

**WATER AUTHORITY OF WESTERN NASSAU COUNTY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED MAY 31, 2020 AND 2019
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**



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Superintendent
Water Authority of Western Nassau County, New York

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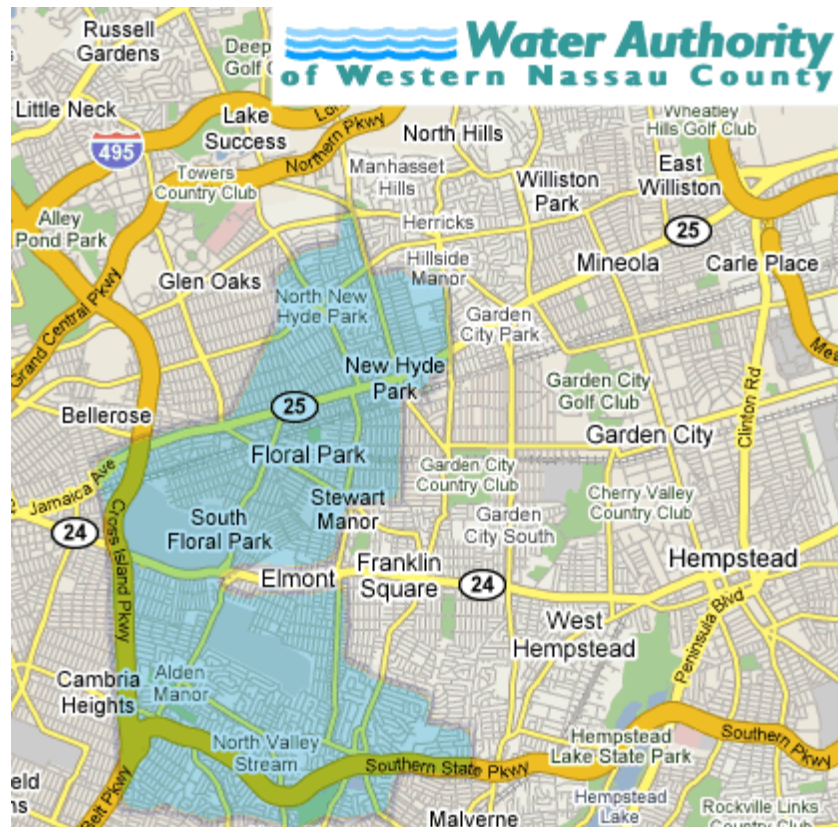
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SECTION A: INTRODUCTORY SECTION



Water Authority

of Western Nassau County

LETTER OF TRANSMITTAL

October 30, 2020

The Honorable Members of the Board of Directors and our Customers
Water Authority of Western Nassau County
1580 Union Turnpike,
New Hyde Park, NY 11040-1762

The Department of Accounting is pleased to transmit the Comprehensive Annual Financial Report ("CAFR") of the Water Authority of Western Nassau County, ("the Water Authority") for the fiscal year ended May 31, 2020. This letter of transmittal is designed to complement the Management's Discussion and Analysis ("MD&A") and should be read in conjunction with it. The Water Authority's MD&A can be found on pages 27-44, immediately following the report of the independent auditors.

INTRODUCTION

Management Representation

New York State Public Authorities Law requires that every public authority publish, within 90 days of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended May 31, 2020. This report was prepared by the Accounting Department of the Water Authority in conformance with the current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board ("GASB"), on a consistent basis. The presentation of data is designed to comply with the guidelines recommended by the Government Finance Officers Association of the United States and Canada ("GFOA").

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the information provided in the comprehensive annual financial report (CAFR) is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Water Authority. All disclosures necessary to enable the reader to gain an understanding of the Water Authority's financial and operational activities have been included.

Tabriztchi & Company, CPA, P.C., Independent Certified Public Accountants, have issued an unmodified ("clean") opinion on the financial statements of the Water Authority of Western Nassau County, for the year ended May 31, 2020. The independent auditors' report is located at the front of the financial section of this report, pages 25 to 26.

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Organization of Report

The CAFR is presented in four sections as follows:

1. The *Introductory Section (Section A)* includes this transmittal letter, excerpts from the charter, organization chart, and the list of principal officials, and is intended to familiarize the reader with the organizational structure of the Water Authority and the nature and scope of the services provided. This letter is designed to complement the MD&A and should be read in conjunction with it. The Introductory Section can be found on pages 1 through 23.
2. The *Financial Section B (Section B)* includes the independent auditors' report on the basic financial statements, the management's discussion and analysis (MD&A) of the Water Authority's overall financial position and results of operations, the audited financial statements, including the accompanying note disclosures and the required supplemental schedules. The Water Authority's MD&A, basic financial statements, including notes and the required supplemental schedules can be found on pages 25 through 91.
3. The *Statistical Section (Section C)* contains comprehensive statistical data on the Water Authority's financial trends, revenue capacity, debt capacity, demographic and economic environment and operating information for the past ten years. The Water Authority's Statistical Section can be found on pages 93 through 129.
4. The *Compliance Section (Section D)* contains the independent auditors' report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards. The report is presented on pages 131 and 132.

Organization's Profile

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. 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 the Jamaica Water Supply Company. The Water Authority serves a population of approximately 120,000 within the Town of Hempstead and the Town of North Hempstead.

The Water Authority is neither required to pay taxes, special ad valorem levies or special assessments upon the real property owned by it, nor is required to pay any filing, recording or transfer fees or taxes in relation to instruments filed, recorded or transferred by or on its behalf. The Water Authority may pay or enter into agreements with any municipality to pay annual amounts for the real property located in that municipality that constitutes a part of the District. The drilling of wells and acquisition of water are subject to the Jurisdiction of the State of New York, Department of Environmental Conservation ("DEC"). The powers of DEC in this respect are statewide and extend on all water service providers.

The mission of the Water Authority is as follows: *To satisfy customer expectations for high quality, reliable water service provided in a responsive and efficient manner at the lowest reasonable price.*

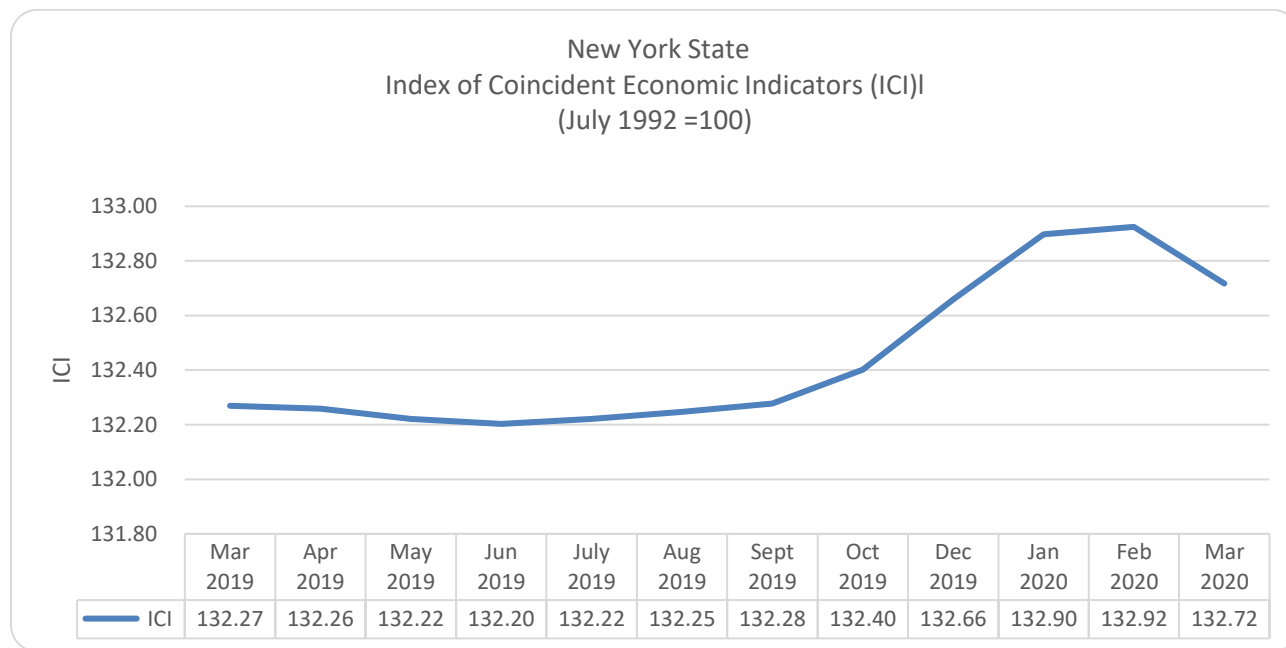
LOCAL ECONOMIC CONDITIONS AND OUTLOOK

Economic Conditions

The New York State Department of Labor's Division of Research and Statistics calculates and publishes a monthly composite index of business cycle indicators. More formally known as the Index of Coincident Economic Indicators (ICEI), the index is designed to provide reliable and timely information about current economic conditions in New York State. The ICEI model combines and weights four key indicators of statewide economic activity, which have historically moved in conjunction with the state's business cycles: (1) private sector employment, (2) unemployment rate, (3) average weekly hours of manufacturing workers and (4) sales tax collections.

With the onset of COVID-19 pandemic in January 2020, the monthly, seasonally adjusted ICEI began to decline to 132.72, in March 2020 (Chart 1).

CHART 1



Source: New York State Department of Labor

Due to the impact of Covid-19, New York State's real gross domestic product (GDP) decreased 8.2% in the first three months of 2020 compared to the fourth quarter of 2019, ranking the State of New York as the 49th out of 50, according to Bureau of Economic Analysis (BEA) estimates of seasonally adjusted annual data (Chart 2).

On March 27, 2020, Federal government enacted the Coronavirus Aid, Relief and Economic Security (CARES) and established several temporary programs to sustain personal income, provided subsidies to businesses, and grants to state and local governments. During the second quarter, several provisions of CARES act took effect. Most significantly, provisions from the one-time Economic Impact Payments to individuals and expanded Unemployment Insurance Program benefits boosted personal current transfer

receipts and personal income while the portion of forgivable loans to businesses through the Paycheck Protection Program (PPP) raised proprietors' income. State of New York personal income decreases in net earnings and property income (personal dividend income, personal interest income, and rental income of persons) were more than offset by increases in personal current transfer receipts in the second quarter (Table 1).

Table 1
Personal Income, population, per Capita Personal Income and
Percentage Change in Gross Domestic Product of State of New York
Quarter 1, 2019 to Quarter 2, 2020

	Personal Income ^c	Population (midperiod, persons) ^a	Per capita personal income (dollars) ^b	Percentage Change in GDP
Quarter 1, 2019	1,378,582	19,484,377	70,753	4.8%
Quarter 2, 2019	1,393,285	19,462,607	71,588	2.4%
Quarter 3, 2019	1,399,483	19,447,906	71,961	(0.5)%
Quarter 4, 2019	1,409,240	19,433,507	72,516	1.3%
Quarter 1, 2020	1,421,415	19,411,689	73,225	(6.2)%
Quarter 2, 2020	1,493,369	19,390,996	77,014	(36.3)%

Source: US Bureau of Labor Statistics

- a. Midquarter population estimates by state are derived by BEA based on unpublished Census Bureau estimates of beginning-of-month population. Quarterly estimates for 2010-2020 reflect unpublished monthly population estimates available as of February 2020.*
- b. Per capita personal income is total personal income divided by total quarterly population estimates.*
- c. Millions of dollars seasonally adjusted at annual rates. All dollar estimates are in current dollars (not adjusted for inflation). Calculations are performed on unrounded data.*

Second-quarter State of New York percentage change in GDP (Seasonally adjusted and at annual rate declined 36.3%. The decline was the highest decrease on record, among the largest decreases among the states, and considerably more than the 31.4% decrease in national GDP. New York's economic performance ranked 44th among fifty states.

New York's economic decline from April through June was concentrated in three sectors: accommodation and food services, arts entertainment and recreation, and retail trade. The loss of business in these three industries accounted for fully one third of New York's GDP decline, compared to just over one-quarter of the decrease in GDP nationally. New York also experienced and administrative and support. Together, these sectors accounted for another 16 percent of the GDP drop, compared to 12 percent of the national decline.

Wages, Salaries and Employment in Nassau County

The US Bureau of Labor Statistics' preliminary estimates of annual reporting units, total wages and average employment and wages , for 2019, are shown in the following table:

TABLE 2
Nassau County
Annual Reporting Units, Average Employment, Total Wages and Average Wages
By Industry Sectors
2019

Industry Title	Reporting Units	Average Employment	Total Wages	Average Wages
Total, All Industries	53,997	632,138	\$40,134,356,628	\$63,490
Total, All Private	53,255	554,161	33,904,336,286	61,181
Agriculture, Forestry, Fishing and Hunting	40	217	7,513,124	34,623
Utilities	39	3,867	508,691,402	131,547
Construction	4,638	33,299	2,714,437,841	81,517
Manufacturing	1,040	17,185	1,202,030,630	69,947
Wholesale Trade	3,107	24,904	2,194,686,665	88,126
Retail Trade	5,848	78,685	3,032,795,087	38,543
Transportation and Warehousing	1,160	17,660	970,809,893	54,972
Information	569	8,304	762,349,600	91,805
Finance and Insurance	2,597	27,702	2,745,453,638	99,107
Real Estate and Rental and Leasing	2,620	10,310	756,881,071	73,412
Professional and Technical Services	7,055	38,128	3,379,801,957	88,644
Management of Companies and Enterprises	254	6,631	698,932,012	105,404
Administrative and Waste Services	3,734	30,652	1,657,998,713	54,091
Educational Services	753	21,256	979,109,981	46,063
Health Care and Social Assistance	6,007	139,933	9,224,114,707	65,918
Arts, Entertainment, and Recreation	886	12,293	538,080,496	43,771
Accommodation and Food Services	3,708	50,695	1,343,746,611	26,506
Other Services, Ex. Public Admin	5,848	30,203	1,063,162,250	35,201
Total, All Government	742	77,977	6,230,020,342	79,896
Unclassified	3,349	2,237	123,643,577	55,272

Source, New York State, Department of Labor, Quarterly Census of Employment and Wages

Five industries including health care and social assistance, government, professional and technical services, retail trade, and finance and insurance accounted for approximately 2/3 of the employment and wages. The health care and social services and government were the two largest employers, accounting for 23.0% and 15.5% of the employment, respectively.

The amount and percentage changes in employment and wages in Nassau County are presented in the following table:

TABLE 3
Nassau County
Change in Average Employment, and Average Wages
By Industry Sectors
2018 to 2019

Industry Title	2018 to 2019 Change in			
	Average Employment		Average Wages	
	Number	Percent	Amount	Percent
Total, All Industries	(707)	-0.1%	\$1,734	2.9%
Total, All Private	(707)	-0.1%	\$1,734	2.9%
Agriculture, Forestry, Fishing and Hunting	4	1.9%	(842)	-2.4%
Utilities	(33)	-0.8%	3,400	2.7%
Construction	(90)	-0.3%	4,766	6.2%
Manufacturing	(609)	-3.4%	2,065	3.0%
Wholesale Trade	(675)	-2.6%	3,131	3.7%
Retail Trade	(2,363)	-2.9%	2,382	6.6%
Transportation and Warehousing	1,541	9.6%	(1,333)	-2.4%
Information	(1,559)	-15.8%	4,263	4.9%
Finance and Insurance	(993)	-3.5%	4,748	5.0%
Real Estate and Rental and Leasing	(297)	-2.8%	2,504	3.5%
Professional and Technical Services	(907)	-2.3%	4,002	4.7%
Management of Companies and Enterprises	(740)	-10.0%	2,528	2.5%
Administrative and Waste Services	453	1.5%	4,207	8.4%
Educational Services	100	0.5%	(205)	-0.4%
Health Care and Social Assistance	5,909	4.4%	(122)	-0.2%
Arts, Entertainment, and Recreation	(181)	-1.5%	2,825	6.9%
Accommodation and Food Services	(546)	-1.1%	1,354	5.4%
Other Services, Ex. Public Admin	(554)	-1.8%	(455)	-1.3%
Total, All Government	458	0.6%	741	0.9%
Unclassified	836	59.7%	384	0.7%

Source, New York State, Department of Labor, Quarterly Census of Employment and Wages

In 2019, the employment in most industries declined, particularly the decrease retail industry was 2,363 (2.9%) and the decrease Information industry was 1,559 (15.8%). and as a result, the average employment in all industries was down by 707 (0.1%). The only industry showing substantial increase in employment was healthcare and social assistance. The 2019 increase in health and social assistance employment of 5,909 (4.4%) followed 5,363 (0.01%) rises, in 2018. In 2019, the average annual wages increased \$1,734 (2.9%).

The unemployment rates in Nassau County has compared favorably with Suffolk County, New York City and State of New York. For the period December 2010 to 2019, the unemployment rates for Nassau County and the State of New York were as follows:

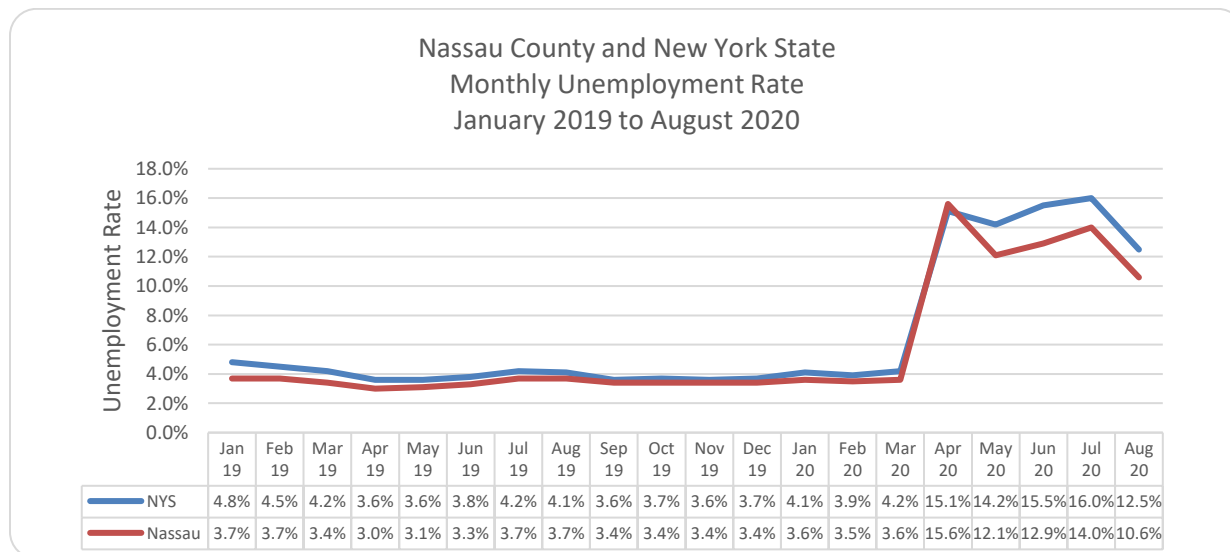
TABLE 4
Nassau County
Annual Average Unemployment Rates
2010 to 2019

Year	Nassau County	New York State
2010	7.1%	8.6%
2011	6.8%	8.3%
2012	7.0%	8.5%
2013	5.9%	7.7%
2014	4.8%	6.3%
2015	4.2%	5.3%
2016	3.9%	4.9%
2017	4.1%	4.7%
2018	3.6%	4.1%
2019	3.4%	4.0%

Source: The United States Department of Labor, Bureau of Labor Statistic

The monthly unemployment rates for Nassau County and State of New York are presented in the Chart 2, for January 2019 to August 2020. In April 2020, due to Covid-19 pandemic the rate of unemployment in Nassau County increased to 15.6% surpassing the 15.1% for the State of New York. Since then, the unemployment rate has come down to 10.6%, below 12.5% of the State of New York, in August 2020.

CHART 2



Household, Per Capita and Personal Incomes

Income of Households -includes the income of the householder and all other persons 15 years old and over in the household, whether related to the householder or not. Because many households consist of only one-person, average household income is usually less than average family income. According to the 2014-2018 survey of the US Census Bureau, Nassau County median household income was \$111,240 as

compared to the State of New York median income of \$65,323 and national median income of \$60,293.
<https://www.census.gov/quickfacts/nassaucountynynewyork>

Per capita income- is the mean income computed for every man, woman, and child in Nassau County. It is derived by dividing the aggregate income of the County by the total population. This measure is rounded to the nearest whole dollar. This per capita income is based on data collected in the American Community Survey (ACS) conducted annually by the U.S. Census Bureau. A sample of over 3.5 million housing unit addresses is interviewed each year over a twelve-month period, in the United States. This estimate is based on five years of ACS sample data and describes the average value of person, household and housing unit characteristics over this period of collection.

According to the 2014-2018 Census Bureau survey, the annual per capita income in the Nassau County was \$49,211 as compared to the New York State amount of \$37,470 and the national average of \$32,621.

Personal income - is the sum of wages and salaries, supplements to wages and salaries, proprietors' income, personal interest income, and personal current transfer receipts, less contributions for government social insurance, plus the adjustment for residence. Personal income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars.

Personal income statistics provide a framework for analyzing current economic conditions. They are used in estimating the demand for the Water Authority services and to determine whether the service area has sufficient income to enable the Water Authority to undertake and support major capital improvement projects.

Per capita personal income is calculated as the total personal income of the residents of Nassau County divided by the resident population of the County. For the period 2010 to 2019, the Nassau County population, total and per capita personal income and comparative per capita income for New York State are shown in the following table:

TABLE 5
Nassau County Total Population, Total and Per Capita Annual Personal Income
and New York State Per Capita Annual Personal Income
2010 to 2019

Year	Nassau County Total		Per Capita Personal Income	
	Population	Personal Income (In thousands)	Nassau County	New York State
2010	1,341,687	\$87,965,999	\$65,564	\$48,972
2011	1,346,176	92,208,048	68,496	51,498
2012	1,349,723	99,252,677	73,536	53,982
2013	1,352,399	97,926,565	72,410	54,491
2014	1,355,029	102,136,414	75,376	56,743
2015	1,355,319	106,490,896	78,573	59,141
2016	1,356,463	109,452,354	80,690	61,226
2017	1,357,664	115,629,541	85,168	65,644
2018	1,358,343	122,032,027	89,839	68,668
2019	1,356,924	126,521,571	93,241	71,717

Source: US Department of Commerce, Bureau of Economic Analysis

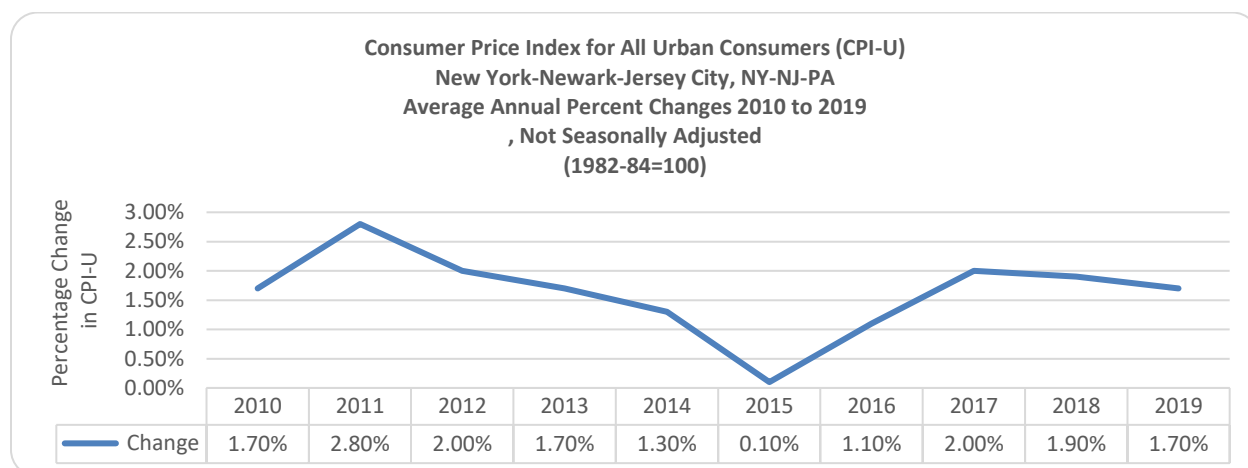
From 2018 to 2019, Nassau County per capita annual personal income increased by \$3,402 (3.8%), as compared to \$3,049 (4.4%) increase in the State of New York. Over the period 2010 to 2019, the average

annual rate of growth of per capita personal income in Nassau county and State of New York were 3.2% and 3.4%, respectively. Over the last decade, the annual per capita personal income in Nassau County has been approximately 30% higher than the average for the State of New York.

Consumer Prices in the New York Region

Consumer price rises in the New York Region have historically been somewhat different from the national inflation rates, principally because of the region's disproportionate dependence on imported oil. The rates of increase in average Annual All Urban Consumer Price Index (CPI-U), in New York-Northern New Jersey-Long Island Area, for the period 2010 to 2019 are presented in the Chart 3:

CHART 3



Source: The United States Department of Labor, Bureau of Labor statistics

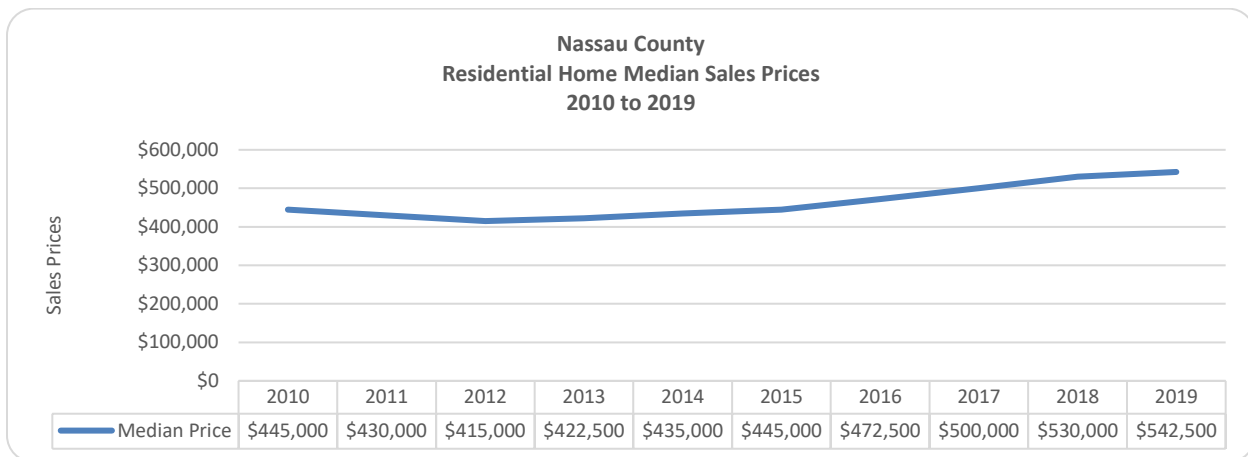
The New York-Newark-Jersey City, NY-NJ-PA Core Based Statistical Area includes Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union Counties in New Jersey; and Pike County in Pennsylvania.

Over the last decade, the rate of increase in CPI-U has been lower than the 2% Federal reserve target rate. Since 2017, the decline in rate of increase of CPI-U has been primarily due to lower fuel prices.

Real Estate and Housing in Nassau County

According to the US Census Bureau, the number of housing units in Nassau County slightly increased from 468,346 units, on April 1, 2010, to 474,165 units, on July 1, 2019. Over the period 2014-2018, 80.60% of the Nassau County housing units were owner-occupied and the median value of their homes was \$474,800. The median selected monthly costs of the homeowners, including mortgage, was \$3,193 and without a mortgage was \$1,360. The median gross monthly rent for 2014-2018 was \$1,738.

The median sale price of homes in Nassau County increased by \$12,500 (2.4%) while the number of sales decreased by 3,692 (27.1%) in 2019. The median sales price had increased by \$30,000 (6.0%) and the sales had decline by 61 units (0.4%) in 2018. The number of sales and median sales prices of houses in Nassau County are presented in the Chart 4:

CHART 4

Source: State of New York Office of Real Property Tax Services

Annually, the Fair Market Monthly Rentals (FMR) in Long Island are estimated by the U.S. Department of Housing and Urban Development (“HUD”). The FMRs set limits on the subsidy provided to the households and is the 40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in Nassau County housing market. The 2020 FMRs were \$1,298 for a studio apartment, \$1,624 for one bedroom, \$1,992 for two-bedrooms, \$2,563 for three-bedrooms and \$2,858 for a four-bedroom apartment. The 2019 FMRs were \$1,240 for a studio apartment, \$1,548 for one bedroom, \$1,907 for two-bedrooms, \$2,460 for three-bedrooms and \$2,756 for a four-bedroom apartment.

The housing permits issued in the Nassau County, over the last ten calendar years are presented in the following table:

TABLE 6**Nassau County****Number of Housing Units Authorized by Building Permit by Size Category**

Years	Single Family	Two Family	Three and Four Family	Five or More Family	Total
2019	726	32	-	779	1,537
2018	816	16	-	152	984
2017	943	8	8	528	1,487
2016	609	6	8	118	741
2015	608	4	-	474	1,086
2014	640	4	4	257	905
2013	630	10	-	154	794
2012	343	-	-	274	619
2011	311	2	-	540	853
2010	400	28	63	32	523

(a) Estimates with Imputation - includes reported data for monthly and annual respondents and imputed data for monthly and annual nonrespondents.

Source: U.S. Census Bureau (<https://socds.huduser.gov/permits/>)

The preceding table provides building permit statistics on new privately-owned residential construction. The number of permits issued in 2019 increase 553 (36.0%). As of August 2020, the number of single family and total permits issued were 130 and 775, respectively.

SYSTEM FACILITIES AND WATER SUPPLY

The Water Authority operations are conducted from its headquarters building at 1580 Union Turnpike, New Hyde Park. Operations staff maintains 24-hour coverage of the Water System facilities through a Supervisory Control and Data Acquisition (SCADA) system that is connected to all of the Water Authority's year-round well stations and other facilities. The SCADA system monitors system pressures, well flow rates, storage tank levels and plant alarms, and controls well and booster pumps and motor operated valves. The ability to monitor and automatically control well and booster pumps throughout the distribution system allows for greater operational flexibility.

Description of Existing Facilities

The Water System is comprised of the following existing types of facilities: supply, storage, treatment, pumping, transmission and distribution, and interconnection. Each System element has been designed and equipped for redundancy to assure reliable operations under a wide variety of contingency events.

Water Supply. The Water Authority draws groundwater for treatment and distribution from the Lloyd, Magothy and Upper Glacial aquifers. Access to multiple aquifers allows the Authority to modify its water sources.

The Water Authority operates 15 well stations, with 24 individual wells (five of which are currently out of service), located throughout the Service Area. Nine of the stations are automated and can be monitored and controlled through the SCADA system located at the Water Authority's offices in New Hyde Park, New York. Five of the well stations have strategically placed emergency power supplies.

Treatment Facilities. The Water Authority treats water at well stations to comply with applicable drinking water standards prior to distribution. Chlorination and pH adjustment are provided at all wells. Zinc metaphosphate is added for iron removal at two wells and zinc orthophosphate is added to the remaining wells to control corrosion. Air stripping towers and a Granular Activated Carbon ("GAC") unit are used to remove volatile organic compounds ("VOCs") from some wells. Iron treatment facilities are in service at three stations to remove high levels of iron and manganese. Wells are tested daily for chlorine residual, pH, and orthophosphate. Biweekly testing is taken for lead and copper water quality parameters. Monthly testing is done for VOCs and bacteria at locations with VOC facilities. Quarterly testing is performed for principal organic compounds and bacteria at stations without VOC facilities. All wells are tested annually for nitrates, perchlorate and inorganic compounds. Quarterly testing is performed for the disinfection by-products rule. Every eighteen months, tests are taken for synthetic organic compounds and pesticides.

A number of Water Authority wells experience low levels of VOCs, including industrial solvents trichloroethene ("TCE") and tetrachloroethene ("PCE"). Levels remain below minimum contaminant levels established by the New York State Department of Health. Where these compounds have been detected, the Water Authority analyzes samples on a monthly basis. Fourteen of the Water Authority's wells located at eight various stations are equipped with air stripping towers to remove VOCs. Two wells are currently being equipped with a GAC unit to remove VOCs. The Water Authority continues to monitor and evaluate the feasibility of VOC treatment at other well stations.

All of the Water Authority's wells currently comply with all applicable drinking water standards.

Storage Facilities. Storage tanks help satisfy peak demands beyond pump capacity and to assure an adequate supply of water during emergencies. At seven well stations, the Authority maintains steel or concrete water storage tanks of varying capacities. The tanks are located in both high and low-pressure zones for system redundancy. Total storage capacity is 11.9 million gallons.

Transmission and Distribution Facilities. The existing water distribution system is comprised of approximately 1,238,000 linear feet of 2 to 16-inch diameter water mains and piping, valves and appurtenances. The majority (90%) of the water mains are of unlined cast iron, with the remainder being mostly cement lined ductile iron pipe. The mains are located below public streets or under private property pursuant to easements.

Portions of the original distribution system are unlined cast iron pipe over 90 years old. In addition, approximately 800 linear feet is comprised of 4-inch or smaller diameter cast and wrought iron pipe. The Authority's practice is to remove and replace, when identified, those mains that do not comply with current best practices, including unlined cast iron pipe and 4-inch or smaller diameter pipe.

Interconnection Facilities. The Water System is connected to adjacent public water supplies at eleven Nassau County locations. The Water System interconnects with the Garden City Park Water District at two metered locations, one of which permits two-way flow and one which flows only to the Garden City Park system. There are four metered, two-way flow interconnections with the Franklin Square Water District, two metered two-way flow interconnections with the New York American Water Company, one unmetered two-way flow interconnection with the Manhasset/Lakeville Water District and two metered two-way flow interconnections with the Village of Garden City. There are also 6 interconnections between the Water System and the NYC Department of Environmental Protection system.

The Water System operates independently of adjacent systems. The Water Authority strives to provide a high level of service to its customers and to fully maintain Water System assets. The Water Authority programs include a flushing program performed twice annually to clear sediment from older, undersized distribution mains; valve, hydrant and interconnection maintenance; a water conservation program; equipment preventive maintenance schedules; summertime grounds keeping and maintenance programs; an annual leak detection program; cross training among Water Authority staff to improve emergency response; and hydrant painting. The Water Authority routinely evaluates the cost-effective use of outside service contractors for certain of these programs.

FINANCIAL INFORMATION

Internal Control Environment

Management of the Water Authority is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the water utility are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the accurate presentation of financial statements in conformity with generally accepted accounting principles ("GAAP"). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not outweigh their benefit.

Budget Formulation and Control

The Water Authority considers budget preparation and implementation as an important tool in planning operations and maintaining its fiscal responsibility and accountability. Annual operating and capital budgets are prepared by management and approved by the Board of Directors. The purpose of the budget process is to authorize and control expenditures, evaluate projected revenue to determine the Water Authority's ability to meet its obligations under various bond covenants and to provide analysis for planning purposes.

Board of Directors of the Water Authority approved the following changes in employee wages and benefits in its May 27, 2020 meeting:

1. The employee annual salaries were approved to increase 3.25% effective June 1, 2020, 3.00% effective June 1, 2021, 3.00% effective June 1, 2022, 3.00% effective June 1, 2023 and a 2.75% effective June 1, 2024.
2. The rates of required employee contributions toward the premiums for medical, dental and vision insurance coverage for all employees were reduced to 7.5% of the cost of the premiums effective June 1, 2020. Currently, the tier 1-employees contribute 10% and the tier 2-employees contribute 15% of the premiums.
3. The contribution of the Water Authority towards retiree health insurance was changed to 80%, for the cost of the premiums for individual and family coverage. Currently, Tier 1- retiree pays 40% of the cost of individual retiree medical coverage, and 60% of the cost of spousal coverage and Tier 2 -retiree pays 50% of the cost of individual retiree medical coverage, and 65% of the cost of spousal coverage.

Financial Reporting

Financial statements, consisting of a statement of net position, a statement of revenues and expenses and changes in net position and a report of cash balances and investments are prepared monthly, usually within two weeks of the last day of the month. A monthly presentation is made to the Board of Directors, comparing actual results of operations with the approved budget as well as prior year results. If unforeseen circumstances arise which alter the projections used in the budget process, a revision may be prepared by the Director of Finance, Accounting and Customer Service at the request of the Water Authority Superintendent for consideration and approval by the Board of Directors.

The New York State Public Authorities Accountability Act (PAAA) of 2005 imposed increased reporting and auditing requirements on public authorities, called for board member training and the disclosure of executive compensation rates, required each public authority to adopt a code of ethics, directed them to make their annual reports and required documentation available online, and restricted their power to dispose of real property for less than fair market value or without public bidding. The PAAA was followed in 2009 by enactment of the Public Authorities Reform Act, which gave the Authorities Budget Office the power to promulgate regulations, to initiate formal investigations, and to publicly warn and censure noncompliant authorities. Significantly, the act also clarified that board members operate as fiduciaries and are responsible for carrying out their duties with a reasonable degree of diligence, care, skill, and

independence. The Water Authority has implemented the necessary changes to meet its obligations in a timely manner.

The Water Authority's procurement policy , disposition of property Policy and the code of ethics, adopted by the Board of Directors, are presented on its website.

MAJOR ACCOMPLISHMENTS

Operational Efficiencies

The Water Authority completed its twenty-fourth full year of operation on May 31, 2020. During this year, the Water Authority has continued its practice of searching for operational efficiencies to control operation and maintenance expenses, supplying clean and reliable water and providing excellent service to its customers.

The Water Authority has instituted an aggressive program to encourage customers' payments for past due accounts by placing a direct phone call to the customer with the delinquency just prior to sending crews out to shut off the service due to non payment. This policy helps the Water Authority avoid having to incur the cost of sending a crew out to shut off service and then upon remittance of the receivable to turn the service back on.

Due to the efficiency of the collection department, accounts receivable write-offs for the Water Authority have been as follows:

TABLE 9	
Accounts Receivable Write-Offs	
Fiscal Years Ended May 31, 2010 To 2020	
Fiscal Year	Amount
2020	\$ \$47,209
2019	53,265
2018	38,909
2017	26,243
2016	25,188
2015	18,707
2014	18,086
2013	11,260
2012	15,508
2011	15,342
2010	18,763

Sources: Accounting Department

The Water Authority has made available new methods of paying water bills, including recurring automatic payment via customer checking accounts and online via credit card or check.

Water Conservation

The Water Authority has submitted a water conservation program to New York State Department of Environmental Conservation ("the DEC") in accordance with the regulations of the DEC. This program

includes universal metering, public education, outdoor water use restrictions, water conservation kits, residential and commercial water use audits, proactive bill audits and customer service line replacements. A program was established using seasonal employees who patrol the service territory during peak demand periods to assure water usage regulation compliance. According to the Board adopted terms, the first recorded violation is assigned a written warning; the second, third, fourth and fifth and any further violation is assessed a \$50, \$75, \$150 and \$300 service charge, respectively. This program has proven to be effective in raising the awareness of customers to the water usage restrictions at a low operating cost to the Water Authority

Water Quality Report

In accordance with New York State Public Health Law and Federal regulations, the Water Authority issued its 2019 Annual Water Quality Report. This report provides information about the quality of the drinking water, including a summary of the laboratory results for all testing performed by an independent laboratory, during 2019. The report informs that the Water Authority was in compliance with applicable State requirements regarding drinking water quality and operating, reporting and notification procedures. During the 2019 calendar year, the Water Authority conducted more than 36,500 tests for over 150 drinking water contaminants. In 2019, as in years past, the tap water met all United States Environmental Protection Agency ("EPA") and State of New York drinking water health standards.

System Improvements

The Water Authority has the sole authority to fix the water rates and collect charges that are necessary for the payment of its operating expenses and principal and interest on its bonds. No governmental board, agency, corporation, or officer of the State has jurisdiction or control over the water rates or charges. Section 1198-d (9) of the Act expressly declares that neither the New York State Public Service Commission nor any other control board or commission of like character has jurisdiction over the Water Authority in the management and control of its properties and operations or any power over rates fixed or charges collected by the Water Authority. The Act requires that the rates or charges to be changed only following a public hearing session.

All customers are subject to basic service charge of \$48.42, which represents the minimum charge billed whether or not the customer uses any water. The basic service charge entitles a customer to use up to 9,000 gallons each 90 day (100 gallons per day). This charge includes the cost of maintaining and reading meters, along with certain other costs of services provided by the Water Authority.

Both residential and commercial customers are billed quarterly for the preceding three-month period. All bills are due upon receipt and become delinquent if payment is not received within 30 days of the bill date indicated on the front of the bill. Customers are subject to an additional charge of 1% per month for any unpaid balance if payment is not received within 30 days of the bill date indicated on the front of the bill.

If the Water Authority fails to bill the customer for usage or service, it has six months from the time the error is discovered to issue a back bill. The back-billing period will be limited to a maximum of 24 months unless there is evidence that the customer caused or contributed to the error. If there is such evidence, the back-billing period will be limited to a maximum of six years.

The Water Authority's average annual bill charged to customers were as follows:

TABLE 12
Water Authority Western Nassau County
Average Annual Water Bill

Year Ended	Residential	Commercial	Minimum	Per Hydrant
5/31/2020	\$513	\$2,371	\$214	\$1,020
5/31/2019	494	2,299	188	984
5/31/2018	471	2,358	184	960
5/31/2017	459	1,850	180	936
5/31/2016	440	1,832	166	936
5/31/2015	402	1,638	155	936
5/31/2014	378	1,582	145	875
5/31/2013	357	1,576	137	825
5/31/2012	346	1,434	131	787
5/31/2011	331	1,352	123	751
5/31/2010	312	1,269	115	700

Source: Accounting Department

The Water Authority has covenanted that it will not furnish any free service by the Water System to any person, firm or corporation, public or private. The Water Authority's rate schedules applicable to residential, commercial, industrial and certain public users are uniform for its service area.

The Board of Directors and Water Authority staff had completed their review of the comprehensive rate study conducted by D&B Engineers and Architects, P.C. (D&B). D&B was hired to independently assess and evaluate the Water Authority's existing water rate structure as distributed to its four customer classes while ensuring adequate funding of all Source. Based on the study, on its May 20, 2020, public rate meeting, the Board of Directors of the Water Authority approved an overall 10.57% increase in water rates. The quarterly bill for the minimum use customer increased from \$48.42, in the year ended May 31, 2019, to \$53.54, in the year ended May 31, 2020. The average annual residential charges of \$494 and commercial charges of \$2,299, in the year ended May 31, 2019, increased to \$513 and \$2,371, respectively, in the year ended May 31, 2020. Also, the public water hydrant quarterly rate increased from \$255 to \$282.

Debt Management

On May 31, 2020 bonds totaling \$100.44 million were outstanding. The Bonds are limited obligations of the Water Authority and are not a debt of the State of New York or of Nassau County or of any municipality therein and none of the State of New York, Nassau County or any municipality therein is liable for the bonds. The Water Authority has no taxing power. The Bonds are payable as to both interest and principal solely from the net revenues of the Water System.

Fitch Ratings had assigned an 'AA-' and Moody's Rating an A1 rate to the Water Authority's \$54.2 million water system revenue bonds, Series 2015A and \$19.4 million water system revenue refunding bonds, Series 2015B, issued in fiscal year ended May 31, 2016. In addition, Fitch had affirmed the AA- rating: for \$64.5 million in outstanding water system Series 2010A and 2010B Bonds, in the year ended May 31, 2015. The rating outlook was determined as stable based on several factors including satisfactory financial profile, affordable water rates, manageable capital program, ample treatment capacity and stable service area.

On June 2020, Fitch Ratings affirmed the AA- rating for the approximately \$100.44 million outstanding (on May 31, 2020) water system revenue bonds, series 2010B, 2015A, and 2015B. In addition, Fitch assigned the authority an Issuer Default Rating (IDR) of AA- with the Rating Outlook determined as stable. The AA-IDR and bond rating reflect the Water Authority's leverage in the context of its very strong revenue defensibility and very low operating risk profile, both assessed as 'aa'. The Water Authority's revenue defensibility is supported by its rate setting autonomy and very strong rate flexibility. A low operating cost burden and low life cycle investment needs with annual capital spending greatly outpacing depreciation drive the 'aa' operating risk profile assessment. While Fitch expects the authority's leverage to increase following a planned \$50 million issuance, leverage metrics should decrease over the rating period and continue to support the current rating.

The ongoing coronavirus outbreak and related government containment measures worldwide creates an uncertain global environment for the water sector. While the Water Authority's recently available performance data has not indicated impairment, with residential usage increasing and no significant decline in financial results, material changes in revenue and cost profile could occur in the coming weeks and months as economic activity suffers and government restrictions are in place.

Under requirements stipulated in the bond resolutions, a trustee has been assigned to hold proceeds from the related bond issues. In addition, the trustee is required to hold funds deposited from time to time to pay registered owners (bondholders). The trustee is required to invest and reinvest funds as instructed by an authorized representative of the Water Authority.

Additional information on long-term debt is included in Management Discussion and Analysis, page 39 and note 5 to the financial statements, pages 68 to 72.

Asset Management

After the issuance of Series 2015 Revenue Bonds, the total depreciable and non-depreciable capital assets have increased from \$72.9 million on May 31, 2016 to \$103 million on May 31, 2020. Included in those expenditures were a Headquarters Project, three iron removal facilities, construction of new VOC removal facilities, installation of approximately 2,600 feet of a new 12-inch transmission water main, radio read and meter replacement program, compliance with New York State Department of Health regulations, increased level of capital main, service and hydrant replacement programs, other projects for well screen replacements, station repair, technology improvements, security system at all sites, vehicle, tools and work equipment replacements, meter and booster upgrades.

The Water Authority completed the construction of its new headquarters located at 1580 Union Turnpike, New Hyde Park, New York. This two-story facility was built on existing Water Authority owned property which also contains two active wells and a Volatile Organic Compound Treatment facility, as well as a separate garage and generator. The Water Authority saves approximately \$400,000 per year by eliminating the rental cost, property taxes and maintenance costs previously incurred at its prior headquarters in New Hyde Park.

Three Iron Removal Plant Projects were completed and put into operation. Annually, over 675 million gallons of water is treated and supplied to the customers in those distribution areas.

The Water Authority completed the rehabilitation of its elevated water storage Tank No. 19, located in New Hyde Park. The tank has a capacity of approximately 1,265,000 gallons of water and serves the Water Authority's customers in New Hyde Park, Bellerose and the northern portion of Floral Park. The project

included physical changes necessary to comply with current Department of Health standards, repairs to the tank and power washing and sandblasting to remove dirt and old coatings. After the repairs and cleaning were completed, the interior and exterior surfaces of the tank were painted. The paint that was used is approved for use on water storage tanks by the New York State Department of Health.

Also, completed was a comprehensive water rate study conducted by D&B Engineers and Architects, P.C., the company retained by the Water Authority to perform the study. The broad objective of the study was to develop a rate structure based on meter size and usage to adequately fund all water operations, capital and debt service costs while promoting water conservation. The study also included a review of miscellaneous rate charges including such items as frozen meters, no-access fees, turn-on/off charges, etc. The Water Authority plans on holding an open public session prior to taking action on the rate study findings.

Planned Improvements

Capital projects have continued to require a large share of the Water Authority's budget, staff time and focus. The Water Authority has implemented a comprehensive capital improvement program with the goal of improving the water system's aging infrastructure through increased system capacity and dependability. Specifically, target areas include upgrading storage and delivery, enhancing water quality, identifying and complying with pending regulatory requirements, protecting the water source and its watershed, and reducing unaccounted-for water. Security improvements to protect its assets base are underway and will continue through subsequent years.

The Water Authority prepares and updates annually its Capital Improvement Plan ("CIP"), which establishes programmatic goals for the Water System and reviews the present condition and forecasted needs of the Water System facilities over the next five fiscal years. Individual projects are researched and prioritized. The updated CIP with detailed assumptions and considerations is submitted to the Board of Directors for approval. The Board of Directors reviews and approves all capital expenditure payments and publishes the related information together with the minutes of the Board on the Water Authority website.

The Water Authority is committed to a best practices approach to managing its infrastructure capital assets that provides a means to protect, maintain, or improve the asset value of our water distribution system and wastewater collection systems with planned maintenance and repair based on predicted deterioration of the systems. Major parts of the asset management program are the five - year capital plan, the geographical information system (GIS), the financial rate model, the work order system and the SCADA system.

Capital spending will continue to rise as the Water Authority executes its expanded \$87.1 million fiscal 2021 through 2025 capital program of which substantial portion addresses regulatory needs pertaining to 1,4-dioxane and perfluoroalkyl and polyfluoroalkyl substances (PFAs). The NYS Department of Health requirements will be implemented by wellhead rehabilitation over the next several years. Approximately \$50 million of bond funding for the program is expected along with about \$7.9 million in grants

Additional information on capital assets is included in Management Discussion and Analysis, page 34 to 38 and note 4 to the financial statements, pages 66 to 67.

Cash Management

The New York State investment statutes govern the Water Authority's cash investment policies. The Water Authority is authorized to use demand deposits accounts, certificates of deposit, and the US Treasury Bills and Notes. The Water Authority investment policy is to match the maturity of the investment in the US Treasury obligations with its capital expenditure needs.

Under the Bond Covenants and policies of the Board, the Water Authority maintains Rate Stabilization and Bond reserve Funds to ensure the stability of revenues and debt service payments. On May 31, 2020, the balances of Rate Stabilization and Bond Reserve Funds were \$2.0 million and \$9.1 million, respectively.

Risk Management

The Water Authority maintains comprehensive liability and workers' compensation insurance in accordance with the levels required in our Bond Resolution. All insurance coverage is obtained through commercial insurance companies. In addition to its insurance coverage, the Water Authority is very proactive in safety training and follows all OSHA safety requirements to preserve a safe operating environment for its employees. The Water Authority has elected to self-insure itself for state unemployment insurance.

Independent Audit

The Water Authority is required to have an annual audit by independent auditors. Tabriztchi & Co., CPA, P.C., Certified Public Accountants, Astoria, New York has conducted an annual audit of the Water Authority's financial statements for the year ended May 31, 2020. The independent auditor's report relating to the audit of the Water Authority's general-purpose financial statements is included in Section B of this report, pages 25 to 26. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards is also included in section D, pages 131 and 132.

SEC REQUIREMENT

Securities and Exchange Commission (SEC) Rule 15c2-12 requires dealers, when underwriting certain types of municipal securities, to ensure that the governmental unit issuing the bonds enters into an agreement to provide certain important information to the Municipal Securities Rulemaking Board ("MSRB") about the securities on an ongoing basis. This information generally reflects the financial health or operating condition of the state or local government as it changes over time, or the occurrence of specific events that can have an impact on key features of the bonds.

The continuing disclosure agreements for new issues, normally require providing Annual Financial Information and the Event Information. Annual Financial Information comprises of operating data and the audited financial statements. The Event Information includes items such as: principal and interest payment delinquencies, non-payment related defaults, unscheduled draws on debt service reserves reflecting financial difficulties, adverse tax opinions or events affecting the tax-exempt status of the security, bond calls and tender offers, defeasances, rating changes and bankruptcy, insolvency or receivership.

The events, listed in the rule, should be disclosed in a timely manner, not more than 10 business days after the event. Certain information is being provided by the Water Authority in order that participating underwriters may comply with Rule 12c2-12 promulgated by the Securities and Exchange Commission. These disclosures made by the Water Authority can be found on the financial and statistical sections of this Comprehensive Annual Financial Report for the year ended May 31, 2020.

AWARD AND ACKNOWLEDGMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the Water Authority of Western Nassau County for its comprehensive annual financial report (CAFR) for the fiscal year ended May 31, 2019. This was the ninth consecutive year that the Water Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the effort and dedication of the staff of the Accounting department of the Water Authority. I wish to thank all of the Water Authority Departments for their assistance in providing the data necessary to prepare this report. I would also like to express my appreciation to our independent auditors, Tabriztchi & Co., CPA, P.C. for their assistance and dedication in the preparation of this report.

Respectfully submitted,

Michael J. Tierney

Superintendent
New Hyde Park, New York



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Water Authority of Western
Nassau County, New York**

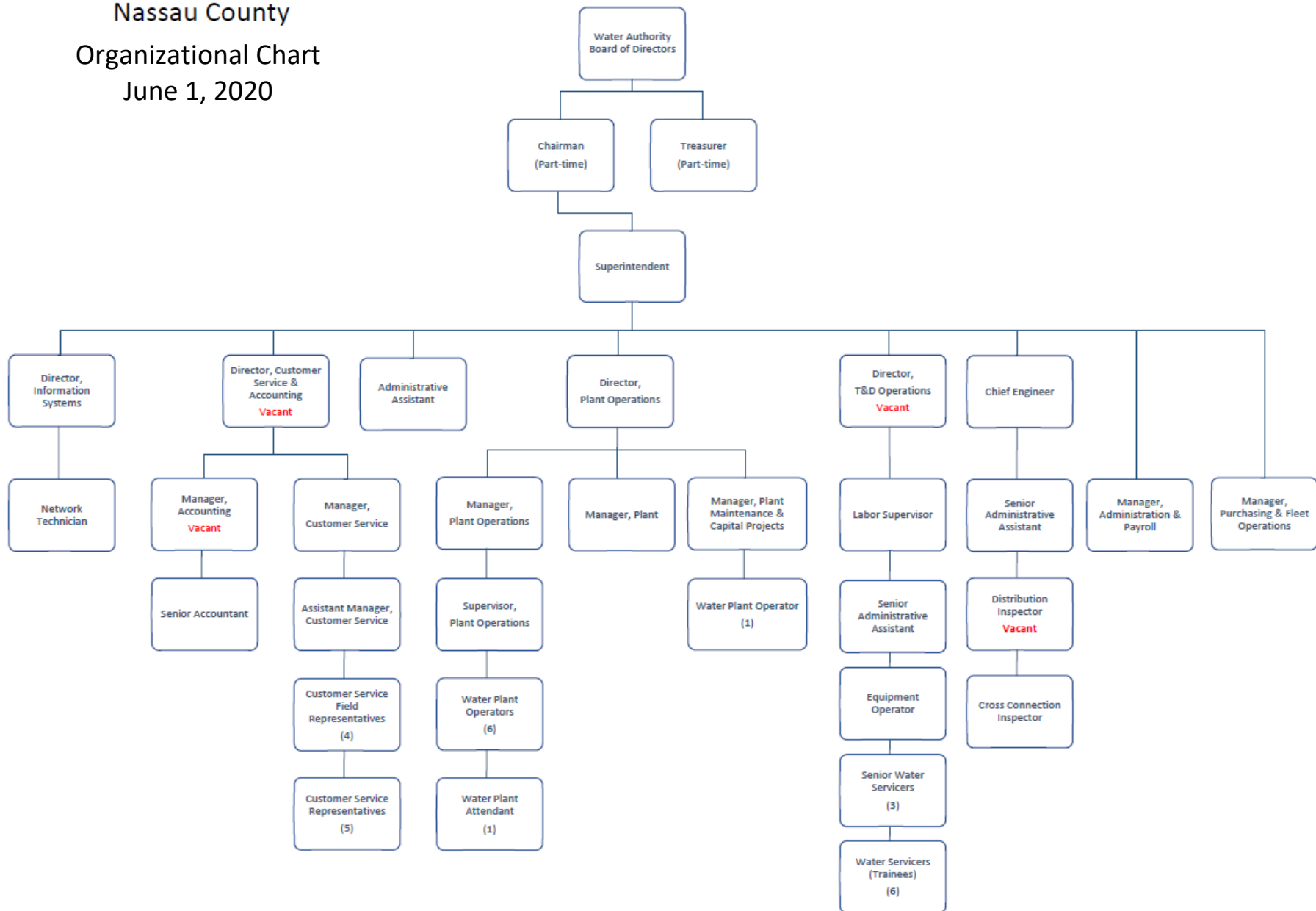
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

May 31, 2019

Christopher P. Morill

Executive Director/CEO

Water Authority of Western
Nassau County
Organizational Chart
June 1, 2020



**COMPREHENSIVE ANNUAL REPORT
FISCAL YEAR ENDED MAY 31, 2020**

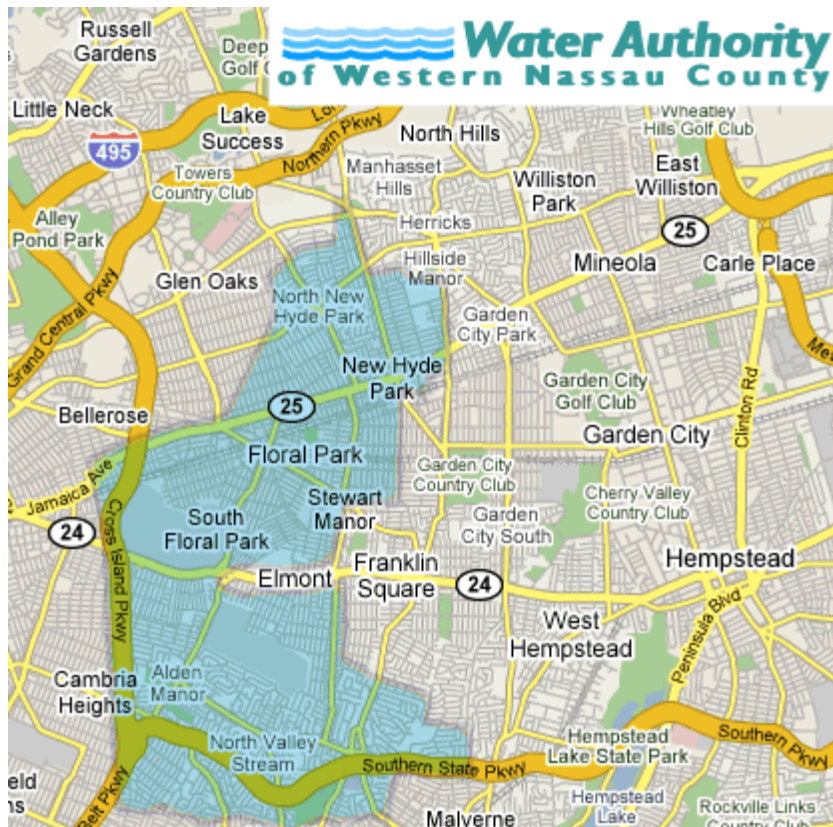
BOARD OF DIRECTORS/VOTES

John E. Ryan Chairman

		Voting Percentage
George Bakich	Town of Hempstead	26.2%
Cherie Zacker	Town of Hempstead	26.2%
Dominick Longobardi	Village of South Floral Park	17.7%
Marianna Wohlgemuth	Town of North Hempstead	12.3%
Rainer Burger	Village of New Hyde Park	11.1%
Chris Gorman	Village of Stewart Manor	2.3%
Susan Powderly	Village of Bellerose	1.5%
Greg Ifill	Village of South Floral Park	1.4%
David Osborn	Village of Garden City	1.3%
Total		<u>100.0%</u>

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SECTION B: FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the of the Water Authority of Western Nassau County, State of New York, as of and for the years ended May 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Water Authority of Western Nassau County's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water Authority of Western Nassau County, as of May 31, 2020 and 2019 and the respective changes in financial position and, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

OTHER MATTERS

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water Authority of Nassau County's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2019, on our consideration of the Water Authority of Western Nassau County'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 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 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 of Western Nassau County's internal control over financial reporting and compliance.

TABRIZCHI & Co., CPA, P.C.

Garden City, New York
October 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS



THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

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 four sections: (1) Management's Discussion and Analysis (this section); (2) the Financial Statements; (3) Notes to the Financial Statements that explain in more detail some of the information in the Financial Statements and (4) required supplementary information.

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and provides supplementary information. The MD&A represents management's examination and analysis of the Water Authority's financial condition and performance. Summary financial statements data, key financial and operational indicators used in the Water Authority's strategic plan, operating plan, bond covenants and other management tools were used for this analysis. The information contained in this analysis should be used by the reader in conjunction with the information contained in the audited financial statements and the notes to those financial statements.

The financial statements report information about the Water Authority. The Water Authority applied full accrual accounting methods as used by similar business activities in the private sector. The statements offer short and long-term financial information. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The financial statements include the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows, and the Notes to the Financial Statements.

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), 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 *Statement of Revenues, Expenses and Changes in Net Position* presents 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 *Statement of Cash Flows* presents the changes in cash and cash equivalents resulting from operating, investing, and capital financing and non-capital financing activities. The statements present cash receipts

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Water Authority's progress in funding its obligation to provide pension and OPEB benefits to its employees.

This section presents management's analysis of the Water Authority's financial conditions and activities for the fiscal years ended May 31, 2020 and May 31, 2019. Please read this information in conjunction with the financial statements, notes to the financial statements and the supplementary required information which follow this section.

FINANCIAL HIGHLIGHTS

Management believes the Water Authority's financial condition is strong and improving. 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:

- Total assets as of May 31, 2020 were \$152.4 million, deferred outflows were \$3.2 million and exceeded total liabilities of \$123.9 million and deferred inflows of \$1.5 million by \$30.1 million (i.e., net position). Of the total net position, \$32.2 million was invested in capital assets, \$2.0 million in restricted net position and unrestricted net position had a deficit balance of \$4.1 million. The deficit in the unrestricted net position has been the result of implementing Government Accounting Standards Board Statement 75, *Accounting and financial reporting for postemployment benefits other than pensions* and recognizing additional long-term liability for other post-employment benefits, since May 31, 2018.
- Total assets decreased by \$1.3 million (0.9%) between May 31, 2019 and May 31, 2020. Net position increased by \$2.3 million (8.3%) over the same period last year and the economic and financial position of the Water Authority improved.
- Operating revenues were \$18.0 million, showing an increase of \$0.5 million (3.0%), as compared to \$0.5 million (2.5%) decline in the previous year. The increased revenues from residential water sales were \$0.7 million (5.7%) and decrease in commercial municipal and other water sale revenues was \$.1 million (2.3%). The residential water sales were affected by the rate increases of 3.83% offset by approximately 1.0% lower consumption.
- Total operating expenses increased by \$0.7 million (5.6%), from \$11.8 million to \$12.4 million, for the fiscal years ended May 31, 2019 and May 31, 2020. The rise in operating expenses was primarily the net result of \$0.6 million (7.7%) increase in operations expenses. The total operating expenses had increased \$0.2 million (1.7%) in the previous year, principally due to higher operations expenses.
- Operating income for the fiscal years ended May 31, 2020 and 2019 were \$5.6 and \$5.8 million. The decrease in operating income of \$.1 million (2.2%), in the current year, follows the decrease \$0.7 million (10.2%), in the previous year. The decrease in operating income is related to lower water sales.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

- The total principal payment and premium amortization of the Water Authority's long-term bonded debt was \$3.0 million (2.7%). On May 31, 2020, the outstanding principal balance and unamortized premium of the Water Authority's bonds payable were \$100 million and \$8 million, respectively.

FINANCIAL ANALYSIS OF THE WATER AUTHORITY

One of the most important objectives of the financial analysis is to determine if the Water Authority as a whole is better or worse off as a result of the year's activities. The Statement of Net Position and the statements of revenues, expenses and changes in net position provide useful information in this regard. The amount of net position, the difference between total assets and deferred outflows and liabilities and deferred inflows, is a significant measure of the financial health or financial position. Over time, increases or decreases in the Water Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and zoning and new or changed government legislation should be considered in evaluating the financial conditions 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.

NET POSITION

A summary of the Water Authority's balance sheets is presented in the following table:

CONDENSED STATEMENT OF NET POSITION (BALANCE SHEETS)

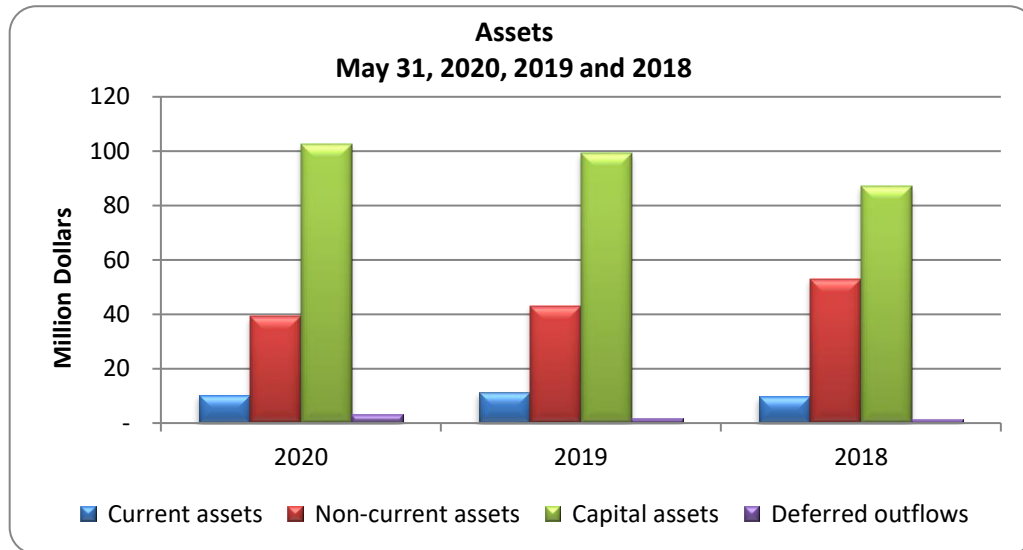
	May 31,			2019 to 2020		2018 to 2019	
	2020	2019	2018	Increase (Decrease) Amount	%	Increase (Decrease) Amount	%
Current assets	\$ 10,436,750	\$ 11,332,066	\$ 9,659,839	\$ (895,316)	(7.9)	\$ 1,672,227	17.3
Noncurrent assets							
Other noncurrent assets	39,322,297	43,070,974	53,017,654	(3,748,677)	(8.7)	(9,946,680)	(18.8)
Capital assets	102,665,698	99,370,881	87,136,943	3,294,817	3.3	12,233,938	14.0
Total assets	152,424,745	153,773,921	149,814,436	(1,349,176)	(0.9)	3,959,485	2.6
Deferred outflows	3,114,049	1,623,579	1,495,054	1,490,470	91.8	128,525	8.6
Current liabilities	7,619,121	8,937,518	5,087,783	(1,318,397)	(14.8)	3,849,735	75.7
Noncurrent liabilities	10,977,085	9,411,946	9,454,909	1,565,139	16.6	(42,963)	(0.5)
Long-term debt—bonds, net	105,330,908	108,427,617	111,409,326	(3,096,709)	(2.9)	(2,981,709)	(2.7)
Total liabilities	123,927,114	126,777,081	125,952,018	(2,849,967)	(2.2)	825,063	0.7
Deferred inflows	1,499,012	807,186	208,189	691,826	85.7	598,997	287.7
Net position							
Net invested in capital assets	32,230,802	26,988,565	24,676,970	5,242,237	19.4	2,311,595	9.4
Restricted for rate stabilization	2,000,000	2,000,000	1,522,000	-	-	478,000	31.4
Unrestricted	(4,118,134)	(1,175,332)	(1,049,687)	(2,942,802)	250.4	(125,645)	12.0
Total Net Position	\$ 30,112,668	\$ 27,813,233	\$ 25,149,283	\$ 2,299,435	8.3	\$ 2,663,950	10.6

The table above and Chart 1 show that total assets decreased by \$1,349,176 (.9%), from \$153,773,921, on May 31, 2019 to \$152,424,745, on May 31, 2020. During the same period, total liabilities decreased by \$2,849,967 (2.2%) from \$126,777,081 to \$123,927,114. The total assets had decreased by \$3,959,485 (2.6%). and the total liabilities increased by \$825,063 (0.7%), in the previous year. The capital assets increased by \$3,294,817 (3.3%) in the current year and \$12,233,938 (14%) in the previous year. The other non-current assets, which includes the restricted cash and cash equivalents and investment of bond

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
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proceeds, decreased by \$3,748,677 (8.7%) and \$9,946,680 (18.8%), in the current and previous year, respectively. The decreases in other noncurrent assets were primarily related to the expenditure of restricted funds for construction and purchase of capital assets.

CHART 1



Current assets decreased by \$895,316 (7.9%), from \$11,332,066 in previous year to \$10,436,750, in the current year, primarily as a result of decreases of \$918,850 (18.4%) in unrestricted cash. Current assets had increased by \$1,672,227 (17.3%) during the previous year, primarily as a result of increases of \$1,479,261 (42.1%) in unrestricted cash and \$478,000 (31.4%) in rate stabilization fund.

During the current year, the current liabilities decreased by \$1,318,397 (14.8%) from \$8,937,518, on May 31, 2019, to \$7,619,121, on May 31, 2020. The principal reason for decrease in current liabilities was \$1,591,444 (30.0%) decrease in accounts payable which includes accrued capital assets construction costs payables. In the previous year, the increase of \$3,849,735 (75.5%) in current liabilities was primarily the result of an increase of \$3,744,191 (240.8%) in accounts payable.

The long-term debt including the current portion and premium decreased by \$2,981,709 (2.7%) from \$111,032,617, on May 31, 2019, to \$108,050,908, on May 31, 2020. The decrease was because of the principal payment of \$2,605,000 and amortization of \$376,709 in premium (Chart 2).

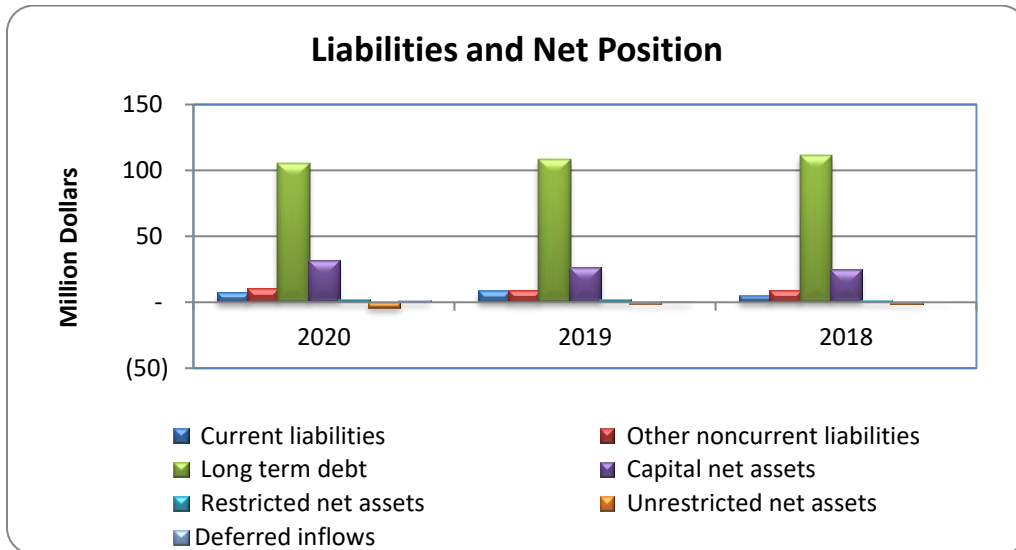
The long-term debt including the current portion and premium decreased by \$2,866,709 (2.5%) from \$113,899,326, on May 31, 2019, to \$111,032,617, on May 31, 2020. The decrease was because of the principal payment of \$2,490,000 and amortization of \$376,709 in premium (Chart 2).

During the year, the net position of the Water Authority had increased and improved by \$2,299,435 (8.3%). The changes in net position reflected the excess of operating incomes of \$5,631,292 over the net non-operating expenses of \$3,331,857.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

The net position of the Water Authority had increased by \$2,663,950 (10.6%), in the previous year. The changes in net position reflected the excess of operating incomes of \$5,759,916 over the net non-operating expenses of \$3,095,964. The implementation of GASB statement 75, resulted in recognition of additional other post-employment (OPEB) liabilities has decrease in net position, since May 31, 2018.

CHART 2



During the year, the unrestricted net position decreased by \$2,942,802 (250.4%), as compared to a decrease of \$125,643 (12.0%), in previous year.

The net position restricted for rate stabilization remained unchanged from the previous year. Because of the transfers from unrestricted funds, the net position restricted for rate stabilization had increased by \$478,000 (31.4%), during the years ended May 31, 2019. The increase was to comply with the Bond covenants regarding maintaining Rate Stabilization restricted cash and cash equivalents.

As a result of expending unrestricted funds for capital related debt, the net position invested in capital increased by \$5,242,237 (19.4%) and \$2,311,595 (9.4%), during the fiscal years ended May 31, 2020 and 2019, respectively.

OPERATING RESULTS

As of May 31, 2020, the Water Authority provided water to 26,708 residential customers, 1,469 commercial customers, 208 private fire customers and 2,433 municipal fire hydrants. The corresponding figures for May 31, 2019 were 26,402 residential customers, 1,430 commercial customers, 208 private fire customers and 2,432 municipal fire hydrants.

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

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

			May 31,		2019 to 2020		2018 to 2019	
					Increase (Decrease)		Increase (Decrease)	
	2020	2019	2018		Amount	%	Amount	%
Water sales:								
Residential	\$ 12,267,703	\$ 11,603,159	\$ 12,239,206	\$ 664,544	5.7	\$ (636,047)	(5.2)	
Commercial, municipal and other	5,802,378	5,940,663	5,755,538	(138,285)	(2.3)	185,125	3.2%	
Total operating revenues	18,070,081	17,543,822	17,994,744	526,259	3.0	(450,922)	(2.5)	
Operating expenses								
Operations	7,773,228	7,219,824	6,911,418	553,404	7.7	308,406	4.5	
Maintenance	2,404,909	2,346,725	2,419,097	58,184	2.5	(72,372)	(3.0)	
Depreciation	2,260,652	2,217,359	2,252,822	43,293	2.0	(35,463)	(1.6)	
Total operating expenses	12,438,789	11,783,908	11,583,337	654,881	5.6	200,571	1.7	
Operating income	5,631,292	5,759,914	6,411,407	(128,622)	(2.2)	(651,493)	(10)	
Non-operating revenue (expense)								
Interest income	777,634	1,096,111	154,611	(318,477)	(29.1)	941,500	608.9	
Miscellaneous income	319,827	303,506	291,647	16,321	5.4	11,859	4.1	
Interest on long-term debt	(4,404,782)	(4,471,045)	(4,435,696)	66,263	(1.5)	(35,349)	0.8	
Other amortization, net	(24,536)	(24,536)	(24,536)	-		-	0.0	
Net non-operating expenses	(3,331,857)	(3,095,964)	(4,013,974)	(235,893)	(7.6)	918,010	(22.9)	
Change in total net Position	2,299,435	2,663,950	2,397,433	(364,515)	(6.3) %	266,517	11.1	
GASB Statement 75 implementation	-	-	(2,579,837)	-	-	-	-	
Net position, beginning	27,813,233	25,149,283	25,331,687	2,663,950	10.6	(182,404)	(0.7)	
Net position, ending	\$ 30,112,668	\$ 27,813,233	\$ 25,149,283	\$ 2,299,435	8.3	\$ 2,663,950	10.6	

OPERATING REVENUES AND EXPENSES

The Water Authority provides water treatment and distribution to an estimated population of over 120,000, approximately equals 9% of Nassau County's total population. 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 are large, planned renovations to the Belmont Park Complex which should have a substantial effect on revenues in the near future.

The Lloyd, Magothy and Upper Glacial aquifers provide the Water Authority with a high-quality water supply that requires minimal treatment. Storage facilities along with existing well fields provide ample pumping capacity (46 million gallons per day) in relation to actual demand. The water system is compliant with all applicable permits and regulatory standards.

The Water Authority's total operating revenues increased by \$526,259 (3.0%) from \$17,543,822, in the year ended May 31, 2019, to \$18,070,081, in the year ended May 31, 2020. The total revenues had decreased by \$450,922 (2.5%) in fiscal year ended May 31, 2019. The residential water sales revenue increased by \$664,544 (5.7%) in the current year as compared to \$636,047 (5.2%) decrease in the previous year. The reason for the rise in the current year revenues was the 3.83% increase in the water rates. The lower consumption levels were the reason for decline in revenues in previous year, despite a 2.50% rate increase. Due to lower water consumption levels, during the year, the commercial, fire protection and other water sales revenues had a decrease of \$138,285 (2.3%) as compared to an increase of \$185,125 (3.2%), in the previous year (Chart 3).

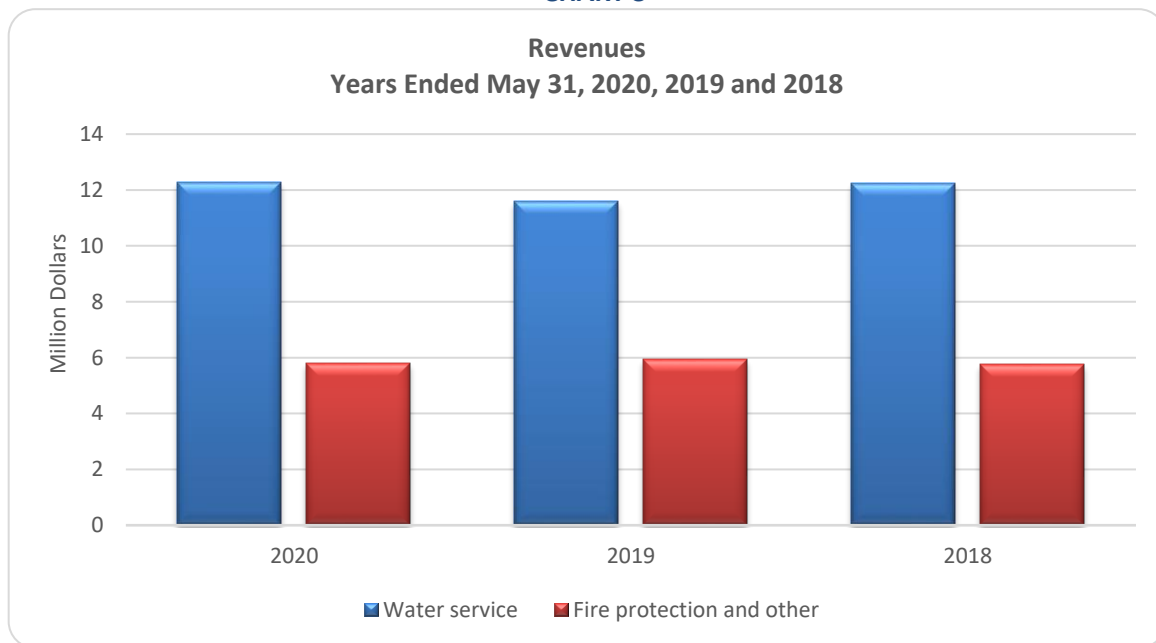
THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

At its May 20, 2019 public rate meetings, the Board of Directors of the Water Authority approved a 3.83% across the Board increase in water rates to all service classes, starting June 1, 2019. The quarterly bill for the minimum use customer increased from approximately \$48.42 to \$53.54. The average annual residential charges (based on approximately average usage of 105,300 gallons per year) increased from \$494 to \$513. The average annual commercial charges (based on approximately average usage of 489,700 gallons per year) increased from \$2,299 to \$2,371.

The 3.83% increase in rates was determined to be the amount necessary to meet the Water Authority's operations and financing requirements.

In the year ended May 31, 2020, the total amount of pumpage was down by 26 million gallons (.67%) and average gallons for residential and commercial customers had decreased by .4% and 2.9%, respectively. In the year ended May 31, 2019, the total amount of pumpage was down by 105 million gallons (2.6%) and average gallons for residential and commercial customers had decreased by 2.5% and 2.1%, respectively.

CHART 3

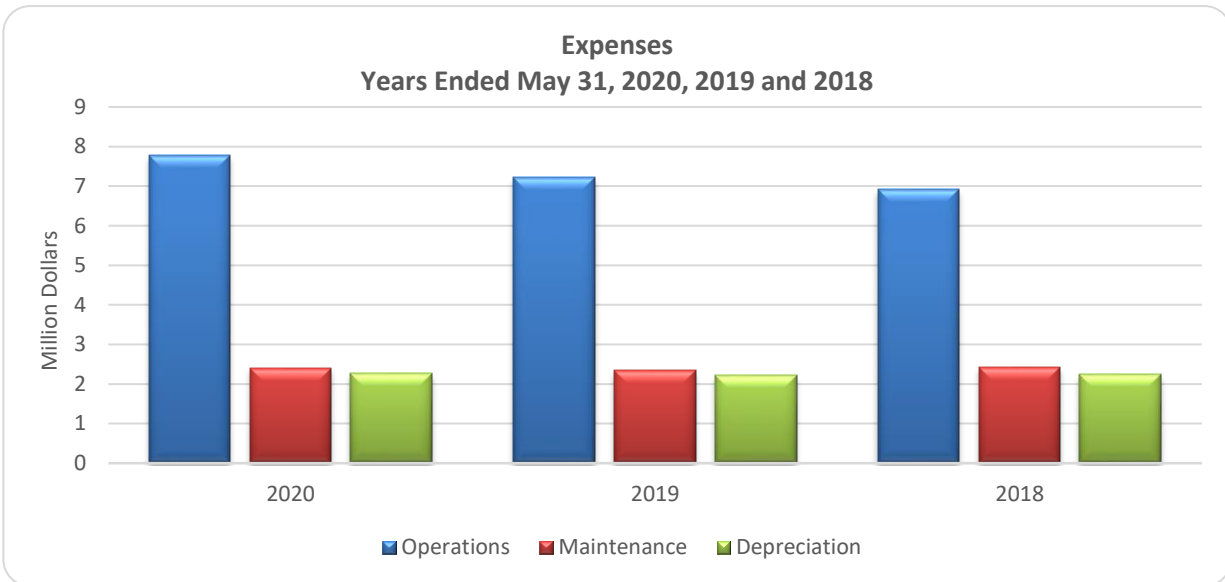


The increase in total operating expenses during the current year was \$654,881 (5.6%) (Chart 4). The current year increase was the net result of \$553,404 (7.7%) increase in operations expense and increases of \$58,184 (3.0%) and \$43,293 (2.0%) in maintenance expense, and depreciation expense, respectively. The rise in operations expense was due to the increase in payroll and employee benefits.

The increase in total operating expenses during the previous year was \$200,571 (1.7%) (Chart 4). The previous year increase was the net result of \$308,406 (4.5%) increase in operations expense and decreases of \$72,372 (2.5%) and \$35,463 (1.6%) in maintenance expense, and depreciation expense, respectively. The rise in operations expense was due to the increase in payroll and employee benefits.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

CHART 4



Changes in operating revenues and expenses, caused the operating incomes to decrease by \$128,622 (2.2%) and \$651,493 (10.2%), during the years ended May 31, 2020 and 2019, respectively.

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenue includes interest earnings on cash equivalents and investment, realized and unrealized gain or losses on investments and miscellaneous income. Net interest incomes and gain or losses were \$777,634 and \$1,096,111, in the years ended May 31, 2020 and 2019, respectively. The interest income and gain or losses on investment are mainly earned on the unexpended proceeds of Series 2015 Bonds, held for construction and as reserves.

The miscellaneous incomes were \$319,827 and \$303,506, in the year ended May 31, 2020 and 2019, respectively. This miscellaneous income involves the rental income realized from the lease of space atop water towers to cellular phone companies.

For the fiscal years ended May 31, 2020 and 2019, the interest expenses were \$4,404,782 and \$4,471,045, respectively. The Water Authority has opted the GASB statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. All interest incurred during the year ended May 31, 2020 was expensed.

CAPITAL ASSETS

The Water Authority owns and maintains a broad range of infrastructure items including water plants, water lines, well-stations, administrative facilities, vehicles and equipment necessary for the treatment and distribution of potable water to its customers. The Water Authority has \$102,665,698 in net capital assets, showing an increase of \$3,294,817 (3.3%) from the prior year. The increase in net capital assets in prior year was \$12,233,938 (14.0%).

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Capital Assets	MAY 31,		
	2020	2019	2018
Land	\$ 599,074	\$ 599,074	\$ 599,074
Construction in progress	31,226,816	26,708,463	14,186,868
Wells and standpipes	6,086,412	6,086,412	6,086,412
Pumping and purification	24,092,579	23,963,259	23,041,043
Distribution system	45,036,612	44,367,097	43,652,693
Building, vehicles and equipment	20,161,161	20,093,583	20,054,593
Total capital assets	127,202,654	121,817,888	107,620,683
Accumulated depreciation	(24,536,956)	(22,447,007)	(20,483,740)
Net capital assets	\$ 102,665,698	\$ 99,370,881	\$ 87,136,943

For more detailed information on capital assets activity, please refer to the financial statements Note 4 – Property, Plant and Equipment.

MAJOR INCREASES IN CAPITAL ASSETS

During the years ended May 31, 2020 and 2019, the major capital assets improvement included the following capital projects:

Wellhead treatment for VOC removal for well numbers 15A, 15B, 15C, 15D, and 15E. The wellhead treatment project is progressing in the following three phases:

1. Phase 1 involved station rehabilitation at station numbers 15A and 15 C/E including air stripper installations, new emergency generator, station startup and testing of all equipment and acceptance by the Nassau County Department of Health (“NCDH”). This phase has been completed and the stations are currently in service.
2. Phase 2 involved station rehabilitation at Station 15B including air stripper installations, new emergency generator, station startup and testing of all equipment and acceptance by the NCDH. This station is currently in service.
3. Phase 3 involved station rehabilitation at Station 15 including a booster pump building and Well 15D building replacement and returning well 15D back into service. This Phase is 80% complete as of May 31, 2020.

Station 57 rehabilitation includes wellhead treatment for the removal of 1,4 – dioxane and PFA’s. During this fiscal year work included design of the full station rehabilitation and preparation of all bidding documents. Plans and engineering reports were filed with both the New York State Department of Health (“NYSDOH”) and the NCDH and ultimate regulatory, project approval was received. This project includes the replacement of Well Nos. 57 and 57A well pumps, a new air stripping facility, an Advanced Oxidation Process (“AOP”) treatment system for the removal of 1,4 –dioxane, installation of Granular Activated Carbon (“GAC”) vessels for the removal of PFAS, new emergency generator, and overall site restoration including new buildings.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
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Stations 28 and 44 wellhead treatment installation of GAC Vessels for the removal of PFAS at 6 wells. This project moved forward on an emergency basis. Engineering reports were prepared and filed with the NYSDOH and NCDH and ultimate approval was received. Station 44 has had 4 (40,000 lb.) vessels installed to treat 4 wells and Station 28 has had 2 (40,000 lb.) vessels installed to treat 2 wells. This project was 75% complete as of May 31, 2020. Remaining work includes piping completion, enclosure installation to protect the vessels from weather conditions, NCDH approval and startup and testing.

Stations 20, 35 and 40 Pilot Studies for the removal of 1,4 – dioxane and PFAS were prepared. Pilot studies and Engineering reports were prepared and submitted to the NYSDOH and NCDH including the installation of AOP and GAC wellhead treatment systems for these 3 critical baseload stations. These projects will proceed on an emergency basis while awaiting final comments from regulatory entities for approval of all treatment systems.

Station 25 Iron Removal Plant was completed and placed into service during the fiscal year ended May 31, 2020.

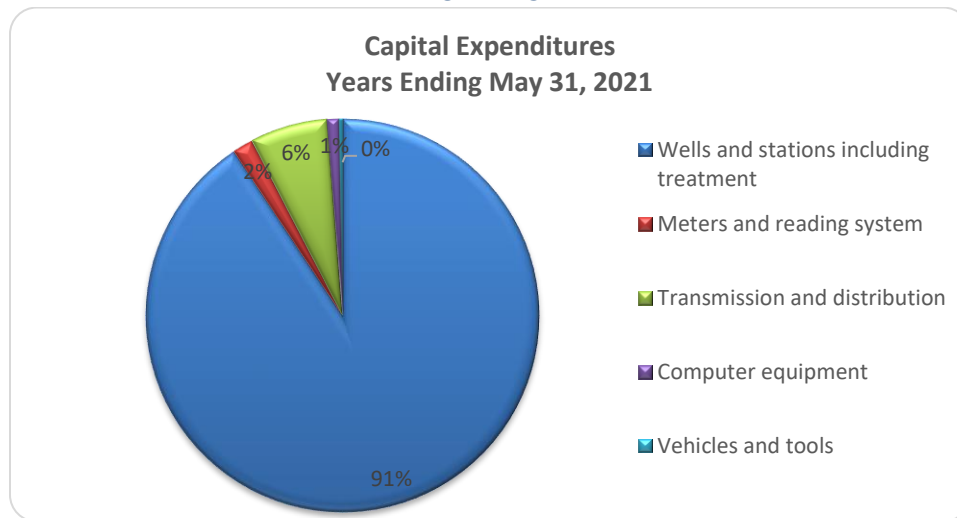
The new capital plan covers the anticipated projects for the fiscal years ending May 31, 2021 to 2025. The total plan amount is \$82,238,200 (Chart 5) which is financed by the balance of the 2015 Series A funds, a future bond issuance and excess of revenues over expenses. Also, a \$3,000,000 State of New York grant was received toward the cost of the 1,4-Dioxane Station 57 treatment facility, after the end of the fiscal year, as well as a \$4.8 million grant for installation of a GAC wellhead Treatment Station 44. The planned spending is aimed primarily at improvements to the treatment system, structure and improvements and repair and replacement of transmission and distribution lines. The planned capital expenditures for the year ending May 31, 2021 and five years ending May 31, 2025 are as follows:

**Planned Capital Expenditures
Year Ending May 31, 2021 and Total for Years Ending May 31, 2021 to 2025
(Unaudited)**

	Year Ending May 31, 2021		Years Ending May 31, 2021 to 2025	
Wells & stations including treatment	\$ 14,514,300	90.71%	\$ 72,455,000	88.10%
Structures and improvements	-	-	600,000	0.73%
Meters and reading system	270,400	1.69%	1,422,200	1.73%
Transmission and distribution	1,021,500	6.38%	7,074,900	8.60%
Computer equipment	148,200	0.93%	377,500	0.46%
Vehicles and tools	46,500	0.29%	308,600	0.38%
Total projected capital expenditures	\$ 16,000,900	100.00%	\$ 82,238,200	100.00%

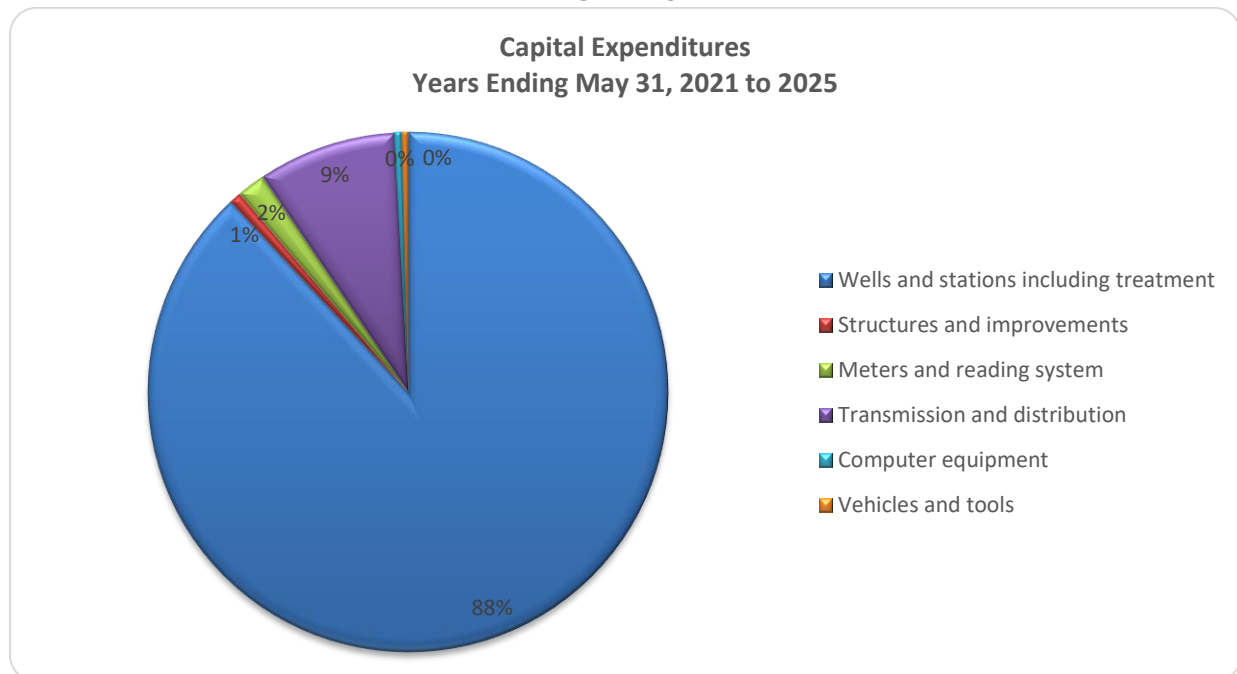
THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

CHART 5



Of the total planned capital expenditures of \$16,000,900, the major planned capital expenditures for the year ending May 31, 2021 include \$14,514,300 (82.6%) for wells and stations including treatment, \$1,021,500 (6.38%) for transmission and distribution and \$270,400 (1.69%) Meters and reading system (Chart 5). The capital expenditures for the year ending May 31, 2021, represents 19.5% of total \$82,238,200 planned capital expenditures, over the next five years.

CHART 6



The major planned five-year expenditures of \$82,238,200 includes \$72,455,000 (88.10%) for wells and stations including treatment, \$7,074,900 (8.60%) for transmission and distribution and \$1,422,200 (1.73%) meters and reading system (Chart 6).

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

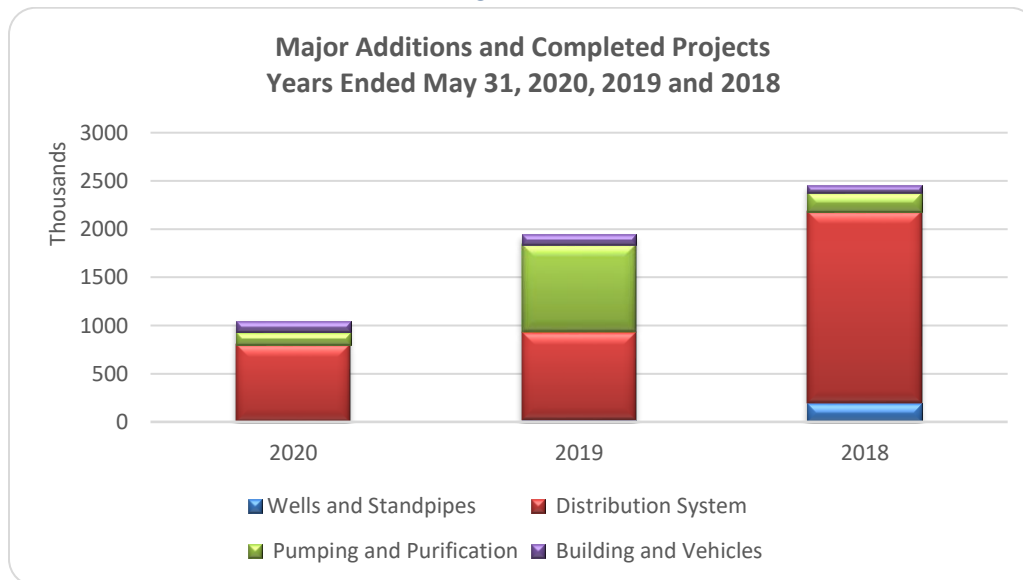
MAJOR ADDITIONS AND COMPLETED PROJECTS

The major additions of completed projects put into service to the capital assets in the fiscal years ended May 31, 2020, 2019 and 2018 are presented in the following table:

MAJOR ADDITIONS AND COMPLETED PROJECTS			
Years Ended, May 31,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Wells and Standpipes			
Wells and standpipes	\$ -	\$ 13,820	\$ 192,356
Distribution System			
Mains	97,966	73,853	946,817
Services	350,398	360,527	324,042
Meters and meter equipment	241,164	332,816	545,947
Hydrants	112,084	149,612	175,040
Pumping and Purification			
Electric pumping equipment	124,741	904,693	111,808
Water treatment equipment	4,579	3,703	84,034
Building and Vehicles			
Building	-	-	747
Office equipment	28,884	12,904	13,953
Vehicles	60,193	31,642	33,438
Miscellaneous equipment	25,331	62,522	27,208
Total additions	\$ <u>1,045,340</u>	\$ <u>1,946,092</u>	\$ <u>2,455,390</u>

The expenditures for completed projects were \$1,045,340, \$1,946,092 and \$2,455,390, in the years ended May 31, 2020, 2019 and 2018, respectively. In the year ended May 31, 2020, the total amount \$801,612 (76.7%) was expended for distribution system, \$129,320 (12.4%) for pumping and purification and \$114,308 (10.9%) for vehicles. (Chart 7)

CHART 7



THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG-TERM DEBT

REVENUE SERIES 2005 BONDS

On May 28, 1996, the Water Authority issued \$34,460,000 Water System Revenue Bonds, Series 1996 to finance the cost of acquisition and certain construction expenditures of the water system, including initial working capital of the Water Authority and the costs of the utility assets and additional improvements to the water system.

The \$33,875,000 Water System Revenue Bonds, Series 2005 (the "Series 2005 Bonds") were applied to advance refund Water Authority's outstanding Water System Revenue Bonds, Series 1996 and to finance the cost of acquisition and construction of improvements to the Water System, fund a deposit to the Reserve Account and pay certain costs of issuance relating to the Series 2005 Bonds.

REVENUE SERIES 2010 BONDS

The Water Revenue Bonds, Series 2010 were dated April 1, 2010 and issued on April 15, 2010, with accrued interest. The Series 2010 Revenue Bonds include the Water System Revenue Bonds, Series 2010A, with aggregate principal balance of \$6,925,000, and Series 2010B, federally taxable, Build America Bonds, with aggregate principal balance of \$33,965,000.

The Series 2010A Bonds were issued to finance costs of acquisition, improvements and additions to the water system, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010A Bonds. The Series 2010B Bonds were issued to finance the cost of acquisition, improvements and additions to the water system, including the construction of the Water Authority's headquarters, to fund a deposit to the Reserve Account, and to pay costs of issuance relating to the Series 2010B Bonds.

Moody's and Fitch Ratings affirmed the "A1" and 'AA-' rating of the Water Authority's Series 2015 Bonds.

As of May 31, 2020, all proceeds of Series 2010A bonds have been expended for construction of capital assets and all Series A 2010 Bonds have been paid off.

REVENUE SERIES 2015 BONDS

During the year ended May 31, 2015, the Water Authority completed new financing to fund future construction plans and to refund the 2005 Series A and B Bonds. Water System Series 2015A Revenue (Construction) Bonds and Water System Series 2015B Revenue (Refunding) Bonds were issued on April 22, 2015. The 2015A Bonds consist of \$21,660,000 (4.563 % average interest) Serial Bonds, \$17,640,000 (5% interest) Term Bonds due April 1, 2040, \$10,000,000 (5 % interest) Term Bonds due April 1, 2045 and \$4,900,000 (4% interest) Term Bonds due April 1, 2045. The 2015B Bonds consist of \$19,400,000 (4.506% average interest) Serial Bonds. A portion of the proceeds of the Bonds, along with funds transferred from amounts on deposit in the debt service funds, debt service reserve funds were deposited as cash and held in an irrevocable trust (the "Escrow Fund") and were used solely to refund the \$23,885,000 outstanding balance of the Series 2005 Bonds.

The net present value of the economic gain from refunding the 2005 Series A and B Bonds was \$4,023,167 (16.84%) of refunded Bonds and deferred inflows from refunding gain was \$1,028,663.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

CASH AND INVESTMENTS

The total amounts of unrestricted and restricted cash, cash equivalents and investment in the US Treasury Securities were \$43,487,606 and \$49,623,711 and \$57,630,669, on May 31, 2020, 2019 and 2018, respectively. The reductions of \$6,136,105 (12.4%) and \$8,006,958 (13.9%) in cash, cash equivalents and investment, in the current and previous year, respectively, were mainly the result of expenditures pertaining to capital assets.

On May 31, 2020, the amount of restricted cash and cash equivalents held in the Construction Fund was \$25,130,629, in view of the planned capital expenditures of \$16,000,900 for the year ending May 31, 2021. The amount of cash, cash equivalents in Bond reserve Funds was \$3,572,658, as required by the bond covenants.

During the current year, the sources of cash flows included \$5,984,043 from operation and \$16,543,047 from interest and maturity of the treasury notes investment. The amounts of cash used for the acquisition and construction of capital assets and payment of related interest was \$12,897,782. During the previous year, the sources of cash flows included \$9,904,059 from operation and \$9,542,710 from interest and maturity of the treasury notes investment. The amounts of cash used for the acquisition and construction of capital assets and payment of related interest was \$19,007,128.

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

Debt Service Coverage:

The Water Authority's debt coverage ratio was as follows:

Cash Available and Debt Service Requirement	Amount
Operating income	\$ 5,631,292
Add: Depreciation and amortization	2,260,652
Noncash operation and maintenance expenses	582,457
Interest and other income	1,097,461
Total cash available for coverage	9,571,862
Debt service requirements:	
Interest payments	4,690,411
Principal payments	2,605,000
Total debt service requirements	\$ 7,295,411
Coverage Ratio	1.31
Coverage requirement as per Water System Revenue Bonds, Series 2010 and 2005	1.20

For more detailed information on long-term debt activity, please refer to the financial statements Note 5 – Revenue Bonds Payable.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020 operating plan, user fees and charges. Population Changes, unemployment rates in Nassau County and changes in the consumer price index for the New York – Northern New Jersey – Long Island area are among these factors.

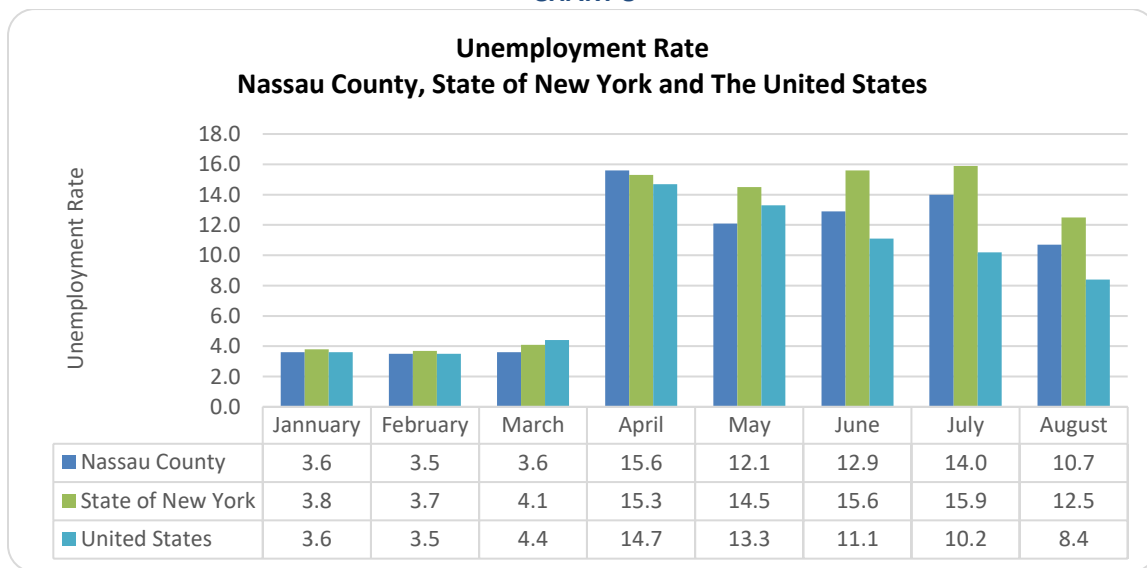
Changes in Employment

The COVID-19 pandemic and ensuing national recession was the main driver of increase in unemployment rate in Nassau County which was especially high in April and July 2020. By early June, most retail stores and offices in upstate regions were conditionally permitted to reopen under strict safety guidelines, while downstate regions were not permitted to reopen as soon, especially New York City.

The unemployment rate in Nassau County has continued to be lower than the State of New York averages.

The average unemployment rate in the County of Nassau was 12.1%, in May 2020 as compared to 3.1% in May 2019. The unemployment rate for the State of New York was 15.3% and 3.8%, in May 2020 and 2019, respectively (Chart 8).

CHART 8



Population changes

The Water Authority's service area population is approximately 120,000. The Water Authority presently has over 28,000 accounts in western Nassau County, of which about 94% are residential. Commercial and fire protection constitute most of the remainder. The Water Authority's customer base has mirrored Nassau County's population. According to the US Census Bureau estimates, July 1, 2019 Nassau County's population was 1,356,343 and had increased by 1.4% from 1,339,532 in 2010. The population breakdown by towns within Nassau County for 2010 and 2000 is as follows:

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

NASSAU COUNTY	July 1, 2020	2010 (a)
Town of North Hempstead	230,933	221,315
Town of Hempstead	706,980	759,185
City of Long Beach	33,454	35,615
Town of Oyster Bay	298,391	296,680
City of Glen Cove	27,166	26,737

Source: 2010 United States Census and

Changes in Prices

According to Bureau of Labor Statistics the prices in the New York-Newark-Jersey City area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), rose 0.5% in May, after declining 0.5% in April 2020. The increase was to higher prices for food and for other non-energy items.

CHART 8
Over-the Year Percent Change in CPI-U,
New York-Newark-Jersey City,
May 2017-May 2020



Source: U.S. Bureau of Labor Statistics.

Over the year, the CPI-U increased 1.4 percent. (See [chart 8](#)). The index for all items less food and energy advanced 1.9 percent. Price increases for shelter drove the 12-month change in both indexes.

From May 2019 to May 2020, the food index advanced 5.6% percent. Prices for food at home climbed 7.1%, and prices for food away from home rose 3.7%.

For the year ended in May 2020, energy prices decreased 13.5%, primarily because of a 28.3% fall in gasoline prices. Prices for energy services advanced 2.6%, with higher prices for electricity (2.5%) and for natural gas (1.2%).

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The index for all items less food and energy increased 0.5 percent in May, following a 0.6-percent decline in April. Prices rose for recreation (6.7 percent) and for new and used vehicles (3.1 percent).

Over the year, the index for all items less food and energy rose 1.9%. An increase of 2.0% in shelter prices included the rise of 2.7% in owners' equivalent rent and a 2.1% in residential rent. Recreation and medical care prices rose 10.7% and 5.2% percent, respectively. A rise of 4.3% in prices for tuition, other school fees, and childcare contributed to a 2.5% increase in prices for education and communication. Partly offsetting these increases were declines for apparel (-7.7%) and for motor vehicle insurance (-10.5%).

In May, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) rose 1.4 percent over the year.

Forecast of Revenues and Expenses

The Water Authority has prepared and published an operating plan and forecast of revenues, expenses and changes in net position, for the years ending May 31, 2021, as presented below:

**Forecasted Revenues, Expenses and Changes in Net Position
Year Ending May 31, 2021
(Unaudited)**

	<u>Amount</u>
Operating Revenues	
Residential	\$ 14,308,100
Commercial	3,653,900
Fire hydrants	2,742,800
Private fire	215,000
Total water sales	<u>20,919,800</u>
Other Revenues	
Late payment charges	48,900
Other fees and charges	295,200
Total other revenues	<u>344,100</u>
Total revenues from customers	21,263,900
Rate Stabilization Fund Contribution	-
Total revenues, net of contribution	<u>21,263,900</u>
Operating Expenses	
Operation and maintenance	10,613,200
Depreciation	2,581,300
Total operating expenses	<u>13,194,500</u>
Total utility operating income	8,069,400
Interest Charges and Other	
Interest on long-term debt, net	5,815,000
Amortization of debt expense	(368,200)
Interest and other income	(982,050)
Total interest charges and other	<u>4,464,750</u>
Increase in net position	<u>\$ 3,604,650</u>
Projected debt service coverage	<u>1.41</u>

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

In planning the future revenues, the key considerations have been the forecast of water consumption and adjustment of the water rates to meet the debt service requirements, expected rises in capital and operating costs. For the year ending May 31, 2021, the total water sales revenues are estimated at \$20,919,800, as compared to the actual revenues of \$18,070,081, for 2020. The rise in the estimated revenues reflects the 10.57% increase in the water rates. Total operating and maintenance expenses are projected to increase by \$435,063 (4.2%), from the actual amount of \$10,178,137, in the current year, to \$10,613,200, in the year ending May 31, 2021. The projected nonoperating revenues and expenses are expected to remain relatively the same as the current year. Primarily, as a net result of the changes in water sales revenues and expenses, the net position is projected to increase by \$3,604,650 (11.97%) and the debt coverage ratio to be 1.41%.

CONTACTING THE WATER AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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.

BASIC FINANCIAL STATEMENTS



THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF NET POSITION
MAY 31,

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,072,982	\$ 4,991,562
Restricted cash- rate stabilization fund	2,000,000	2,000,000
Accounts receivable:		
Billed, net of \$25,000 allowance for doubtful accounts	808,942	693,310
Unbilled	2,904,000	3,107,000
Prepayments and other current assets	320,134	247,800
Materials and supplies, at weighted average cost	<u>330,692</u>	<u>292,394</u>
Total current assets	10,436,750	11,332,066
Noncurrent assets:		
Restricted cash and cash equivalents		
Bond construction fund	25,130,629	13,479,553
Bond reserve fund	3,572,658	3,475,608
Bond payment fund	1,401,155	1,198,055
Customer deposits	1,249,973	1,226,335
Restricted investments held by trustees		
Bond construction fund	1,990,250	17,910,164
Bond reserve fund	5,496,935	5,342,434
Capital assets		
Non-depreciable	31,825,890	27,307,537
Depreciable	70,839,808	72,063,344
Other assets		
Unamortized bond issue costs	383	5,683
Other assets	<u>480,314</u>	<u>433,142</u>
Total noncurrent assets	<u>141,987,995</u>	<u>142,441,855</u>
Total assets	152,424,745	153,773,921
Deferred outflows of resources		
Post-measurement date contributions	631,620	638,525
Changes in Retirement System assumptions	618,877	611,842
Loss on Refund	24,004	25,605
Deferred outflows -OPEB	<u>1,839,548</u>	<u>347,607</u>
Total deferred outflow of resources	3,114,049	1,623,579

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF NET POSITION
MAY 31,

	<u>2020</u>	<u>2019</u>
Liabilities and Net position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,707,856	\$ 5,299,301
Unearned revenue	111,181	115,853
Accrued interest payable	831,955	794,681
Customer advance on construction	208,129	82,683
Water revenue bond payable	2,720,000	2,605,000
Accrued vacation and sick leave	<u>40,000</u>	<u>40,000</u>
Total current liabilities	7,619,121	8,937,518
Noncurrent liabilities:		
Water revenue bonds payable (net of premium)	105,330,908	108,427,617
Customer and other deposits	1,303,883	1,273,306
Due to employee retirement system	958,653	442,184
Other post-employment benefits	7,598,949	6,764,056
Accrued vacation and sick leave	<u>1,115,600</u>	<u>932,400</u>
Total noncurrent liabilities	<u>116,307,993</u>	<u>117,839,563</u>
Total liabilities	123,927,114	126,777,081
Deferred inflows		
Changes in retirement system assumptions	325,832	767,794
Changes in other post-employment benefits assumptions	<u>1,173,180</u>	<u>39,392</u>
Total deferred inflows	1,499,012	807,186
Net position		
Net investment in capital assets	32,230,802	26,988,565
Restricted for rate stabilization	2,000,000	2,000,000
Unrestricted	<u>(4,118,134)</u>	<u>(1,175,332)</u>
Total net position	<u>\$ 30,112,668</u>	<u>\$ 27,813,233</u>

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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED MAY 31,

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Residential	\$ 12,267,703	\$ 11,603,159
Commercial	2,814,353	3,013,413
Fire protection	2,676,259	2,577,479
Other water revenues	<u>311,766</u>	<u>349,771</u>
Total operating revenues	18,070,081	17,543,822
Operating expenses:		
Operations	7,773,228	7,219,824
Maintenance	2,404,909	2,346,725
Depreciation	<u>2,260,652</u>	<u>2,217,359</u>
Total operating expenses	<u>12,438,789</u>	<u>11,783,908</u>
Operating income	5,631,292	5,759,914
Non-operating revenues (expenses):		
Interest income	777,634	1,096,111
Miscellaneous income, net	319,827	303,506
Interest on long-term debt, net	(4,404,782)	(4,471,045)
Other amortization, net	<u>(24,536)</u>	<u>(24,536)</u>
Net non-operating expenses	<u>(3,331,857)</u>	<u>(3,095,964)</u>
Change in net position	2,299,435	2,663,950
Net position – beginning of the year	<u>27,813,233</u>	<u>25,149,283</u>
Total net position – end of the year	<u>\$ 30,112,668</u>	<u>\$ 27,813,233</u>

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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers	\$ 18,157,451	\$ 17,875,672
Rental property revenues	319,827	303,506
Payments to suppliers for goods or services	(7,875,987)	(3,933,778)
Payments for employee services	<u>(4,617,248)</u>	<u>(4,341,341)</u>
Net cash provided by operating activities	5,984,043	9,904,059
Cash flows from capital and related financing activities:		
Repayment of water revenue bonds	(2,605,000)	(2,490,000)
Acquisition of capital assets	(5,555,467)	(11,664,496)
Interest paid on water revenue bonds	<u>(4,737,315)</u>	<u>(4,852,632)</u>
Net cash used by Capital and related financing activities	(12,897,782)	(19,007,128)
Cash flows from non-capital financing activities:		
Cash flows from investing activities:		
Redemption of treasury bonds/notes	15,825,186	8,492,746
Purchase of treasury bonds/notes	-	-
Interest and dividends received	<u>717,861</u>	<u>1,049,964</u>
Net cash provided by investing activities	<u>16,543,047</u>	<u>9,542,710</u>
Net increase in cash and cash equivalents	9,629,308	439,641
Cash and equivalents, beginning of year	<u>26,371,113</u>	<u>25,931,472</u>
Cash and equivalents, end of year	<u>\$ 36,000,421</u>	<u>\$ 26,371,113</u>

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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31,

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 5,631,292	\$ 5,759,914
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,260,652	2,217,359
Rental Income	319,827	303,506
Changes in operating assets and liabilities:		
Accounts receivable	9,814	52,848
Accrued unbilled revenue	203,000	279,000
Prepaid items and other assets	(72,335)	(18,052)
Inventory of materials and supplies	(38,299)	(28,762)
Other assets	(71,709)	(47,376)
Deferred outflows	(1,492,071)	(130,125)
Accounts payable and accrued expenses	(3,018,420)	949,270
Unearned revenues	(4,672)	10,442
Net Pension liability	516,469	(823,479)
Customer deposits	30,577	34,256
Other post-employment benefits	834,893	723,360
Compensated absences	183,200	22,900
Deferred inflows	<u>691,825</u>	<u>598,998</u>
Net cash provided by operating activities	<u>\$ 5,984,043</u>	<u>\$ 9,904,059</u>

Non-cash transactions: The fully depreciated capital assets of \$170,701 were written off.

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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019

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 within the Town of Hempstead and the Town of 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 pronouncements of GASB.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019

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

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

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

The Water Authority has adopted the provisions of Government Accounting Standard Board (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 Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statement of 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 or decreases in net position serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019

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

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

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

Restricted Cash, Cash Equivalents and Investments held by Trustee

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

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

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

The amount of Rate Stabilization Fund cash and cash equivalents were \$2,000,000 and \$2,000,000 as of May 31, 2020 and May 31, 2019, respectively.

Bond Construction Fund – In accordance with the bond resolution, money deposited in the Bond Construction Fund from the proceeds of the Water System Revenue Bonds, Series 2015 and Series 2010 are restricted to the cost of improvements or the replacement of the water system. The Bond Construction Fund is to be maintained in trust and held by the fund trustee. The total amounts in the Bond Construction Funds on May 31, 2020 and May 31, 2019 were \$27,120,879 and \$31,389,717, respectively. As of May 31, 2020, the balances of Construction Funds are from 2015 Bond Series.

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.

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, 2020, and May 31, 2019, the total amounts of Bond Reserve Funds were \$9,069,593 and \$8,818,042, 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 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, 2020 and May 31, 2019, the amounts in the Bond Fund cash and cash equivalents were \$1,401,155 and \$1,198,055, 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

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income, including changes in fair value of investments is recognized as non-operating revenue in the operating statement.

Accrued Unbilled Revenues

Accrued unbilled revenues represent revenue earned in the current year but not yet billed to customers until future days, usually within three months, based on the estimated billings occurring in the three months of the succeeding year. Historical trend is used to estimate accrued unbilled revenues.

Accounts Receivable

Accounts receivable is net of an allowance for doubtful accounts of \$25,000 on May 31, 2020 and May 31, 2019. The allowance is estimated based on trends in historical collection rates and write-offs.

Prepaid Items

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

Materials and Supplies

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

Capital Assets

Capital assets are defined by the Water Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are carried at cost to the Water Authority. Improvements, renewals purchased or contributed property, replacements of retired units of property and significant repairs inclusive of materials, labor and certain overhead that extend the life of the asset are capitalized while minor repairs and maintenance costs are expensed as incurred. Donated capital assets or donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Capitalization of Interest during Construction

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

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

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

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In previous fiscal years, the Water Authority capitalized the interest cost during the construction of capital assets according to Financial Accounting Standards Board's Accounting Standards Codification Paragraph 835-20-30-10 through 835-20-30-12.

In June 2019, of the Governmental Accounting Standards Board issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period is not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Water Authority adopted this statement in the year ended May 31, 2019 and has expensed all interest cost incurred during the year. Also, the Water Authority will apply the requirements of this Statement prospectively.

Long-term Obligations

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

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

The amortizations of bond premiums were \$376,708 and \$376,709, in years ended May 31, 2020 and May 31, 2019. The amortization of Series 2015 deferred refunding loss was \$51,433 and the amortization of Series 2005 refunding gain was \$53,035, for both years ended May 31, 2020 and May 31, 2019.

Unearned Revenues

The Unearned revenues include advance payments by customers and charges for future repairs. The Water Authority recognizes the amounts charged as liabilities and credits them to revenue only when associated costs are incurred.

Other Postemployment Benefits

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

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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.

In previous fiscal years, the Water Authority recognized the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. The liability for these other postemployment benefits was recorded as a long-term liability in the Statement of Net Position and was estimated based on the most recent actuarial valuation in accordance with the parameters of GASB Statement No. 45.

In June 2015, Government Accounting Standards Board (GASB) issued the Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement requires the liability of employers to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The Statement requires governments to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2018. The Water Authority adopted and implemented this statement in the fiscal year ended May 31, 2019.

The implementation of GASB Statement 75 increased the net other post-employment (OPEB) liability by \$2,579,837, from \$460,859 (under GASB Statement 45) to \$6,040,696 (under GASB Statement 75), as of May 31, 2019. The Statement of Net Position and Statement of Changes in Net Position were restated for May 31, 2018 to reflect implementation as follows:

Net position—May 31, 2018, as previously stated	\$ 27,729,120
GASB Statement No. 75 implementation	<u>(2,579,837)</u>
Net position—May 31, 2018, as restated	\$ <u>25,149,283</u>

Accrued Vacation and Sick Leave

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

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent obligations on the Statement of Net Position. The current portion of this liability is estimated based on historical trends. In the Statements of Revenues, Expenses and Changes in Net Position only the compensated absence liability payable from available financial resources is incurred.

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Net Pension Obligation and Deferred Outflows

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

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

Revenue Recognition

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

Operating and Non-Operating Revenues and Expenses

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

Taxes

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

Deferred Inflows of Resources/Deferred Outflows of Resources

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

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Use of Estimates

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

Operating and Capital Plans

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

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

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

Fair Value Measurements

In accordance with Governmental Accounting Standards Board (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 of the fair value hierarchy 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 plan 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.

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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 use should maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

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

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

Recent Accounting Pronouncements

The following are discussions of the standards requiring implementation in the current year and standards that may impact the Water Authority in future years.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2019. The Water Authority adopted this pronouncement in the current year. The adoption of GASB 84 did not have an impact on the Water Authority's financial statements, as the Water Authority does not enter into fiduciary activities.

In June 2017, GASB issued Statement No. 87, *Leases* ("GASB 87"). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after June 15, 2021. The Water Authority has not completed the process of evaluating GASB 87, but it does not expect it to have a significant impact on its financial statements

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In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* ("GASB 90"). GASB 90 clarifies the accounting and financial reporting requirements for a state and local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of GASB 90 are effective for fiscal years beginning after December 15, 2019. The Water Authority adopted this pronouncement in the current year. The adoption of GASB 90 did not have an impact on the Water Authority's financial statements, as the Water Authority has not made such acquisitions.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* ("GASB 92"). GASB 92 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements for GASB 92 are effective for reporting periods beginning after June 15, 2021. The Water Authority has not completed the process of evaluating GASB 92, but it does not expect it to have an impact on the Water Authority's financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* ("GASB 93"). GASB 93 addressed accounting and financial reporting implications that result from the replacement of an interbank offered rate ("IBOR") – most notably, the London Interbank Offered Rate ("LIBOR") resulting from global reference rate reform. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of GASB 93 are effective for reporting periods beginning after June 15, 2021. The Water Authority has not completed the process of evaluating GASB 92, but it does not expect it to have an impact on the Water Authority's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASB 94"). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Water Authority has not completed the process of evaluating GASB 94, but it does not expect GASB 94 to have an impact on the Water Authority's financial statements as it does not enter into PPPs.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* ("GASB 95"). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). The requirements GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Water Authority has not completed the process of evaluating GASB 96 but does not expect it to have an impact on the Water Authority's financial statements as it does not enter into SBITAs.

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In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* ("GASB 97"). The objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Water Authority has not completed the process of evaluating GASB 97 but does not expect it to have an impact on the Water Authority's financial statements.

NOTE 3 –CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

The restricted cash and investment are as follows:

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

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

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

Restricted for rate stabilization. The restricted cash rate stabilization account is established to buffer the impacts of occasional revenue shortfalls.

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

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Fair Value

On May 31, 2020 and 2019, the Water Authority's composition of cash, cash equivalents and investment, by level in the fair value hierarchy, were as follows:

May 31, 2020	Level 1	Level 2	Level 3
Unrestricted cash:			
Cash and bank deposits	\$ 4,072,982	\$ -	\$ -
Restricted cash:			
Customer deposits-Bank deposits	1,249,973	-	-
Rate stabilization Fund-Bank deposits	2,000,000	-	-
Bond payment:			
Bank deposits	437,419	-	-
Government money market funds	963,736	-	-
Bond reserve funds:			
Bank deposits		-	-
Government money market funds	3,572,659	-	-
Bond construction funds:			
Bank deposits	786,380	-	-
Government money market funds	24,344,248	-	-
Restricted investments:			
Bond construction fund-us treasury notes/bonds	1,990,250	-	-
Bond reserve funds-us treasury notes/bonds	5,496,935	-	-
	\$ <u>44,914,582</u>	\$ <u>-</u>	\$ <u>-</u>
May 31, 2019	Level 1	Level 2	Level 3
Unrestricted cash:			
Cash and bank deposits	\$ 4,991,562	\$ -	\$ -
Restricted cash:			
Customer deposits-Bank deposits	1,226,335	-	-
Rate stabilization-Bank deposits	2,000,000	-	-
Bond payment:			
Bank deposits	840,315	-	-
Government money market funds	357,740	-	-
Bond reserve funds:			
Bank deposits	172,866	-	-
Government money market funds	3,302,742	-	-
Bond construction fund:			
Bank deposits	343,492	-	-
Government money market funds	13,136,061	-	-
Restricted investments:			
Bond Construction fund-US Treasury Notes/Bonds	17,910,164	-	-
Bond reserve funds-US Treasury Notes/Bonds	5,342,434	-	-
	\$ <u>49,623,711</u>	\$ <u>-</u>	\$ <u>-</u>

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All cash equivalents and investments classified and included in the Level 1 of the fair value hierarchy, as of May 31, 2020 and 2019, respectively, are 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 of the State of New York of a market value equal at all times 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 with all remaining amounts covered by fully pledged collateral securities, at over 102% of the amounts on deposit. All pledged collateral is classified in the highest category by being held by the Bank of New York Mellon under a tri-party collateral agreement in the Water Authority’s name. All time and savings deposits and demand deposits of the Water Authority are held in insured depository institution within the State of New York and are separately insured up to \$250,000.

Investments

Investments Authorized by the State of New York and Bond Resolutions. Pursuant to the Bond Resolution, the Water Authority may only invest moneys on deposit in various funds established under the resolution in certain investment securities. In addition, and in accordance with the requirements of the State of New York Public Authorities Law, the Water Authority has adopted comprehensive investment guidelines which govern the investment of all moneys of the Water Authority. These guidelines provide that moneys on deposit with the Water Authority may only be invested in:

1. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (“USA”).
2. Bonds, debentures, notes, participation certificates or other evidence of indebtedness issued or guaranteed by any agency or instrumentality of the USA or any other corporation wholly owned by the USA.
3. Public housing bonds or preliminary, temporary or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions, under an annual contributions contract, or contracts with the USA or any federal agency.
4. Direct and general obligations of any State or political subdivision of State, as to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged and at the time of their purchase, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies.
5. Bank time deposits evidenced by certificates of deposit and bankers' acceptances issued by any bank or trust company, which is a member of the FDIC.
6. Obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the USA or any state thereof, provided that such investments shall be rated in the two highest rating categories established by at least two nationally recognized bond rating agencies.
7. Certificates or other obligations of the USA or any state, political subdivision, agency or instrumentality of the USA or any state or political subdivision. It is required that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the

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requirements for a Bond Fund Trustee under the Bond Resolution. Certificates or other obligations of a state or political subdivision, the payments of all principal of, and interest on such certificates or such obligations, shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, L.P. ("Moody's") and either Standard & Poor's Corporation ("S&P") or Fitch Investors Service, Inc. ("Fitch"), or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's and either S&P or Fitch.

8. Written investment agreements rated or the issuer of which is rated, in one of the two highest rating categories by at least two nationally recognized rating agencies, and if rated by Moody's, S&P or Fitch, such investment agreements or the long-term unsecured debt obligations of the insurer thereof must be rated in one of the two highest rating categories by the respective agency rating such investment agreements.
9. Money market funds registered under the Investment Company Act of 1940, as amended, the investment portfolios of which are comprised solely of investments in obligations described in items 1, 2 and 3 above, and which money market funds are rated in one of the two highest rating categories by the respective agency rating such money market funds.

Disclosures Relating to Credit Risk – There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Any moneys of the Water Authority not required for immediate use or disbursement may, at the discretion of the Water Authority, be invested in those obligations specified pursuant to the provisions of Section 98(a) of the State Finance Law and the Bond Resolution with respect to the Water Authority's Water System Revenue Bonds, Series 2010 and 2005 Bonds.

In addition, there is the risk of loss attributed to the magnitude of the Water Authority's investment in a single issuer. Given the relative safety of those investment instruments that the Water Authority can purchase, the policies of the Water Authority do not place a limit on the amount that may be invested in any one issuer. As of May 31, 2020, and May 31, 2019, the Water Authority's investment, including the investment in cash equivalents was as follows.

	May 31, 2020			May 31, 2019		
	S&P-AAAm			S&P-AAAm		
	Moody's-			Moody's-		
	Aaa-mf			Aaa-mf		
	US			US Treasury		
	Level 1	NAIC-Class 1	Securities	Level 1	NAIC-Class 1	Securities
	Fair Value			Fair Value		
Dreyfus Government						
Securities Funds	\$28,880,643	\$28,880,643	\$ -	\$16,796,543	\$16,796,543	\$ -
US Treasury Bonds	7,487,185	-	7,487,185	23,252,599	-	23,252,599
Total	\$36,367,828	\$28,880,643	\$7,487,185	\$40,049,142	\$16,796,543	\$23,252,599

On May 31, 2020 and 2019, all Water Authority funds were invested in credit risk free US Treasury Securities and money market funds with 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

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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.

On May 31, 2020 and May 31, 2019, the maturity dates of the Water Authority's investment securities were as follows:

May 31, 2020	Fair Value	12 Months or Less
Dreyfus Government Securities Funds	\$ 28,880,643	\$ 28,880,643
May 31, 2019		
Dreyfus Government Securities Funds	\$ 16,796,543	\$ 16,796,543

The Weighted Average Maturity of Dreyfus Government Securities has been very short, less than 60 days. The yields from money market funds may vary, although they have not in the past year, and is not fixed for a specific period. A sharp and unexpected rise in interest rates could cause the share price to drop below a dollar. However, the extremely short maturities of the securities held in the portfolio reduce the potential for price fluctuation. Also, the yields of US Treasury securities' and money market funds will fluctuate as the short-term securities in the Water Authority portfolio mature and the proceeds are reinvested in securities with different interest rates.

As of May 31, 2020, and 2019, the maturities of investment in the Water Authority's US treasury securities were as follows:

May 31, 2020				Average Term (Days)
Maturity Date- on or before	Investment	Fair value	Percent	
5/31/2021	US Treasury Notes/ Bonds	\$ 5,582,790	75.16%	50
5/31/2022	US Treasury Notes/ Bonds	1,844,620	24.84%	730
		<u>\$ 7,427,410</u>	<u>100.00%</u>	<u>278</u>
May 31, 2019				Average Term
Maturity Date- on or before	Investment	Fair value	Percent	(Days)
5/31/2020	US Treasury Notes/ Bonds	\$ 18,679,100	80.49%	592
5/31/2021	US Treasury Notes/ Bonds	2,745,100	11.83%	988
5/31/2022	US Treasury Notes/ Bonds	1,782,252	7.68%	1,096
		<u>\$ 23,206,452</u>	<u>100.00%</u>	<u>349</u>

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The accrued interest on the investment accounts were \$59,774 and \$46,147 as of May 31, 2020 and May 31, 2019, respectively. The accrued interests are added to the market value of the investments in the statement of net position.

Custodial Risk of Investments

Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Bank of New York Mellon as the trustee and custodian holds the Water Authority's investments.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

The changes in the cost of capital assets and accumulated depreciation during the years ended May 31, 2020 and May 31, 2019 are reflected in the following table:

<u>Year Ended May 31,</u>	<u>2019</u>	<u>Increase</u>	<u>Reclassification and Retirement</u>	<u>2020</u>
Capital assets not subject to depreciation:				
Land and land rights	\$ 599,074	\$ -	\$ -	\$ 599,074
Construction in progress	26,708,463	5,564,697	(1,046,344)	31,226,816
Total capital assets not being depreciated	27,307,537	5,564,697	(1,046,344)	31,825,890
Capital assets being depreciated:				
Wells and standpipes	6,086,412	-	-	6,086,412
Pumping and purification	23,963,259	129,320	-	24,092,579
Distribution system	44,367,097	801,613	(132,098)	45,036,612
Building, vehicles and equipment	20,093,583	115,411	(47,833)	20,161,161
Total capital assets being depreciated	94,510,351	1,046,344	(179,931)	95,376,764
Less accumulated depreciation:				
Wells and standpipes	(1,603,482)	(126,321)	-	(1,729,803)
Pumping and purification	(7,314,591)	(498,193)	-	(7,812,784)
Distribution system	(8,159,798)	(907,866)	122,868	(8,944,796)
Building, vehicles and equipment	(5,369,136)	(728,270)	47,833	(6,049,573)
Total accumulated depreciation	(22,447,007)	(2,260,650)	170,701	(24,536,956)
Total net capital assets being depreciated	72,063,344	(1,214,306)	(9,230)	70,839,808
Total net capital assets	\$ <u>99,370,881</u>	\$ <u>4,350,391</u>	\$ <u>(1,055,574)</u>	\$ <u>102,665,698</u>

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Year Ended May 31,	2018	Increase	Reclassification and Retirement	2019
Capital assets not subject to depreciation:				
Land and land rights	\$ 599,074	\$ -	\$ -	\$ 599,074
Construction in progress	14,186,868	14,451,297	(1,929,702)	26,708,463
Total capital assets not being depreciated	14,785,942	14,451,297	(1,929,702)	27,307,537
Capital assets being depreciated:				
Wells and standpipes	6,086,412	-	-	6,086,412
Pumping and purification	23,041,043	922,216	-	23,963,259
Distribution system	43,652,693	905,881	(191,477)	44,367,097
Building, vehicles and equipment	20,054,593	101,605	(62,615)	20,093,583
Total capital assets being depreciated	92,834,741	1,929,702	(254,092)	94,510,351
Less accumulated depreciation:				
Wells and standpipes	(1,477,160)	(126,322)	-	(1,603,482)
Pumping and purification	(6,841,756)	(472,835)	-	(7,314,591)
Distribution system	(7,456,957)	(894,318)	191,477	(8,159,798)
Building, vehicles and equipment	(4,707,867)	(723,884)	62,615	(5,369,136)
Total accumulated depreciation	(20,483,740)	(2,217,359)	254,092	(22,447,007)
Total net capital assets being depreciated	72,351,001	(287,657)	-	72,063,344
Total net capital assets	\$ 87,136,943	\$ 14,163,640	\$ (1,929,702)	\$ 99,370,881

The depreciation expenses for the years ended May 31, 2020 and 2019 were \$2,260,650 and \$2,217,359, respectively.

NOTE 5 – REVENUE BONDS PAYABLE

The changes in Revenue Bonds Payable in the year ended May 31, 2020 and May 31, 2019 were as follows:

	May 31, 2019	Decreased	Increased	May 31, 2020
Water System Revenue Bonds payable	\$ 103,045,000	(2,605,000)	-	100,440,000
Adjustment for deferred amounts:				
Unamortized premium	7,987,617	(376,709)	-	7,610,908
Total Revenue Bonds	\$ 111,032,617	(2,981,709)	-	108,050,908

	May 31, 2018	Decreased	Increased	May 31, 2019
Water System Revenue Bonds payable	\$ 105,535,000	\$ (2,490,000)	\$ -	\$ 103,045,000
Adjustment for deferred amounts:				
Unamortized premium	8,364,326	(376,709)	-	7,987,617
Total Revenue Bonds	\$ 113,899,326	\$ (2,866,709)	\$ -	\$ 111,032,617

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SERIES 2005 REVENUE BONDS PAYABLE

On August 4, 2005, the Water Authority issued \$33,065,000 Water System Revenue Bonds, Series 2005 in part to provide sufficient funds to affect the advanced refunding of 1996 Series bonds, to finance the cost of acquisition and construction of improvements to the Water System and pay certain costs of issuance relating to the Series 2005 Bonds.

The interest on the refunding bonds ranged from 2.84% to 5.30% (average interest of 3.7%) and the bonds were issued at a premium of \$1,642,140. The \$28,155,000 remaining balance of the Water Authority's outstanding Series 1996A bonds had interest rates ranging from 5.65% to 6.43% (average interest of 5.6%). Simultaneously with the issuance of the Series 2005 Bonds, \$28,758,320, the amount of \$27,900,000 from the proceeds of the sale of the Series 2005 Bonds together with other available moneys, were used to purchase non-callable direct obligations of the USA. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the May 1, 2006, redemption of the bonds, at a redemption price of 102% plus accrued interest. As a result, \$28,225,000 of Series 1996A bonds are considered defeased and the liability for those bonds were removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$2,230,412. The Water Authority completed the refunding to reduce its total debt service payments over the next 30 years to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,314,315.

SERIES 2010 REVENUE BONDS PAYABLE

On April 15, 2010, the Water Authority issued its Series 2010 Revenue Bonds. The Series 2010 Revenue Bonds include the Water System Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), with aggregate principal balance of \$6,925,000, and Water System Revenue Bonds, Series 2010B (the "Series 2010B Bonds"), federally taxable, Build America Bonds, with aggregate principal balance of \$33,965,000. The Bonds were issued pursuant to the water system revenue bonds General Resolution adopted by the Water Authority on May 13, 1996 and the supplemental Series 2010 Resolution adopted on January 25, 2010. The Series 2010 Bonds are the third and fourth Series of Bonds (as that term is defined herein) to be issued under the General Resolution.

The Series 2010A Bonds were issued to finance costs of acquisition, improvements and additions to the water system, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010A Bonds. The Series 2010B Bonds were issued to finance the cost of acquisition, improvements and additions to the water system, including the construction of the Water Authority's headquarters, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010B Bonds. The Series 2010 Bonds, which are issued as Senior Lien Bonds, are the third and fourth Series of Bonds issued under the General Resolution. The Series 2010 Bonds are payable as to both interest and principal solely from the net revenues on parity with other outstanding Bonds.

The Water Authority has elected to treat the Series 2010B Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") and to receive a cash subsidy from the US Treasury in connection therewith. Pursuant to the Recovery Act, the Water Authority is entitled to receive cash subsidy payments rebating a portion of the interest on the Build America Bonds

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from the US Treasury equal to 35% of the interest payable on the Series 2010B Bonds. The Water Authority will use this subsidy exclusively to pay interest on the Series 2010B Bonds.

The Series 2010A Bonds are not subject to redemption prior to maturity. The Series 2010B Bonds are subject to Make-Whole and Extraordinary Redemption at the option of the Water Authority.

SERIES 2015 REVENUE BONDS PAYABLE

On April 22, 2015, the Water Authority issued the \$54,200,000 Water System Revenue Bonds Series 2015A and \$19,400,000 Water Revenue Refunding Series 2015B. The Series 2015A proceeds are used to finance the cost of construction of improvements to water system, to fund a portion of reserve account and to pay certain issuance costs. The proceeds of Series 2015B Bond together with Series 2005 Bond Debt Reserve Fund balances were applied to refund the \$23,885,000 outstanding balance of the Series 2005 Bonds, to pay \$666,789 of interest and fund a portion of reserve account and to pay certain issuance costs. The sources and uses of the Series 2015 Bonds are as follows:

Sources:		Uses:	
Bond Proceeds:		Escrow Fund	\$ 24,551,790
Par Amount	\$ 73,600,000	Construction Fund	55,822,774
Net Premium	9,410,647	Reserve account, Series 2015	4,780,500
		Deposit to Capitalized	
Released Bond Funds	3,715,130	Interest Account Series 2015	1,128,088
		Costs of Issuance	442,625
Total sources	\$ <u>86,725,777</u>	Total Uses	\$ <u>86,725,777</u>

Series 2005A and 2005B Bonds are considered to be defeased and the liability for those bonds were removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$1,028,663. The Water Authority completed the refunding to reduce its total debt service payments over the next 30 years to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,023,167. The economic gain represents 16.84% of the outstanding balance of the refunded bonds.

The Series 2015 Bonds are subject to redemption at the option of the Water Authority on or after April 1, 2025, in whole or in part, at a price of par, plus accrued interest.

The Series 2015A Bonds maturing on April 1, 2040 (\$17,640,000), April 1, 2045 (\$10,000,00 at 4% interest) and April 1, 2045 (\$4,900,000 at 5% interest) are subject to mandatory redemption, at a price equal 100% of the principal plus accrued interest, over five-year periods, commencing in 2036, 2041 and 2041, respectively.

The average life and duration of the Series 2015 Bonds are 17.84 and 12.19, respectively. The average annual debt service is \$4,530,667 and the maximum annual debt service is \$4,780,500. The yield of the component bonds ranges from 0.31% to 3.79%, depending on the term of the bonds.

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Make-whole Redemption

The Series 2010B Bonds are subject to redemption, in whole or in part, prior to their stated maturities, on any date. The redemption price is equal to the greater of:

- (i) 100% of the principal amount of such Series 2010B Bonds to be redeemed, plus accrued and unpaid interest, or
- (ii) The sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption at the Treasury Rate plus 30 basis points. "Treasury Rate" is the yield to maturity of the Treasury Issue, with equivalent maturity.

Extraordinary Redemption

The Series 2010B Bonds are subject to redemption prior to maturity at the option of the Water Authority, in whole or in part, on any date following the occurrence of an "Extraordinary Event", at redemption price equal to the greater of:

- (i) 100% of the principal amount of such Series 2010B Bonds to be redeemed, plus accrued and unpaid interest, or
- (ii) The sum of the present values of the remaining scheduled payments of principal and interest on such Series 2010B Bonds to be redeemed discounted to the date of redemption on a semiannual basis at the Treasury Rate plus 100 basis points.

An "Extraordinary Event" occurs if the 35% cash subsidy payment from the US Treasury to the Water Authority is reduced or eliminated as a result of change in provisions of Internal Revenue Code of 1986 pertaining to Build America Bonds or determination by the Internal Revenue Service or the US Treasury that the Bonds do not qualify to receive the subsidy.

The Series 2010B Bonds maturing on April 1, 2025, 2030 and 2040 are subject to mandatory redemption prior to their stated maturity in part on each April 1 on and after April 1, 2021, 2026 and 2031, respectively. The Bonds will be redeemed from moneys required to be credited to the Bond Retirement Account in the Bond Fund at a redemption price equal to the principal amount to be redeemed, together with interest accrued on such principal amount to the date fixed for redemption.

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, operation and maintenance expenses (including amounts to be deposited to the Rate Stabilization Fund), and any other charges or liens; (ii) 1.20 times the debt service for such Fiscal Year.

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OUTSTANDING REVENUE BONDS PAYABLE

The outstanding Water System Revenue Bonds on May 31, 2020 and 2019 consist of the following:

Revenue Bonds	Date	Interest Rate	Average Interest Rate	Principal Balance May 31, 2019	Principal Matured	Principal Balance May 31, 2020	Principal Balance May 31, 2020	
							Current	Noncurrent
Series 2010:								
Series A Bond								
Uninsured Serial Bond	2011-2012	2-3%	2.64%					
Serial Bond	2013-2020	3-4%	3.80%	\$1,085,000	\$(1,085,000)	\$ -	\$ -	\$ -
Total Series A Bonds				1,085,000	(1,085,000)	-	-	-
Series B Bond								
Term Bond	2025	6.01%	6.01%	6,090,000		6,090,000	1,125,000	4,965,000
Term Bond	2030	6.45%	6.45%	7,420,000		7,420,000		7,420,000
Term Bond	2040	6.70%	6.70%	20,455,000		20,455,000		20,455,000
Total Series B				33,965,000	-	33,965,000	1,125,000	32,840,000
Total Series 2010 Bonds				35,050,000	(1,085,000)	33,965,000	1,125,000	32,840,000
Series 2015:								
Serial Bonds - (2015B)	2035	3%-5%	4.51%	14,220,000	(1,440,000)	12,780,000	1,515,000	11,265,000
Serial Bonds - (2015A)	2035	4%-5%	4.56%	21,235,000	(80,000)	21,155,000	80,000	21,075,000
Term Bond 2040 - (2015A)	2040	5%	5.00%	17,640,000		17,640,000		17,640,000
Term Bond 2045 - (2015A)	2045	5%	5.00%	10,000,000		10,000,000		10,000,000
Term Bond 2045 - (2015A)	2045	4%	4.00%	4,900,000		4,900,000		4,900,000
Total Series 2015A				53,775,000	(80,000)	53,695,000	80,000	53,615,000
Total Series 2015				67,995,000	(1,520,000)	66,475,000	1,595,000	64,880,000
Total				\$103,045,000	\$(2,605,000)	\$100,440,000	\$2,720,000	\$97,720,000

FUTURE DEBT SERVICE REQUIREMENTS

On May 31, 2020, debt service requirements to maturity for the Bond Series 2010 and 2015 were as follows:

SERIES 2010B BONDS

Date	Principal	Gross Interest	Subsidy	Net Interest	Total Gross	Total Net
2021	\$ 1,125,000	\$ 2,215,180	\$ (775,313)	\$ 1,439,867	\$ 3,340,180	\$ 2,564,867
2022	1,170,000	2,147,601	(751,660)	1,395,941	3,317,601	2,565,941
2023	1,215,000	2,077,319	(727,062)	1,350,257	3,292,319	2,565,257
2024	1,265,000	2,004,334	(701,517)	1,302,817	3,269,334	2,567,817
2025	1,315,000	1,928,346	(674,921)	1,253,425	3,243,346	2,568,425
2026-2030	7,420,000	8,329,114	(2,915,190)	5,413,924	15,749,114	12,833,924
2031-2035	9,140,000	5,680,438	(1,988,153)	3,692,285	14,820,438	12,832,285
2036-2040	11,315,000	2,338,984	(818,644)	1,520,340	13,653,984	12,835,340
Total	\$ 33,965,000	\$ 26,721,316	\$ (9,352,460)	\$ 17,368,856	\$ 60,686,316	\$ 51,333,856

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SERIES 2015A BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 80,000	\$ 2,539,013	\$ 2,619,013
2022	85,000	2,536,613	2,621,613
2023	90,000	2,534,063	2,624,063
2024	95,000	2,531,363	2,626,363
2025	95,000	2,528,513	2,623,513
2026-2030	8,240,000	12,069,613	20,309,613
2031-2035	12,470,000	9,685,238	22,155,238
2036-2040	17,640,000	6,214,250	23,854,250
2041-2045	14,900,000	2,143,000	17,043,000
Total	\$ <u>53,695,000</u>	\$ <u>42,781,666</u>	\$ <u>96,476,666</u>

SERIES 2015B BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,515,000	\$ 593,731	\$ 2,108,731
2022	1,590,000	517,981	2,107,981
2023	1,670,000	438,481	2,108,481
2024	1,750,000	354,981	2,104,981
2025	1,840,000	267,481	2,107,481
2026-2030	2,945,000	446,706	3,391,706
2031-2035	1,470,000	149,369	1,619,369
Total	\$ <u>12,780,000</u>	\$ <u>2,768,730</u>	\$ <u>15,548,730</u>

NOTE 6 – OTHER LONG-TERM LIABILITIES

Changes in long-term liabilities, other than the Bonds, were as follows:

	<u>May 31, 2019</u>	<u>Addition</u>	<u>Reduction</u>	<u>May 31, 2020</u>	<u>Due in</u> <u>1- year</u>	<u>Noncurrent</u> <u>Liability</u>
Accrued vacation and sick leave	\$972,400	\$223,200	\$(40,000)	\$1,155,600	\$40,000	\$1,150,600

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NOTE 7 – EMPLOYEE BENEFITS

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 systems. 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 comprehensive annual 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.

Eligibility and Benefits

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

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

Tiers 1 and 2

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

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age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

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 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit.

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

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

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

Tier 6

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

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

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

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Ordinary Disability Benefits

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

Accidental Disability Benefits

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

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

Vesting

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

Contributions

Member Contributions

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

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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, 2020 was approximately 14.9 percent of covered employee payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For the fiscal year ended March 31, 2020, the applicable interest rate was 7 percent.

For the three years ended May 31, 2020, the Water Authority's contributions to the System were as follows

<u>Year Ended May 31,</u>	<u>Contribution</u>
2020	\$631,620
2019	638,525
2018	624,506

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

On May 31, 2020 and May 31, 2019, the Water Authority's reported a liability of \$958,655 and \$442,184, respectively, for its proportionate share of the net pension liability. The net pension liability reported by the Water Authority on May 31, 2020 and 2019 was measured as of March 31, 2020 and March 31, 2019, respectively. The total pension liability, used to calculate net pension liability, as of March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. 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, 2020 and May 31, 2019, the Water Authority's proportion was 0.0135302% and 0.0137008%, respectively.

For the year ended May 31, 2020 and May 31, 2019, the Water Authority recognized pension expense of \$705,996 and \$592,125, respectively. On May 31, 2020 and 2019, the Water Authority's reported deferred outflows of resources related to pensions from the following sources:

	<u>May 31, 2020</u>		<u>May 31, 2019</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 188,779	\$ 64,353	\$ 157,713	\$ 130,328
Net difference between expected and actual investment earnings on pension assets	-	246,044	-	625,475
Changes in assumptions	240,967	-	293,205	-
Change in proportion and differences between employer's contribution and proportionate share of contributions	189,131	15,435	160,924	11,992
Authority contributions subsequent to the measurement date	631,620	-	638,525	-
Total deferred outflows and inflows of resources	<u>\$ 1,250,497</u>	<u>\$ 325,832</u>	<u>\$ 1,250,367</u>	<u>\$ 767,795</u>

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The \$631,620 contributions made after the measurement date of the net pension liability/collective net pension liability but before the end of the Water Authority's reporting period will be recognized as a reduction of the net pension/OPEB liability or collective net pension/OPEB liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources related to pensions are recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2021	263,316
2022	(140,661)
2023	21,332
2024	148,058

Actuarial Assumptions.

The total pension asset/(liability) as of March 31, 2020, measurement date, was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension asset/(liability) to March 31, 2020, measurement date.

	<u>2020</u>	<u>2019</u>
Measurement date	March 31, 2020	March 31, 2019
Actuarial valuation date	April 1, 2019	April 1, 2018
Actuarial cost method	Aggregate cost	Aggregate cost
Inflation rate	2.50%	2.50%
Investment rate of return,	7.0% compounded annually	7.0% compounded annually
Salary Scale	4.2% indexed by service	3.8% indexed by service
Cost of living adjustment	1.3% annually	1.3% annually

Decrement tables - Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015.

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by target asset allocation percentage and by adding expected inflation.

For the measurement date of March 31, 2020, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.60%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(0.25)%
Inflation-indexed bonds	4.00%	1.50%
	<u>100.00%</u>	

Discount-Rate.

The discount rate used to measure the total pension liability was 7.0%. 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 determined. Based upon those 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 7%, 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 (6%) or one-percentage point higher (8%) than the current rate:

	The Water Authority's Proportionate Share of Net Pension Liability		
	1% Decrease 6.0%	Current Discount 7.0 %	1% increase 8.0%
As of May 31, 2020	\$4,191,391	\$958,655	\$(1,757,073)

Collective Net Position Liability of Participating Employers and Actuarial Information

The components of the net pension liability of the employers as of March 31, 2020 and 2019 were as follows:

(In Thousands)	2020	2019
Employers' total pension liability	\$189,803,429	\$183,400,590
Plan net position	(182,718,124)	(180,173,145)
Employers' net pension liability	<u>\$ 7,085,305</u>	<u>\$ 3,227,445</u>
Fiduciary net position as a percentage of total pension liability	96.3%	98.2%

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NOTE 8 – ACCRUED VACATION AND SICK LEAVE

The Water Authority 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. On May 31, 2020 and May 31, 2019, the liabilities for accrued vacation were \$403,300 and \$376,500, respectively and for the sick leave were \$752,300 and \$595,900, respectively.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

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

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

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

Retiree Medical Benefit

Eligibility

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

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

Contribution

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

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

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

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

Retiree Life Insurance

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

Participant Count and Average Age

The number of participants and their average ages as of June 1, 2019 and June 1, 2018, and the effective dates of the annual OPEB valuation, were as follows:

<u>Participants</u>	<u>Number of Participants</u>	
	<u>June 1, 2019</u>	<u>June 1, 2018</u>
Active employees	45	46
Retired employees	13	8
Total	<u>58</u>	<u>51</u>

Funding Policy

The Water Authority currently pays for postemployment health care benefits on a pay-as-you-go basis.

Total OPEB Liability

The June 1, 2019 (Valuation date) Actuarial Valuation directly calculated the June 1, 2019 Total OPEB Liability (TOL). The June 1, 2019 TOL was increased (rolled forward) by service cost and interest and decreased by benefit payments to estimate the TOL as of May 31, 2020. The TOL as of May 31, 2020 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 year ended May 31, 2020 and 2019:

	<u>May 31,</u>	
	<u>2020</u>	<u>2019</u>
Total OPEB liability		
Beginning balance	\$ 6,764,056	\$ 6,040,696
Changes for the year:		
Service cost	242,793	208,985
Interest cost	248,011	242,479
Differences between expected and actual experience	(1,250,091)	(43,074)
Changes of assumptions	1,675,361	380,094
Benefit payments	(81,181)	(65,124)
Net change in total OPEB liability	<u>834,893</u>	<u>723,360</u>
Total OPEB liability - ending	<u>\$ 7,598,949</u>	<u>\$ 6,764,056</u>

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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 2.16% on the amount of total OPEB liability:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Discount rate	1.16%	2.16%	3.16%
Total OPEB liability as of May 31, 2020	\$9,196,005	\$7,598,949	\$6,346,967

Sensitivity of the Total OPEB Liability to Healthcare Cost Trend Rates

The volatility of the healthcare costs trend rates affects the size of the total OPEB liability. The following table presents the effect of 1% change in initial 6.50% and ultimate 4.6% healthcare cost trend rates on the amount of total OPEB liability:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Healthcare cost trend rate (Initial and ultimate)	(5.50% -3.60%)	(6.50% -4.60%)	(7.50%-5.60%)
Total OPEB liability as of May 31, 2020	\$6,218,463	\$7,598,949	\$9,461,116

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended May 31, 2020, the Water Authority OPEB expense was as follows:

<u>Description</u>	<u>May 31,</u>	
	<u>2020</u>	<u>2019</u>
Service cost	\$ 242,793	\$ 208,985
Interest on the total OPEB liability	248,011	242,479
Differences between expected and actual experience - amortized	(116,303)	(3,682)
Changes of assumptions - amortized	183,420	32,487
Total OPEB expense	<u>\$ 557,921</u>	<u>\$ 480,269</u>

The interest on the total OPEB liability recognized in OPEB expense was determined as follows:

	<u>Amount</u>	<u>Portion</u>	<u>Interest</u>	<u>Interest on</u>
	<u>for Period</u>	<u>of Period</u>	<u>Rate</u>	<u>the Total</u>
				<u>OPEB</u>
				<u>Liability</u>
Beginning total OPEB liability	\$ 6,764,056	100%	3.56%	\$ 240,800
Service cost	242,793	100%	3.56%	8,643
Benefit payments	\$ (81,181)	50%	3.56%	(1,432)
Total interest on the OPEB liability				<u>\$ 248,011</u>

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As of May 31, 2020, and 2019, the unamortized balances of deferred inflows and deferred outflows were as follows:

May 31, 2020			
Description		Deferred Inflows	Deferred Outflows
Difference between expected and actual experience	\$	1,173,180	\$ -
Change in assumptions			1,839,548
Total	\$	<u>1,173,180</u>	<u>\$ 1,839,548</u>
May 31, 2019			
Description		Deferred Inflows	Deferred Outflows
Difference between expected and actual experience	\$		\$ 39,392
Change in assumptions		347,607	
Total	\$	<u>347,607</u>	<u>\$ 39,392</u>

The 2020 and 2019 deferred outflows and inflows are amortized over 11.7 and 11.7 years, respectively, and included in OPEB expense as follows:

Year	Included in Expense
2021	\$ 67,117
2022	67,117
2023	67,117
2024	67,117
2025	67,117
2026 -2031	330,783

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.

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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, 2020

Measurement Date: May 31, 2020

Actuarial Valuation Date: June 1, 2019

Asset Valuation Method:

Not applicable (Unfunded Plan)

Actuarial Cost Method:

Change in Actuarial Cost Method: None.

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

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

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

Description of Actuarial Assumptions

The valuation reflects changes in the actuarial assumptions regarding interest, mortality, inflation, healthcare cost trend Rates and morbidity. The assumptions were changed to represent the Enrolled Actuary's current best estimate of anticipated experience of the plan.

Interest

2.16% (Prior: 3.56%)

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, 2020.

Rate of compensation increase (including inflation)

2.60%.

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

Inflation

2.60%.

This assumption is consistent with the Social Security Administration's current best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust (OASDI).

Mortality

Pub-2010 Public Retirement Plans Mortality tables for General Employees, for non-annuitants and annuitants, projected to the valuation date with scale MP-2019.

Mortality Improvement

Projected to date of decrement using Scale MP-2019 (generational).

(Prior: Projected to date of decrement using Scale MP-2017 (generational)).

The mortality assumption was updated to better reflect anticipated experience. The change in mortality rate increased liabilities by 2.9%.

Retirement Age

Percentage of Employees Retiring Prior to End of Year:

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

The actuarial assumptions in regards 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 the Plan input.

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Termination Prior to Retirement

Sample Age-Based Withdrawal Rates (until eligible to retire).

Vaughn Ultimate Table multiplied by 0.5, Percentage of Employees Terminating prior to End of Year:

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

The actuarial assumptions regarding the withdrawal rates 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.

Utilization

90% of current active members will elect medical coverage at retirement.
(Prior: 100% of current active members will elect medical coverage at retirement.)

The utilization rate assumption was updated to better reflect anticipated experience. The assumption change decreased the liabilities by 7.1%.

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 rate of increase is 6.50% in 2019, decreasing by 0.2% each year to an ultimate rate of 4.60% per year for 2029 and later.
(Prior: 7.50% in 2017, reducing by 0.5% each year to a final 4.60% per year rate for 2023 and later.)

Medicare Part B is assumed to increase by 2.60% per year. (Prior: 3.00% 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.

The trend rates were changed to align with the inflation assumption change. The change in trend rates increased liabilities by 3.4%.

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Annual Medical Premium Rates

	<u>2019</u>	<u>2018</u>
Pre-65 - Employee Only	\$ 12,5140	\$ 12,180
Pre-65 – Family	28,953	28,178
Post 65 – Employee Only	4,839	5,333
Post 65 – Two Person	13,603	14,483
Medicare Part B	1,636	1,608

Expected Claim Costs

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

For plans integrated with Medicare, the post Medicare eligible premium is assumed to be unaffected by age. The per capita claims method was changed to reflect the most recent study (and better reflect actual experience).

Patient Protection and Affordable Care Act (PPACA)

High-Cost Plan Excise Tax (“Cadillac Tax”) was repealed as part of the 2020 Further Consolidated Appropriations Act, which was signed in December 2019. The effect of repealing this tax reduced liabilities by 0.9%.

NOTE 10 – NET POSITION

Net position represents the difference between assets and liabilities. The net asset amounts were:

	<u>May 31, 2020</u>	<u>May 31, 2019</u>
Invested in capital assets net of related debt:		
Capital assets, net of accumulated depreciation	\$ 102,665,696	\$ 99,370,879
Revenue bonds and other payables related to capital assets	(100,440,000)	(105,831,800)
Bond premium	(7,610,908)	(7,987,617)
Deferred outflows	24,004	25,605
Unspent debt proceeds in construction and reserve funds	37,591,627	41,405,815
Bond issue costs	383	5,683
	<hr/>	<hr/>
Total invested in capital assets, net of related debt	32,230,802	26,988,565
Restricted for Rate Stabilization and Customer Deposits:		
Restricted cash and equivalents	3,249,973	3,226,335
Less: customer deposits	(1,249,973)	(1,226,335)
Total restricted for capital activity, rate stabilization and debt service	2,000,000	2,000,000
Unrestricted (Deficit)	(4,118,134)	(1,175,332)
	<hr/>	<hr/>
Total net position	\$ <u>30,112,668</u>	\$ <u>27,813,233</u>

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The May 31, 2018, unrestricted net position was reduced by \$2,579,837 to recognize additional net other postemployment benefits, as a consequence of implementing GASB statement 75, in the year ended May 31, 2019.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

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

Risk Management

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

Insurance

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

Compliance

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

NOTE 12 – LEASE REVENUE AGREEMENTS

The Water Authority has two lease agreements in place with different cell phone providers (licensees) for the leasing of Water Authority property to install and maintain cell phone transmission towers. Licensees may terminate the Agreement at any time with a thirty-day prior written notice to the Water Authority provided that Licensee has removed all of its personal property and has vacated and surrendered the nonexclusive possession of the Licensed Premises to the Water Authority prior to the effective date of the termination. The lease agreements are subject to an annual rental increase of 2% to 4%. For the year ended May 31, 2020 the revenues from the lease agreements was \$319,827.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019

NOTE 13 – RATE CHANGES

Under the Water Authority Charter, the Board is empowered to set rates for all its customers. The rates are to be sufficient to pay for operations, maintenance, reserves, debt service, additions, extensions and betterment of the facilities. The Board has approved 10.57% and 3.83% increase in water rates effective on June 1, 2020 and June 1, 2019, respectively.

NOTE 14 – SUBSEQUENT EVENTS

The Water Authority evaluated subsequent events from May 31, 2020 through October 30, 2020, the date on which the financial statements were available to be issued and determined that there were no material subsequent events.

SECTION C: REQUIRED SUPPLEMENTARY INFORMATION



THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Total OPEB liability		
Service cost	\$ 242,793	\$ 208,985
Interest	248,011	242,479
Differences between expected and actual experience	(1,250,091)	(43,074)
Changes of assumptions	1,675,361	380,094
Benefit payments	(81,181)	(65,124)
Net change in total OPEB liability	834,893	723,360
Total OPEB liability – beginning of year	6,764,056	6,040,696
Total OPEB liability – end of year	\$ <u>7,598,949</u>	\$ <u>6,764,056</u>
Plan Fiduciary Net Position		
Contributions employer	\$ 81,181	\$ 65,124
Actuarial benefit payments	(81,181)	(65,124)
Net change in fiduciary net position	-	-
Plan fiduciary net position- beginning	-	-
Plan fiduciary net position- ending	-	-
Net OPEB Liability- ending	\$ <u>7,598,949</u>	\$ <u>6,764,056</u>
Discount rate	2.16%	3.56%
Plan’s fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
Covered payroll	\$ 4,184,228	\$ 4,078,195
Total OPEB liability as a % of covered payroll	181.61%	165.86%

*Information prior to the year ended May 31, 2020 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION
NET PENSION LIABILITY OF NEW YORK STATE EMPLOYEE'S RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS

	Year Ended May 31,				
	2020	2019	2018	2017	2016
Measurement date	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015
Water Authority's proportion share of net pension liability	.00135302%	0.0137008%	0.0134700%	0.0139611%	0.0139346%
Water Authority's proportionate share of net pension liability	\$958,653	\$442,184	\$1,265,672	\$2,240,800	\$470,745
Water Authority's covered payroll	\$4,184,228	\$4,314,686	\$4,213,397	\$3,991,415	\$3,893,563
Water Authority's proportionate share of the net pension liability as a percentage of its covered payroll	22.91%	10.25%	30.04%	56.14%	12.09%
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.20%	94.70%	90.70%	97.90%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The notes to the Required Supplementary Information are an integral part of this schedule.

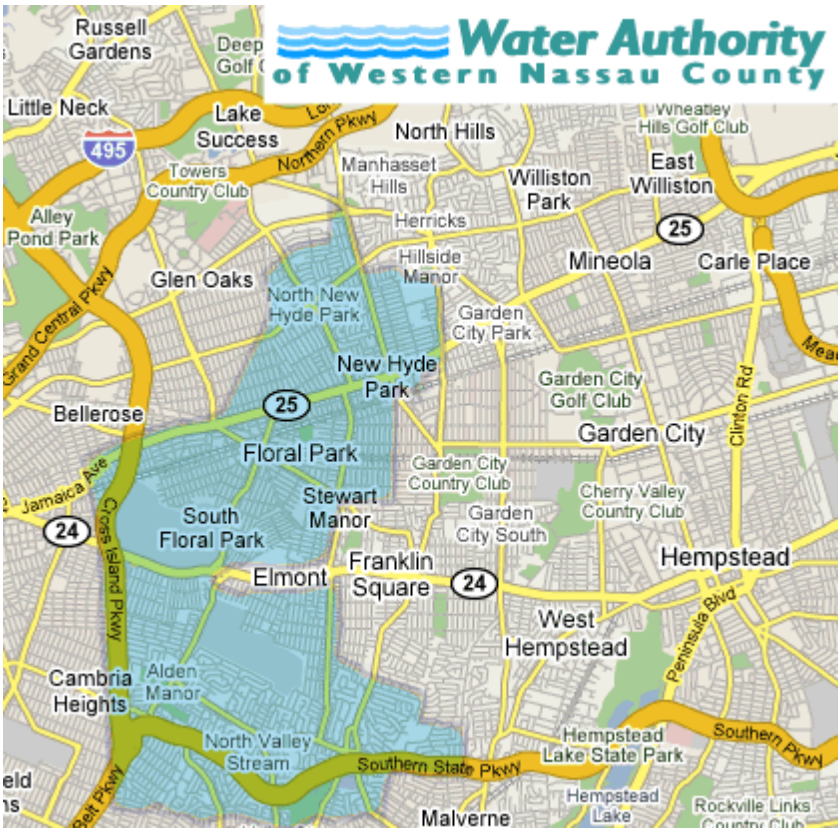
THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO NEW YORK STATE EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

YEAR ENDED MAY31,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$631,620	\$638,525	\$624,506	\$595,561	\$688,041	\$748,116	\$724,700	\$696,900	\$595,700	\$452,300
Contributions in relation to required contribution	\$631,620	\$638,525	\$624,506	\$595,561	\$688,041	\$748,116	\$724,700	\$696,900	\$595,700	452,300
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$4,184,228	\$4,078,195	\$4,279,714	\$4,181,783	\$3,914,860	\$3,924,590	\$3,776,376	\$3,589,958	\$3,715,880	\$3,708,940
Contributions as percentage of covered payroll	15.10%	15.66%	15.45%	14.24%	17.58%	19.06%	19.19%	19.41%	16.03%	12.19%

The notes to the Required Supplementary Information are an integral part of this schedule.

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SECTION C: STATISTICAL SECTION



WATER AUTHORITY OF WESTERN NASSAU COUNTY

STATISTICAL SECTION (UNAUDITED)

This section of the Water Authority of Western Nassau County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Water Authority's overall financial health.

Contents Page

	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Water Authority's financial performance has changed over time.</i>	93
Revenue Capacity <i>These schedules contain information to help the reader assess the Water Authority's most significant revenue source – water sales.</i>	101
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Water Authority's current levels of outstanding debt and the Water Authority's ability to issue additional debt in the future</i>	107
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Water Authority's financial activities take place</i>	113
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Water Authority's financial report relates to services the Water Authority provides and the activities it performs.</i>	119

SECTION C: STATISTICAL SECTION

Financial Trends



WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF NET POSITION
LAST TEN FISCAL YEARS ENDED MAY 31,

ASSETS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current assets										
Cash and cash equivalents	\$2,411,292	\$3,730,917	\$4,318,014	\$4,059,739	\$3,916,529	\$2,474,218	\$3,368,404	\$3,512,301	\$4,991,562	\$4,072,982
Rate stabilization fund	460,000	560,000	560,000	570,000	1,070,000	1,070,000	1,070,000	1,522,000	2,000,000	2,000,000
Accounts receivable, net	414,560	405,653	535,186	678,043	1,224,755	731,733	985,325	746,158	693,310	808,942
Unbilled	1,797,000	1,950,000	2,241,000	1,810,000	1,850,000	2,180,000	3,030,000	3,386,000	3,107,000	2,904,000
Prepayments & other current assets	212,774	205,510	137,527	205,946	190,725	181,774	407,920	229,748	247,800	320,134
Materials and supplies,	224,152	218,512	253,955	235,586	286,575	306,120	215,056	263,632	292,394	330,692
Total current assets	5,519,778	7,070,592	8,045,682	7,559,314	8,538,584	6,943,845	9,076,705	9,659,839	11,332,066	10,436,750
Restricted cash & cash equivalents										
Customer deposits	911,551	949,312	990,612	1,029,887	1,077,947	1,121,523	1,166,383	1,195,202	1,226,335	1,249,973
Bond construction and reserve fund	15,756,126	11,752,270	11,272,406	10,783,178	14,335,018	18,306,030	31,996,608	18,525,277	16,955,161	28,703,287
Bond interest and payment fund	237,995	234,874	234,875	232,945	529,904	1,163,269	772,211	1,176,692	1,198,055	1,401,155
Total restricted cash and cash equivalents	16,905,672	12,936,456	12,497,893	12,046,010	15,942,869	20,590,822	33,935,202	20,897,171	19,379,551	31,354,415
Restricted investments										
Construction fund	16,668,826	9,956,005	3,811,774	309,970	54,553,311	47,776,615	28,441,487	24,676,259	17,910,164	1,990,250
Bond reserve fund	3,250,664	4,852,095	1,519,860	628,997	-	-	-	7,022,938	5,342,434	5,496,935
Total restricted investments	19,919,490	14,808,100	5,331,634	938,967	54,553,311	47,776,615	28,441,487	31,699,197	23,252,598	7,487,185
Capital and other assets										
Property, plant and equipment, net	44,800,607	52,433,616	63,873,372	68,063,563	69,888,539	72,887,677	79,908,512	87,136,943	99,370,881	102,665,698
Other assets	703,897	675,114	687,485	566,327	431,116	385,999	508,492	421,286	438,825	480,697
Total capital and other assets	45,504,504	53,108,730	64,560,857	68,629,890	70,319,655	73,273,676	80,417,004	87,558,229	99,809,706	103,146,395
Total non-current assets	82,329,666	80,853,286	82,390,384	81,614,867	140,815,835	141,641,113	142,793,693	140,154,597	142,441,855	141,987,995
Total assets	87,849,444	87,923,878	90,436,066	89,174,181	149,354,419	148,584,958	151,870,398	149,814,436	153,773,921	152,424,745
Deferred outflows										
Total deferred outflows	1,333,206	1,268,612	1,201,753	1,132,345	780,122	838,353	2,667,820	1,495,054	1,623,579	3,114,049

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF NET POSITION
LAST TEN FISCAL YEARS ENDED MAY 31,
(Continued)

LIABILITIES AND NET ASSETS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current liabilities										
Accounts payable and accrued expenses	\$2,005,436	\$1,672,924	\$3,401,530	\$1,458,447	\$2,187,360	\$1,699,618	\$3,874,308	\$1,555,110	\$5,299,301	\$3,707,856
Unearned revenue	769,251	662,014	568,843	466,723	360,818	271,307	88,886	105,411	115,853	111,181
Accrued interest payable	393,897	388,747	383,460	377,905	271,896	836,740	820,114	806,460	794,681	831,955
Non-current liabilities due within one year										
Water revenue bonds payable	1,505,000	1,550,000	1,595,000	1,640,000	2,395,000	2,280,000	2,380,000	2,580,802	2,687,683	2,928,129
Due to employees' retirement system	148,475	104,600	124,500	48,840	114,194	-	-	-	-	-
Accrued vacation and sick leave	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Total current liabilities	4,862,059	4,418,285	6,113,333	4,031,915	5,369,268	5,127,665	7,203,308	5,087,783	8,937,518	7,619,121
Non-current liabilities										
Revenue bonds payable, net of premium	69,189,683	67,578,373	65,924,806	64,215,818	119,683,201	117,030,506	114,275,418	111,409,326	108,427,617	105,330,908
Customer deposits payable	972,116	1,009,232	1,050,528	1,089,817	1,137,911	1,181,447	1,209,885	1,239,050	1,273,306	1,303,883
Due to employee retirement system	-	-	-	-	629,685	470,745	2,240,809	1,265,663	442,184	958,653
Post-employment benefits payable	1,152,955	1,408,447	1,734,981	2,059,485	2,378,838	2,738,036	3,100,611	6,040,696	6,764,056	7,598,949
Accrued vacation and sick leave	771,900	778,900	788,100	820,100	848,500	858,500	910,900	909,500	932,400	1,115,600
Total non-current liabilities	72,086,654	70,774,952	69,498,415	68,185,220	124,678,135	122,279,234	121,737,623	120,864,235	117,839,563	116,307,993
Total liabilities	76,948,713	75,193,237	75,611,748	72,217,135	130,047,403	127,406,899	128,940,931	125,952,018	126,777,081	123,927,114
Deferred inflows										
Total deferred outflows	-	-	-	-	-	-	265,600	208,189	807,186	1,499,012
Net position										
Invested in capital assets, net	11,521,029	11,525,474	14,543,793	15,436,386	17,286,185	20,874,337	24,508,287	24,676,970	26,988,565	32,230,802
Restricted	460,000	560,000	560,000	570,000	1,070,000	1,070,000	1,070,000	1,522,000	2,000,000	2,000,000
Unrestricted	252,908	1,913,779	922,278	2,083,005	1,730,953	72,075	-246,600	-1,049,687	-1,175,332	-4,118,134
Total net assets	\$12,233,937	\$13,999,253	\$16,026,071	\$18,089,391	\$20,087,138	\$22,016,412	\$25,331,687	\$25,149,283	\$27,813,233	\$30,112,668

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
LAST TEN FISCAL YEARS ENDED MAY 31,

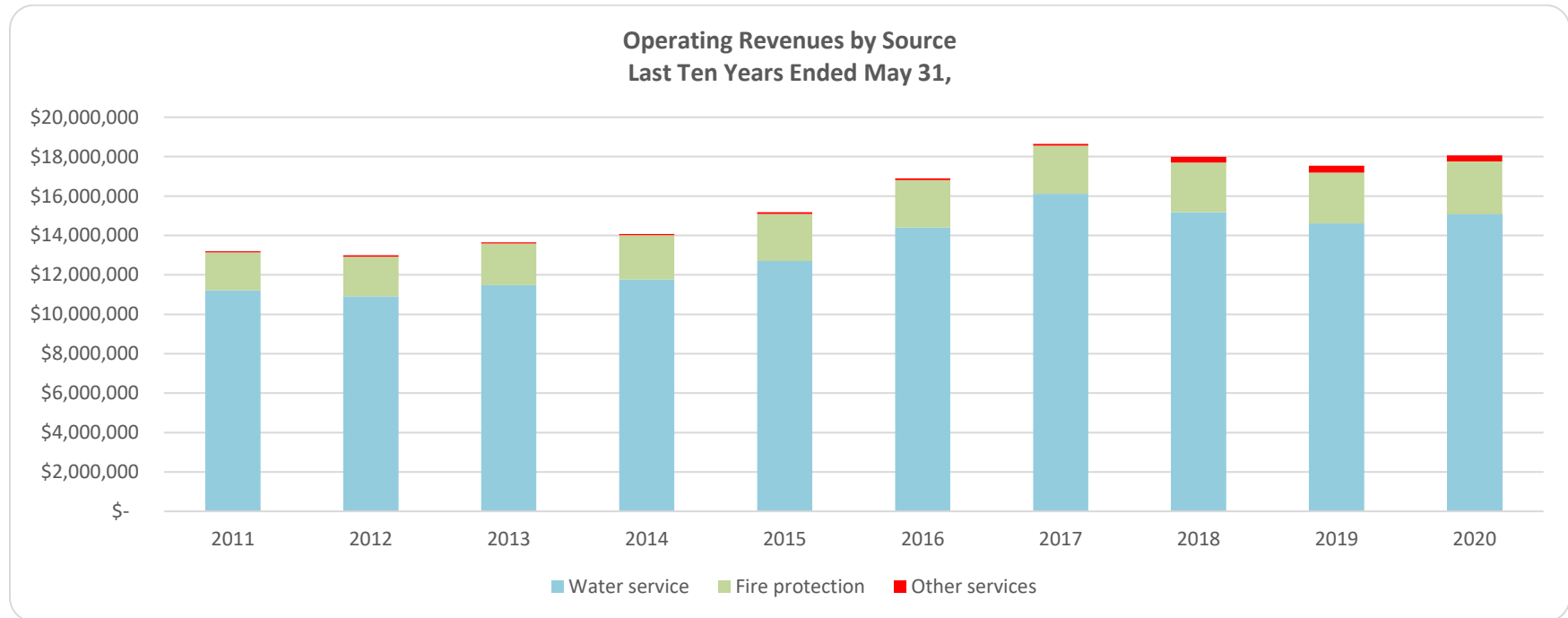
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Water service	\$11,217,605	\$10,909,705	\$11,475,847	\$11,772,296	\$12,701,608	\$14,407,227	\$16,117,154	\$15,180,449	\$14,616,572	\$15,082,056
Fire protection									2,577,479	2,676,259
Other	63,305	59,650	71,021	66,316	82,597	92,427	85,156	296,372	349,771	311,766
Total operating revenues	13,201,079	12,988,467	13,656,847	14,077,866	15,180,824	16,905,087	18,648,464	17,994,744	17,543,822	18,070,081
Operating expenses:										
Operations	5,972,061	6,154,917	6,682,648	7,155,325	6,840,640	6,541,974	6,721,012	6,911,418	7,181,705	7,773,228
Maintenance	1,871,302	1,845,803	1,924,246	1,913,099	2,131,416	2,086,055	2,559,011	2,419,097	2,384,844	2,404,909
Operating expenses before depreciation	7,843,363	8,000,720	8,606,894	9,068,424	8,972,056	8,628,029	9,280,023	9,330,515	9,566,549	10,178,137
Depreciation	1,051,110	1,168,265	1,271,165	1,546,468	1,806,744	1,988,943	2,129,673	2,252,822	2,217,359	2,260,652
Total operating expenses	8,894,473	9,168,985	9,878,059	10,614,892	10,778,800	10,616,972	11,409,696	11,583,337	11,783,908	12,438,789
Operating income	4,306,606	3,819,482	3,778,788	3,462,974	4,402,024	6,288,115	7,238,768	6,411,407	5,759,914	5,631,292
Non-operating revenue (expense):										
Interest income	536,218	247,852	122,817	74,188	302,646	379,001	330,035	154,611	1,096,111	777,634
Miscellaneous income	349,509	357,310	375,320	375,941	346,696	332,936	316,216	291,647	303,506	319,827
Interest on long term debt	-2,853,926	-2,624,800	-2,226,107	-1,825,291	-3,261,740	-5,046,242	-4,545,208	-4,435,696	-4,471,045	-4,404,782
Other amortization, net	-45,320	-34,528	-24,000	-24,492	-24,504	-24,536	-24,536	-24,536	-24,536	-24,536
Total non-operating expenses	-2,013,519	-2,054,166	-1,751,970	-1,399,654	-2,636,902	-4,358,841	-3,923,493	-4,013,974	-3,095,964	-3,331,857
Income before extraordinary items	2,293,087	1,765,316	2,026,818	2,063,320	1,765,122	1,929,274	3,315,275	2,397,433	2,663,890	2,299,435
Extraordinary item - litigation settlement	11,466	-	-	-	-	-	-	-	-	-
Change in net position	2,304,553	1,765,316	2,026,818	2,063,320	1,765,122	1,929,274	3,315,275	2,397,433	2,663,950	2,299,435
GASB Statement Nos. 68 & 71 implementation	-	-	-	-	232,625	-	-	-	-	-
GASB Statement No75 implementation	-	-	-	-	-	-	-	-2,579,837	-	-
Net position beginning	9,929,384	12,233,937	13,999,253	16,026,071	18,089,391	20,087,138	22,016,412	25,331,687	25,149,283	27,813,233
Net position ending	\$12,233,937	\$13,999,253	\$16,026,071	\$18,089,391	\$20,087,138	\$22,016,412	\$25,331,687	\$25,149,283	\$27,813,233	\$30,112,668

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
OPERATING REVENUE BY SOURCE
LAST TEN FISCAL YEARS ENDED MAY 31,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water service	\$11,217,605	\$10,909,705	\$11,475,847	\$11,772,296	\$12,701,608	\$14,407,227	\$16,117,154	\$15,180,449	\$14,616,572	\$15,082,056
Fire protection	1,920,169	2,019,112	2,109,979	2,239,254	2,396,619	2,405,433	2,446,154	2,517,923	2,577,479	2,676,259
Other services	63,305	59,650	71,021	66,316	82,597	92,427	85,156	296,372	349,771	311,766
Total	\$13,201,079	\$12,988,467	\$13,656,847	\$14,077,866	\$15,180,824	\$16,905,087	\$18,648,464	\$17,994,744	\$17,543,822	\$18,070,081

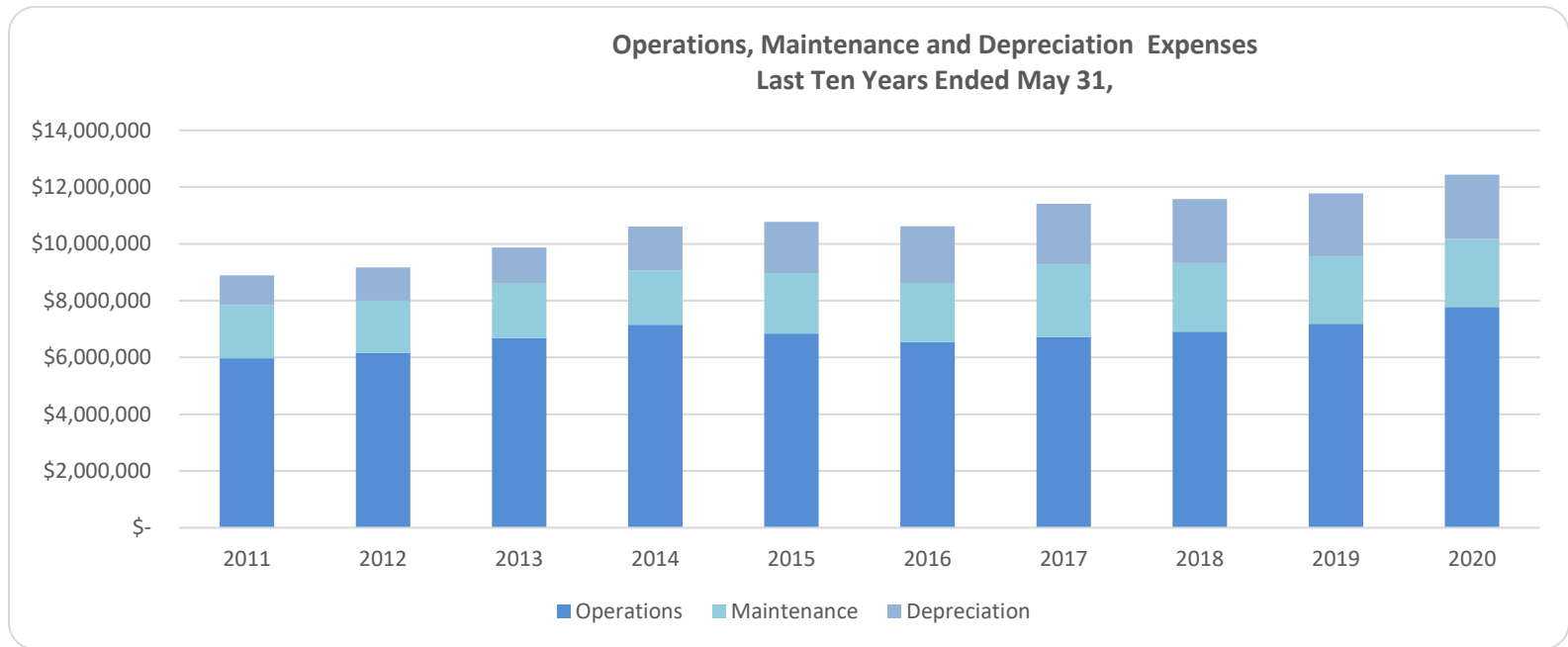
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
OPERATING EXPENSES
LAST TEN FISCAL YEARS ENDED MAY 31,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operations	\$ 5,972,061	\$ 6,154,917	\$ 6,682,648	\$ 7,155,325	\$ 6,840,640	\$ 6,541,974	\$ 6,721,012	\$ 6,911,418	\$ 7,181,705	\$ 7,773,228
Maintenance	1,871,302	1,845,803	1,924,246	1,913,099	2,131,416	2,086,055	2,559,011	2,419,097	2,384,844	2,404,909
Depreciation	1,051,110	1,168,265	1,271,165	1,546,468	1,806,744	1,988,943	2,129,673	2,252,822	2,217,359	2,260,652
Total operating expenses	<u>\$ 8,894,473</u>	<u>\$ 9,168,985</u>	<u>\$ 9,878,059</u>	<u>\$10,614,892</u>	<u>\$ 10,778,800</u>	<u>\$ 10,616,972</u>	<u>\$ 11,409,696</u>	<u>\$ 11,583,337</u>	<u>\$ 11,783,908</u>	<u>\$ 12,438,789</u>

Source: Accounting Department

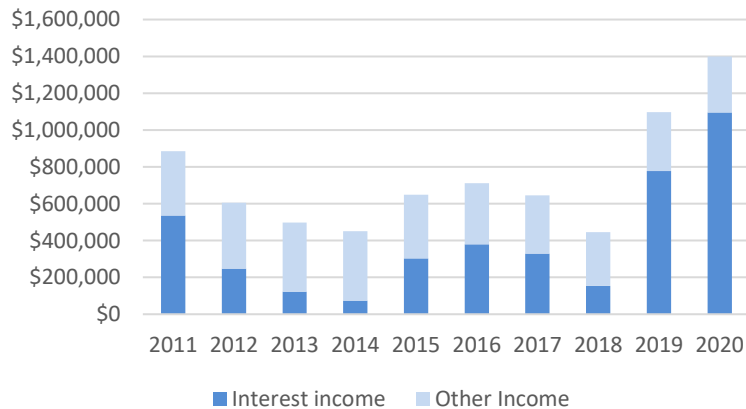


WATER AUTHORITY OF WESTERN NASSAU COUNTY
NON-OPERATING REVENUES AND EXPENSES
LAST TEN FISCAL YEARS ENDED MAY 31,

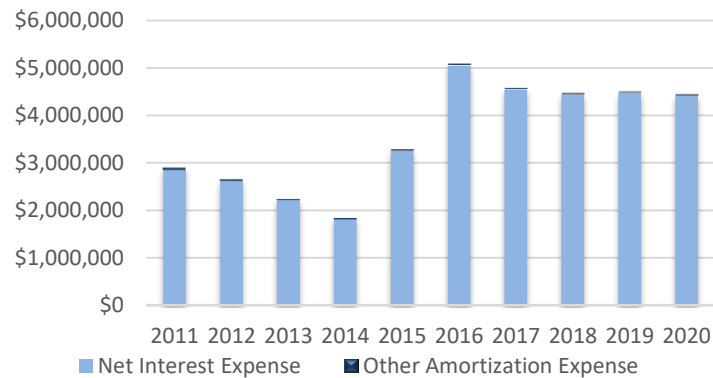
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Interest income	536,218	247,852	122,817	74,188	302,646	379,001	330,035	154,611	1,096,111	777,634
Miscellaneous income, net	349,509	357,310	375,320	375,941	346,696	332,936	316,216	291,647	303,506	319,827
Interest on long- term debt, net	(2,853,926)	(2,624,800)	(2,226,107)	(1,825,291)	(3,261,740)	(5,046,242)	(4,545,208)	(4,435,696)	(4,471,045)	(4,404,782)
Other amortization, net	(45,320)	(34,528)	(24,000)	(24,492)	(24,504)	(24,536)	(24,536)	(24,536)	(24,536)	(24,536)
Total non-operating expenses	\$(2,013,519)	\$(2,054,166)	\$(1,751,970)	\$(1,399,654)	\$(2,636,902)	\$(4,358,841)	\$(3,923,493)	\$(4,013,974)	\$(3,095,964)	\$(3,331,857)

Source: Accounting Department

Interest and Other Income
Last Ten Years Ended May 31,



Net Interest Expense and Other Amortization
Last ten Years Ended May 31,

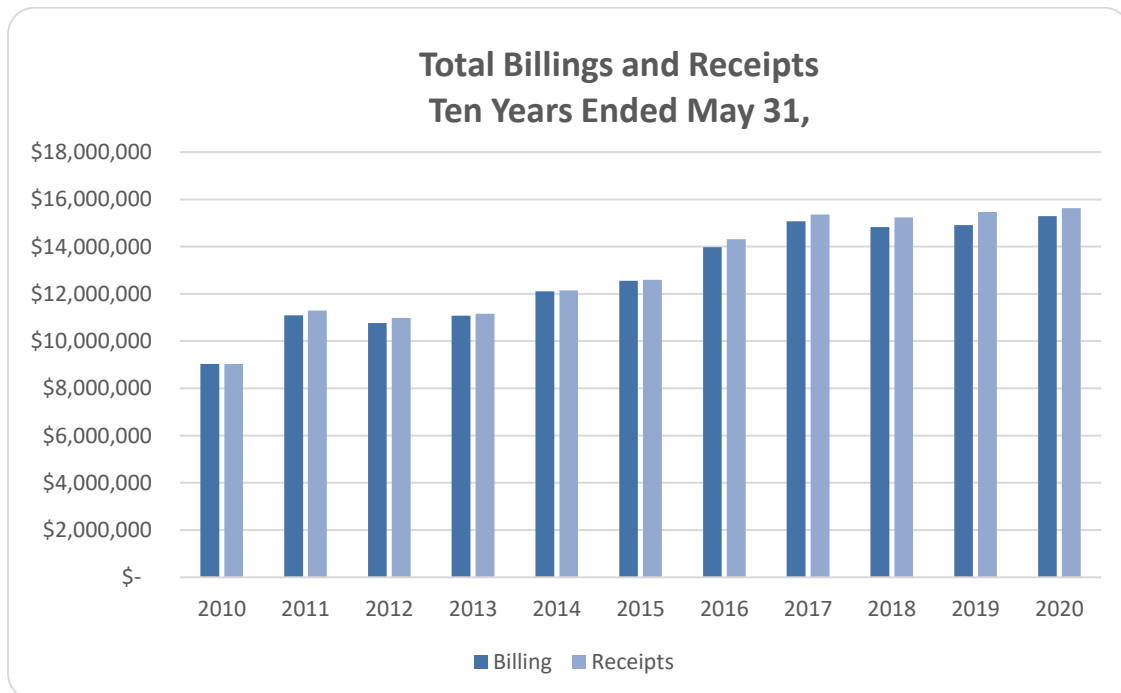


**WATER AUTHORITY OF WESTERN NASSAU COUNTY
HISTORICAL COLLECTION RATES
LAST TEN FISCAL YEARS ENDED MAY 31,**

Fiscal Year	Total Billing	Total Receipts	Percent Collected
2010	\$ 9,031,708	\$ 9,027,978	99.96%
2011	11,092,105	11,293,152	101.81%
2012	10,764,804	10,977,814	101.98%
2013	11,082,651	11,152,059	100.63%
2014	12,105,577	12,144,396	100.32%
2015	12,553,754	12,595,730	100.33%
2016	13,980,919	14,307,894	102.34%
2017	15,075,774	15,355,416	101.85%
2018	14,829,883	15,240,689	102.77%
2019	14,903,979	15,469,552	103.79%
2020	15,289,137	15,626,464	102.21%

Excludes fire hydrants billings and receipts

Source: Accounting Department



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SECTION C: STATISTICAL SECTION

Revenue Capacity



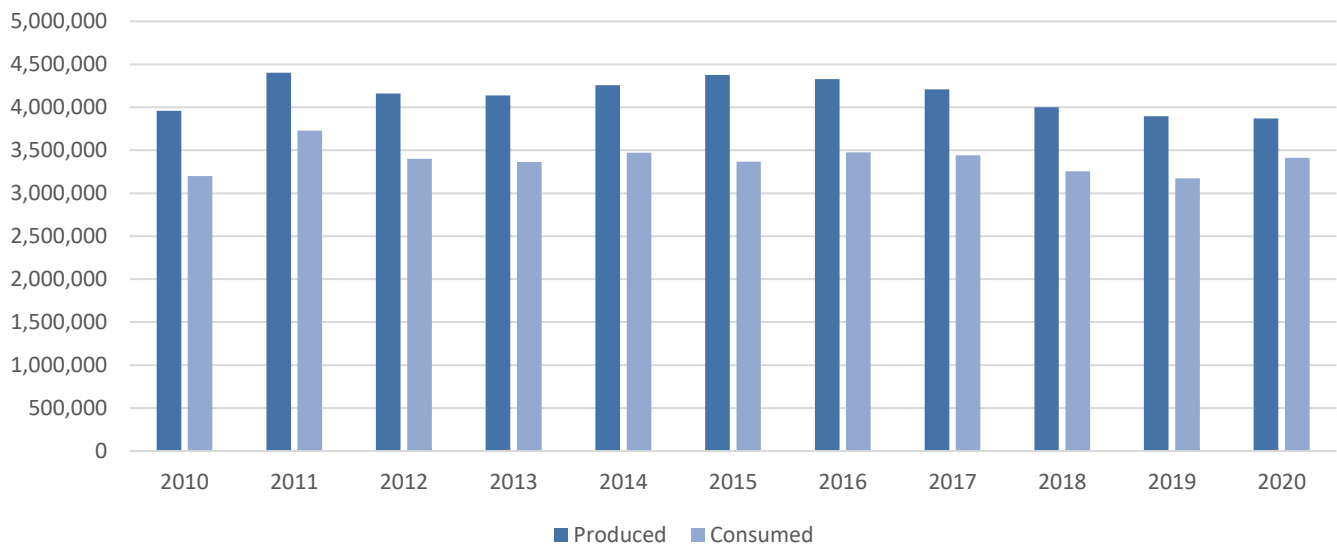
WATER AUTHORITY OF WESTERN NASSAU COUNTY
WATER PRODUCED AND CONSUMED
(in Thousands of Gallons)
LAST TEN FISCAL YEARS ENDED MAY 31,

Fiscal Year	Water Produced	Water Consumed	Unbilled Potable Water	Percent Unbilled (a)	Average Quarterly Charge Per Customer		Average Annual Charge
					Minimum Charge	Consumption Charge	
2010	3,961,000	3,199,000	762,000	19.20%	\$30.51	\$48.19	\$314.81
2011	4,401,000	3,728,000	673,000	15.30%	30.71	66.61	389.29
2012	4,159,000	3,401,000	758,000	18.20%	32.20	62.52	378.86
2013	4,137,000	3,363,000	774,000	18.70%	33.75	64.80	394.22
2014	4,258,000	3,470,000	788,000	18.50%	35.78	72.02	437.22
2015	4,378,000	3,367,000	1,011,000	23.10%	38.29	73.48	447.07
2016	4,328,000	3,476,000	852,000	19.69%	41.51	82.54	496.18
2017	4,208,000	3,441,000	767,000	18.23%	44.38	89.65	536.12
2018	4,002,000	3,254,000	748,000	18.69%	46.12	85.50	526.50
2019	3,897,000	3,174,000	723,000	18.55%	46.63	77.98	528.62
2020	3,871,000	3,413,000	458,000	11.83%	48.42	87.23	542.61

(a) Included in the water produced figures are planned programs including the annual main flushing and well and pump maintenance which results in higher percentages of unbilled water.

Source: Accounting Department

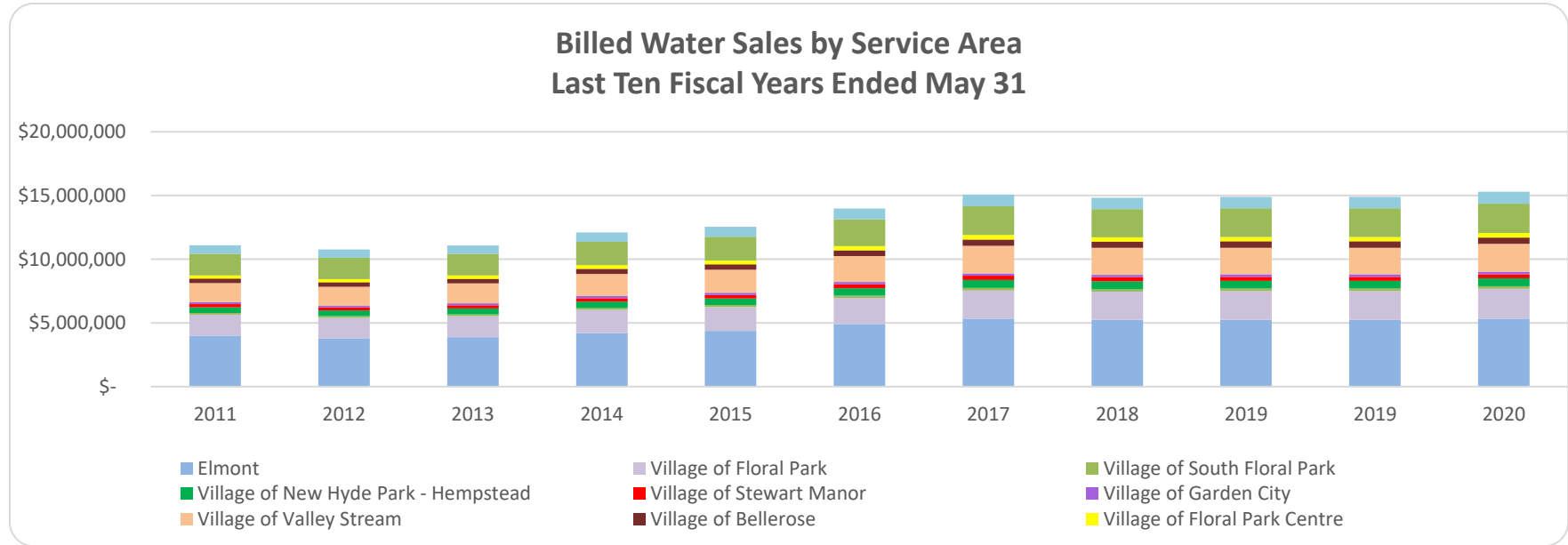
Water Production and Consumption
Last Ten Fiscal Years Ended May 31,
(Gallons in 1000s)



WATER AUTHORITY OF WESTERN NASSAU COUNTY
BILLED WATER SALES BY SERVICE AREA
LAST TEN FISCAL YEARS ENDED MAY 31,

Service Area	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elmont	\$ 3,999,662	\$ 3,790,032	\$ 3,874,622	\$ 4,190,560	\$ 4,384,296	\$ 4,919,907	\$ 5,326,861	\$ 5,244,789	\$ 5,253,604	\$ 5,326,876
Village of Floral Park	1,639,218	1,603,562	1,658,847	1,828,007	1,861,490	2,039,630	2,225,536	2,220,867	2,259,076	2,360,846
Village of South Floral Park	138,094	133,361	145,064	154,414	165,273	183,830	185,519	181,538	186,434	188,069
Village of New Hyde Park - Hempstead	460,322	460,808	469,049	497,942	511,696	579,847	628,522	618,646	606,459	620,747
Village of Stewart Manor	243,989	231,316	247,190	274,910	277,859	315,836	331,748	325,532	316,680	324,187
Village of Garden City	143,302	139,437	148,798	168,303	164,393	186,277	198,364	189,539	190,394	193,774
Village of Valley Stream	1,501,441	1,480,146	1,551,599	1,731,468	1,817,399	2,019,127	2,164,807	2,114,969	2,093,450	2,185,095
Village of Bellerose	352,404	352,349	365,199	398,272	415,129	453,713	487,400	484,114	495,055	506,091
Village of Floral Park Centre	256,414	256,324	269,043	294,433	293,575	323,938	343,966	346,035	351,226	353,057
New Hyde Park North Hempstead	1,701,295	1,663,522	1,698,090	1,836,022	1,885,243	2,097,012	2,270,598	2,215,976	2,254,210	2,305,087
Franklin Square	655,964	653,947	655,150	731,246	777,401	861,802	912,453	887,878	897,391	925,308
Total	\$ 11,092,105	\$ 10,764,804	\$ 11,082,651	\$ 12,105,577	\$ 12,553,754	\$ 13,980,919	\$ 15,075,774	\$ 14,829,883	\$ 14,903,979	\$ 15,289,137

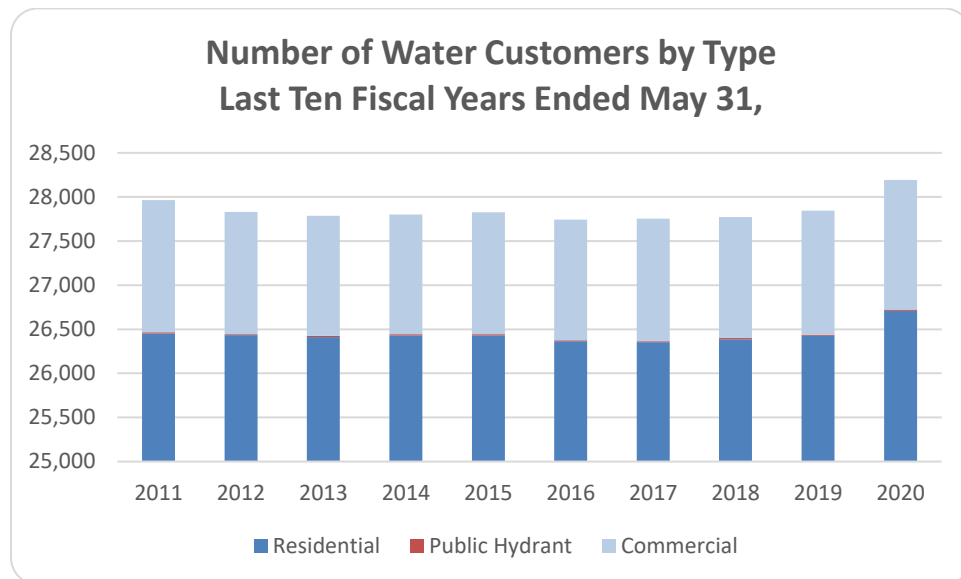
Source: Accounting Department (Excludes fire hydrant billing).



WATER AUTHORITY OF WESTERN NASSAU COUNTY
NUMBER OF WATER CUSTOMERS BY TYPE
LAST TEN FISCAL YEARS ENDED MAY 31,

Fiscal Year	Residential Customers	Public Fire Hydrant Customers	Commercial Customers	Total Customers
2011	26,453	13	1,499	27,965
2012	26,432	13	1,385	27,830
2013	26,412	13	1,360	27,785
2014	26,430	13	1,359	27,802
2015	26,430	13	1,385	27,828
2016	26,363	13	1,366	27,742
2017	26,352	13	1,390	27,755
2018	26,387	13	1,372	27,772
2019	26,425	13	1,407	27,845
2020	26,710	13	1,470	28,193

Source: Accounting Department.

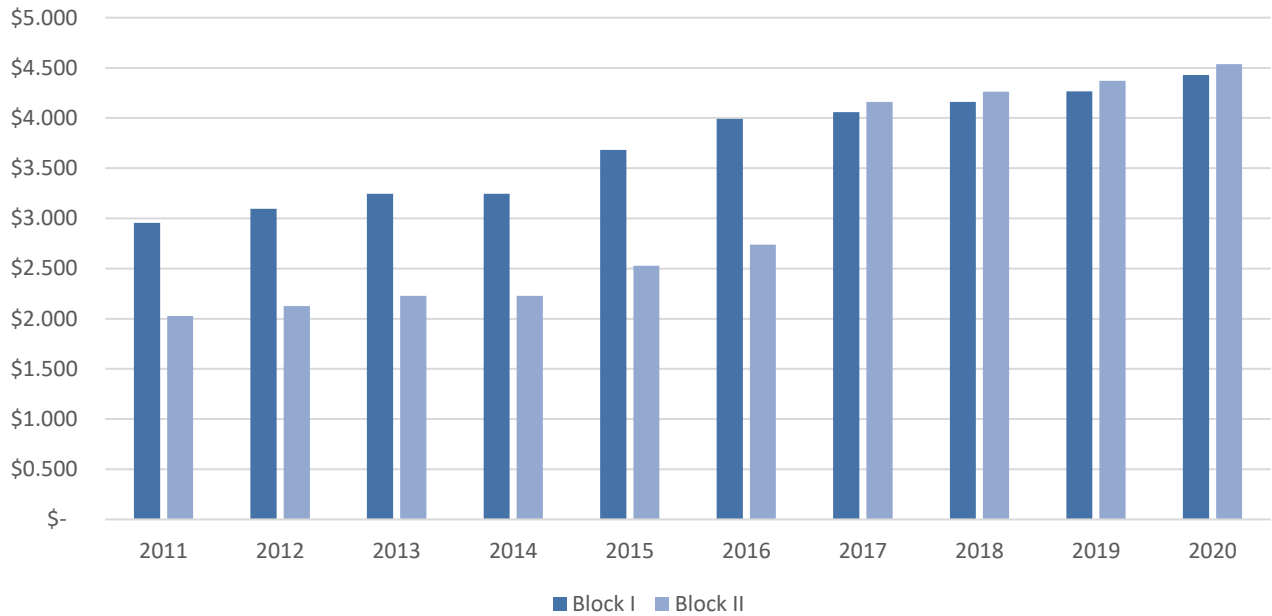


WATER AUTHORITY OF WESTERN NASSAU COUNTY
QUARTERLY BILLED WATER RATES
LAST TEN FISCAL YEARS ENDED MAY 31,

Year	Water Rates Minimum	Water Rates Per 1,000 Gallons	
		Block I	Block II
2011	\$30.71	\$2.954	\$2.027
2012	32.20	3.097	2.125
2013	33.75	3.246	2.228
2014	33.75	3.246	2.228
2015	38.29	3.683	2.527
2016	41.51	3.993	2.739
2017	44.38	4.060	4.160
2018	45.39	4.162	4.264
2019	46.63	4.266	4.371
2020	48.42	4.430	4.540

Source: Accounting Department

Quarterly Billed Block 1 and Block 2 Water Rates
Last Ten Fiscal Years Ended May 31



WATER AUTHORITY OF WESTERN NASSAU COUNTY
ANNUAL BILLINGS OF TEN LARGEST CUSTOMERS
LAST TEN FISCAL YEARS ENDED MAY 31,

Customer Name	2011		2012		2013		2014		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
NY Racing Association	\$576,146	5.24%	\$436,303	4.09%	\$411,911	3.71%	\$413,824	3.42%	\$484,418	3.86%
Franklin Hospital Medical Center	57,834	0.53%	55,821	0.52%	57,711	0.52%	58,106	0.48%	62,679	0.50%
Valley Park Owners Co	55,647	0.51%	59,042	0.55%	59,974	0.54%	65,713	0.54%	74,009	0.59%
Broadval LLC/Dutchcon LLC	8,704	0.08%	14,536	0.14%	22,141	0.20%	25,210	0.21%	33,936	0.27%
Village of Floral Park	35,662	0.32%	27,026	0.25%	45,559	0.41%	40,298	0.33%	38,677	0.31%
Flower View Gardens	27,483	0.25%	38,397	0.36%	29,974	0.27%	31,825	0.26%	36,703	0.29%
Central High School District 2	28,792	0.26%	15,971	0.15%	31,130	0.28%	36,672	0.30%	30,499	0.24%
Elmont School District	26,389	0.24%	12,834	0.12%	16,007	0.14%	17,477	0.14%	19,854	0.16%
YS FRANKLIN INC	13,673	0.12%	13,058	0.12%	13,875	0.13%	16,629	0.14%	17,514	0.14%
Central High School District 1	7,064	0.06%	6,923	0.06%	6,420	0.06%	12,340	0.10%	6,218	0.05%

Customer Name	2016		2017		2018		2019		2020		Rank
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	
NY Racing Association	\$600,397	4.30%	\$811,731	5.38%	\$817,096	5.51%	\$796,377	5.51%	\$751,297	4.91%	1
Franklin Hospital Medical Center	71,152	0.51%	104,685	0.69%	106,108	0.72%	103,352	0.66%	103,142	0.67%	4
Valley Park Owners Co	78,548	0.56%	100,568	0.67%	98,291	0.66%	100,072	0.72%	120,243	0.79%	2
Broadval LLC/Dutchcon LLC	39,465	0.28%	69,779	0.46%	77,507	0.52%	80,727	0.44%	81,501	0.53%	5
Village of Floral Park	39,918	0.29%	63,185	0.42%	64,912	0.44%	79,525	0.52%	111,961	0.73%	3
Flower View Gardens	40,069	0.29%	45,807	0.30%	57,280	0.39%	54,625	0.39%	49,971	0.33%	6
Central High School District 2	22,199	0.16%	47,927	0.32%	39,600	0.27%	49,807	0.27%	43,007	0.28%	7
Elmont School District	28,858	0.21%	41,762	0.28%	30,562	0.21%	29,854	0.19%	30,241	0.20%	8
YS FRANKLIN INC	18,716	0.13%	26,312	0.18%	28,065	0.19%	28,809	0.19%	29,185	0.19%	9
Central High School District 1	9,862	0.07%	37,476	0.25%	27,537	0.19%	28,653	0.21%	26,931	0.18%	10

Source: Accounting Department

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SECTION C: STATISTICAL SECTION

Debt Capacity



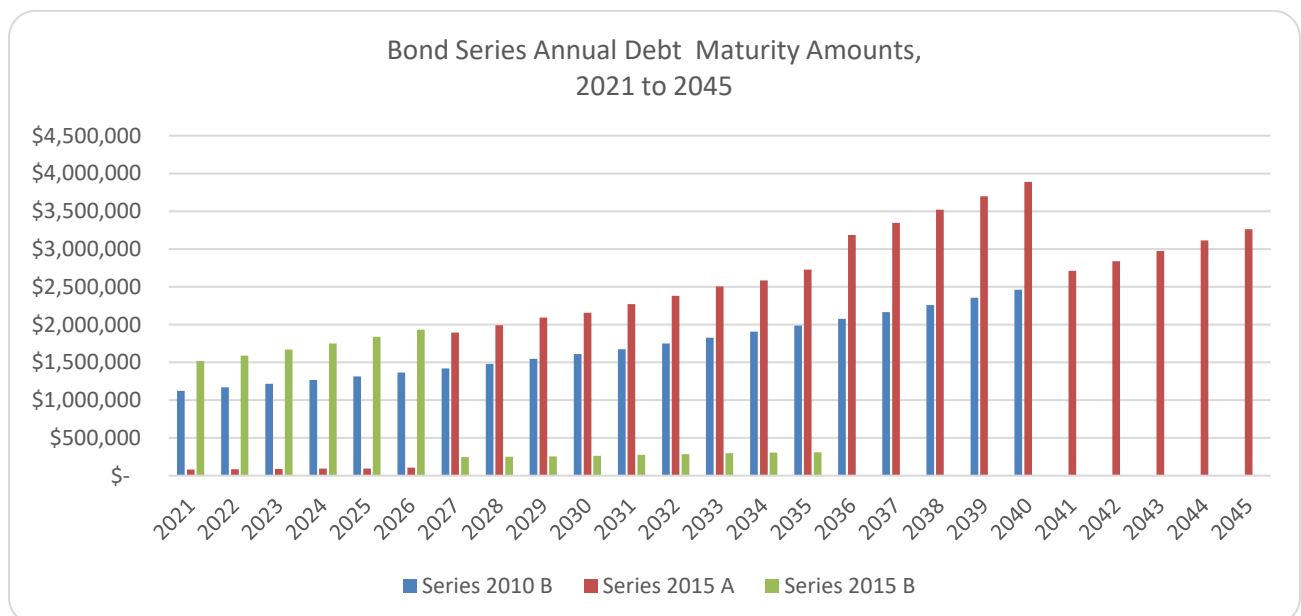
WATER AUTHORITY OF WESTERN NASSAU COUNTY
AMOUNTS, RATIOS AND PER CAPITA AMOUNTS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS ENDED MAY 31,
(In Thousands)

Debt by Type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Revenue Bonds, Series 2005										
Serial Bonds 3.00% - 5.00%, due through 2026	\$23,530	\$22,390	\$21,210	\$19,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Term Bonds 5.00%, due 2030	2,015	2,015	2,015	2,015	-	-	-	-	-	-
Term Bonds 5.00%, due 2035	3,150	3,150	3,150	3,150	-	-	-	-	-	-
Subtotal Series 2005	28,695	27,555	26,375	25,150	-	-	-	-	-	-
Premium on Series 2005	1,430	1,375	1,317	1,258	-	-	-	-	-	-
Subtotal Series 2005 and premium	30,125	28,930	27,692	26,408	-	-	-	-	-	-
Water Revenue Bonds Series 2010										
Serial Bonds A 2.00% - 4.00%, due through 2020	6,505	6,140	5,770	5,400	5,025	4,090	3,125	2,125	1,085	1,085
Term Bonds B 6.00% - 6.70%, due through 2040	33,965	33,965	33,965	33,965	33,965	33,965	33,965	33,965	33,965	33,965
Subtotal Series 2010	40,470	40,105	39,735	39,365	38,990	38,055	37,090	36,090	35,050	35,050
Premium on series 2010	100	94	93	83	78	66	51	35	20	20
Subtotal Series 2010 and premium	40,570	40,199	39,828	39,448	39,068	38,121	37,141	36,125	35,070	35,070
Water Revenue Bonds Series 2015										
Serial & Term Bonds A 4.00% - 5.00%, due through 2045	-	-	-	-	54,200	53,990	53,920	53,850	53,775	53,775
Serial Bonds B 3.00% - 5.00%, due through 2035	-	-	-	-	19,400	18,150	16,905	15,595	14,220	14,220
Subtotal Series 2015	-	-	-	-	73,600	72,140	70,825	69,445	67,995	67,995
Premium on series 2015	-	-	-	-	9,411	9,050	8,689	8,329	7,968	7,968
Subtotal Series 2015 and premium	-	-	-	-	83,011	81,190	79,514	77,774	75,963	75,963
Total long-term debt and premium	\$70,695	\$69,129	\$67,520	\$65,856	\$122,079	\$119,311	\$116,655	\$113,899	\$111,033	\$111,033
Percentage Series 2005	43%	42%	41%	40%	-	-	-	-	-	-
Percentage Series 2010	57%	58%	59%	60%	32%	32%	32%	32%	32%	32%
Percentage Series 2015	-	-	-	-	68%	68%	68%	68%	68%	68%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Per Capita Debt (dollars)										
Service area population	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Per capita debt (In Dollars)	\$601.45	\$589.12	\$576.07	\$562.67	\$548.80	\$1,017.32	\$994.25	\$972.13	\$949.16	\$925.28

WATER AUTHORITY OF WESTERN NASSAU COUNTY
DEBT MATURITY SCHEDULE BY SERIES
MAY 31, 2020

Year	Series 2010 B	Series 2015 A	Series 2015 B	Total
2021	\$1,125,000	\$80,000	\$1,515,000	\$2,720,000
2022	1,170,000	85,000	1,590,000	2,845,000
2023	1,215,000	90,000	1,670,000	2,975,000
2024	1,265,000	95,000	1,750,000	3,110,000
2025	1,315,000	95,000	1,840,000	3,250,000
2026	1,365,000	105,000	1,930,000	3,400,000
2027	1,420,000	1,895,000	245,000	3,560,000
2028	1,480,000	1,990,000	250,000	3,720,000
2029	1,545,000	2,095,000	255,000	3,895,000
2030	1,610,000	2,155,000	265,000	4,030,000
2031	1,675,000	2,270,000	275,000	4,220,000
2032	1,750,000	2,380,000	285,000	4,415,000
2033	1,825,000	2,505,000	295,000	4,625,000
2034	1,905,000	2,585,000	305,000	4,795,000
2035	1,985,000	2,730,000	310,000	5,025,000
2036	2,075,000	3,185,000	-	5,260,000
2037	2,165,000	3,345,000	-	5,510,000
2038	2,260,000	3,520,000	-	5,780,000
2039	2,355,000	3,700,000	-	6,055,000
2040	2,460,000	3,890,000	-	6,350,000
2041	-	2,710,000	-	2,710,000
2042	-	2,840,000	-	2,840,000
2043	-	2,975,000	-	2,975,000
2044	-	3,115,000	-	3,115,000
2045	-	3,260,000	-	3,260,000
Total	\$ 33,965,000	\$ 53,695,000	\$ 12,780,000	\$ 100,440,000

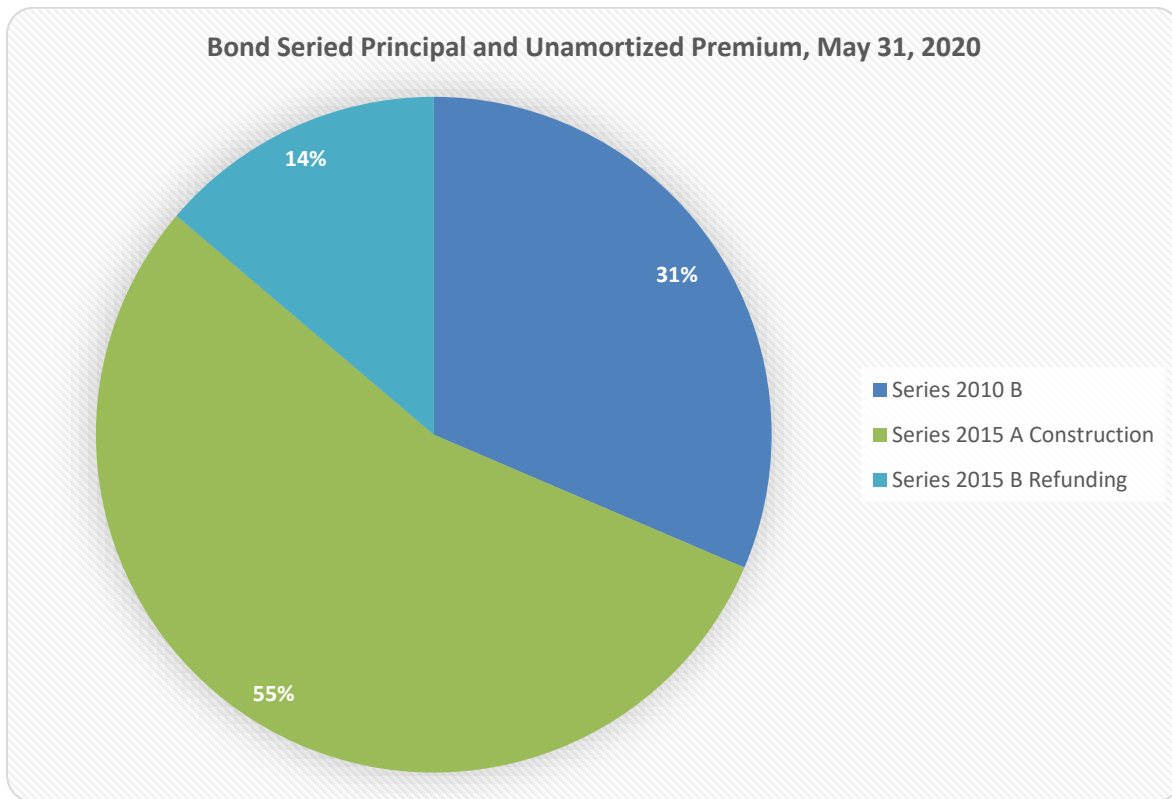
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
OUTSTANDING PRINCIPAL AND UNAMORTIZED PREMIUM BY BOND SERIES
MAY 31, 2020

Series	Principal Amount	Unamortized Premium	Total
Series 2010 B	\$ 33,965,000	\$ 3,553	\$ 33,968,553
Series 2015 A Construction	53,695,000	5,493,700	59,188,700
Series 2015 B Refunding	12,780,000	2,113,655	14,893,655
Total	\$ 100,440,000	\$ 7,610,908	\$ 108,050,908

Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF DEBT SERVICE
MAY 31, 2020

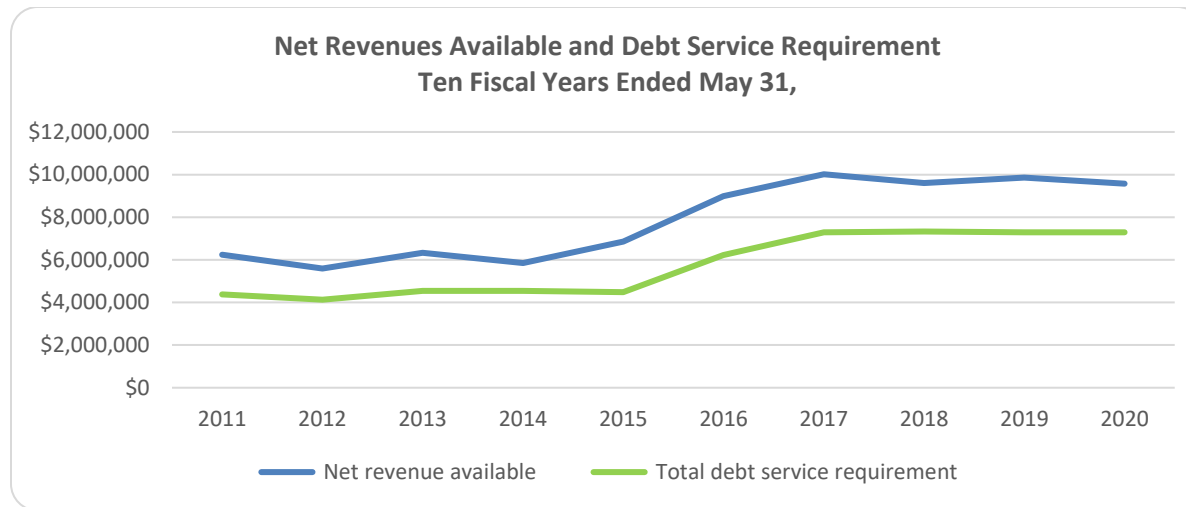
Year	<u>Series 2010 B</u>		<u>Build America Bond Subsidy</u>	<u>Series 2015A Construction</u>		<u>Series 2015 B Refunding</u>		Total
	Redemption	Interest	2010 B	Redemption	Interest	Redemption	Interest	
2021	\$1,125,000	\$2,215,180	\$(775,313)	\$80,000	\$2,539,013	\$1,515,000	\$593,731	\$7,292,611
2022	1,170,000	2,147,601	(751,660)	85,000	2,536,613	1,590,000	517,981	7,295,535
2023	1,215,000	2,077,319	(727,062)	90,000	2,534,063	1,670,000	438,481	7,297,801
2024	1,265,000	2,004,334	(701,517)	95,000	2,531,362	1,750,000	354,981	7,299,160
2025	1,315,000	1,928,346	(674,921)	95,000	2,528,512	1,840,000	267,482	7,299,419
2026	1,365,000	1,849,354	(647,274)	105,000	2,525,663	1,930,000	175,481	7,303,224
2027	1,420,000	1,761,298	(616,454)	1,895,000	2,522,513	245,000	78,981	7,306,338
2028	1,480,000	1,669,693	(584,393)	1,990,000	2,427,763	250,000	71,631	7,304,694
2029	1,545,000	1,574,219	(550,976)	2,095,000	2,328,262	255,000	64,131	7,310,636
2030	1,610,000	1,474,551	(516,093)	2,155,000	2,265,412	265,000	56,482	7,310,352
2031	1,675,000	1,370,690	(479,741)	2,270,000	2,157,662	275,000	48,200	7,316,811
2032	1,750,000	1,258,448	(440,457)	2,380,000	2,044,163	285,000	39,606	7,316,760
2033	1,825,000	1,141,180	(399,413)	2,505,000	1,925,163	295,000	30,344	7,322,274
2034	1,905,000	1,018,887	(356,610)	2,585,000	1,843,750	305,000	20,756	7,321,783
2035	1,985,000	891,233	(311,932)	2,730,000	1,714,500	310,000	10,463	7,329,264
2036	2,075,000	758,218	(265,376)	3,185,000	1,578,000	-	-	7,330,842
2037	2,165,000	619,172	(216,710)	3,345,000	1,418,750	-	-	7,331,212
2038	2,260,000	474,096	(165,934)	3,520,000	1,251,500	-	-	7,339,662
2039	2,355,000	322,653	(112,928)	3,700,000	1,075,500	-	-	7,340,225
2040	2,460,000	164,845	(57,696)	3,890,000	890,500	-	-	7,347,649
2041	-	-	-	2,710,000	696,000	-	-	3,406,000
2042	-	-	-	2,840,000	567,600	-	-	3,407,600
2043	-	-	-	2,975,000	434,000	-	-	3,409,000
2044	-	-	-	3,115,000	295,000	-	-	3,410,000
2045	-	-	-	3,260,000	150,400	-	-	3,410,400
Total	\$33,965,000	\$26,721,317	(\$9,352,460)	\$53,695,000	\$42,781,664	\$12,780,000	\$2,768,731	\$163,359,252

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total operating revenues	\$13,201,079	\$12,988,467	\$13,656,848	\$14,077,866	\$15,180,824	\$16,905,087	\$18,648,464	\$17,994,744	\$17,543,822	\$18,070,081
Total operating expenses	8,894,473	9,168,985	9,878,059	10,614,892	10,778,800	10,616,972	11,409,696	11,583,337	11,783,908	12,438,789
Operating income	4,306,606	3,819,482	3,778,789	3,462,974	4,402,024	6,288,115	7,238,768	6,411,407	5,759,914	5,631,292
Interest & other income	885,727	605,162	1,281,037	450,129	649,342	711,937	646,251	446,258	1,399,617	1,097,461
Add: Depreciation, Amortization and other	1,051,110	1,168,265	1,271,165	1,936,732	1,806,744	1,988,943	2,129,673	2,741,355	2,704,859	2,843,109
Net revenue available	6,243,443	5,592,909	6,330,991	5,849,835	6,858,110	8,988,996	10,014,692	9,599,020	9,864,390	9,571,862
Interest payments	2,853,926	2,624,800	2,992,499	2,945,386	2,840,080	3,824,539	5,011,149	4,949,291	4,803,011	4,690,411
Principal repayment	1,525,000	1,505,000	1,550,000	1,595,000	1,640,000	2,395,000	2,280,000	2,380,000	2,490,000	2,605,000
Total debt service requirement	\$4,378,926	\$4,129,800	\$4,542,499	\$4,540,386	\$4,480,080	\$6,219,593	\$7,291,149	\$7,329,291	\$7,293,011	\$7,295,411
Debt coverage ratio	1.43	1.35	1.39	1.29	1.53	1.45	1.38	1.31	1.35	1.31

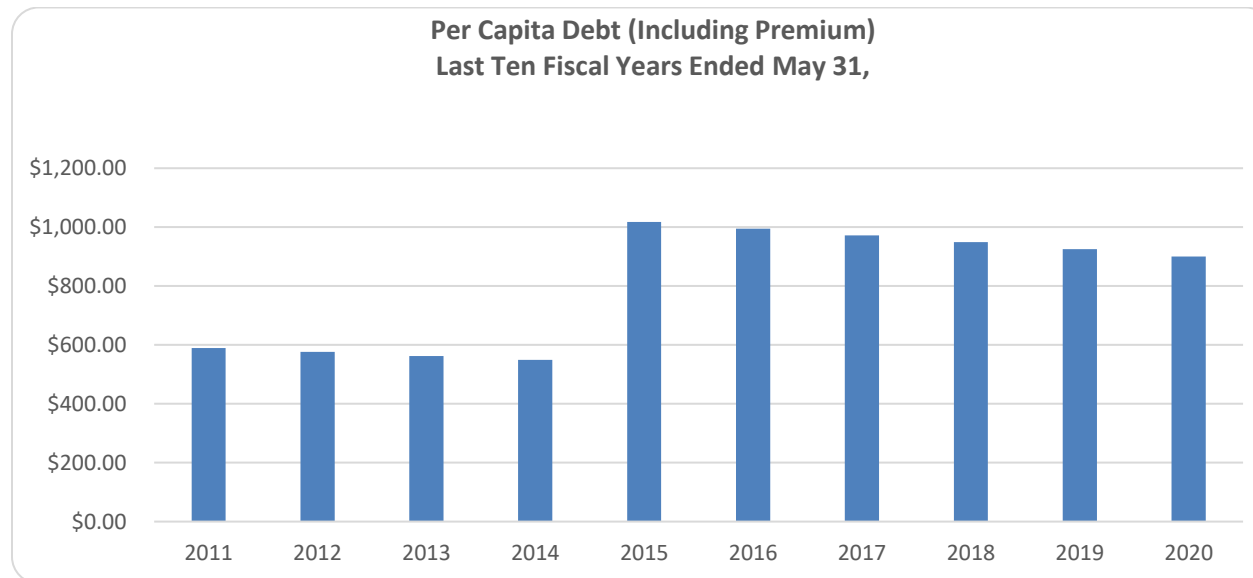
Source: Accounting Department.



WATER AUTHORITY OF WESTERN NASSAU COUNTY
WATER AUTHORITY PER CAPITA INDEBTEDNESS
LAST TEN FISCAL YEARS ENDED MAY 31,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total outstanding indebtedness	\$69,165,000	\$67,660,000	\$66,110,000	\$64,515,000	\$112,590,000	\$110,195,000	\$107,915,000	\$105,535,000	\$103,045,000	\$100,440,000
Unamortized premium on revenue bonds	1,529,683	1,468,373	1,409,806	1,340,818	9,488,201	9,115,506	8,740,418	8,364,326	7,987,617	7,610,908
Total outstanding debt & unamortized premium	\$70,694,683	\$69,128,373	\$67,519,806	\$65,855,818	\$122,078,201	\$119,310,506	\$116,655,418	\$113,899,326	\$111,032,617	\$108,050,908
Population served (estimated)	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Per capita debt (including premium)	\$589.12	\$576.07	\$562.67	\$548.80	\$1,017.32	\$994.25	\$972.13	\$949.16	\$925.27	\$900.42

Source: Accounting Department



SECTION C: STATISTICAL SECTION

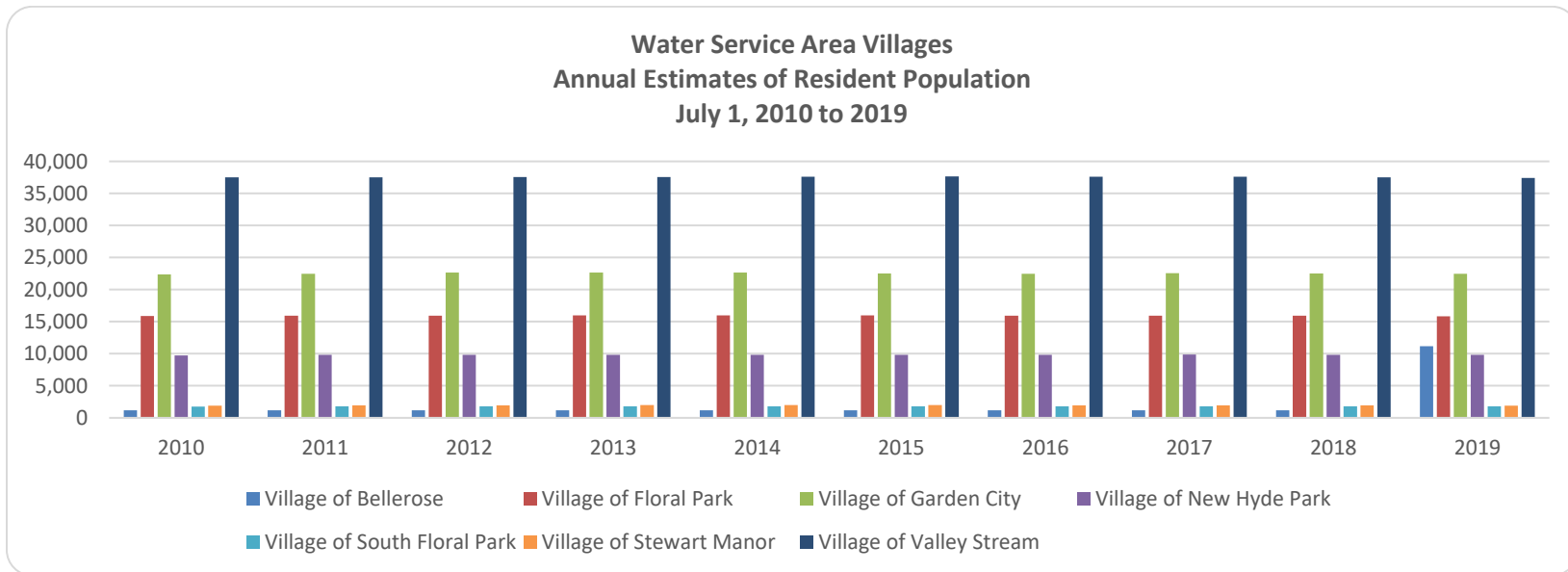
Demographic and Economic Information



WATER AUTHORITY OF WESTERN NASSAU COUNTY
WATER SERVICE AREA VILLAGES
ANNUAL ESTIMATES OF THE RESIDENT POPULATION
JULY 1, 2010 TO 2019

Areas	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Village of Bellerose	1,193	1,171	1,173	1,171	1,172	1,171	1,170	1,170	1,165	1,178
Village of Floral Park	15,863	15,930	15,945	15,959	15,979	15,961	15,942	15,948	15,923	16,209
Village of Garden City	22,371	22,481	22,659	22,663	22,659	22,510	22,473	22,542	22,495	22,533
Village of New Hyde Park	9,712	9,815	9,831	9,840	9,850	9,842	9,842	9,866	9,842	9,846
Village of South Floral Park	1,764	1,777	1,777	1,779	1,781	1,783	1,788	1,787	1,787	1,986
Village of Stewart Manor	1,896	1,969	1,969	1,972	1,971	1,970	1,968	1,965	1,962	2,191
Village of Valley Stream	37,511	37,500	37,543	37,570	37,599	37,667	37,626	37,606	37,523	37,523

Source: U.S. Census Bureau, Population Division.



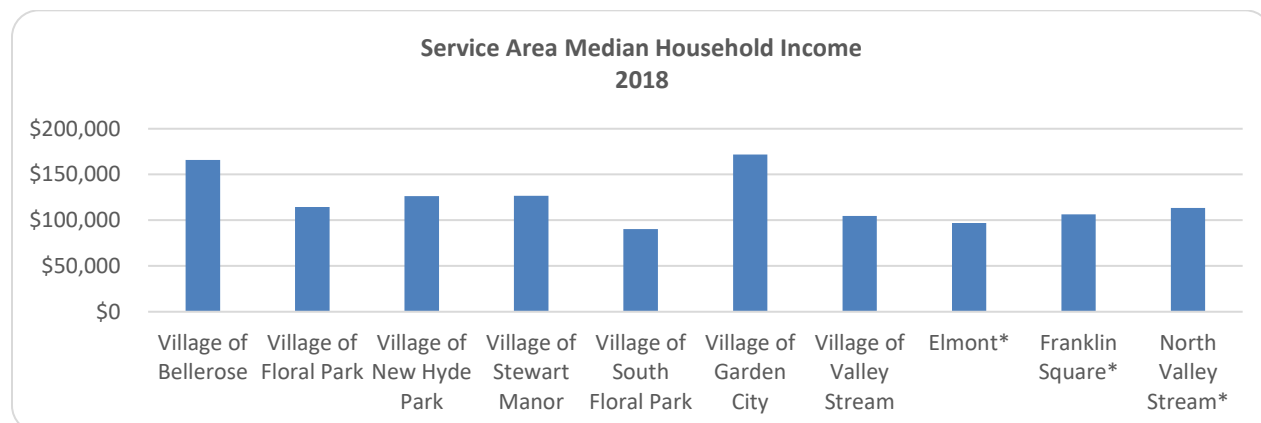
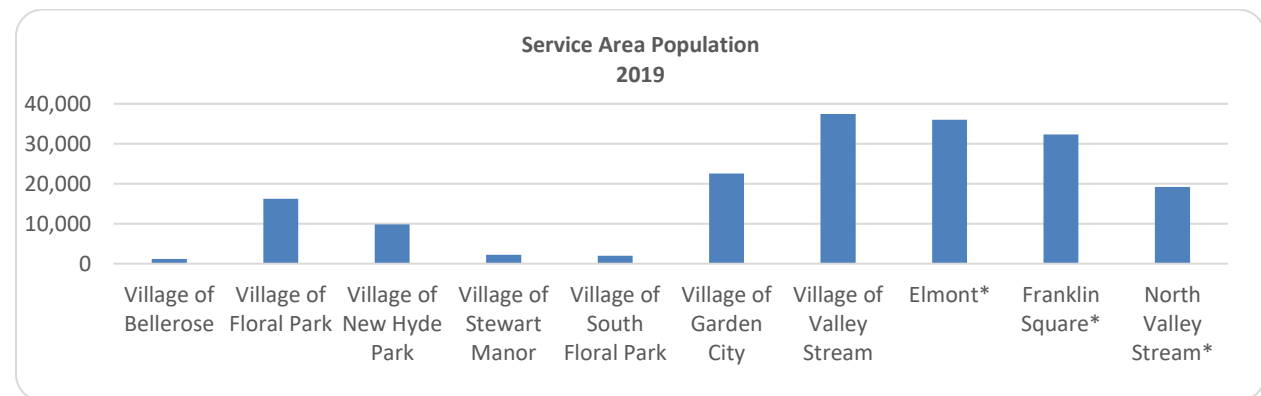
WATER AUTHORITY OF WESTERN NASSAU COUNTY
SERVICE AREA POPULATION, MEDIAN AGE, MEDIAN HOUSEHOLD INCOME
AND OCCUPIED HOUSING UNITS

	Population		Median Age		Median Household Income	Occupied Housing Units	
	2019	2010	2014-2018	2010	2014-2018	2014-2018	2010
Village of Bellerose	1,178	1,193	45.3	37.7	\$165,750	428	399
Village of Floral Park	16,209	15,863	42.2	41.0	114,574	5,882	5,630
Village of New Hyde Park	9,846	9,712	40.2	44.2	126,210	3,544	3,240
Village of Stewart Manor	2,191	1,896	44.4	40.4	126,618	829	723
Village of South Floral Park	1,986	1,764	36.2	43.2	90,227	587	497
Village of Garden City	22,533	22,371	42.5	40.8	171,750	7,626	7,087
Village of Valley Stream	37,431	37,511	40.5	38.2	104,773	12,720	11,626
Elmont CDP*	36,028	33,198	39.3	36.9	96,943	10,391	9,777
Franklin Square CDP*	32,329	29,320	40.8	42.5	106,519	10,098	9,992
North Valley Stream CDP*	19,202	16,628	40.4	38.8	113,355	5,755	5,101

The Water Authority serves a population of approximately 120,000 within the Town of Hempstead and the Town of 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.

* CDP is the abbreviation for Census Designated Place, the statistical counterpart of an incorporated place. CDPs are delineated to provide data for settled concentrations of populations.

Sources: U.S. Census Bureau's 2010 Census and American Community Survey of 2014-2018 and July 1, 2019 Estimate.

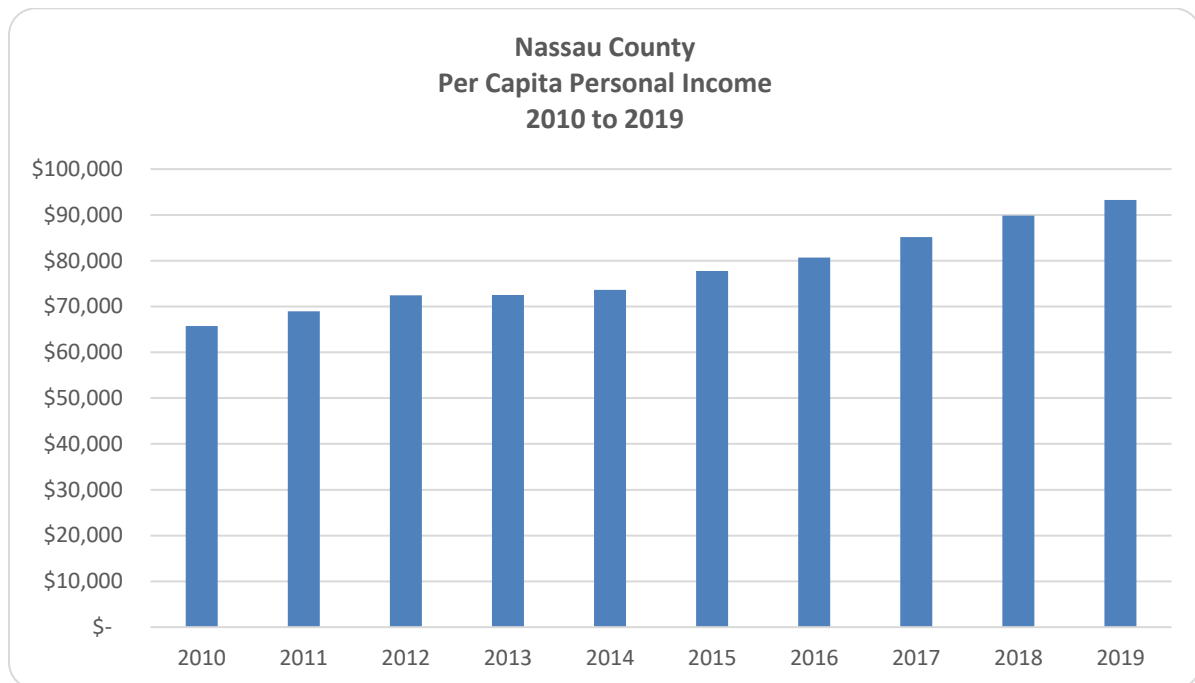


**WATER AUTHORITY OF WESTERN NASSAU COUNTY
NASSAU COUNTY, NEW YORK, POPULATION, TOTAL PERSONAL INCOME
AND PER CAPITA PERSONAL INCOME AND UNEMPLOYMENT RATE
2010-2019**

Year	Total Personal Income (In Thousands) (a)	Population (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2010	\$88,218,382	1,341,882	\$65,761	7.10%
2011	92,904,849	1,347,270	68,979	6.70%
2012	97,887,881	1,350,924	72,460	7.10%
2013	98,311,077	1,354,842	72,549	5.90%
2014	100,046,324	1,358,673	73,618	4.80%
2015	105,860,697	1,361,350	77,762	4.30%
2016	109,859,435	1,361,500	80,690	3.90%
2017	115,629,528	1,357,664	85,168	4.10%
2018	122,032,177	1,358,343	89,839	3.20%
2019	\$126,521,571	1,356,924	\$93,241	3.40%

Source: US Department of Commerce, Bureau of Economic Analysis

- a. All dollar estimates are in current dollars (not adjusted for inflation).
- b. US Census Bureau midyear estimates.
- c. US Census Bureau midyear estimates.
- d. New York State Department of Labor



WATER AUTHORITY OF WESTERN NASSAU COUNTY
NASSAU COUNTY, NEW YORK, ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
LAST TEN YEARS

Industry Title	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NAICS 00: Total, All Industries	582,551	586,165	588,790	596,302	604,709	612,815	621,953	628,993	632,387	632,135
NAICS 01: Total, All Private	499,299	504,936	510,770	519,169	526,876	534,792	543,980	551,469	554,868	554,158
NAICS 11: Agriculture, Forestry, Fishing and Hunting	209	207	205	173	175	173	191	194	213	217
NAICS 111: Crop Production	67	65	56	24	25	26	26	34	37	36
NAICS 112: Animal Production	59	-	-	6	66	65	68	-	59	54
NAICS 115: Agriculture & Forestry Support Activity	89	90	98	87	86	81	110	112	117	103
NAICS 22: Utilities	2,631			2,465	3,637	3,757	3,883	4,041	3,900	3,867
NAICS 221: Utilities	2,631			2,465	3,637	3,757	3,883	4,041	3,900	3,867
NAICS 23: Construction	25,309	24,614	25,207	27,360	28,557	29,275	30,158	31,872	33,389	33,306
NAICS 236: Construction of Buildings	6,865	6,218	6,205	6,832	6,948	7,201	7,474	7,922	8,326	8,261
NAICS 237: Heavy and Civil Engineering Construction	1,729	1,699	1,768	1,828	1,923	2,205	2,257	2,340	2,540	2,757
NAICS 238: Specialty Trade Contractors	16,715	16,697	17,234	18,701	19,685	19,869	20,427	21,611	22,523	22,288
NAICS 31-33: Manufacturing	19,497	19,002	18,932	18,684	17,793	17,568	17,365	17,591	17,794	17,186
NAICS 311: Food Manufacturing	2,560	2,627	2,784	2,784	2,844	2,942	2,958	3,344	3,536	3,431
NAICS 312: Beverage & Tobacco Product Manufacturing	51	65	71	84	75	88	91	94	82	94
NAICS 313: Textile Mills	109	96	72	69	47	39	33	39	35	37
NAICS 314: Textile Product Mills	190	182	195	183	199	223	240	220	206	185
NAICS 315: Apparel Manufacturing	347	369	323	251	287	250	213	195	270	175
NAICS 321: Wood Product Manufacturing	254	233	210	236	160	195	166	156	263	126
NAICS 322: Paper Manufacturing	215	210	205	188	195	182	159	151	1,106	274
NAICS 323: Printing and Related Support Activities	1,456	1,228	1,170	1,196	1,110	1,079	1,105	1,039	987	1,013
NAICS 325: Chemical Manufacturing	952	920	1,253	1,179	1,044	992	979	998	1,376	918
NAICS 326: Plastics & Rubber Products Manufacturing	954	831	793	886	831	869	898	896	84	819
NAICS 327: Nonmetallic Mineral Product Mfg	291	262	388	372	435	450	483	489	2,228	490
NAICS 331: Primary Metal Manufacturing	99	92	90	116	110	112	94	93	1,853	77
NAICS 332: Fabricated Metal Product Manufacturing	2,326	2,205	2,149	2,100	2,104	2,141	2,123	2,204	1,947	2,302
NAICS 333: Machinery Manufacturing	2,778	2,843	2,484	2,387	2,197	2,176	1,967	1,868	571	1729
NAICS 334: Computer and Electronic Product Mfg	2,257	2,279	2,286	2,231	2,180	2,137	2,131	2,057	1,040	1,803
NAICS 335: Electrical Equipment and Appliances	361	357	358	366	361	450	489	551	820	569
NAICS 336: Transportation Equipment Manufacturing	2,201	2,233	2,151	1,981	1,600	1,166	1,072	1,055	1,372	1,047
NAICS 337: Furniture and Related Product Mfg	738	692	705	788	781	803	803	790	17,794	775
NAICS 339: Miscellaneous Manufacturing	1,358	1,278	1,232	1,239	1,234	1,233	1,332	1,332	3,536	1,304
NAICS 42: Wholesale Trade	26,707	26,873	26,904	27,484	27,320	27,689	26,834	25,709	25,579	24,908
NAICS 423: Merchant Wholesalers, Durable Goods	13,649	13,387	13,228	13,781	13,788	14,120	13,621	11,932	12,025	11,638
NAICS 424: Merchant Wholesalers, Nondurable Goods	10,252	10,578	10,709	10,749	10,928	10,956	10,610	11,297	11,957	11,795
NAICS 425: Electronic Markets and Agents/Brokers	2,806	2,909	2,967	2,955	2,604	2,613	2,604	2,481	1,597	1,475
NAICS 44-45: Retail Trade	75,889	76,741	77,619	78,730	79,775	80,002	80,271	81,619	81,048	78,697
NAICS 441: Motor Vehicle and Parts Dealers	6,121	6,354	6,589	6,732	6,935	7,140	7,211	7,259	7,245	7,105
NAICS 442: Furniture and Home Furnishings Stores	3,226	3,280	3,445	3,040	3,026	3,049	3,016	3,300	3,231	3,135
NAICS 443: Electronics and Appliance Stores	3,295	3,474	3,401	3,230	3,355	3,541	3,292	3,274	3,077	2,967
NAICS 444: Building Material & Garden Supply Stores	4,716	4,718	4,587	5,486	5,531	5,472	5,541	5,522	5,420	5,392
NAICS 445: Food and Beverage Stores	16,181	16,676	16,825	16,954	17,617	17,862	17,988	18,912	18,854	18,497
NAICS 446: Health and Personal Care Stores	7,021	6,638	6,907	6,965	6,794	6,704	6,808	6,906	7,145	7,040
NAICS 447: Gasoline Stations	1,493	1,560	1,541	1,456	1,465	1,511	1,561	1,619	1,607	1,626
NAICS 448: Clothing and Clothing Accessories Stores	10,836	9,974	10,259	10,100	9,923	9,914	10,082	9,928	9,674	9,154
NAICS 451: Sporting Goods/Hobby/Book/Music Stores	3,393	3,294	3,394	3,394	3,619	3,775	3,862	3,780	3,601	3,436
NAICS 452: General Merchandise Stores	12,746	14,009	13,932	14,450	14,540	14,008	13,722	13,737	13,664	12,714
NAICS 453: Miscellaneous Store Retailers	3,704	3,673	3,830	3,572	3,625	3,526	3,670	3,892	4,056	3,928
NAICS 454: Nonstore Retailers	3,158	3,092	2,909	3,352	3,347	3,500	3,519	3,492	3,474	3,704
NAICS 48-49: Transportation and Warehousing	14,888	14,815	15,202	15,515	15,184	15,264	15,563	15,764	16,119	17,665
NAICS 481: Air Transportation	496	504	485	460	451	401	428	351	341	296
NAICS 483: Water Transportation	693	642	608	485	468	450	418	402	366	431
NAICS 484: Truck Transportation	1,907	1,944	2,054	2,168	2,239	2,245	2,359	2,432	2,527	2,524
NAICS 485: Transit and Ground Passenger Transport	4,670	4,502	5,464	5,636	5,187	5,094	4,992	4,768	4,661	4,461
NAICS 487: Scenic and Sightseeing Transportation	33	48	58	48	75	66	63	79	92	88
NAICS 488: Support Activities for Transportation	2,974	3,247	3,315	3,379	3,470	3,575	3,717	3,639	3,632	3,775
NAICS 492: Couriers and Messengers	3,414	3,307	2,572	2,587	2,620	2,684	2,856	3,224	3,396	3,958
NAICS 493: Warehousing and Storage	652	569	595	695	675	745	725	863	1,098	2,123

WATER AUTHORITY OF WESTERN NASSAU COUNTY
NASSAU COUNTY, NEW YORK, ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
LAST TEN YEARS
(Continued)

Industry Title	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NAICS 51: Information	14,163	13,663	13,607	13,424	11,907	10,989	10,377	10,232	9,863	8,304
NAICS 511: Publishing Industries	2,442	2,327	2,238	2,083	1,913	1,575	1,570	1,654	1,557	1,373
NAICS 512: Motion Picture & Sound Recording Ind	1,824	1,784	1,877	1,593	831	797	822	697	732	771
NAICS 515: Broadcasting (except Internet)	4,769	-	-	-	650	624	631	641	498	569
NAICS 517: Telecommunications	3,296	3,203	2,980	2,984	6,761	6,426	5,832	5,643	5,466	4,017
NAICS 518: ISPs, Search Portals, & Data Processing	1,104	1,067	1,089	1,101	1,027	1,034	1,030	1,118	1,139	1,204
NAICS 519: Other Information Services	729	687	674	743	724	533	492	480	471	370
NAICS 52: Finance and Insurance	30,103	30,451	30,943	31,070	31,253	31,127	29,937	29,857	28,695	27,708
NAICS 522: Credit Intermediation & Related Activity	9,711	10,377	10,773	10,801	10,709	10,491	9,464	8,980	9,102	8,465
NAICS 523: Financial Investment & Related Activity	4,086	3,910	3,680	3,458	3,477	3,580	3,488	3,850	3,363	3,430
NAICS 524: Insurance Carriers & Related Activities	15,771	15,628	15,945	16,763	17,017	16,948	16,867	16,891	16,090	15,648
NAICS 525: Funds, Trusts & Other Financial Vehicles	535	536	547	46	45	109	117	135	139	165
NAICS 53: Real Estate and Rental and Leasing	9,489	9,628	9,895	9,747	10,316	10,390	10,676	10,890	10,607	10,315
NAICS 531: Real Estate	8,171	8,317	8,418	8,259	8,643	8,988	9,178	9,453	9,280	9,070
NAICS 532: Rental and Leasing Services	1,211	1,191	1,341	1,362	1,540	1,351	1,428	1,395	1,283	1,191
NAICS 533: Lessors, Nonfinancial Intangible Assets	107	119	136	127	134	52	70	42	44	53
NAICS 54: Professional and Technical Services	34,098	34,173	35,200	36,605	37,771	38,448	38,659	39,540	39,035	38,144
NAICS 541: Professional and Technical Services	34,098	34,173	35,200	36,605	37,771	38,448	38,659	39,540	39,035	38,144
NAICS 55: Management of Companies and Enterprises	6,776	6,501	6,981	6,462	6,604	6,716	7,345	7,461	7,371	6,633
NAICS 551: Management of Companies and Enterprises	6,776	6,501	6,981	6,462	6,604	6,716	7,345	7,461	7,371	6,633
NAICS 56: Administrative and Waste Services	27,421	28,819	29,243	29,443	30,086	30,509	32,334	31,943	30,199	30,663
NAICS 561: Administrative and Support Services	26,109	27,538	27,988	28,126	28,747	29,093	30,730	30,403	28,540	29,266
NAICS 562: Waste Management and Remediation	1,312	1,281	1,255	1,317	1,339	1,415	1,604	1,540	1,659	1,398
NAICS 61: Educational Services	19,651	19,678	20,167	19,900	19,864	20,305	20,813	20,762	21,156	21,259
NAICS 611: Educational Services	19,651	19,678	20,167	19,900	19,864	20,305	20,813	20,762	21,156	21,259
NAICS 62: Health Care and Social Assistance	111,494	114,455	113,402	114,014	115,383	120,248	125,379	128,661	134,024	139,939
NAICS 621: Ambulatory Health Care Services	41,984	42,156	43,025	43,828	44,813	46,675	47,593	48,035	50,171	53,179
NAICS 622: Hospitals	36,727	38,761	37,268	37,333	36,749	39,271	42,253	44,872	47,592	49,552
NAICS 623: Nursing and Residential Care Facilities	14,854	14,706	14,388	13,435	13,484	13,472	13,738	13,767	13,984	14,801
NAICS 624: Social Assistance	17,929	18,832	18,722	19,418	20,337	20,830	21,794	21,987	22,277	22,407
NAICS 71: Arts, Entertainment, and Recreation	11,358	11,199	11,303	11,842	11,911	11,910	11,707	12,508	12,474	12,293
NAICS 711: Performing Arts and Spectator Sports	4,057	3,910	3,932	4,070	4,026	3,715	3,368	3,351	3,242	3,163
NAICS 712: Museums, Parks and Historical Sites	309	317	309	326	324	319	335	362	347	338
NAICS 713: Amusement, Gambling & Recreation Ind	6,991	6,972	7,062	7,446	7,561	7,876	8,004	8,796	8,885	8,792
NAICS 72: Accommodation and Food Services	40,230	41,661	43,818	45,983	47,179	48,221	48,907	50,907	51,241	50,695
NAICS 721: Accommodation	2,341	2,340	2,466	2,472	2,380	2,359	2,379	2,639	2,751	2,646
NAICS 722: Food Services and Drinking Places	37,890	39,321	41,352	43,511	44,799	45,861	46,527	48,268	48,490	48,050
NAICS 81: Other Services, Ex. Public Admin	27,169	27,459	27,544	27,984	28,912	29,202	29,983	30,292	30,757	30,206
NAICS 811: Repair and Maintenance	6,610	6,581	6,443	6,398	6,595	6,660	6,681	6,665	6,714	6,587
NAICS 812: Personal and Laundry Services	10,566	10,812	10,824	11,187	11,885	12,309	12,953	13,528	14,031	13,868
NAICS 813: Membership Organizations & Associations	8,197	8,224	8,411	8,596	8,572	8,467	8,555	8,282	8,269	8,083
NAICS 814: Private Households	1,796	1,843	1,866	1,804	1,859	1,765	1,794	1,818	1,743	1,668
Total, All Government	83,252	81,229	78,020	77,133	77,833	78,023	77,973	77,524	77,519	77,977
Federal Government	6,174	5,468	5,264	5,218	5,155	5,201	5,258	5,227	5,035	5,019
State Government	3,770	3,644	2,557	2,220	3,107	3,143	3,162	3,277	3,316	3,341
Local Government	73,308	72,117	70,199	69,695	69,571	69,679	69,553	69,020	69,168	69,617
Unclassified	2,211	2,445	2,106	2,281	3,249	2,997	3,586	1,614	1,401	2,150

*Employment data and subtotals are as presented by the US Department of Labor. The 2018 numbers are preliminary estimates.

Source: Quarterly Census of Employment and Wages, developed through a cooperative program between the State of New York and the Bureau of Labor Statistics.

WATER AUTHORITY OF WESTERN NASSAU COUNTY
NASSAU COUNTY, NEW YORK
AVERAGE ANNUAL EMPLOYMENT BY INDUSTRY
SECOND QUARTER 2010, 2019 AND SECOND QUARTER 2020

Industry Title	2010			2019			Second Quarter 2020		
	Average Annual Employment	Rank	Percent of Total	Average Annual Employment	Rank	Percent of Total	Average Annual Employment	Rank	Percent of Total
NAICS 62: Health Care and Social Assistance	111,494	1	19%	139,939	1	22%	122,520	1	24%
Total, All Government	83,252	2	14%	77,977	3	12%	77,395	2	15%
NAICS 44-45: Retail Trade	75,889	3	13%	78,697	2	12%	53,728	3	11%
NAICS 54: Professional and Technical Services	34,098	5	6%	38,144	5	6%	33,730	4	7%
NAICS 52: Finance and Insurance	30,103	6	5%	27,708	9	4%	26,961	5	5%
NAICS 72: Accommodation and Food Services	40,230	4	7%	50,695	4	8%	26,147	6	5%
NAICS 23: Construction	25,309	10	4%	33,306	6	5%	24,087	7	5%
NAICS 56: Administrative and Waste Services	27,421	7	5%	30,663	7	5%	23,881	8	5%
NAICS 42: Wholesale Trade	26,707	9	5%	24,908	10	4%	20,532	9	4%
NAICS 81: Other Services, Ex. Public Admin	27,169	8	5%	30,206	8	5%	18,427	10	4%
NAICS 61: Educational Services	19,651	11	3%	21,259	11	3%	16,388	11	3%
NAICS 48-49: Transportation and Warehousing	14,888	13	3%	17,665	12	3%	15,259	12	3%
NAICS 31-33: Manufacturing	19,497	12	3%	17,186	13	3%	13,593	13	3%
NAICS 53: Real Estate and Rental and Leasing	9,489	16	2%	10,315	15	2%	9,101	14	2%
NAICS 51: Information	14,163	14	2%	8,304	16	1%	7,636	15	2%
NAICS 55: Management of Companies and Enterprises	6,776	17	1%	6,633	17	1%	5,858	16	1%
NAICS 71: Arts, Entertainment, and Recreation	11,358	15	2%	12,293	14	2%	4,997	17	1%
NAICS 22: Utilities	2,631	18	0%	3,867	18	1%	3,201	18	1%
Unclassified	2,211	19	0%	2,150	19	0%	1,913	19	0%
NAICS 11: Agriculture, Forestry, Fishing and Hunting	209	20	0%	217	20	0%	152	20	0%
	<u>582,545</u>		<u>100%</u>	<u>632,132</u>		<u>100%</u>	<u>505,506</u>		<u>100%</u>

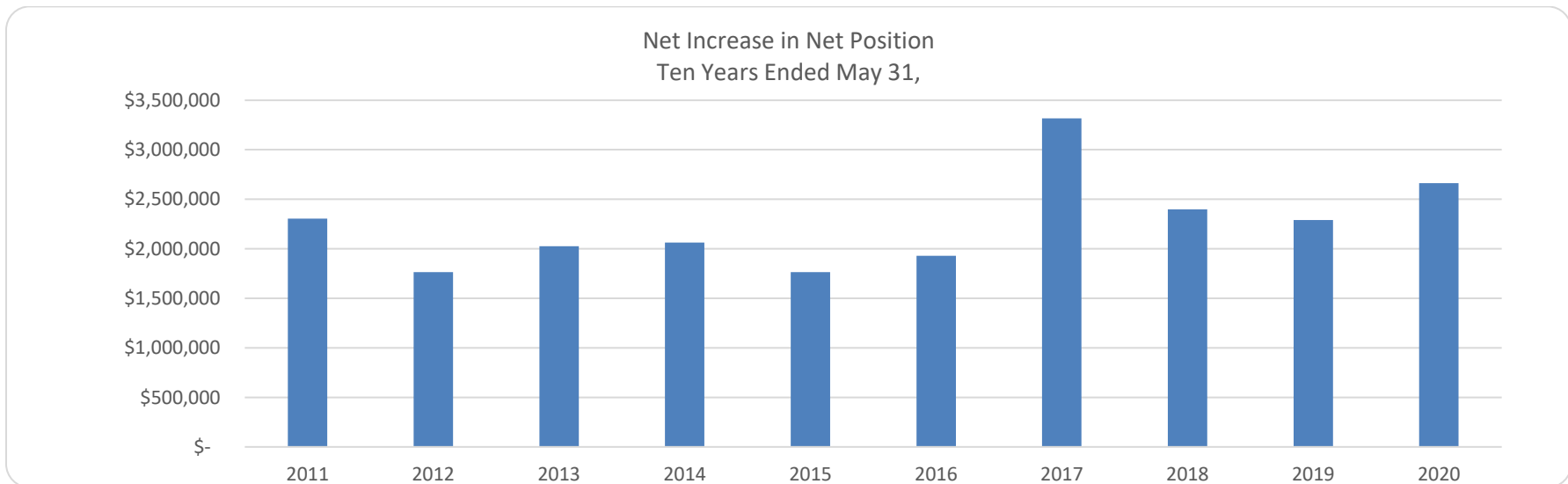
Source: Quarterly Census of Employment and Wages developed through a cooperative program between the State of New York and the U.S. Bureau of Labor Statistics.

SECTION C: STATISTICAL SECTION

Operating Information



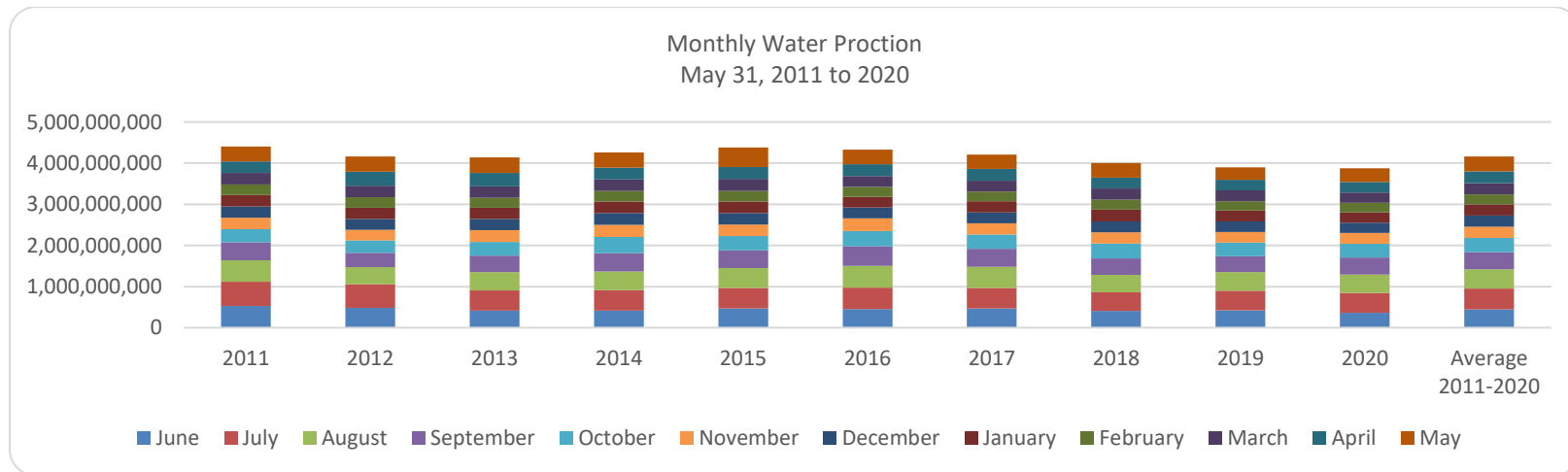
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Estimated population served	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Employees head count	51	50	51	49	47	50	48	48	49	46
Billed consumption (million gallons)	3,728	3,401	3,401	3,470	3,367	3,976	3,441	3,254	3,174	3,413
Average daily consumption (million gallons)	10.21	9.31	9.31	9.51	9.23	9.52	9.43	8.92	8.7	9.25
OPERATING INFORMATION										
Treated water reservoir capacity	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	119
Fire hydrants operated and maintained	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,433	2,433	2,432
FINANCIAL INFORMATION										
Net property, plant & equipment	\$44,800,607	\$52,433,616	\$63,874,772	\$68,063,563	\$69,888,539	\$72,887,677	\$79,908,512	\$87,136,943	\$99,370,881	\$102,665,698
Rate stabilization cash and cash equivalent	\$460,000	\$560,000	\$560,000	\$570,000	\$1,070,000	\$1,070,000	\$1,070,000	\$1,522,000	\$2,000,000	\$2,000,000
Total long-term debt	\$69,165,000	\$67,660,000	\$66,110,000	\$64,515,000	\$112,590,000	\$110,195,000	\$107,915,000	\$105,535,000	\$103,045,000	\$100,440,000
Rate increases	4.80%	4.80%	6.02%	7.00%	8.41%	9.40%	2.50%	2.50%	2.50%	10.57%
Operating revenues	\$13,201,079	\$12,988,468	\$13,656,848	\$14,077,866	\$15,180,824	\$16,905,087	\$18,648,464	\$17,994,744	\$17,543,822	\$18,070,081
Operating expenses	\$8,894,473	\$9,168,985	\$9,878,059	\$10,614,892	\$10,778,800	\$10,616,972	\$11,409,696	\$11,583,337	\$11,783,908	\$12,438,789
Operating income	\$4,306,606	\$3,819,483	\$3,778,789	\$3,462,974	\$4,402,024	\$6,288,115	\$7,238,768	\$6,411,407	\$5,759,914	\$5,631,292
Debt service	\$4,428,783	\$4,129,800	\$4,547,786	\$4,540,386	\$4,480,080	\$6,219,539	\$7,291,149	\$7,329,291	\$7,330,857	\$7,295,411
Depreciation and amortization	\$1,096,432	\$1,202,793	\$1,310,273	\$1,936,732	\$1,806,744	\$1,988,943	\$2,129,673	\$2,252,822	\$2,217,359	\$2,260,652
GASB Statement Nos 68 and 71 implementations (liability)	-	-	-	-	\$232,625	-	-	-	-	-
GASB Statement No 75 implementations (liability)	-	-	-	-	-	-	-	\$2,579,837	-	-
Net increase in net position	\$2,304,551	\$1,765,317	\$2,026,818	\$2,063,320	\$1,765,122	\$1,929,274	\$3,315,275	\$2,397,433	\$2,663,950	\$2,290,435
Source: Accounting Department										



WATER AUTHORITY OF WESTERN NASSAU COUNTY
MONTHLY WATER PRODUCTION (GALLONS)
LAST TEN FISCAL YEARS

Month	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average 2011-2020
June	530,074,626	485,796,408	415,920,744	413,476,668	468,927,660	451,895,352	468,505,512	410,759,040	419,187,024	363,224,526	442,776,756
July	587,082,498	567,544,986	490,898,166	500,476,506	494,058,606	522,179,940	499,834,194	449,884,176	479,275,464	483,220,908	507,445,544
August	523,472,016	417,422,346	447,850,242	452,281,272	485,088,174	528,555,198	509,743,866	426,534,450	451,839,456	441,217,002	468,400,402
September	435,190,170	345,894,732	396,395,910	447,688,476	431,253,348	477,790,212	437,057,460	398,368,338	388,581,762	416,177,892	417,439,830
October	318,336,300	306,189,468	332,347,356	393,596,754	349,110,516	368,361,132	351,037,894	364,489,140	331,508,538	338,431,842	345,340,894
November	276,471,864	252,733,512	287,086,254	294,783,900	279,347,682	307,161,090	272,569,974	270,846,180	256,497,174	257,907,369	275,540,500
December	276,722,700	265,064,268	271,980,438	280,999,356	276,014,592	268,037,064	265,565,196	264,713,754	259,025,808	255,302,706	268,342,588
January	279,585,492	276,207,689	270,144,930	284,563,734	283,432,278	255,909,846	266,223,354	286,852,566	258,080,832	246,872,682	270,787,340
February	251,174,940	254,568,474	245,128,584	254,241,018	259,273,926	241,954,314	239,321,826	242,541,600	232,305,540	230,325,993	245,083,622
March	280,983,342	277,330,218	279,318,678	280,909,686	287,733,204	262,654,920	266,026,380	268,326,678	261,945,804	255,286,653	272,051,556
April	280,777,374	342,281,604	323,435,292	286,489,632	292,221,828	284,911,374	283,944,036	267,784,986	255,903,996	256,101,870	287,385,199
May	360,986,082	367,582,458	376,549,128	368,398,014	471,478,446	358,831,620	348,114,654	351,113,688	303,138,558	327,145,317	363,333,797
	4,400,857,404	4,158,616,163	4,137,055,722	4,257,905,016	4,377,940,260	4,328,242,062	4,207,944,346	4,002,214,596	3,897,289,956	3,871,214,760	4,163,928,029

Source: Accounting Department

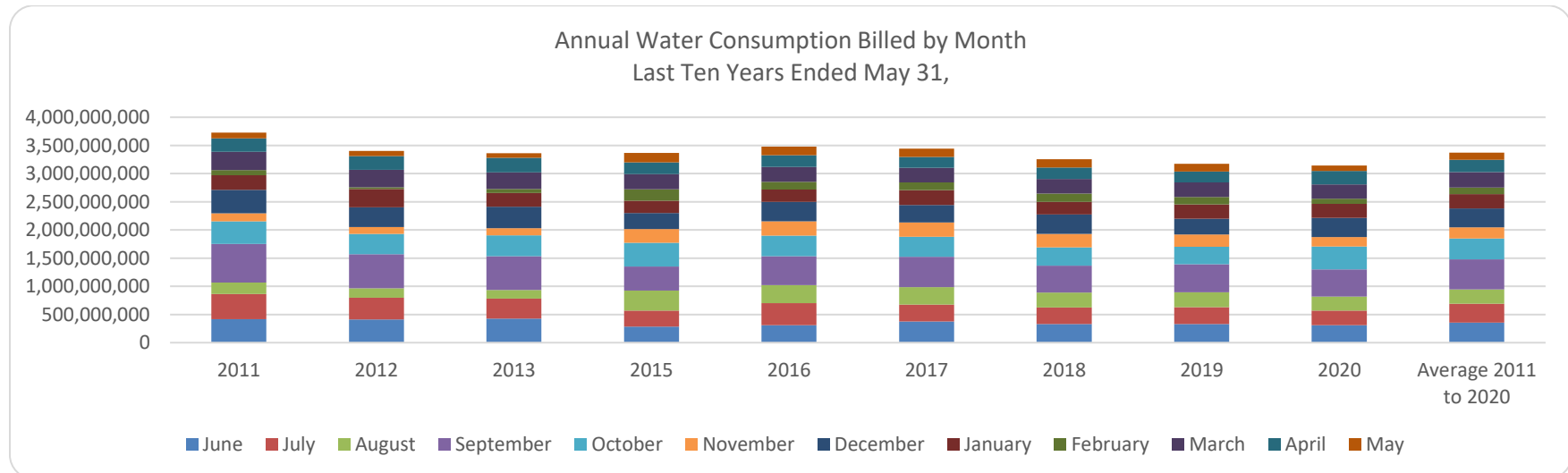


WATER AUTHORITY OF WESTERN NASSAU COUNTY
ANNUAL WATER CONSUMPTION BILLED BY MONTH (GALLONS)
LAST TEN FISCAL YEARS ENDED MAY 31,

Month	2011	2012	2013	2014*	2015	2016	2017	2018	2019	2020	Average 2011 to 2020
June	417,933,000	413,437,500	425,337,750	309,621,750	285,524,250	310,895,250	378,644,250	330,853,500	331,302,000	310,947,750	356,097,250
July	445,953,750	382,331,250	356,779,500	385,202,250	283,273,500	392,601,750	296,893,500	295,309,500	297,117,000	259,717,500	334,441,917
August	202,803,000	171,570,750	154,800,000	210,009,750	353,835,750	318,147,750	307,693,500	261,288,000	265,897,500	249,657,750	253,966,000
September	683,575,500	604,166,250	597,716,250	582,278,250	428,210,250	511,770,000	542,663,250	477,389,250	495,372,000	482,372,250	535,915,000
October	405,327,750	361,052,250	368,883,750	486,779,250	422,100,000	363,897,000	353,409,000	328,427,250	311,277,750	402,140,250	368,501,667
November	141,743,250	121,548,000	129,597,750	49,267,500	245,076,750	257,098,500	253,351,500	238,140,750	221,548,500	169,594,500	197,522,167
December	412,925,250	350,163,000	381,285,772	373,030,500	282,745,500	342,065,250	308,926,500	344,887,500	278,349,750	339,918,750	337,918,586
January	258,597,750	321,443,250	243,748,500	313,923,000	218,567,250	218,660,250	266,373,750	220,294,500	253,230,000	251,073,750	250,221,000
February	91,151,250	33,393,750	69,076,500	105,366,750	204,788,250	140,912,250	136,882,500	148,310,250	133,424,250	91,210,500	116,572,167
March	327,708,000	309,940,500	292,157,257	231,380,250	265,101,750	262,326,000	256,349,250	262,459,500	254,094,750	250,716,000	275,650,334
April	235,841,250	241,111,500	261,793,500	264,096,750	211,508,250	206,359,500	195,435,750	198,279,750	195,961,500	238,493,250	220,531,583
May	104,868,000	90,583,500	81,789,000	159,300,750	166,416,000	151,575,750	144,825,000	148,282,500	136,677,750	96,810,750	124,647,583
Total	3,728,427,750	3,400,741,500	3,362,965,529	3,470,256,750	3,367,147,500	3,476,309,250	3,441,447,750	3,253,922,250	3,174,252,750	3,142,653,000	3,400,651,785

* In fiscal year 2014 the Water Authority adjusted its billing schedule.

Source: Accounting Department

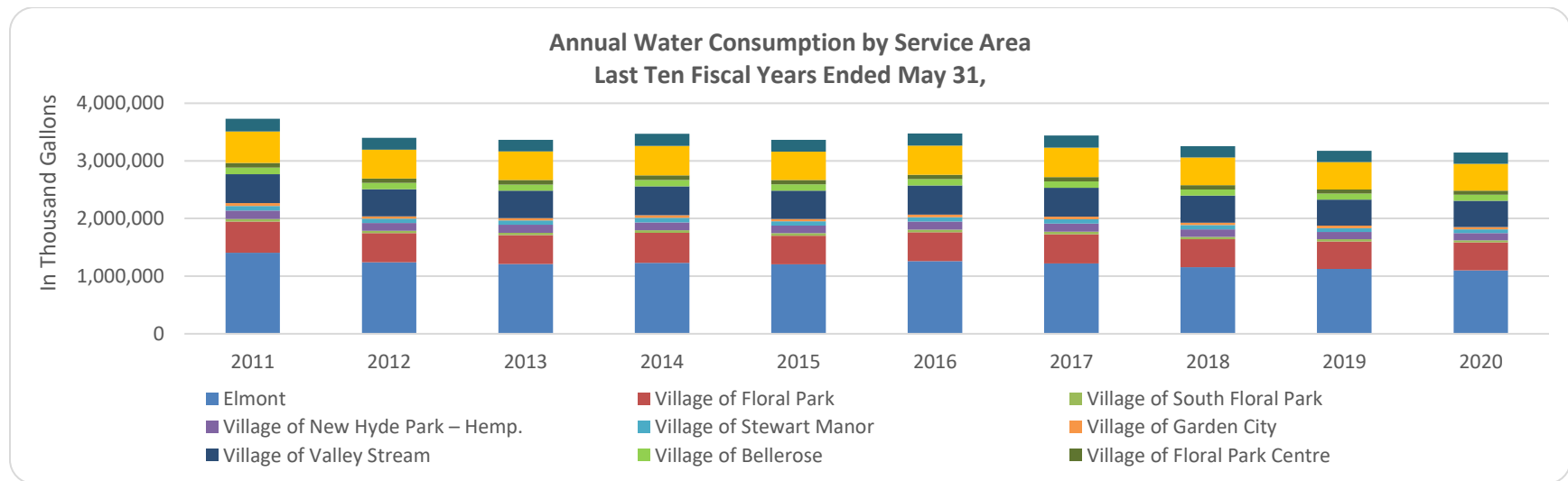


WATER AUTHORITY OF WESTERN NASSAU COUNTY
ANNUAL WATER CONSUMPTION BY SERVICE AREA(a)
LAST TEN FISCAL YEARS ENDED MAY 31,
(IN THOUSANDS OF GALLONS)

Service Area	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elmont	1,403,907	1,242,617	1,208,479	1,229,779	1,206,584	1,261,769	1,222,858	1,156,308	1,126,540	1,099,022
Village of Floral Park	543,707	502,937	501,113	522,931	496,190	500,831	506,127	485,165	474,583	485,158
Village of South Floral Park	45,186	40,872	42,278	42,291	42,360	44,241	41,492	39,407	39,594	38,150
Village of New Hyde Park – Hemp.	144,898	136,763	140,057	139,271	133,865	140,143	140,729	132,877	126,370	124,445
Village of Stewart Manor	81,342	72,030	73,814	77,449	72,930	77,225	75,370	71,269	67,361	66,138
Village of Garden City	46,775	42,935	43,924	46,995	42,822	45,042	45,724	42,010	41,331	40,497
Village of Valley Stream	502,992	468,658	472,111	498,735	490,068	503,633	499,399	468,785	450,210	453,429
Village of Bellerose	115,688	109,921	108,968	112,558	110,240	111,092	110,723	105,854	105,655	104,051
Village of Floral Park Centre	80,853	76,892	77,501	80,408	74,438	76,067	76,561	74,741	73,754	71,427
New Hyde Park N. Hemp.	545,851	502,727	497,118	511,231	490,290	503,198	512,062	480,663	474,892	467,794
Franklin Square	217,229	204,390	197,603	208,609	207,361	213,066	210,403	196,843	193,963	192,542
Total	3,728,428	3,400,742	3,362,966	3,470,257	3,367,148	3,476,309	3,441,448	3,253,922	3,174,253	3,142,653

(a) Includes consumption for Fire Sprinkler Customers

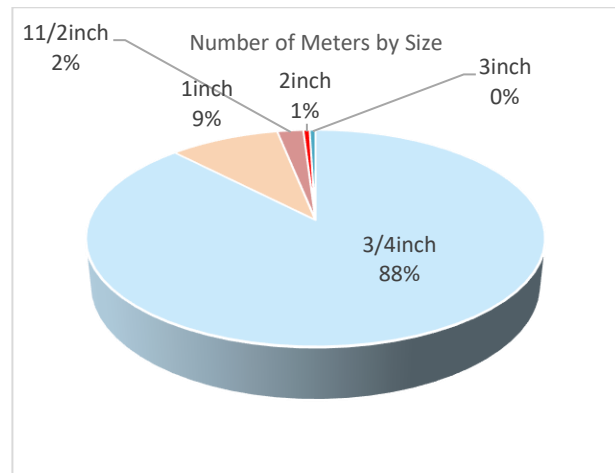
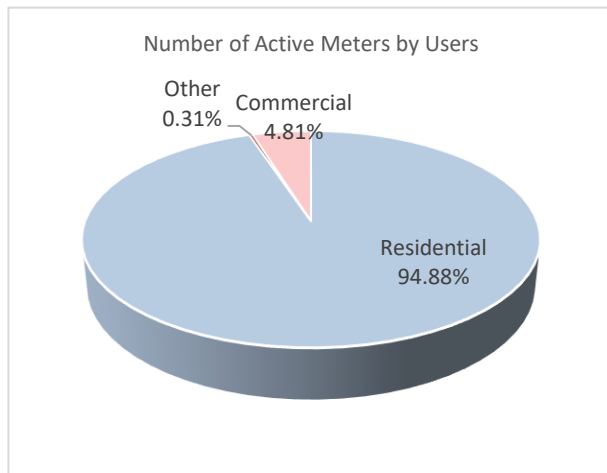
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
ACTIVE METERS BY SIZE
MAY 31, 2020

Size	Total	Residential	Commercial	Municipal	Large Users
5/8 inch	24,384	23,849	526	8	1
3/4 inch	2,530	2,131	392	6	1
1 inch	599	402	183	13	1
1 ½ inch	144	-	135	7	2
2 inches	109	-	77	26	6
3 inches	9	-	4	4	1
4 inches	7	-	2	2	3
6 inches	10	-	6	-	4
8 inches	-	-	-	-	-
Total	27,992	26,382	1,325	66	19

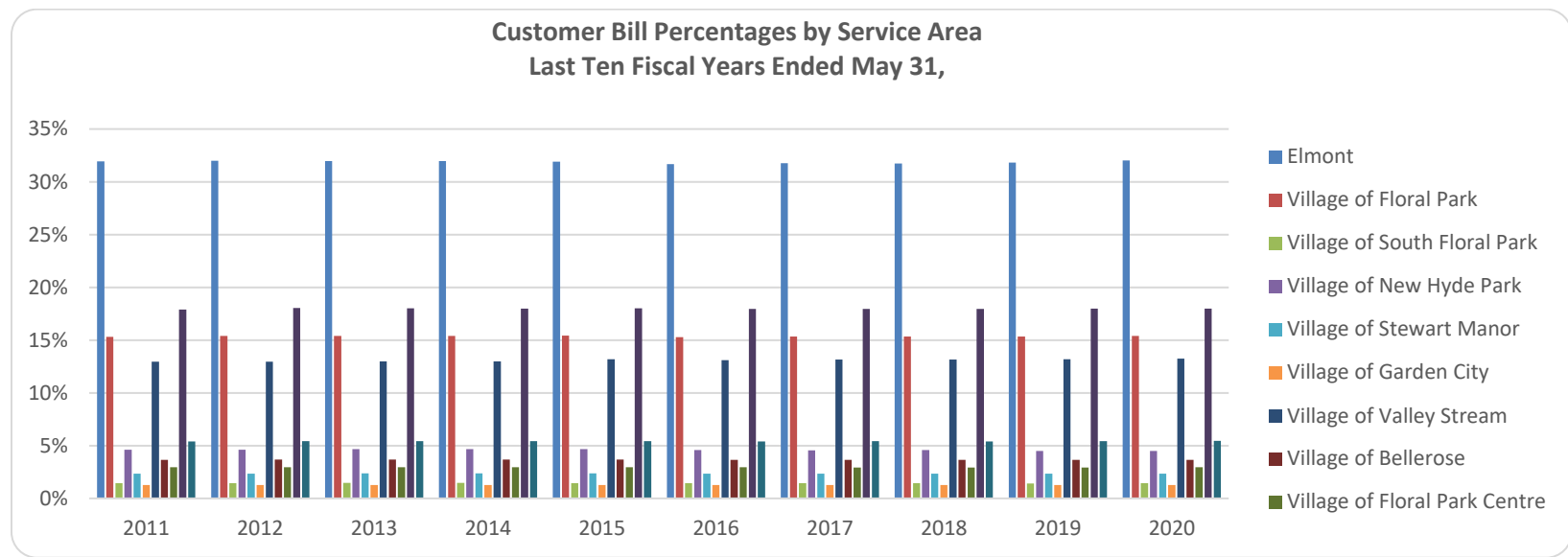
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
CUSTOMER BILLS BY SERVICE AREA
LAST TEN FISCAL YEARS ENDED MAY 31,

Service Area	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elmont	9,022	8,971	8,940	8,928	8,926	8,959	8,972	8,987	9,004	9,017
Village of Floral Park	4,341	4,328	4,317	4,315	4,308	4,328	4,319	4,329	4,333	4,326
Village of South Floral Park	404	400	405	407	407	408	411	411	409	411
Village of New Hyde Park	1,265	1,268	1,288	1,284	1,290	1,311	1,312	1,316	1,300	1,300
Village of Stewart Manor	657	661	664	662	664	663	664	667	658	659
Village of Garden City	359	357	358	356	356	354	357	358	356	354
Village of Valley Stream	3,732	3,717	3,704	3,699	3,695	3,702	3,644	3,647	3,651	3,656
Village of Bellerose	1,031	1,028	1,029	1,025	1,026	1,032	1,033	1,034	1,037	1,034
Village of Floral Park Centre	829	825	828	825	830	833	832	835	835	837
New Hyde Park N. Hemp	5,066	5,067	5,056	5,049	5,057	5,061	5,051	5,061	5,082	5,058
Franklin Square	1,534	1,531	1,524	1,523	1,521	1,526	1,525	1,522	1,529	1,525
Total	28,240	28,153	28,113	28,073	28,080	28,177	28,120	28,167	28,194	28,180

Source: Accounting Department.

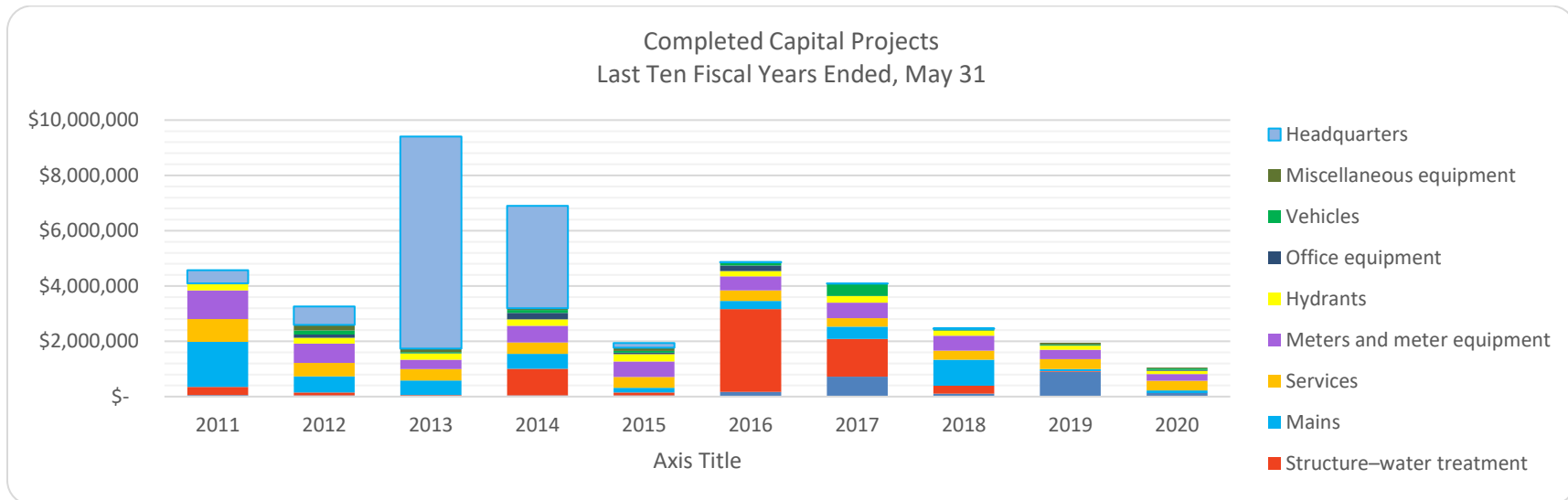


WATER AUTHORITY OF WESTERN NASSAU COUNTY
COMPLETED CAPITAL PROJECTS
LAST TEN FISCAL YEARS ENDED MAY 31,

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Electric pumping equipment	\$ 54,560	\$ 45,655	\$ 705	\$ 44,072	\$ 44,898	\$ 169,745	\$ 715,810	\$ 111,808	\$ 904,693	\$ 124,741
Structure–water treatment	297,465	106,720	51,158	967,269	107,218	2,995,594	1,365,755	276,390	17,523	4,579
Mains	1,632,282	581,324	533,633	531,361	164,493	290,893	445,125	946,817	73,853	97,966
Services	821,815	483,645	405,336	419,587	398,334	380,295	308,497	324,042	360,527	350,398
Meters and meter equipment	1,037,351	703,616	344,052	594,671	555,573	509,061	563,482	545,947	332,816	241,164
Hydrants	243,462	206,745	218,381	236,956	265,416	199,062	238,264	175,040	149,612	112,084
Office equipment	7,084	113,063	15,620	235,288	49,496	191,452	7,774	13,953	12,904	28,884
Vehicles	-	146,640	43,411	101,451	68,496	101,720	434,501	33,438	31,642	60,193
Miscellaneous equipment	6,681	207,079	126,062	63,390	115,012	14,134	3,484	27,208	62,522	25,331
Headquarters	473,030	662,933	7,665,384	3,700,094	167,229	20,815	6,030	747	-	-
Total additions	\$ 4,573,730	\$ 3,257,420	\$ 9,403,742	\$ 6,894,139	\$ 1,936,165	\$ 4,872,771	\$ 4,088,722	\$ 2,455,390	\$ 1,946,092	\$ 1,045,340

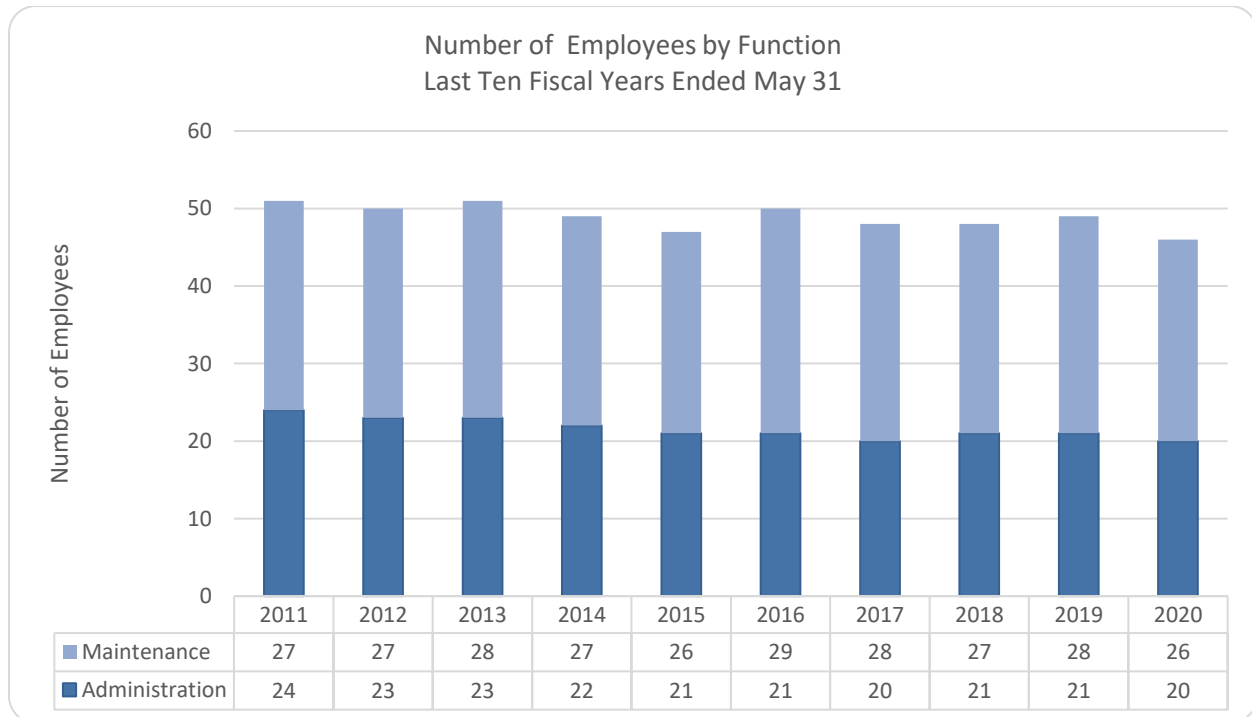
Data available for the fiscal years ended May 31, 2010 and later.

Source: Accounting Department.



WATER AUTHORITY OF WESTERN NASSAU COUNTY
NUMBER OF EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS ENDED MAY 31, 2020

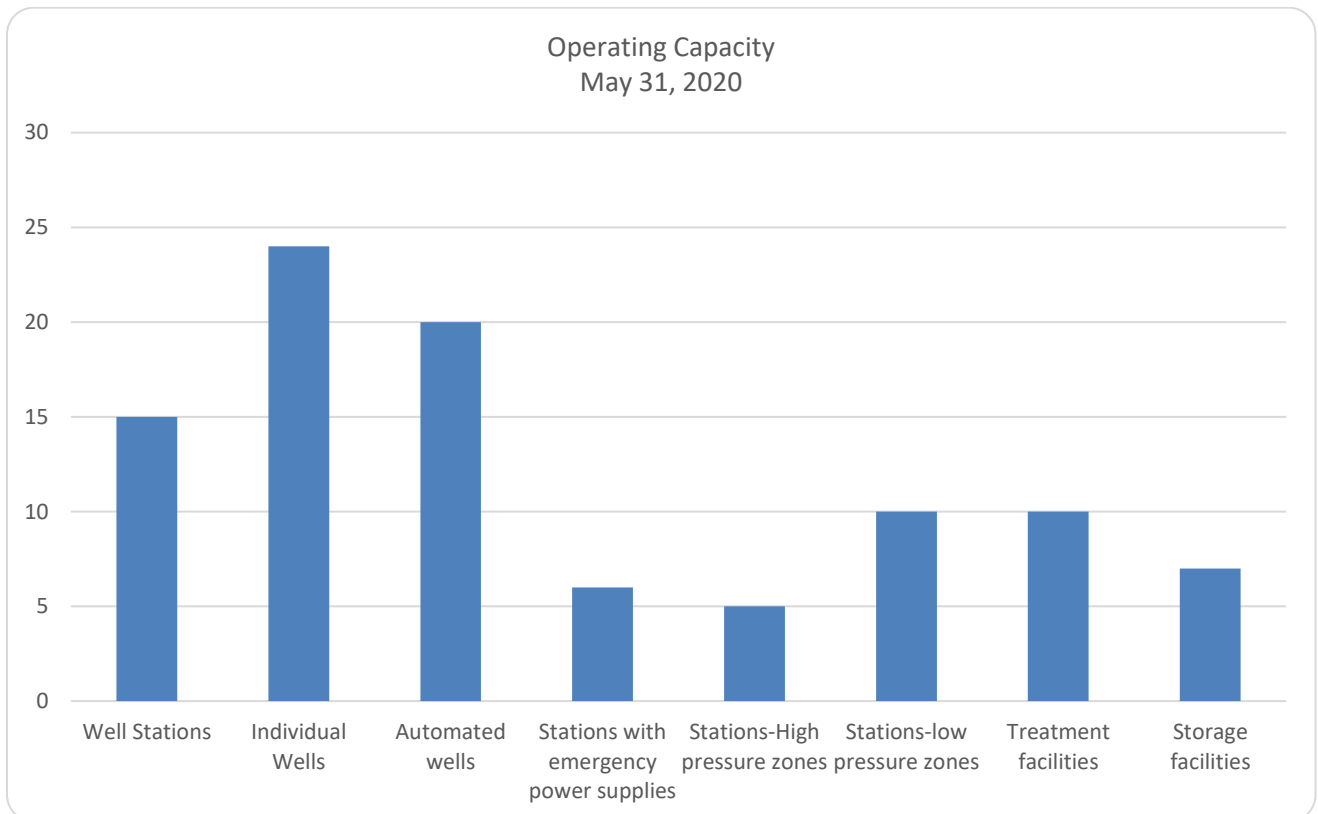
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration										
Chairman (P/T)	1	1	1	1	1	1	1	1	1	1
Executive Director	1	1	1	1	1	1	1	1	1	1
Treasurer (P/T)	1	1	1	1	1	1	-	1	1	1
Personnel Director	1	1	1	1	1	1	1	1	1	1
Customer Service	8	7	8	8	7	7	7	7	7	7
Meter Reading/Repairs	5	5	4	3	4	4	4	4	4	4
Information Technology	2	2	2	1	1	1	1	1	1	2
Accounting/Billing	3	3	3	3	3	3	3	3	3	1
Support Staff	2	2	2	3	2	2	2	2	2	2
Subtotal Administration	24	23	23	22	21	21	20	21	21	20
System Maintenance										
Water system maintenance	1	1	1	1	1	1	1	1	1	1
Inspectors	2	2	2	2	2	2	2	2	2	2
Water distribution	13	13	14	13	12	13	12	11	12	11
Water treatment	9	9	9	10	10	12	12	12	12	12
Maintenance Support	2	2	2	1	1	1	1	1	1	1
Subtotal Maintenance	27	27	28	27	26	29	28	27	28	26
Total Employees	51	50	51	49	47	50	48	48	49	46



WATER AUTHORITY OF WESTERN NASSAU COUNTY
OPERATING CAPACITY
LAST TEN FISCAL YEARS ENDED MAY 31,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Water Supply</u>										
Well Stations	15	15	15	15	15	15	15	15	15	15
Individual Wells	24	24	24	24	24	24	24	24	24	24
Automated wells	16	16	17	18	18	18	18	18	18	20
Stations with emergency power supplies	5	5	5	5	5	5	5	5	6	7
Stations-High pressure zones	5	5	5	5	5	5	5	5	5	5
Stations-low pressure zones	10	10	10	10	10	10	10	10	10	10
<u>Treatment</u>										
Treatment facilities	7	7	9	9	9	9	9	9	9	11
<u>Storage</u>										
Storage facilities	7	7	7	7	7	7	7	7	7	7
Storage capacity (Million Gallons)	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
<u>Transmission and Distribution</u>										
Water mains (2 to 16 inches diameter), Thousand linear feet	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235
Fire Hydrants	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,433	2,433
<u>Interconnections</u>										
Interconnections to Nassau County	11	11	11	11	11	11	11	11	11	11
Interconnections to NYC system	13	13	13	13	13	13	6	6	6	6

Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY

WELL-STATION DESCRIPTION

FISCAL YEAR ENDED MAY 31, 2020

Well Station	Pressure Zone	Well No.	Storage Tank (Million Gallons)	Treatment Type	Emergency Power
Bryant Ave. W. of North 5 th Street, New Hyde Park	High	9		1,2	-
Hempstead Tpke. West of Plainfield Ave., Elmont	Low	15D	4.7	-	-
Elmont Rd., South of Atherton Ave, Elmont	Low	15A	—	1,2,4	-
Elmont Rd., South of Belpark Ave, Elmont	Low	15B	—	1,2,4	Yes
Elmont Rd., South of Joan Court, Elmont	Low	15C,15E	—	1,2,4	Yes
North 4 th St., South of Hillside Ave, North Hempstead (New Hyde Park)	High	16A	—	1,2	-
Evergreen Ave., West of Denton Ave., North Hempstead (New Hyde Park)	High	20	0.5	1,2,4	-
Elmont Rd. North of Oliver Ave, North Valley Stream	Low	25A	—	1,2,6	-
Miriam Pkwy. North of Stuyvesant St., Elmont	Low	28,28A,28B	1.5	1,2,5,6	Yes
Swale Rd. East of Park Lane South, Franklin Square	Low	30	0.6	1,2,6	-
Franklin Ave. North of Southern State Parkway, North Valley Stream	Low	34	—	1,2,3	-
Cisney Ave. West of Gilbert Ct, Floral Park	Low	35,35A	1.0	1,2,4	Yes
Union Tpke. West of N.H.P. Rd, North Hempstead (New Hyde Park)	High	40,40A	—	1,2,4	Yes
Makofske Ave. and Chelsea St. Elmont	Low	44,44A,44B,44C	2.0	1,2,4,5	
2 nd Ave. & South 6 th St., New Hyde Park	High	57,57A	1.3	1,2,4	Yes

Treatment type are as follows:

1. Chlorination
2. Corrosion Control
3. Zinc Metaphosphate Sequestration (iron removal)
4. Air Stripper VOC Removal
5. GAC Treatment (PFA Removal)
6. Iron removal plant

Source: Accounting Department

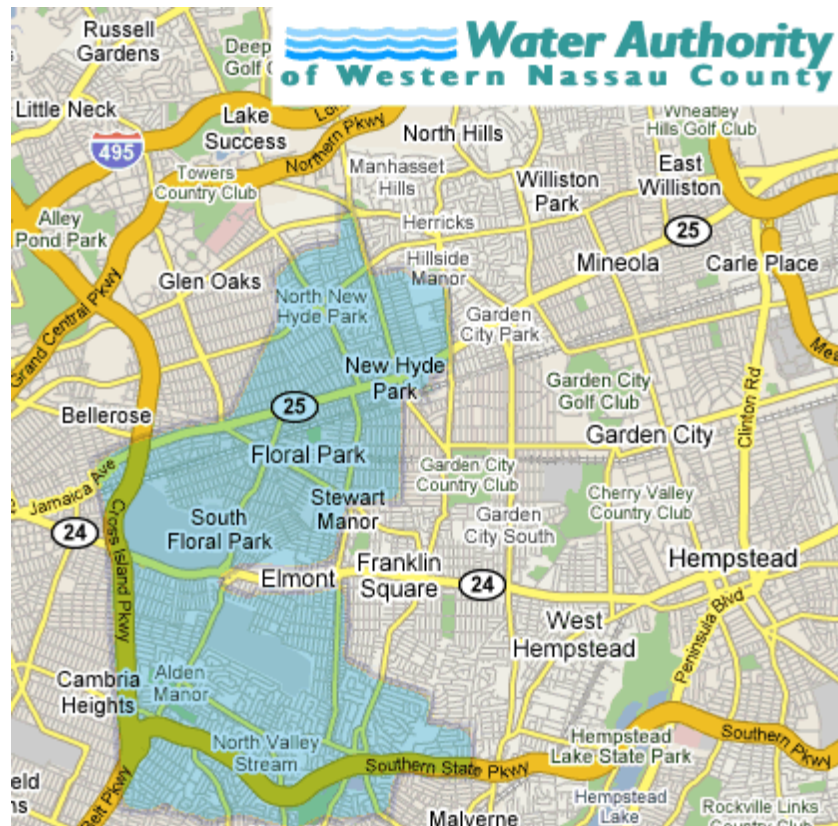
WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF INSURANCE IN FORCE
FOR FISCAL YEAR ENDED MAY 31, 2020

	TYPE	PREMIUM	TERM	COVERAGE	COVERAGE LIMITS
Property and Liability Protection					
Commercial Package & General Liability					
Zurich Insurance Group	\$	224,562	3/1/20200-3/1/2021	Blanket real & personal property	\$53,707,650
				Business interruption-all locations	500,000
				117 South 6 th St., New Hyde Park, NY	412,300
				General aggregate	3,000,000
				Products/operations aggregate	2,000,000
				Personal and advertising Injury	1,000,000
				Each occurrence	1,000,000
				Premises Damage	1,000,000
				Medical Expense	10,000
				Employee benefit liability	1,000,000
				Composite rated - customers	120,000
				Abusive act liability	1,000,000
				Specific items coverage sublimit	\$25,000-\$2,000,000
Commercial Automobile					
Zurich Insurance Group	\$	62,096	3/1/20200-3/1/2021	Liability	\$1,000,000
				Personal injury	50,000
				Hired car physical damage	50,000
				Uninsured/underinsured motorist	1,000,000
				Additional personal injury	150,000
				Deductible	\$100-\$500
Commercial Umbrella					
Zurich Insurance Group	\$	29,300	3/1/20200-3/1/2021	Per occurrence	\$1,000,000
				General Aggregate	30,000,000
				Product/ operations aggregate	10,000,000
Excess Umbrella					
United States Fire Insurance Company	\$	37,500	3/1/20200-3/1/2021	Limit	\$15,000,000
				Excess of Zurich Insurance Umbrella	\$10,000,000/\$30,000,000
Excess Umbrella					
Navigators Insurance Co	\$	37,500	3/1/20200-3/1/2021	Limit	\$15,000,000
				Excess of Zurich/US Fire layers	25,000,000
Public Officials Employment					
Zurich Insurance Group	\$	19,018	3/1/20200-3/1/2021	Maximum limit for all coverage	\$6,000,000
				Public Officials:	
				Limit each wrongful act	1,000,000
				Annual aggregate	3,000,000
				Retro date	3/1/1990
				Employment:/Third Party Liability:	
				Limit each wrongful act	1,000,000
				Annual aggregate	3,000,000
				Retro date	3/1/1990
				Wage claims defense aggregate	50,000
				Deductible	\$15,000
Crime					
Utica National Insurance Group	\$	4,065	3/1/20200-3/1/2021	Employee theft-per loss	\$900,000
				Employee theft – per employee	100,000
				Forgery of alteration	1,000,000
				Computer and fund transfer fraud	1,000,000
				Faithful performance- per loss	900,000
				Faithful performance -per employee	100,000
				Deductible	\$10,000
Workers Compensation					
Utica National Insurance Group	\$	177,543	7/1/20200-7/1/2021	Bodily injury by accident each accident	\$1,000,000
				Bodily injury by disease policy limit	1,000,000
				Bodily injury by disease each employee	1,000,000

Source: Accounting Department

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SECTION D: COMPLIANCE SECTION



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Water Authority of Western Nassau County as of and for the year ended May 31, 2020, 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 October 30, 2020.

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) to determine the 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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.

TABRIZCHI & Co., CPA, P.C.

Astoria, NY
October 30, 2020