmission and distribution | 2,553,564 | 15.3% | 38,300,810 | 26.4% |
| Computer equipment | 89,680 | 0.5% | 2,161,400 | 1.5% |
| Vehicles and tools | 403,273 | 2.4% | 810,000 | 0.6% |
| Large Tools and Equipment | -0- | 0.0% | 73,897 | 0.1% |
| Contingency | -0- | 0.0% | 125,000 | 0.1% |
| Total projected capital expenditures | $ 16,729,553 | 100% | $ 144,862,269 | 100% |

The major additions of completed projects put into service to the capital assets in the fiscal years ended May 31, 2026, 2025 and 2024 are presented in the following table:

| | 2026 | 2025 | 2024 |
|---|---|---|---|
| Wells and stand pipes | $ 5,151,906 | $ -0- | $ -0- |
| Distribution System: | | | |
| Mains | 156,498 | 6,622,826 | 6,847,918 |
| Services | 2,404,875 | 1,928,376 | 2,588,822 |
| Meters and meter equipment | 504,999 | 364,550 | 271,180 |
| Hydrants | 302,238 | 261,035 | 463,444 |
| Land and land rights: | | | |
| Pumping land | -0- | -0- | 604 |
| Electric pumping equipment | -0- | 6,189 | 43,184 |
| Structures and improvement | 570,331 | | -0- |
| Water treatment equipment | 16,284,607 | 19,677 | 11,052 |
| Building and Vehicles: | | | |
| Office equipment | 26,551 | 43,179 | 8,992 |
| Vehicles | 403,273 | 53,730 | 70,822 |
| Office building | -0- | -0- | 2,365 |
| Miscellaneous equipment | 105,797 | 20,790 | 21,611 |
| Total additions | $ 25,911,075 | $ 9,320,352 | $ 10,329,994 |

**CAPITAL ASSETS (continued)**

The expenditures for completed projects were $25,911,075, $9,320,352 and $10,329,994 in the years ended May 31, 2026, 2025, and 2024, respectively. In the year ended May 31, 2026, $5,151,906 (19.9%) was expended for wells and stand pipes, $16,854,938 (65.0%) was expended for pumping and purification, $3,368,610 (13.0%) for distribution system, and $535,621 (2.1%) for vehicles and equipment. The Water Authority had disposals of $496,317 during the year ended May 31, 2026. These disposals included $275,368 of the distribution system and $220,949 from building, vehicles, and equipment. See Note 7 for additional information about the Water Authority's capital assets.

**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.

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.

The most recent rating from 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 also affirmed the A1 rating on the Water Authority's outstanding rated revenue bonds. Also, in December 2025, Fitch Ratings reaffirmed 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.

For the fiscal years ended May 31, 2026, and 2025, interest expense, net of bond premium amortization was $4,739,800 and $4,943,364, respectively. All interest incurred during the years ended May 31, 2026 and May 31, 2025 was expensed. See Note 8 for additional information about the Water Authority's long-term debt.

The Water Authority plans to issue an additional $75 million revenue bonds in February 2027.

## DEBT SERVICE COVERAGE

The Water Authority's debt coverage ratio as of May 31, 2026 was as follows:

| Cash available and Debt Service Requirement | | Amount |
|---|---|---|
| Operating income | $ | 9,276,908 |
| Add: Depreciation and amortization | | 3,278,895 |
| Interest and other income | | 2,637,634 |
| Total cash available for coverage | $ | 15,193,437 |
| Debt service requirements: | | |
| Interest payments | $ | 5,180,146 |
| Principal payments | | 4,845,000 |
| Total debt service requirements | $ | 10,025,146 |
| Coverage Ratio | $ | 1.52 |
| 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 year ending May 31, 2027, as presented below:

**Forecasted Revenues, Expenses and Changes in Net Position**
**Year Ending May 31, 2027**
**(Unaudited)**

| | | Amount |
|---|---|---|
| Operating revenues | $ | 27,352,900 |
| Operating expenses | | (17,104,780) |
| Operating income | $ | 10,248,120 |
| Net non-operating expenses | | 5,494,300 |
| Net position | $ | 15,742,400 |
| Debt Service | $ | 11,226,500 |
| Projected debt service coverage | | 1.40 |

## 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, 2027 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 and requirements for the Water Authority are among these factors.

**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, adjustment of the water rates to meet the additional new debt service requirements and expected rises in capital and operating costs. For the year ending May 31, 2027, the total operating revenue is estimated at $27,352,900, as compared to the actual revenues of $25,868,692 for 2026. The increase in the projected estimated revenues of $1,484,208 reflects a 5.45% increase in water rates. Total operating expenses are projected to increase by $512,996 from the actual amount of $16,591,784, in the current year, to $17,104,780 in the year ending May 31, 2027.

## 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
AS OF MAY 31, 2026
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2025)

| | 2026 | 2025 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 46,105,192 | $ 39,151,614 |
| Receivables, net of allowance for doubtful accounts | 4,539,430 | 4,163,547 |
| Legal settlement receivable | 532,325 | 7,368,757 |
| Accrued interest receivable | 127,811 | -0- |
| Grants receivables | 1,662,341 | -0- |
| Prepayments and other current assets | 1,342,345 | 870,214 |
| Leases receivable due within one-year | 279,540 | 284,146 |
| Materials and supplies | 738,796 | 527,413 |
| TOTAL CURRENT ASSETS | $ 55,327,780 | $ 52,365,691 |
| NONCURRENT ASSETS | | |
| Restricted cash and cash equivalents: | $ 20,257,180 | $ 35,679,502 |
| Capital assets | | |
| Non-depreciable | 33,959,367 | 43,779,003 |
| Depreciable | 148,620,336 | 126,030,672 |
| Legal settlement receivable | 2,472,014 | 3,004,338 |
| Leases receivable | 4,587,229 | 4,866,769 |
| Grants receivables | 1,232,550 | -0- |
| Other assets | 477,391 | 225,446 |
| TOTAL NONCURRENT ASSETS | $ 211,606,067 | $ 213,585,730 |
| TOTAL ASSETS | $ 266,933,847 | $ 265,951,421 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension | $ 818,976 | $ 1,158,543 |
| Bond refunding | 2,264,481 | 2,384,506 |
| Other postemployment benefits | 2,837,582 | 2,117,753 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | $ 5,921,039 | $ 5,660,802 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 3,046,178 | $ 9,216,001 |
| Unearned revenue | 1,350,277 | 4,712,417 |
| Accrued interest payable | 211,082 | 229,763 |
| Customer advances on construction | 199,468 | 387,293 |
| Bonds payable | 5,065,000 | 4,845,000 |
| Arbitrage rebate | 3,184,570 | -0- |
| Current other postemployment benefits liability | 221,726 | 280,996 |
| Accrued vacation and sick leave | 157,718 | 46,535 |
| TOTAL CURRENT LIABILITIES | $ 13,436,019 | $ 19,718,005 |
| NONCURRENT LIABILITIES | | |
| Bonds payable, net of current portion | $ 138,764,654 | $ 144,371,345 |
| Unearned revenue | 1,921,607 | -0- |
| Customer and other deposits | 1,505,535 | 1,478,482 |
| Net pension liability - proportionate share | 754,426 | 2,370,798 |
| Arbitrage rebate | 353,841 | -0- |
| Other postemployment benefits liability | 9,835,711 | 8,375,496 |
| Accrued vacation and sick leave | 1,330,082 | 1,309,365 |
| TOTAL NONCURRENT LIABILITIES | $ 154,465,856 | $ 157,905,486 |
| TOTAL LIABILITIES | $ 167,901,875 | $ 177,623,491 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension | $ 1,397,590 | $ 37,184 |
| Other postemployment benefits | 3,822,477 | 4,365,533 |
| Leases | 4,275,558 | 4,644,539 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | $ 9,495,625 | $ 9,047,256 |
| NET POSITION | | |
| Net investment in capital assets | 58,051,274 | $ 51,543,443 |
| Restricted for rate stabilization | 2,500,000 | 2,000,000 |
| Unrestricted | 34,906,112 | 31,398,033 |
| TOTAL NET POSITION | $ 95,457,386 | $ 84,941,476 |

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 CHANGE IN NET POSITION
FOR THE YEAR ENDED MAY 31, 2026
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2025)

| | 2026 | 2025 |
|---|---|---|
| OPERATING REVENUE | | |
| Residential water sales | $ 17,497,642 | $ 17,174,862 |
| Commercial water sales | 4,379,011 | 4,124,316 |
| Fire protection revenue | 3,737,893 | 3,618,798 |
| Fees, fines, and other charges | 254,146 | 265,477 |
| TOTAL OPERATING REVENUES | $ 25,868,692 | $ 25,183,453 |
| OPERATING EXPENSES | | |
| Operations | $ 10,981,552 | $ 10,502,739 |
| Maintenance | 2,355,873 | 2,596,405 |
| Depreciation | 3,254,359 | 2,913,793 |
| TOTAL OPERATING EXPENSES | $ 16,591,784 | $ 16,012,937 |
| OPERATING INCOME | $ 9,276,908 | $ 9,170,516 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest revenue | 2,349,608 | 3,454,117 |
| Lease revenue | 390,463 | 465,740 |
| Proceeds from lawsuits | 2,956,681 | 7,845,257 |
| Arbitrage rebate expense | (3,538,411) | -0- |
| Interest on long-term debt, net | (4,739,800) | (4,943,364) |
| Lawsuit legal fees | (644,532) | -0- |
| Other amortization | (24,536) | (24,536) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | $ (3,250,527) | $ 6,797,214 |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | $ 6,026,381 | $ 15,967,730 |
| Capital grants | 4,489,529 | 8,271,433 |
| CHANGE IN NET POSITION | $ 10,515,910 | $ 24,239,163 |
| Net position, beginning of year | 84,941,476 | 60,702,313 |
| Net position, end of year | $ 95,457,386 | $ 84,941,476 |

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, 2026
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2025)

| | 2026 | 2025 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | $ 25,320,329 | $ 29,989,418 |
| Payments to outside entities for goods or services | (13,988,056) | (12,263,785) |
| Payments for employee services | 353,561 | 51,411 |
| NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES | $ 11,685,834 | $ 17,777,044 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Proceeds from lawsuits | $ 7,153,067 | $ -0- |
| Acquisition of capital assets | (19,975,736) | (26,155,128) |
| Repayment of bonds payable | (4,845,000) | (4,645,000) |
| Interest paid on bonds payable | (5,180,147) | (6,035,025) |
| Interest revenue on leases | 156,041 | 163,717 |
| Payments on lease receivable | 279,225 | 333,813 |
| Interest receivable leases | 1,029 | 941 |
| Capital grants | 165,813 | 11,064,057 |
| NET CASH AND CASH EQUIVALENTS PROVIDED BY/(USED IN) FINANCING ACTIVITIES | $ (22,245,708) | $ (25,272,625) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest and dividends received | $ 2,091,130 | $ 3,290,400 |
| NET CASH AND CASH EQUIVALENTS PROVIDED BY INVESTING ACTIVITIES | $ 2,091,130 | $ 3,290,400 |
| Net increase/(decrease) in cash and cash equivalents | $ (8,468,744) | $ (4,205,181) |
| Total cash and cash equivalents, beginning of year | 74,831,116 | 79,036,297 |
| Total cash and cash equivalents, end of year | $ 66,362,372 | $ 74,831,116 |
| Unrestricted cash and cash equivalents | $ 46,105,192 | $ 39,151,614 |
| Restricted cash and cash equivalents | 20,257,180 | 35,679,502 |
| Total cash and cash equivalents | $ 66,362,372 | $ 74,831,116 |

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, 2026
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2025)

| | 2026 | 2025 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating income | $ 9,276,908 | $ 9,170,516 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,254,359 | 2,913,793 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (375,883) | 53,589 |
| Prepayments and other assets | (472,131) | 255,162 |
| Materials and supplies | (211,383) | (14,541) |
| Other assets | (251,946) | 452,036 |
| Deferred outflows of resources related to pensions/OPEB | (380,262) | 850,808 |
| Accounts payable and accrued liabilities | 284,829 | 142,702 |
| Accrued sick and vacation | 131,900 | 56,800 |
| Customer advances on construction | (187,825) | 293,164 |
| Unearned revenues | (11,707) | 4,393,579 |
| Net pension asset/liability | (1,616,372) | 357,475 |
| Customer and other deposits | 27,052 | 65,633 |
| Other post-employment benefits | 1,400,945 | (1,222,586) |
| Deferred inflows of resources related to pensions/OPEB | 817,350 | 8,914 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 11,685,834 | $ 17,777,044 |
| SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND CAPITAL FINANCING ACTIVITIES: | | |
| Accounts payable and accrued liabilities to finance construction in progress | $ 1,780,105 | $ 5,706,314 |

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

## 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.

## 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

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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

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

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.

Cash and Cash Equivalents: The Water Authority considers all highly liquid investments with maturity of three months or less, when purchased, to be cash equivalents.

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.

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

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 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 $2,500,000 as of May 31, 2026, and $2,000,000 at May 31, 2025.

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 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

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

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 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, 2026, and May 31, 2025, the total amounts of Bond Reserve Funds were $9,503,871 and $9,154,328, 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, 2026 and May 31, 2025, the amounts in the Bond Fund cash and cash equivalents were $9,312,977 and $25,118,197, respectively.

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.

Receivables, net of allowance for credit losses: This receivable is net of an allowance for credit losses of $25,000 at both May 31, 2026 and May 31, 2025. 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. Unbilled Accounts Receivable of $3,793,700 and $3,589,400, as of May 31, 2026 and May 31, 2025, respectively is reported in this balance. Unbilled Accounts Receivable represents revenue earned in the current year but not yet billed to customers until a future period, usually within three months, based on the actual billings occurring in the first three months of the succeeding year.

Legal Settlement Receivable: Legal settlement receivable consists of a class action settlement in relation to contamination of the Long Island aquifers. Legal settlement receivable is expected to be collected over a nine year period.

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

Leases Receivable: Leases receivable are measured at the present value of lease payments expected to be received during the lease term.

Prepayments: 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:

| Capital Asset | Useful Life (Years) |
|---|---|
| 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.

Unearned Revenues: Unearned revenues include advance payments by customers for hydrants and fireline billings. The Water Authority recognizes these amounts in the period the service is due. Unearned revenue also includes grants received from the New York State Environmental Facilities Corporation Water Infrastructure Act Grant Program. The Water Authority recognizes these amounts when the eligible expenses are incurred.

Customer and Other Deposits: All customers have a deposit, usually for water meters, with the Water Authority.

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 applicable premium paid on issuance, respectively.

Bond premiums 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 is expensed in the year of

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

issuance and the gain or 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, 2026, the amortization of bond premiums, Series 2021 deferred gain, Series 2015 deferred loss, and the Series 2005 deferred gain were $541,691, $118,425, $51,433, and $53,033, respectively. For the year ended May 31, 2025, the amortizations of bond premiums, Series 2021 deferred gain, Series 2015 deferred loss, and the Series 2005 deferred gain were $541,691, $118,425, $51,433, and $53,033, respectively.

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 for May 31, 2026 is estimated based on known and potential retirements expected in the year ending May 31, 2027. The current portion of this liability for the year ended May 31, 2025 is reclassified based upon known retirements and payments during the year ended May 31, 2026. The liability for accrued vacation was $639,800 and $577,300 as of May 31, 2026 and 2025, respectively. The liability for accrued sick leave was $848,000 and $778,600 as of May 31, 2026 and 2025, respectively.

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.

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

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 March 31 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.

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. The Water Authority recognizes Deferred Outflows from pensions, gains on bond refundings and other post-employment benefits. The Water Authority recognizes Deferred Inflows on pensions, other post-employment benefits and leases.

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.

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.

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

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 authorizes 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.

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:

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

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 Level1.

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 method is 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. 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.

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.

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

| May 31, 2026 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Unrestricted cash: | | | |
| Cash and bank deposits | $ 46,105,192 | $ -0- | $ -0- |
| Restricted cash: | | | |
| Customer deposits - | | | |
| Bank deposits | 1,440,332 | -0- | -0- |
| Bond payment: | | | |
| Bank deposits | 9,312,977 | -0- | -0- |
| Bond reserve funds: | | | |
| Bank deposits | 9,503,871 | -0- | -0- |
| Total restricted cash | $ 20,257,180 | $ -0- | $ -0- |
| Total cash and cash equivalents | $ 66,362,372 | $ -0- | $ -0- |

| May 31, 2025 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Unrestricted cash: | | | |
| Cash and bank deposits | $ 39,151,614 | $ -0- | $ -0- |
| Restricted cash: | | | |
| Customer deposits - | | | |
| Bank deposits | 1,406,977 | -0- | -0- |
| Bond payment: | | | |
| Bank deposits | 25,118,197 | -0- | -0- |
| Bond reserve funds: | | | |
| Bank deposits | 9,154,328 | -0- | -0- |
| Total restricted cash | $ 35,679,502 | $ -0- | $ -0- |
| Total cash and cash equivalents | $ 74,831,116 | $ -0- | $ -0- |

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.

The Water Authority's cash accounts are secured by the appropriate amount from the FDIC and 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 and an irrevocable stand-by letter of credit with Federal Home Loan Bank of New York. 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

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

separately insured for up to $250,000.

At May 31, 2026 and 2025, 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.

**NOTE 4 – LEASE AGREEMENTS**

**Lessor**

The Water Authority has four lease agreements in place with different cellular service 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%.

The Water Authority implemented GASB Statement No.87, Leases, on June 1, 2021 and recognized a lease receivable and a deferred inflows of resources of $3,957,920. The Water Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. The lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. The discount rate used by the Water Authority to determine the present value of the future lease payment is 3.10%. The Water Authority expects to renew these leases for all renewable periods. The lease terms vary from 159-229 months. The Water Authority recognized $390,463 and $465,740 of lease revenue for the years ended May 31, 2026 and 2025, respectively and $156,041 and $163,717 of interest income for the years ended May 31, 2026 and 2025, respectively from these lease agreements.

**NOTE 4 – LEASE AGREEMENTS (continued)**

The following table is the amortization schedule for the lease receivable:

| Calendar Year Ended | Principal | Interest | Total Receipts |
|---|---|---|---|
| May 31, 2027 | $ 279,540 | $ 148,828 | $ 428,368 |
| May 31, 2028 | 302,497 | 139,895 | 442,392 |
| May 31, 2029 | 334,545 | 130,215 | 464,760 |
| May 31, 2030 | 344,449 | 119,604 | 464,053 |
| May 31, 2031 | 378,712 | 108,573 | 487,285 |
| May 31, 2032-2036 | 2,029,308 | 351,528 | 2,380,836 |
| May 31, 2037-2041 | 1,197,718 | 99,106 | 1,296,824 |
| Total Lease Receipts | $ 4,866,769 | $ 1,097,749 | $ 5,964,518 |

**NOTE 5 - GRANTS RECEIVABLE/UNEARNED REVENUE**

The Water Authority has six active grants from the New York State Environmental Facilities Corporation (EFC). These grants are for water remediation projects throughout the Water Authority's territory. Under the terms of each grant, EFC will reimburse the Water Authority 60% of eligible construction costs. Accordingly, the Water Authority recognizes 60% of eligible construction costs as grant revenue. However, EFC has been reimbursing the Water Authority 100% of total eligible costs upon submitting grant reimbursement requests. The excess reimbursement over the 60% eligible costs is reported as unearned revenue in the Statement of Net Position. Grant receivables that are expected to be reimbursed by May 31, 2027 is reported as a current receivable and unearned revenue that will incur eligible construction costs in the next fiscal year is reported as a current liability. The following is a summary of Grant Receivables/Unearned Revenue at May 31, 2026 and May 31, 2025.

| | May 31, 2026 | May 31, 2025 |
|---|---|---|
| Grant Receivable | | |
| Current | $ 1,662,341 | $ -0- |
| Noncurrent | 1,232,550 | -0- |
| Total | $ 2,894,891 | $ -0- |
| | | |
| Unearned Revenue | | |
| Current | $ 1,014,945 | $ 4,388,792 |
| Noncurrent | 1,921,608 | -0- |
| Total | $ 2,936,553 | $ 4,388,792 |

## NOTE 6 – LEGAL SETTLEMENT RECEIVABLE

The Water Authority participated in a class action suit for water contamination within its wells. The Water Authority will receive various payments over a nine year period. The gross payments have been discounted to its present value at a 3.40% interest rate. The Water Authority expects to receive the following payments in the following fiscal years.

| Year Ended | Amount |
|---|---|
| May 31, 2027 | $ 532,325 |
| May 31, 2028 | 392,023 |
| May 31, 2029 | 484,697 |
| May 31, 2030 | 441,668 |
| May 31, 2031 | 297,994 |
| May 31, 2032-2034 | 855,632 |
| Total | $ 3,004,339 |

## NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The changes in the cost of capital assets and accumulated depreciation during the years ended May 31, 2026, and May 31, 2025, are reflected in the following table:

| Year Ended May 31, | 2025 | Increase | Reclassifications and Retirements | 2026 |
|---|---|---|---|---|
| Capital assets not subject to depreciation: | | | | |
| Land and land rights | $ 2,084,744 | $ -0- | $ -0- | $ 2,084,744 |
| Construction in progress | 41,694,259 | -0- | (9,819,636) | 31,874,623 |
| Total capital assets not being depreciated | $ 43,779,003 | $ -0- | $ (9,819,636) | $ 33,959,367 |
| Capital assets being depreciated: | | | | |
| Wells and standpipes | $ 6,086,412 | $ 5,151,907 | $ -0- | $ 11,238,319 |
| Pumping and purification | 68,629,155 | 16,854,938 | -0- | 85,484,093 |
| Distribution system | 66,511,407 | 3,368,609 | (275,368) | 69,604,648 |
| Building, vehicles, and equipment | 20,560,741 | 535,621 | (220,949) | 20,875,413 |
| Total capital assets being depreciated | $ 161,787,715 | $ 25,911,075 | $ (496,317) | $ 187,202,473 |
| Less accumulated depreciation: | | | | |
| Wells and standpipes | $ (2,361,414) | $ (126,328) | $ -0- | $ (2,487,742) |
| Pumping and purification | (13,124,025) | (1,500,198) | -0- | (14,624,223) |
| Distribution system | (12,976,078) | (1,271,512) | 274,132 | (13,973,458) |
| Building, vehicles, and equipment | (7,295,526) | (356,320) | 155,132 | (7,496,714) |
| Total accumulated depreciation | $ (35,757,043) | $ (3,254,358) | $ 429,264 | $ (38,582,137) |
| Total net capital assets being depreciated | $ 126,030,672 | $ 22,656,717 | $ (67,053) | $ 148,620,336 |
| Total net capital assets | $ 169,809,675 | $ 22,656,717 | $ (9,886,689) | $ 182,579,703 |

# WATER AUTHORITY OF WESTERN NASSAU COUNTY
# NOTES TO FINANCIAL STATEMENTS
# AS OF MAY 31, 2026
# *(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2025)*

## NOTE 8 - NON CURRENT LIABILITIES

The following is a summary of the Authority's non current liabilities:

| | Balance June 1, 2025 | Additions | Reductions | Balance June 1, 2026 | Due Within One Year | Due After One Year |
|---|---|---|---|---|---|---|
| Bonds Payable | $ 137,535,000 | $ -0- | $ 4,845,000 | $132,690,000 | $ 5,065,000 | $ 127,625,000 |
| Bonds Payable - Premium | 11,681,345 | -0- | 541,691 | 11,139,654 | -0- | 11,139,654 |
| Total Bonds Payable | $ 149,216,345 | $ -0- | $ 5,386,691 | $143,829,654 | $ 5,065,000 | 138,764,654 |
| Customer and Other Deposits | 1,478,482 | 27,053 | -0- | 1,505,535 | -0- | 1,505,535 |
| Net Pension Liability - Proportionable Share | 2,370,798 | -0- | 1,616,372 | 754,426 | -0- | 754,426 |
| Other Postemployment Benefits Liability | 8,656,492 | 1,400,945 | -0- | 10,057,437 | 221,726 | 9,835,711 |
| Accrued Vacation and Sick Leave | 1,355,900 | 131,900 * | -0- | 1,487,800 | 157,718 | 1,330,082 |
| Totals | $ 163,078,017 | $ 1,559,898 | $ 7,003,063 | $157,634,852 | $ 5,444,444 | $ 152,190,408 |

* The change in the accrued vacation and sick leave is presented as a net change.

### 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.

Outstanding Revenue Bonds Payable: The outstanding Water System Revenue Bonds on May 31, 2026 and 2025 consist of the following:

| Revenue Bonds | Date | Interest Rate | Principal Balance May 31, 2025 | Principal Matured | Principal Balance May 31, 2026 | Principal Balance May 31, 2026 Current | Principal Balance May 31, 2026 Noncurrent |
|---|---|---|---|---|---|---|---|
| Series 2010: | | | | | | | |
| Term Bond 2030 -(2010B) | 2030 | 6.45% | $ 7,420,000 | $ (1,365,000) | $ 6,055,000 | $ 1,420,000 | $ 4,635,000 |
| Term Bond 2040 -(2010B) | 2040 | 6.70% | 20,455,000 | -0- | 20,455,000 | -0- | 20,455,000 |
| Total Series 2010 Bonds | | | $ 27,875,000 | $ (1,365,000) | $ 26,510,000 | $ 1,420,000 | $ 25,090,000 |
| Series 2015: | | | | | | | |
| Series Bonds -(2015A) | 2035 | 4%-5% | $ 10,745,000 | $ (105,000) | $ 10,640,000 | $ 1,895,000 | $ 8,745,000 |
| Series Bonds -(2015B) | 2035 | 3%-5% | 4,415,000 | (1,930,000) | 2,485,000 | 245,000 | 2,240,000 |
| Term Bond 2045 -(2015A) | 2045 | 4.00% | 4,900,000 | -0- | 4,900,000 | -0- | 4,900,000 |
| Total Series 2015 | | | $ 20,060,000 | $ (2,035,000) | $ 18,025,000 | $ 2,140,000 | $ 15,885,000 |
| Series 2021: | | | | | | | |
| Serial Bonds -(2021A) | 2041 | 3%-5% | $ 23,740,000 | $ (1,025,000) | $ 22,715,000 | $ 1,080,000 | $ 21,635,000 |
| Term Bond 2046 -(2021A) | 2046 | 4.00% | 11,140,000 | -0- | 11,140,000 | -0- | 11,140,000 |
| Term Bond 2051 -(2021A) | 2051 | 4.00% | 13,545,000 | -0- | 13,545,000 | -0- | 13,545,000 |
| Series Bonds -(2021B) | 2036 | .306%-2.625% | 17,425,000 | (420,000) | 17,005,000 | 425,000 | 16,580,000 |
| Term Bond 2040 -(2021B) | 2041 | 2.958% | 16,640,000 | -0- | 16,640,000 | -0- | 16,640,000 |
| Term Bond 2045 -(2021B) | 2045 | 3.058% | 7,110,000 | -0- | 7,110,000 | -0- | 7,110,000 |
| Total Series 2021 | | | $ 89,600,000 | $ (1,445,000) | $ 88,155,000 | $ 1,505,000 | $ 86,650,000 |
| Total | | | $ 137,535,000 | $ (4,845,000) | $ 132,690,000 | $ 5,065,000 | $ 127,625,000 |
| Premium | | | $ 11,681,345 | $ (541,691) | $ 11,139,654 | $ -0- | $ 11,139,654 |
| Total, Net of Premium | | | $ 149,216,345 | $ (5,386,691) | $ 143,829,654 | $ 5,065,000 | $ 138,764,654 |

The premium on bonds payable is being amortized on a straight line basis over the term of the bonds.

**NOTE 8 - NON CURRENT LIABILITIES (continued)**

Future Debt Service Requirements:

| Date | Principal | Gross Interest | Subsidy | Net Interest | Total Gross | Total Net |
|---|---|---|---|---|---|---|
| 2027 | $ 5,065,000 | $ 5,563,706 | $ (616,454) | $ 4,947,252 | $ 10,628,706 | $ 10,012,252 |
| 2028 | 5,280,000 | 5,309,215 | (584,393) | 4,724,822 | 10,589,215 | 10,004,822 |
| 2029 | 5,525,000 | 5,042,942 | (550,977) | 4,491,965 | 10,567,942 | 10,016,965 |
| 2030 | 5,730,000 | 4,804,585 | (516,093) | 4,288,492 | 10,534,585 | 10,018,492 |
| 2031 | 5,985,000 | 4,512,855 | (479,741) | 4,033,114 | 10,497,855 | 10,018,114 |
| 2032-2036 | 33,330,000 | 18,585,239 | (1,773,788) | 16,811,451 | 51,915,239 | 50,141,451 |
| 2037-2041 | 35,790,000 | 11,047,141 | (553,268) | 10,493,873 | 46,837,141 | 46,283,873 |
| 2042-2046 | 22,440,000 | 5,064,479 | -0- | 5,064,479 | 27,504,479 | 27,504,479 |
| 2047-2051 | 13,545,000 | 1,668,000 | -0- | 1,668,000 | 15,213,000 | 15,213,000 |
| **Total** | $ 132,690,000 | $ 61,598,162 | $ (5,074,714) | $ 56,523,448 | $ 194,288,162 | $ 189,213,448 |

## CUSTOMER AND OTHER DEPOSITS

All Customers have a deposit, usually for water meters, with the Water Authority. These deposits also include amounts from lessees of the Water Authority's property. For the years ended May 31, 2026 and May 31, 2025, Customers Deposits held by the Water Authority was $1,505,535 and $1,478,482, respectively.

## NET PENSION LIABILITY – PROPORTIONATE SHARE

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.

**NOTE 8 - NON CURRENT LIABILITIES NET PENSION LIABILITY – PROPORTIONATE SHARE (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:

| Tier | Enrollment Period |
|---|---|
| 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, and 5 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.

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 five or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age

**NOTE 8 - NON CURRENT LIABILITIES NET PENSION LIABILITY – PROPORTIONATE SHARE (continued)**

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.

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 five 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 three 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 two years.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets of other benefits depend on a member's tier, years of service, and plan.

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.

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-

**NOTE 8 - NON CURRENT LIABILITIES NET PENSION LIABILITY – PROPORTIONATE SHARE (continued)**

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.

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. Subsequent to the fiscal year ended March 31, 2026, the approved fiscal year 2027 New York State Budget includes new laws which reduce contribution rates for Tier 6 members. Effective October 1, 2026, the new contribution rate varies from 3 percent to 5.75 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, 2026 was approximately 15.8 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 years ended March 31, 2026 and March 31, 2025, 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:

| Year Ended May 31, | | Contribution |
|---|---|---|
| 2026 | $ | 788,582 |
| 2025 | $ | 690,386 |
| 2024 | $ | 580,154 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: On May 31, 2026 and 2025, the Water Authority reported a liability of $754,426 and $2,370,798, respectively, for its proportionate share of the net pension liability. The net pension liability reported by the Water Authority on May 31, 2026, and 2025 was measured as of March 31, 2026, and March 31, 2025, respectively. The total pension liability, used to calculate net pension liability, as of March 31, 2026, was determined by using an actuarial valuation as of April 1, 2025, with update procedures used to roll forward the total pension liability to March 31, 2026. 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, 2026 and 2025, the

**NOTE 8 - NON CURRENT LIABILITIES NET PENSION LIABILITY – PROPORTIONATE SHARE (continued)**

Water Authority's proportion was 0.0133722% and 0.0138273%, respectively.

For the year ended May 31, 2026 and May 31, 2025, the Water Authority recognized pension expenses of $888,825 and $616,245, respectively. On May 31, 2026 and 2025, the Water Authority's reported deferred inflows and outflows of resources related to pensions from the following sources:

| | May 31, 2026 | | May 31, 2025 | |
|---|---|---|---|---|
| | Deferred Outflow of Resources | Deferred Inflow of Resources | Deferred Outflow of Resources | Deferred Inflow of Resources |
| Difference between expected and actual experience | $ 431,727 | $ -0- | $ 588,448 | $ 27,757 |
| Net difference between projected and actual investment earnings on pension plan investments | -0- | 1,352,727 | 186,006 | -0- |
| Changes in assumptions | 129,501 | -0- | 99,427 | -0- |
| Change in proportion and differences between employer's contribution and proportionate share of contributions | 109,674 | 44,863 | 153,232 | 9,427 |
| Authority contributions subsequent to the measurement date | 148,074 | -0- | 131,430 | -0- |
| Total deferred outflows and inflows of resources | $ 818,976 | $ 1,397,590 | $ 1,158,543 | $ 37,184 |

The amounts of $148,074 reported as deferred outflows of resources on May 31, 2026, 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:

| Year | Amount |
|---|---|
| 2027 | $ 319,124 |
| 2028 | (472,084) |
| 2029 | (270,229) |
| 2030 | (303,498) |
| 2031 | -0- |
| Thereafter | -0- |

Actuarial Assumptions: The total pension (asset)/liability as of March 31, 2026, measurement date, was determined by using an actuarial valuation as of April 1, 2025, with update procedures used to roll forward the total pension asset to March 31, 2026, measurement date.

## NOTE 8 - NON CURRENT LIABILITIES NET PENSION LIABILITY – PROPORTIONATE SHARE (continued)

| | 2026 | 2025 |
|---|---|---|
| Measurement date | March 31, 2026 | March 31, 2025 |
| Actuarial valuation date | April 1, 2025 | April 1, 2024 |
| Actuarial cost method | Aggregate cost | Aggregate cost |
| Inflation rate | 2.90% | 2.90% |
| Investment rate of return, | 5.9% compounded annually | 5.9% compounded annually |
| Salary increases | 5.2% indexed by service | 4.3% indexed by service |
| Cost of living adjustment | 1.5% annually | 1.5% annually |

Demographic assumptions used in the April 1, 2025 actuarial valuation are based on the results of an actuarial experience study completed March 31, 2025. Demographic assumptions are primarily based on system experience over the period April 1, 2020 – March 31, 2025. Annuitant Mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries' Scale MP-2021. The actuarial assumptions used in the April 1, 2024 valuation are based on the results of an actuarial experience study completed April 1, 2020. Demographic assumptions are based on the system experience over the period Aptil 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, 2026, 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 | 25.0% | 3.29% |
| International equity | 14.0% | 5.85% |
| Private equity | 15.0% | 7.00% |
| Real estate | 12.0% | 5.20% |
| Opportunistic/ARS portfolio | 3.0% | 5.13% |
| Credit | 4.0% | 5.10% |
| Real assets | 4.0% | 5.54% |
| Fixed income | 22.0% | 1.75% |
| Cash | 1.0% | 0.25% |
| | 100% | |

The real rate of return is net of the long-term inflation assumption of 2.5%.

**NOTE 8 - NON CURRENT LIABILITIES NET PENSION LIABILITY – PROPORTIONATE SHARE (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:

The Water Authority's Proportionate Share of Net Pension (Asset)/Liability

| | 1% Decrease 4.9% | Current Discount 5.9% | 1% Increase 6.9% |
|---|---|---|---|
| As of May 31, 2026 | $ 5,152,520 | $ 754,426 | $ (2,922,576) |

| | 1% Decrease 4.9% | Current Discount 5.9% | 1% Increase 6.9% |
|---|---|---|---|
| As of May 31, 2025 | $ 6,861,388 | $ 2,370,798 | $ (1,378,848) |

Collective Net Position Liability of Participating Employers and Actuarial Information. The components of the net pension liability of the employers as of March 31, 2026 and 2025 were as follows:

| (In thousands) | 2026 | 2025 |
|---|---|---|
| Employers' total pension liability | $ 253,773,040 | $ 247,600,239 |
| Plan net position | (248,131,290) | (230,454,512) |
| Employers' net pension (asset)/liability | $ 5,641,750 | $ 17,145,727 |
| Fiduciary net position as a percentage of total pension asset/liability | 97.78% | 93.08% |

**NOTE 8 - NON CURRENT LIABILITIES OTHER POSTEMPLOYMENT BENEFITIS LIABILITY (continued)**

**Other Postemployment Benefits Liability**

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 GASB Statement No. 43 and paragraph 3 of GASB Statement No. 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 (non-managerial) and 10 years of service (managerial).

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 and spouse 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.

**NOTE 8 - NON CURRENT LIABILITIES OTHER POSTEMPLOYMENT BENEFITIS LIABILITY (continued)**

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.

Participant Count and Average Age: The number of participants as of June 1, 2025, the effective date of the annual OPEB valuation, was as follows:

| Participants | Number |
|---|---|
| Active employees | 42 |
| Retired employees | 18 |
| Total | 60 |

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

Total OPEB Liability: The June 1, 2025 ("Valuation date") Actuarial Valuation was used to calculate the June 1, 2025 Total OPEB Liability ("TOL"). The June 1, 2025 TOL was increased ("rolled forward") by service cost and interest and decreased by benefit payments to estimate the TOL as of May 31, 2026. The TOL as of May 31, 2026 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,:

| | 2026 | 2025 |
|---|---|---|
| Total OPEB liability | | |
| Beginning balance | $ 8,656,492 | $ 9,879,078 |
| Changes for the year: | | |
| Service cost | 178,542 | 245,434 |
| Interest cost | 454,840 | 411,351 |
| Changes of benefit terms | -0- | -0- |
| Differences between expected and actual experience | 215,562 | 27,602 |
| Changes of assumptions | 899,265 | (1,574,746) |
| Benefit payments | (347,264) | (332,227) |
| Net change in total OPEB liability | $ 1,400,945 | $ (1,222,586) |
| Total OPEB liability - ending | $ 10,057,437 | $ 8,656,492 |

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 4.77% on the amount of total OPEB liability:

**NOTE 8 - NON CURRENT LIABILITIES OTHER POSTEMPLOYMENT BENEFITIS LIABILITY (continued)**

| | 1% Decrease | Current | 1% Increase |
|---|---|---|---|
| Discount rate | 3.77% | 4.77% | 5.77% |
| Total OPEB Liability as of May 31, 2026 | $ 11,741,654 | $ 10,057,437 | $ 8,702,900 |

| | 1% Decrease | Curent | 1% Increase |
|---|---|---|---|
| Discount rate | 4.25% | 5.25% | 6.25% |
| Total OPEB Liability as of May 31, 2025 | $ 10,043,368 | $ 8,656,492 | $ 7,537,032 |

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 8.00% and ultimate 4.40% healthcare cost trend rates on the amount of total OPEB liability:

| | 1% Decrease | Current | 1% Increase |
|---|---|---|---|
| Healthcare cost trend rate (initial and ultimate) | (7.00%-3.40%) | (8.00%-4.40%) | (9.00%-5.40%) |
| Total OPEB liability as of May 31, 2026 | $ 8,560,962 | $ 10,057,437 | $ 11,993,216 |

| | 1% Decrease | Current | 1% Increase |
|---|---|---|---|
| Healthcare cost trend rate (initial and ultimate) | (6.00%-3.40%) | (7.00%-4.40%) | (8.00%-5.40%) |
| Total OPEB liability as of May 31, 2025 | $ 7,367,522 | $ 8,656,492 | $ 10,313,437 |

Components of the OPEB Expense for Fiscal Years Ended May 31,

| | 2026 | 2025 |
|---|---|---|
| Service cost | $ 178,542 | $ 245,434 |
| Interest on the total OPEB liability | 454,840 | 411,351 |
| Differences between expected and actual experience - amortized | (71,293) | (88,962) |
| Changes of assumptions - amortized | (76,766) | (150,476) |
| Changes of benefit terms | -0- | -0- |
| Total OPEB expense | $ 485,323 | $ 417,347 |

**NOTE 8 - NON CURRENT LIABILITIES OTHER POSTEMPLOYMENT BENEFITS LIABILITY (continued)**

| | Amount for Period | Portion of Period | Interest Rate | Interest on the Total OPEB Liability |
|---|---|---|---|---|
| Beginning total OPEB liability | $ 8,656,492 | 100% | 5.25% | $ 454,466 |
| Service Cost | 178,542 | 100% | 5.25% | 9,373 |
| Benefit payments | (347,264) | 50% | 5.25% | (8,999) |
| Total interest on the Total OPEB liability | | | | $ 454,840 |

As of May 31, 2026, the unamortized balances of deferred inflows and deferred outflows were as follows:

| Description | Deferred outflows | Deferred inflows |
|---|---|---|
| Difference between expected and actual experience | $ 1,272,999 | $ (1,085,883) |
| Change in assumptions | 1,564,583 | (2,736,594) |
| Total | $ 2,837,582 | $ (3,822,477) |

As of May 31, 2025, the unamortized balances of deferred inflows and deferred outflows were as follows:

| Description | Deferred outflows | Deferred inflows |
|---|---|---|
| Difference between expected and actual experience | $ 1,195,305 | $ (1,295,044) |
| Change in assumptions | 922,448 | (3,070,489) |
| Total | $ 2,117,753 | $ (4,365,533) |

The deferred outflows and inflows are amortized over 12.2 years, and included in OPEB expense as follows:

| | Expense |
|---|---|
| 2027 | $ (148,059) |
| 2028 | (148,059) |
| 2029 | (148,059) |
| 2030 | (156,699) |
| 2031 | (211,338) |
| Thereafter | (172,681) |

**NOTE 8 - NON CURRENT LIABILITIES OTHER POSTEMPLOYMENT BENEFITS LIABILITY (continued)**

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.

Actuarial Methodologies:
Reporting Date: May 31, 2026
Measurement Date: May 31, 2026
Actuarial Valuation Date: June 1, 2025

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 normal cost is the sum of the individual normal costs for all active members. For an active member, the normal cost is the member's normal cost accrual rate. The normal cost accrual rate equals the present value of future benefits for the participant, determined as of the participant's entry age, divided by the present value of the level dollar amount expected to be paid for the participant for each year of the participant's anticipated future service, determined as of the participant's entry 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.

**NOTE 8 - NON CURRENT LIABILITIES OTHER POSTEMPLOYMENT BENEFITS LIABILITY (continued)**

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, 2025: The valuation reflects changes in the actuarial assumptions regarding interest and healthcare cost trend rates. The assumptions were changed to represent the enrolled actuary's current best estimate of anticipated experience of the plan.

Interest (Discount Rate): 4.77% (Prior: 5.25%)
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, 2026.

Rate of compensation increase (including inflation): 2.40%. (Prior: 2.40%)
The assumption is based on historical national wage increases and input from the plan sponsor regarding future expectations.

Inflation: 2.40%. (Prior: 2.40%)
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 2026 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust (OASDI).

Mortality: Pub-2016 Public Retirement Plans Mortality tables for General Employees, for non-annuitants and annuitants, projected to the valuation date with scale MP-2021.

Mortality Improvement: Projected to date of decrement using Scale MP-2021 (generational).

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

| Age | Rate |
|---|---|
| Less than 62 | 0% |
| 62-64 | 9% |
| 65-69 | 20% |
| 70+ | 100% |

The actuarial assumption 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.

**NOTE 8 - NON CURRENT LIABILITIES OTHER POSTEMPLOYMENT BENEFITS LIABILITY (continued)**

Termination Prior to Retirement: Sample Age-Based Withdrawal Rates (until eligible to retire). Vaughn Ultimate Table multiplied by 0.5:

| Age | Rate |
|---|---|
| 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.

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

Healthcare Cost Trend Rates: The Pre-65 rate of increase is 8.00% in 2025, decreasing by 0.2% each year to an ultimate rate of 4.40% per year for 2043 and later. (Prior: 7.00% in 2023, reducing by 0.2% each year to a final 4.40% per year rate for 2036 and later.) Post-65 rate of increase is 7.00% in 2025, decreasing by 0.2% each year to a final 4.40% per year for 2038 and later. Medicare Part B is assumed to increase by 3.40% 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.

| Annual Medical Premium Rates | |
|---|---|
| Pre-65 - Employee Only | $ 17,754 |
| Pre-65 – Family | 40,414 |
| Post 65 - Employee Only | 6,622 |
| Post 65 - Two Person | 18,138 |
| Medicare Part B | 2,220 |

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.

**NOTE 8 - NON CURRENT LIABILITIES OTHER POSTEMPLOYMENT BENEFITS LIABILITY (continued)**

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.

**ACCRUED VACATION AND SICK LEAVE**

The Water Authority's liability for accumulated compensated absences, such as accrued vacation and sick pay, is $1,487,800 and $1,355,900 at May 31, 2026 and May 31, 2025, respectively, and has been accrued in the Statement of Net Position.

Employees that will be paid their compensated absences before May 31, 2027 due to a separation of service is reported as an amount due within the year.

**NOTE 9 – ARBITRAGE REBATE AND YIELD RESTRICTION LAIBILITY**

The Water Authority calculated after May 31, 2026, that it owes $3,538,411 due to excess earnings on bond borrowings. The Water Authority paid 90% or $3,184,570 in August 2026 which is included in accounts payable and accrued liabilities in the statement of net position. The remaining 10% or $353,841 is recorded as a non-current liability in the statement of net position.

## NOTE 10 - NET POSITION

Net position represents the difference between assets and liabilities. As of May 31, 2026 and 2025 the components of net position were:

| Invested in capital assets net of related debt: | 2026 | 2025 |
|---|---|---|
| Capital assets, net of accumulated depreciation | $ 182,579,703 | $ 169,809,675 |
| Revenue bonds payable and capital related payables | (143,829,654) | (149,216,345) |
| Deferred outflows | 2,264,481 | 2,384,506 |
| Unspent debt proceeds in construction and reserve funds | 18,816,848 | 34,272,525 |
| Accounts payable and accrued liabilities | (1,780,104) | (5,706,918) |
| Total invested in capital assets, net of related debt | $ 58,051,274 | $ 51,543,443 |
| Total restricted for rate stabilization | 2,500,000 | 2,000,000 |
| Unrestricted | 34,906,112 | 31,398,033 |
| Total net position | $ 95,457,386 | $ 84,941,476 |

## NOTE 11 – COMMITMENTS AND CONTINGENCIES

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.

## NOTE 12 - 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. For the year beginning June 1, 2024, the Board approved a 1.66% increase in water rates. For the year beginning June 1, 2025, the Board approved a 3.21% increase in water rates.

## NOTE 13 - SUBSEQUENT EVENTS

The Water Authority evaluated subsequent events through September 30, 2026, the date on which the financial statements were available to be issued.

In August 2026, the Water Authority received its Interim Excess Earnings Report for its Water System Revenue Bonds, Series 2021A (Green Bonds). The Water Authority's liability for cumulative excess earnings is $3,538,411. These financial statements include an accrual for this liability.

## NOTE 14 – CERTAIN RISK DISCLOSURES

The United States Environmental Protection Agency (EPA) has mandated that every public water system must replace all lead and galvanized service lines in its area by 2037. The replacement of the service lines also requires the Water Authority to replace the street to its original condition. The Water Authority has already began to replace the 4,463 lead and galvanized service lines, and as of May 31, 2026 it estimates that 3,990 will still have to be replaced.

The Water Authority has applied for Federal and New York State grants for this purpose but as of September 30, 2026 no grants have been awarded to the Water Authority for the lead and galvanized service lines replacement. The Water Authority plans to apply for additional grant funding should additional grants become available. The net cost to comply with the EPA directive will be passed on to the water users in the Water Authority's Service area.

Public water systems in New York must monitor and test for more than one hundred different contaminants on a regular schedule, including PFOA, PFOS and 1,4-dioxane. Presently the Water Authority has six remediation projects that are partially funded by Water Infrastructure Improvements program grants (WIIA). The Water Authority operates fifteen well stations, with twenty-four wells located throughout the Service Area. Should any of these well stations or wells that are constantly being tested, have contaminants that exceed maximum containment levels (MCLs), the Water Authority must take immediate action to maintain its water quality. The cost to design and build remediation infrastructure may require the Water Authority to bond the cost, apply for grant assistance, if available, and increase water rates to the water users in its Service area.

## NOTE 15 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Water Authority has adopted all current GASB Statements that are applicable. The GASB has issued the following statements which will be effective in future years:

GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for the year ending May 31, 2027.

**NOTE 15 – FUTURE ACCOUNTING PRONOUNCEMENTS (continued)**

GASB Statement No. 104 – Disclosure of Certain Capital Assets. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. The requirements of this Statement are effective for the year ending May 31, 2027.

GASB Statement No. 105 – Subsequent Events. The objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this statement are effective for the year ending May 31, 2028.

The Water Authority is currently evaluating the impact of the above pronouncements.

**NOTE 16 - RECLASSIFICATION IN STATEMENTS OF CASH FLOWS**

For the year ended May 31, 2025, the Water Authority reclassified Acquisition of Capital Assets ($26,155,128) from investing activities to capital financing activities in the statement of cash flows. Proprietary-type activities should report acquisition of capital assets as capital and related financing activies.

WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF CHANGES IN THE TOTAL
OPEB LIABILITY AND RELATED RATIOS
AS OF MAY 31, 2026

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|---|
| Measurement Date | June 1, 2025 | June 1, 2024 | June 1, 2023 | June 1, 2022 | June 1, 2021 | June 1, 2020 | June 1, 2019 | June 1, 2018 |
| Total OPEB Liability: | | | | | | | | |
| Service cost | $ 178,542 | $ 245,434 | $ 277,031 | $ 313,268 | $ 477,952 | $ 310,796 | $ 242,793 | $ 208,985 |
| Interest | 454,840 | 411,351 | 313,965 | 281,090 | 243,066 | 169,665 | 248,011 | 242,479 |
| Changes in benefit terms | -0- | -0- | -0- | -0- | -0- | 2,786,817 | -0- | -0- |
| Differences between expected and actual experience | 215,562 | 27,602 | 1,257,584 | 162,221 | (1,059,077) | (17,292) | (1,250,091) | (43,074) |
| Changes of assumptions or other inputs | 899,265 | (1,574,746) | (108,585) | (765,987) | (1,407,580) | (82,164) | 1,675,361 | 380,094 |
| Benefits Payments | (347,264) | (332,227) | (275,074) | (314,450) | (172,763) | (110,354) | (81,181) | (65,124) |
| Net change in total OPEB Liability | $ 1,400,945 | $ (1,222,586) | $ 1,464,921 | $ (323,858) | $ (1,918,402) | $ 3,057,468 | $ 834,893 | 723,360 |
| Total OPEB liability- beginning of year | 8,656,492 | 9,879,078 | 8,414,157 | 8,738,015 | 10,656,417 | 7,598,949 | 6,764,056 | 6,040,696 |
| Total OPEB liability- end of year | $ 10,057,437 | $ 8,656,492 | $ 9,879,078 | $ 8,414,157 | $ 8,738,015 | $ 10,656,417 | $ 7,598,949 | $ 6,764,056 |
| Covered employee payroll | $ 4,728,075 | $ 4,415,210 | $ 4,311,728 | $ 4,302,980 | $ 4,202,129 | $ 4,293,018 | $ 4,184,228 | $ 4,078,195 |
| Total OPEB liability as percentage of covered employee payroll | 212.72% | 196.06% | 229.12% | 195.54% | 207.94% | 248.23% | 181.61% | 165.86% |
| Notes to Required Supplementary Information: | | | | | | | | |
| Discount Rate | 4.77% | 5.25% | 4.13% | 3.67% | 3.16% | 2.20% | 2.16% | 3.56% |

Plan Assets

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, Paragraph 4, to pay related benefits.

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.

WATER AUTHORITY OF WESTERN NASSAU COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS

| Measurement date March 31, | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Water Authority's proportion of the net pension (asset)/liability | 0.0133722% | 0.0138273% | 0.0136737% | 0.136015% | 0.014041% | 0.012671% | 0.013000% | 0.013530% | 0.0137008% | 0.0134700% |
| Water Authority's proportionate share of the net pension (asset)/liability | $ 754,426 | $ 2,370,798 | $ 2,013,323 | $ 2,916,700 | $ (1,147,769) | $ 12,617 | $ 3,442,508 | $ 958,653 | $ 442,184 | $ 1,265,672 |
| Water Authority's covered-employee payroll | $ 5,227,829 | $ 5,120,723 | $ 4,788,072 | $ 4,473,559 | $ 4,345,771 | $ 4,653,949 | $ 4,972,664 | $ 4,329,622 | $ 4,226,374 | $ 4,021,348 |
| Water Authority's proportionate share of the (asset)/liability as a percentage of its covered payroll | 14.43% | 46.30% | 42.05% | 65.20% | 26.41% | 0.27% | 69.23% | 22.14% | 10.46% | 31.47% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.78% | 93.08% | 93.88% | 90.78% | 103.65% | 99.95% | 86.39% | 96.30% | 98.20% | 94.70% |
| Discount Rate | 5.9% | 5.9% | 5.9% | 5.9% | 5.9% | 5.9% | 6.8% | 7.0% | 7.0% | 7.0% |

The amounts presented for each fiscal year were determined as of March 31.

See Paragraph on Required Supplementary Information Included in Independent Auditor's Report

WATER AUTHORITY OF WESTERN NASSAU COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CONTRIBUTIONS TO THE NEW YORK STATE

EMPLOYEES' RETIREMENT SYSTEM

LAST 10 FISCAL YEARS

| Year ended May 31, | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 788,582 | $ 690,386 | $ 580,154 | $ 527,661 | $ 739,932 | $ 636,667 | $ 631,620 | $ 638,525 | $ 624,506 | $ 595,561 |
| Contributions in relation to the contractually required contribution | 788,582 | 690,386 | 580,154 | 527,661 | 739,932 | 636,667 | 631,620 | 638,525 | 624,506 | 595,561 |
| Contribution deficiency (excess) | $ -0- | $ -0- | $ -0- | $ -0- | $ -0- | $ -0- | $ -0- | $ -0- | $ -0- | $ -0- |
| Water Authority's covered payroll | $ 5,287,591 | $ 5,100,615 | $ 4,930,061 | $ 4,294,029 | $ 4,911,297 | $ 4,293,917 | $ 4,184,228 | $ 4,314,686 | $ 4,213,397 | $ 3,991,415 |
| Contributions as a percentage of covered-employee payroll | 14.91% | 13.54% | 11.77% | 12.29% | 15.07% | 14.83% | 15.10% | 14.80% | 14.82% | 14.92% |

See Paragraph on Required Supplementary Information Included in Independent Auditor's Report

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## INDEPENDENT AUDITOR'S 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 business type activities of the Water Authority of Western Nassau County as of and for the year ended May 31, 2026, 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 September 30, 2026.

***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 audit 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.

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

***Report on Internal Control over Financial Reporting (continued)***

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

***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*.

***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.

Rynkar, Vail & Barrett, LLP

RYNKAR, VAIL & BARRETT, LLP

Jericho, New York
September 30, 2026