Nassau County Interim Finance Authority

NIFA

Financial Statements for the Year Ended December 31, 2020 and Independent Auditors' Report

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RSM US LLP

Independent Auditor's Report

Board of Directors
Nassau County Interim Finance Authority

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

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

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 governmental activities and each major fund of the Authority as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 and the schedule of changes in total other postemployment benefits and related ratio, the schedule of proportionate share of the net pension liability and schedule of pension contributions on pages 52-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

New York, New York
May 26, 2021

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

As management of the Nassau County Interim Finance Authority (the "Authority" or "NIFA"), we offer readers of the financial statements this narrative overview and analysis of our financial activities for the year ended December 31, 2020. We encourage readers to consider the information presented within this section in conjunction with the financial statements. *<u>All amounts are expressed in thousands of dollars, unless otherwise indicated.</u>*

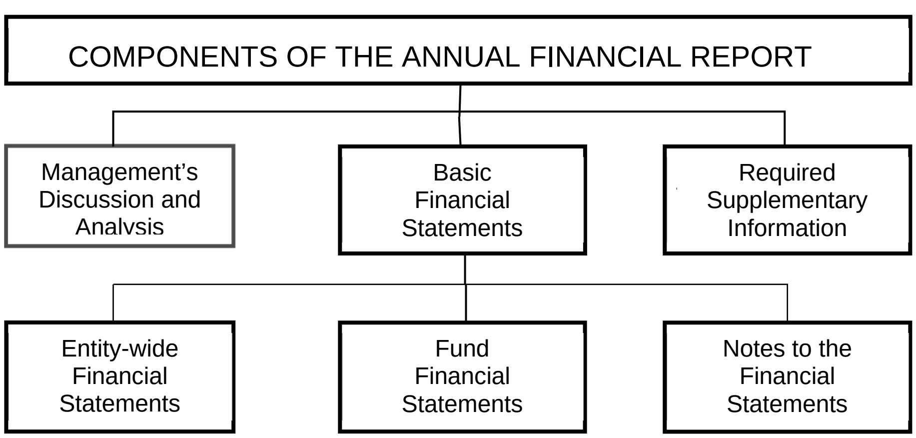
The Authority, created by the Nassau County Interim Finance Authority Act, ("Act"), is a New York State Authority empowered to monitor and oversee the finances of Nassau County, New York (the "County") and is, or has previously been, empowered within certain statutory limits to issue bonds and notes for various County purposes. The Authority will continue to be in existence until its oversight, control or other responsibilities and its liabilities (including the payment in full of Authority bonds and notes) have been met or discharged. The Authority is a component unit of the County for financial reporting purposes. In its oversight capacity, the Authority is, or has previously been, empowered to, among other things, review County financial plans submitted to it; make recommendations or, if necessary, adverse findings thereon; make transitional State assistance available as determined; comment on proposed borrowings by the County; and impose a "control period" upon making one or more statutory findings concerning the County's financial position.

In its capacity to issue bonds and notes on behalf of the County, the Authority has funded cash flow, capital and working capital needs of the County since the Authority was created in 2000. In April 2020 NIFA was temporarily granted the statutory authority to issue bonds through 2021 to replace bonds that had previously been issued by the Authority, the County or any of its covered organizations, and to finance cash flow needs for the County for certain defined costs (such costs not to exceed $800 million). NIFA is currently rated in the highest rating category by Standard & Poor's (AAA, negative outlook), and Fitch (AAA, stable outlook), and the second highest rating category by Moody's (Aa1). The recent change to the Authority's statute allowed the Authority to restructure its debt as well as that of the County, which will be discussed at greater length in the Currently Known Facts section of this Management Discussion and Analysis and in Note 13 Subsequent Events.

Revenues to fund Authority operations and pay Authority debt service are provided by a portion of the sales tax revenues of the County on which the Authority has a first lien and, to a much smaller extent, by investment earnings. The Authority has no operating income or taxing power.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of the following components: (1) entity-wide financial statements, (2) fund financial statements, and (3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements.



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Entity-Wide Financial Statements

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

The statement of net position presents financial information on all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them reported as "net position". This statement combines and consolidates the Authority's current financial resources with capital assets (if any) and long-term obligations. The purpose of this statement is to give the reader an understanding of the Authority's total net worth or deficiency. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as maintaining bond ratings, effectively managing the debt and the amount of cash flow provided to the County.

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

(Dollars in Thousands, Unless Otherwise Noted)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Other Information

In addition to the basic financial statements, this report contains supplementary information immediately following the notes to the financial statements.

ENTITY-WIDE FINANCIAL ANALYSIS

The statement of net position details the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority based on their liquidity, utilizing current and noncurrent categories, while the deferred outflows of resources and deferred inflows of resources are reported separately. The resulting net position, in this statement, is displayed as either restricted or unrestricted, if and as applicable. The Authority's liabilities and deferred inflows exceeded its assets and deferred outflows by $345,088 at the close of the most recent year.

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

Condensed Statements of Net Position
As of December 31, 2020 and 2019

	2020	2019
Governmental Activities:		
Assets		
Current	$ 168,710	$ 169,041
Total Assets	168,710	169,041
Deferred Outflows of Resources	20,180	24,126
Liabilities		
Current	285,453	254,205
Non-current	234,859	330,382
Total Liabilities	520,312	584,587
Deferred Inflows of Resources	13,666	16,676
Net Position		
Unrestricted (deficit)	(345,088)	(408,096)
Total Net Position	$ (345,088)	$ (408,096)

Overall, net position improved by $63,008. The increase in net position from operations during 2020 of $63,008 is primarily a result of sales tax retained to fund NIFA's cost of operations, distributions to the County and amounts retained for debt service requirements, resulting in a decrease in liabilities and increase in net position. The Authority has an overall net accumulated deficit of $345,088 resulting primarily from the liabilities relating to bonds payable of $369,748. The bonds are sales-tax secured and will be paid in future periods as sales tax is received. The deficit has been reduced historically, as sales tax retained by the Authority includes amounts needed for bond repayment and bond repayments reduced liabilities and increased net position. However, the debt restructuring the Authority executed in February 2021 increased bonds payable to $1,110,110, similarly affecting the Authority's net position (deficit). The Authority would have repaid $165,410 of principal in 2021 pursuant to the bond indenture agreements but will now pay $440 in 2021 as a result of the restructuring.

Overall, bonds payable decreased in fiscal year 2020 by $42,231 (10.25%), due to the repayment as described above. The debt is reported as a long-term liability, but the future revenues to finance the repayment of such bonds are not yet reportable. As of December 31, 2020, of the total bonds payable of $369,748, $145,798 are fixed rate, $75,325 are variable rate, and $148,625 are hedged variable rate (with, effectively, a fixed rate resulting from the hedge). The reconciliation on page 14 of these financial statements provides additional detail on the determination of the net deficit amount.

(Dollars in Thousands, Unless Otherwise Noted)

ENTITY-WIDE FINANCIAL ANALYSIS (continued)

Additional information on the Authority's debt activity can be found in the notes to the financial statements and the Debt Administration section within this Management's Discussion Analysis.

	2020	2019
Governmental Activities:		
Revenues		
General revenues:		
Sales tax	$ 1,100,895	$ 1,171,361
Investment income	476	1,731
Compensation for loss	517	-
Program revenue	-	29
Total Revenues	1,101,888	1,173,121
Expenses		
General and administrative	1,834	1,572
Control period expenses	1,221	341
Bond interest and other debt service expenses	10,051	13,860
Distributions to Nassau County	1,025,774	1,029,693
Total Expenses	1,038,880	1,045,466
Change in Net Position	63,008	127,655
Net Position - Beginning of Year	(408,096)	(535,751)
Net Position - End of Year	$ (345,088)	$ (408,096)

Certain amounts presented in the prior year data have been reclassified to conform to the current year presentation.

The single most critical factor in the Authority's financial operations is sales tax revenue, which provided over 99% of the Authority's 2020 revenues. The State legislation that created NIFA in June 2000 granted the Authority a first lien and perfected security interest in net collections from sales and compensating use taxes authorized by the State and imposed by the County, currently at the rate of 4.25%, on the sales and use of personal property and services in the County, but excluding the 0.25% component that is allocable to towns and cities within the County and up to 1/12% allocable to villages within the County. Sales taxes are collected by the State, remitted to the Authority semi-monthly. In accordance with the bond indenture, the Authority then remits required debt service set-asides to the Authority's bond trustee, usually twice each month. After provision for Authority debt service and operating expenses, the remaining funds are remitted immediately to the County.

The amount of sales tax revenues to be collected depends upon various factors including the economic conditions in the County, which has experienced numerous cycles of growth, recession and in 2020 the effects of the COVID19 pandemic. In addition, specific goods and services can be exempted from the imposition of sales tax, and the rate of taxation can be changed. Of the current 4.25% County sales tax rate, 3.00% is a base rate and the remaining 1.25% is subject to periodic renewals. There can be no assurance that historical data is predictive of future trends. The Authority does not make projections of sales tax revenues.

ENTITY-WIDE FINANCIAL ANALYSIS (continued)

Sales tax revenue for the year ended December 31, 2020 was $1,100,895, a decrease of 6.02% from the prior year. Investment income totaled $476 in 2020, a decrease from $1,731 in 2019.

Sales tax revenue of $1,100,895 provided 18.71 times the coverage of the Authority's 2020 debt service requirements (including principal, interest and other debt service costs but excluding amortization of premiums and deferred gains/loss on refundings) of approximately $58,828. This coverage will change as sales tax fluctuates, as the Authority refunds and/or amortizes its debt, or as borrowing rates change. Altogether, the Authority used $76,264 of 2020 sales tax revenue for debt service and Authority operations, remitting the balance of $1,024,631 Nassau County (excluding general distributions). The remittance to the County includes a $75,325 one-time payment from sales tax revenue that had been withheld for a principal payment but was no longer required as a result of a mandatory tender the Authority executed in order to finance the additional distribution to Nassau County. The principal payment was deferred to November 2021. The mandatory tender was executed in order to provide the County budgetary relief during the COVID pandemic.

A portion of the Authority's total operating expense was also funded with interest earnings resulting from the investments held by the Authority. As with sales tax, interest earnings that are not required for Authority operations or reserves are remitted to the County.

The Authority's expenses include a general distribution to the County of $1,143 of which $498 is from LIBOR related settlements and the remainder is from investment earnings. The actual distributions to the County in 2021 will depend upon the investment values at maturity.

The Authority's baseline operating expenses were $1,834 and $1,572 for the years ended December 31, 2020 and 2019, respectively. The increase in baseline operating expenses of $262 from 2019 to 2020 is primarily due to an increase in the cost of employee benefits, which was offset by slight decreases in expenses related to the Authority's office as its personnel had worked remotely for the majority of the year in response to the COVID pandemic. On January 26, 2011, NIFA adopted a resolution declaring a control period in Nassau County in accordance with its enabling legislation. NIFA had control period-related operating expenses of $1,221 in 2020 and $341 in 2019 for legal, accounting and consulting services and other costs outside the normal course of business that were needed to assist NIFA in carrying out its statutory mission for the County and its component units.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

At December 31, 2020, the Authority's governmental funds reported total ending fund balances of $60,837, an increase of $14,280 in comparison with the prior year. This change in total governmental funds is due to revenues and transfers exceeding expenditures and transfer out in the General Fund by $241 and in the Debt Service Fund by $14,039. The total ending fund balances are categorized as follows:

- **Nonspendable fund balance** - $63 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - $59,709 (externally enforceable limitations on use) includes amounts subject to limitations imposed by bond indentures, grantors, contributors, or laws and regulations of other governments.
- **Unassigned fund balance** - $1,065 (residual net resources) is the total fund balance in the General Fund in excess of nonspendable, restricted and assigned fund balance.

The Authority has no committed or assigned fund balance.

(Dollars in Thousands, Unless Otherwise Noted)

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS (continued)

General Fund

At the end of the current year, the total fund balance of the General Fund was $1,128, increasing $241 from the prior year. Sales tax revenue of $1,100,895 decreased $70,466 from the 2019 level of $1,171,361, primarily due to decreases in consumer spending within Nassau County during the COVID pandemic. Of the $1,100,895 of sales tax revenue, 86.23%, or $949,306 was distributed to the County as part of its normal distributions. In order provide budgetary relief to the County during the COVID pandemic, the Authority distributed an additional $75,325 to the County. This additional distribution was financed with sales tax, and a $68,897 transfer from the Debt Service Fund, as a bond principal payment was deferred, and the Debt Service Fund did not need the monies in 2020 for debt service requirements. The amount distributed to the County (sales tax, bond principal from a payment that was deferred, and general operations) of $1,025,774 decreased by $3,919 from the 2019 transfer of $1,029,693. Transfers to the Debt Service Fund were $141,618 and $141,633 for the years ended December 31, 2020 and 2019, respectively. Additionally, sales tax revenue was retained in the General Fund to pay for the recurring operations of the Authority, as well as to fund the additional costs incurred in fulfilling its responsibilities under the control period, which collectively totaled $2,682.

Debt Service Fund

At the end of the current year, the total fund balance of the Debt Service Fund was $59,709, all of which is restricted for debt service. During 2020, the Debt Service Fund received $141,618 to fund initially planned principal and interest debt service costs of $133,196 and an additional $12,554 pertaining to the $75,325 principal payment deferred until 2021. In order to provide the County with budgetary relief during the COVID pandemic, the Authority executed a mandatory tender, which reduced actual debt service requirements for principal by $75,325 as mentioned previously, resulting in a debt service expenditure of $59,152 (including other debt service costs). As the debt service requirements were reduced, the Authority transferred $68,897 back to the operating fund in order to partially finance an additional $75,325 distribution to the County. During 2019, the Debt Service Fund received $141,633 from the General Fund, which was used to fund debt service requirements of $144,235.

DEBT ADMINISTRATION

At the end of the current year, NIFA has total sales tax secured bonded debt outstanding of $369,748. Of the total debt, $145,798 is subject to a fixed interest rate, $75,325 is subject to a variable rate and $148,625 is subject to a variable interest rate which is hedged by associated interest rate swaps, effectively creating a fixed interest rate.

Outstanding Debt

A summary of changes in sales tax secured bonds for governmental activities is as follows:

	Balance at 1/1/2020	Bond Issuance	Principal Retired	Balance at 12/31/2020
Sales tax secured bonds fixed rate	$ 188,029	$ -	$ 42,231	$ 145,798
Sales tax secured bonds variable rate	223,950	-	-	223,950
Total	$ 411,979	$ -	$ 42,231	$ 369,748

DEBT ADMINISTRATION (continued)

Outstanding Debt (continued)

As stated earlier, NIFA is currently rated in the highest rating category by Standard & Poor's (AAA, negative outlook), and Fitch (AAA, stable outlook), and the second highest rating category by Moody's (AAA).

In accordance with New York State statutes, the Act as originally enacted, limited NIFA's authority to issue bonds or notes, except for refunding bonds or notes previously issued. NIFA did not currently have the authority to issue additional bonds or notes, except for refunding bonds or notes previously issued. However, in April 2020, New York State enacted legislation to renew the Authority's ability to issue bonds through December 31, 2021 for various Nassau County purposes as defined in the Act, to help the County close budget gaps created by the coronavirus pandemic. The legislation allows for the Authority to issues bonds and notes without limit to finance capital projects, finance cash flow needs of the County, as well as any County deficit including costs resulting from tax certiorari judgments or settlements of the County for proceedings commenced on or after June 1, 2000, in an amount not to exceed $800 million. No bond of the Authority may mature later than January 31, 2051, or more than 30 years from its date of issuance.

Additional information on NIFA's indebtedness is shown in the notes to the financial statements (see Note 5).

CURRENTLY KNOWN FACTS

<u>Litigation</u>

On March 24, 2011, after determining that the requirements of its governing legislation were met, the Authority exercised its authority to impose a one-year wage freeze on County personnel. Unions representing County personnel have filed lawsuits in the United States District Court for the Eastern District of New York against the Authority and its Directors. The lawsuits allege that the wage freeze is unauthorized by the Authority's governing legislation and unconstitutionally impairs the unions' collective bargaining agreements with the County in violation of the Contracts Clause of the United States Constitution. The unions also filed lawsuits in the same court challenging NIFA's renewals of the one-year wage freeze in March 2012 and March 2013.

On February 14, 2013, United States District Judge Leonard D. Wexler granted summary judgment to the plaintiff unions in one of these wage freeze litigations, ruling that as a matter of statutory interpretation of NIFA's enabling legislation NIFA's wage freeze power expired in 2008. The District Court stayed its ruling pending appeal, so the wage freeze remained in effect. On September 20, 2013, the Second Circuit vacated the District Court's judgment, ruling that it should have declined to exercise jurisdiction over the pendent state claim, and remanded the case with instructions to dismiss the claim. In accordance with the decision of the Second Circuit, in October 2013, the District Court closed all the pending federal actions without prejudice to re-opening at the conclusion of state litigation.

In October 2013, following the closure of the federal actions, the unions filed petitions in Nassau County Supreme Court pursuant to Article 78 of the New York Civil Practice Law and Rules. Their petitions alleged that the wage freezes were unauthorized as NIFA's wage freeze power under its enabling legislation expired in 2008. One of the unions also alleged that one of its members' interest arbitration awards were not within the ambit of NIFA's wage freeze powers. NIFA moved to dismiss the petitions.

CURRENTLY KNOWN FACTS (continued)

Litigation (continued)

On March 11, 2014, Justice Arthur M. Diamond granted NIFA's motion to dismiss, ruling that, as a matter of statutory interpretation, NIFA's wage freeze power had not expired and that the interest arbitration award was within the ambit of that power. The Appellate Division, Second Judicial Department, affirmed the dismissal, and the New York Court of Appeals denied the unions' applications for leave to appeal further.

In January 2017, the unions asked Judge Wexler to re-open their federal case in the Eastern District of New York and rule on the parties cross-motions for summary judgment on the unions' Contracts Clause claims. After Judge Wexler passed away, the case was reassigned to District Judge Joanna Seybert, who granted NIFA's motions for summary judgment as to all the unions' remaining claims and ordered them dismissed in a decision of April 26, 2018. In September 2020, the United States Court of Appeals affirmed the decision dismissing the unions' claims, and the United States Supreme Court subsequently denied the unions' petition for further review.

LIBOR

During 2017, the Financial Conduct Authority announced that it would phase out LIBOR by the end of 2021 as a benchmark for interest rates. On December 11, 2020, the Financial Conduct Authority extended the phase-out for US Dollar interest rates to June 30, 2023. In the United States, the Alternative Reference Rates Committee has selected the Secured Overnight Financing Rate ("SOFR"), a new index calculated by reference to short-term repurchase agreements backed by U.S. Treasury securities, as its preferred replacement for LIBOR. Management expected that the swap agreements would be revised to use SOFR as a reference rate prior to the phase out of LIBOR, if and as warranted. Subsequent to year end, the swaps were terminated.

Bond Issuance

Subsequent to year end, the Authority issued sales tax secured bonds which were issued as Senior Bonds pursuant to an Indenture dated October 1, 2020 as amended. The sales tax secured bonds (Series 2021A and 2021B) totaling $1,110,110 were issued to currently refund $331,224 of existing NIFA bonds and $856,790 of Nassau County bonds. The Series 2021A bonds were issued at a premium of $197,670. The Series A bonds bear interest rates of 4.0%-5.0% and mature in November 2036 and the Series B bonds bear interest of 0.0263% - 1.639% and mature in November 2030. The net present value savings to be realized from the 2021 Series bond issuance totals $117,650. The Series 2021 bonds are redeemable or subject to mandatory tender for purchase in lieu of redemption, prior to maturity, in accordance with their terms. In conjunction with the issuance of the Series 2021 Bonds, the existing swaps were terminated.

Effectively, with this bond issuance, the Authority assumed $856,790 of existing County debt and refinanced it with a lower interest rate due to NIFA's superior credit rating. With this bond issuance, the County debt was essentially 'restructured' and provides budgetary relief to the County of $435 million in the next two years.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide taxpayers, investors, and creditors with a general overview of the Authority's finances and to demonstrate its accountability for the money it receives. If you have any questions about this report or need additional information, contact Nassau County Interim Finance Authority, 1305 Franklin Avenue, Suite 302, Garden City, New York 11530 or email us at nifacomments@nifa.state.ny.us.

BASIC FINANCIAL STATEMENTS

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
STATEMENT OF NET POSITION
December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

Governmental Activities:	
Assets	
Unrestricted cash	$ 768
Restricted cash	11
Restricted investments	44,976
Sales tax revenue receivable	122,878
Interest income receivable	14
Other assets	63
Total Assets	168,710
Deferred Outflows of Resources	
Deferred charges on debt refundings	8,191
Accumulated decrease in fair value of hedging derivatives	10,931
Deferred outflows relating to OPEB	818
Deferred outflows relating to pensions	240
Total Deferred Outflows of Resources	20,180
Liabilities	
Accounts payable and accrued liabilities	1,212
Payable to broker - investment purchases	14,737
Due to Nassau County	93,063
Derivative instruments - interest rate swaps	10,931
Bonds payable:	
Due within one year	165,410
Due in more than one year	204,338
Unamortized bond premium	27,139
Total other postemployment benefits liability (OPEB)	2,927
Net pension liability	226
Compensated absences payable:	
Due within one year	100
Due in more than one year	229
Total Liabilities	520,312
Deferred Inflows of Resources	
Deferred amounts of debt refundings	13,361
Deferred inflows relating to OPEB	279
Deferred inflows relating to pensions	26
Total Deferred Inflows of Resources	13,666
Net Position	
Unrestricted	(345,088)
Total Net Position	$ (345,088)

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

Governmental Activities:	
Expenses	
General and administrative	$ 1,834
Control period expenses	1,221
Bond interest and other debt service expenses	10,051
Distribution to Nassau County - general operations	1,143
Total Expenses	14,249
Program Revenue	
Compensation for loss	517
Total Program Revenue	517
Net Cost	13,732
General Revenues	
Sales tax	1,100,895
Less: sales tax distributions to Nassau County	(1,024,631)
Investment income	476
Total Sales Tax and Other General Revenue Retained	76,740
Change in Net Position	63,008
Net Position - Beginning of Year	(408,096)
Net Position - End of Year	$ (345,088)

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

	Major Funds		Total
	General	Debt Service	(Governmental Funds)
ASSETS			
Unrestricted cash	$ 768	$ -	$ 768
Restricted cash	-	11	11
Restricted investments	-	44,976	44,976
Sales tax revenue receivable	122,878	-	122,878
Interest income receivable	-	14	14
Due from other funds	3	29,471	29,474
Other assets	63	-	63
Total Assets	$ 123,712	$ 74,472	$ 198,184
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ 56	$ 17	$ 73
Payable to broker - investment purchases	-	14,737	14,737
Due to Nassau County	93,057	6	93,063
Due to other funds	29,471	3	29,474
Total Liabilities	122,584	14,763	137,347
Fund Balances			
Nonspendable:			
Prepaid items and other assets	63	-	63
Restricted for:			
Debt service	-	59,709	59,709
Unassigned, reported in:			
General fund	1,065	-	1,065
Total Fund Balances	1,128	59,709	60,837
Total Liabilities and Fund Balances	$ 123,712	$ 74,472	$ 198,184

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

Total Fund Balances - Governmental Funds	$	60,837
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred outflows of resources not recorded in governmental funds		20,180
Liabilities that are not due and payable in the current period, and accordingly are not reported in the governmental funds:		
Derivative instruments - interest rate swaps		(10,931)
Bonds payable		(369,748)
Unamortized bond premiums		(27,139)
Total other postemployment benefits liability		(2,927)
Net pension liability		(226)
Accrued vacation and sick pay		(329)
Accrued expenses		(1,139)
Deferred inflows of resources not recorded in governmental funds		(13,666)
Net Position of Governmental Activities	$	(345,088)

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

	Major Funds		Total
	General	Debt Service	(Governmental Funds)
Revenues			
Sales tax	$ 1,100,895	$ -	$ 1,100,895
Compensation for loss	517	-	517
Investment income	-	476	476
Total Revenues	1,101,412	476	1,101,888
Expenditures			
General and administrative	1,461	-	1,461
Control period expenditures	1,221	-	1,221
Distribution to Nassau County for:			
Sales tax remittance	1,024,631	-	1,024,631
General operations	1,137	6	1,143
Debt service	-	59,152	59,152
Total Expenditures	1,028,450	59,158	1,087,608
Excess (Deficiency) of Revenues Over (Under) Expenditures	72,962	(58,682)	14,280
Other Financing Sources and (Uses)			
Transfers in	68,897	141,618	210,515
Transfers out	(141,618)	(68,897)	(210,515)
Total Other Financing Sources and (Uses)	(72,721)	72,721	-
Net Changes in Fund Balances	241	14,039	14,280
Fund Balances			
Beginning of Year	887	45,670	46,557
End of Year	$ 1,128	$ 59,709	$ 60,837

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

Net Change in Fund Balances - Total Governmental Funds	$	14,280
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in deferred outflows of resources not reported in the fund statements		(2,226)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Also, the governmental funds report the effects of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Furthermore, changes in certain liabilities do not provide or use current financial resources. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Principal payment of bonds		42,231
Amortization of premiums on bonds issued		6,115
Change in total other postemployment benefits liability		(523)
Change in net pension liability		(149)
Change in accrued vacation and sick payable		(54)
Change in accrued expenses		324
Net change in deferred inflows of resources not reported in the funds		3,010
Change in Net Position of Government Activities	$	63,008

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nassau County Interim Finance Authority (the "Authority" or "NIFA") is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000 and as may be amended from time to time, including, but not limited to, Chapter 528 of the Laws of 2002, and Chapters 314 and 685 of the Laws of 2003 (the "Act"). The Act became effective June 23, 2000. Although legally separate and independent of Nassau County (the "County"), the Authority is a component unit of the County and for County financial reporting purposes is included in the County's financial statements.

The Authority is governed by a Board of Directors ("Directors"), consisting of seven Directors, each appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the State Assembly, and the State Comptroller. The Governor also designates the chairperson and vice chairperson from among the Directors. At present, there are six Directors, as the vice chairperson has not been designated.

The Authority has power under the Act to monitor and oversee the finances of the County, and upon declaration of a "Control Period" as defined in the Act, provide additional oversight authority. Under the Act, the Authority may at times issue bonds to refund bonds previously issued by the Authority and its initial ability to issue bonds, other than refunding bonds, expired in 2007. However, in April 2020, New York State enacted legislation to renew the Authority's ability to issue bonds through December 31, 2021 for various Nassau County purposes as defined in the Act, to help the County close budget gaps created by the coronavirus pandemic. The legislation allows for the Authority to issues bonds and notes without limit to finance capital projects, finance cash flow needs of the county, as well as any County deficit including costs resulting from tax certiorari judgments or settlements of the County for proceedings commenced on or after June 1, 2000, in an amount not to exceed $800 million. No bond of the Authority may mature later than January 31, 2051, or more than 30 years from its date of issuance.

Revenues of the Authority consist of sales tax revenues, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sale and use of tangible personal property and services in the County ("Sales Tax Revenues"), investment earnings on money, investments on deposit in various Authority accounts and state assistance received to partially fund the control period expenditures. Sales tax revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or County. Revenues of the Authority that are not required to pay debt service, operating expenses, and other costs of the Authority are payable to the County.

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

A. ENTITY-WIDE AND FUND FINANCIAL STATEMENTS

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

Entity-Wide Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ENTITY-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Entity-Wide Financial Statements (continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The effects of interfund activity have been eliminated in the entity-wide financial statements.

Fund Financial Statements

The Authority's governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures incurred in the current year. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, NIFA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue susceptible to accrual generally includes sales tax revenue and investment income. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension contributions, and other postemployment benefits are recorded when payment is due.

The Authority uses the following governmental funds, which are major funds, to report its balances and transactions.

- The General Fund accounts for sales tax and other revenues received by the Authority and for its general operating expenses, as well as distributions to the County.

- The Debt Service Fund is used to account for and report resources that are restricted or assigned to expenditures for principal and interest, including financial resources that are being accumulated for principal and interest in future years.

The Authority does not have legally adopted budgets for its governmental funds as they are not required; however, the Directors approve a multi-year financial plan annually, with the current year of any given multi-year plan functioning as a budget framework for that year.

B. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE

1. Cash and Investments

Cash consists of all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Investments, except for highly liquid market investments with maturities of three months or less at the time of purchase, are reported at fair value. Investment income, including changes in fair value of investments, is reported in operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

1. Cash and Investments (continued)

Restricted cash and investments represent amounts held by the Authority's Bond Trustee for payment of future debt service payments.

The Authority invests in accordance with the Act, as well as other applicable rules and regulations, the revenue bonds of the Authority as issued pursuant to an Indenture (as supplemented and amended) (the "Indenture"), and Authority's Investment Guidelines. The Investment Guidelines are approved by the Directors annually. As of December 31, 2020, the Authority held cash, U.S. Treasury Notes, and federal agency securities. All bank deposits of Authority funds are required to be fully collateralized or insured. Collateral required for the Authority's cash and certificates of deposit is 102% of the amount in excess of Federal Deposit Insurance ("FDIC") and is held by a third-party custodian in the Authority's name and consists of U.S. government or agency obligations.

2. Receivables/Liabilities/Revenues

Receivables include amounts due from the State for sales tax remittances, as well as interest earned but not yet received. Sales tax revenues received after December 31st but attributable to the prior year are reported in the statement of net position and balance sheet as sales tax revenue receivable. Liabilities associated with the sales tax receivable, such as amounts due to Nassau County and due to the Debt Service Fund to fund debt service requirements, have been reflected in the Authority's financial statements. In the statement of revenues, expenditures, and changes in fund balances, the full amount of the receivable has been recognized as sales tax revenue and applicable portions of these funds have been included as distributions to Nassau County and transfers to fund debt service expenditures. No allowance for doubtful accounts is needed as all balances were subsequently collected.

3. Other Assets

Included in other assets are prepaid expenses and security deposits. Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent year. Fund balance has been adjusted to reflect an equal amount as nonspendable fund balance, indicating a portion of fund balance is not comprised of spending resources.

4. Capital Assets

Capital assets purchased or acquired with an original cost of greater than $15 are capitalized. The Authority has no such assets.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) of time and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Authority has several items that qualify for reporting in this category, which are the interest rate swap derivative instruments, deferred charges on debt refunding, and amounts related to pension and other postemployment benefits ("OPEB").

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

5. Deferred Outflows/Inflows of Resources (continued)

The Authority's derivative instruments, which consisted of interest rate swap agreements, were determined to be an effective hedge, and were reported at fair value as of December 31, 2020. Accordingly, the recording of the derivative instrument was not expected to be recognized in debt service expense, and therefore, a corresponding deferred outflow of resources was reported. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its acquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Subsequent to year end, in conjunction with the 2021 bond issuance, the interest rate swap agreements were terminated.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources in the entity-wide statement of net position include the deferred gain on debt refunding and amounts pertaining to the pension and OPEB defined benefit plans. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its acquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The pension related deferred outflows and inflows of resources stems from changes in the components of the Authority's net proportional share of the pension plan's net pension liability, that is, the Authority's proportionate share of the changes in the pension plan's total pension liability and in the pension plan's fiduciary net position. The OPEB related deferred outflows/inflows of resources represents the effects of changes in the Authority's total OPEB liability. The related deferred outflows of resources also include contributions paid subsequent to the pension plan's measurement date and amounts paid by the Authority for benefits subsequent to the OPEB plan's measurement date.

6. Payable to Broker - Investment Purchase

Investments are recorded as an asset based on the trade date (order date) of the purchase and results in a payable to investment broker until such time as funds for the purchase have been transferred to the broker on the settlement date and delivery of the investments have been received. As of December 31, 2020, the outstanding liability is $14,737.

7. Derivative Instruments - Interest Rate Swap Agreements

Derivative instruments consist of interest rate swap agreements, which are classified as hedging derivative instrument. In the entity-wide financial statements, the liability associated with the interest rate swap agreements (derivative instruments) are reported at fair value. Under hedging accounting, changes in the fair value of derivative instruments are reported as deferred outflows of resources. Accordingly, the Authority has reported a deferred outflow of resources in an amount equal to the fair value liability of the interest rate swap agreements. See Note 13 Subsequent Events.

8. Long-Term Obligations and Related Amounts

In the entity-wide financial statements, liabilities for long-term obligations consisting of sales tax secured bonds payable, compensated absences payable, net pension liability, and total OPEB liability are reported in the entity-wide financial statement of net position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

8. Long-Term Obligations and Related Amounts (continued)

Bond premiums are capitalized and amortized over the lives of the related debt issues using the straight-line method, which approximates the effective interest method, and are reported with the bonds payable. Bond issuance costs are recognized as expenditures/expenses as incurred.

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

The County has assumed responsibility for calculating arbitrage rebate liability on bonds or notes issued by the Authority; however, any resulting payments would be made by the Authority and reduce sales tax remittances to the County in a like amount. As of December 31, 2020, there is no outstanding arbitrage rebate liability.

9. Interfund Transactions

Interfund transactions and balances have been eliminated from the entity-wide financial statements. In the fund financial statements, inter-fund transactions consist of transfers to the Debt Service Fund from the General Fund to finance debt service expenditures and the Debt Service Fund transfers investment income to the General Fund for distribution to the County. During 2020, the Debt Service Fund transferred to the General Fund monies due to a deferment of a principal payment.

10. Other Postemployment Benefits - Healthcare Benefits

OPEB consists of providing healthcare upon an employee’s retirement in accordance with employee agreements. The cost for retiree healthcare benefits is measured and disclosed using the accrual basis of accounting in the entity-wide financial statements.

In the governmental fund financial statements, the Authority recognizes the cost of providing these healthcare benefits by recording its share of insurance premiums as expenditures.

11. Pensions

The measurement of the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State and Local Retirement System (“NYSERS” / the “System”) have been determined on the same basis as they are reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms; and investments are reported at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

12. Compensated Absences

The obligation for earned but not paid vacation, holiday and sick leave and related expenses (compensated absences) is recorded as a liability in the entity-wide statements. In the fund financial statements, only the compensated absences liability that is due and expected to be payable from expendable current financial resources is reported.

13. Net Position and Fund Equity Classifications

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

In the entity-wide financial statements, net position consists of the unrestricted net position. Unrestricted net position is defined as all other net position that do not meet the definition of "restricted" or "net investment in capital assets". The Authority's unrestricted net position is a deficit balance. The Authority has no net investment in capital assets or restricted net position.

It is the Authority's policy to consider using restricted resources, when available, before unrestricted resources.

In the fund financial statements, governmental funds report aggregate amounts for three classifications of fund balances based on the constraints imposed on the use of these resources; they are: (1) nonspendable, (2) restricted, and (3) unassigned.

(1) Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form (i.e., prepaid items).

The spendable portion of the fund balance comprises the remaining two classifications: restricted and unassigned.

(2) Restricted fund balance reflects the constraints imposed on resources either: (a) externally by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

(3) Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative residual fund balances in other governmental funds, as applicable.

Resources constrained for debt service or redemption in accordance with the Authority's Indenture is classified as restricted on the statement of net position and the governmental funds balance sheet, as applicable.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. REVENUES AND EXPENDITURES

The Authority's primary sources of revenues are sales tax collections and interest/investment income. Normally, the Authority receives sales tax remittances twice each month, and receives interest earnings from time to time as investments mature. Funds for debt service are required to be set aside from revenues on a monthly basis, and the Authority also deducts, as necessary, amounts that in its judgment, are required to maintain sufficient cash balances to fund other debt service expenditures such as professional and administrative fees, as well as potential amounts due pursuant to the interest rate swap agreements. Additionally, the Authority withholds from sales tax revenue sufficient funds for its operations and operating reserves. Residual sales tax revenues and investment earnings are then distributed to the County.

Interest expense is recognized on the accrual basis in the entity-wide financial statements. In the governmental fund statements, interest expenditures are recognized as due.

From time to time, the Authority may receive settlements from litigation. These amounts are reported as other revenue in the statement of activities based in the period the judgment is awarded.

D. USE OF ESTIMATES

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

E. NEW ACCOUNTING PRINCIPLES

In May 2020, GASB issued Statement No. 95*, "Postponement of Effective Dates of Certain Authoritative Guidance"*, was issued to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement allowed for the election to defer implementation of the following pronouncement as follows:

- Postponed by one year: Statement No. 83, *"Certain Asset Retirement Obligations"*; Statement No. 84, "*Fiduciary Activities";* Statement No. 88, *"Certain Disclosure Related to Debt, Including Direct Borrowings and Direct Placements"*; Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"*; Statement No. 90, *"Majority Equity Interests"*; Statement No. 91, *"Conduit Debt obligations"*; Statement No. 92, *"Omnibus 2020"*; and Statement No. 93, *"Replacement of Interbank Offered Rates".*
- Postponed by eighteen months: Statement No. 87, *"Leases".*

The provisions Statements 83, 84, 88, and 90 with original implementation dates of December 31, 2019 (as related to NIFA), were implemented by NIFA in 2019 as it issued its financial statement prior to the issuance of Statement No. 95. Management has elected to defer the implementation of Statements No. 87, 89, 91, 92, and 93 in accordance with the provisions of Statement No. 95.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 26, 2021 which is the date the financial statements were available to be issued. Please refer to Note 13 Subsequent Events regarding debt restructuring.

2. TRANSACTIONS WITH AND ON BEHALF OF NASSAU COUNTY

The Act and other legal documents of the Authority establish various financial relationships between the Authority and the County. The resulting financial transactions between the Authority and the County include the receipt and use of revenues and are summarized below for the year ended December 31, 2020:

- Of the $1,100,895 sales tax revenues recognized as revenue, the Authority distributed $1,024,631 to Nassau County. The remainder was retained for Authority debt service and operations.

- The distribution to the County for general County operations consisted of earnings on various funds held by or on behalf of the Authority, to the extent that those earnings are not required for the payment of Authority debt service or operating expenses in 2020, the Authority distributed $1,143 of interest income and other income to the County.

At December 31, 2020, the Authority owes the County $93,063 for sales tax revenue and when applicable, unrealized investment appreciation not remitted by year end.

3. DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments

The Authority invests in accordance with the Act, as well as other applicable rules and regulations, the Indenture, and Authority Investment Guidelines adopted by the Directors annually. Permitted investments includes obligations of the State or United States governments, obligations guaranteed by the State or United States government, certificates of deposits issued by banks with the highest credit ratings, commercial paper of any bank or United States and state created authorities with the highest credit rating, bonds of any state of United States and repurchase and reserve repurchase agreements.

All bank deposits, certificates of deposits and repurchase agreements, of Authority funds are required to be fully collateralized or insured. Collateral required for the Authority's cash, certificates of deposit and repurchase agreements is 102% of the amount in excess of FDIC coverage and is held by a third-party custodian in the Authority's name and consists of U.S. government or agency obligations.

As of December 31, 2020, the Authority held cash and investments consisting of U.S. Treasury Bills and securities issued by Federal Agencies.

At December 31, 2020, all restricted cash is held by the Authority's Bond Trustee for future debt service requirements and all unrestricted cash is held by the Authority.

(Dollars in Thousands, Unless Otherwise Noted)

3. DEPOSITS AND INVESTMENTS (continued)

Cash

The following is a summary of cash as of December 31, 2020:

Cash classification:		
Unrestricted	$	768
Restricted		11
	$	779

Investments

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

Investment Type:		
Restricted - *maturities less than 1 year*:		
U.S. Government securities	$	15,506
Federal Agency securities		29,470
Total Restricted Investments	$	44,976

At December 31, 2020, all restricted investments are held by the Authority's Bond Trustee for future debt service requirement.

Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation of inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As pertaining to the hedging derivative instruments, Level 2 inputs include observable industry, sector, and geographic curves.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique provided by third-party custodians. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. See Note 6 for description of fair value hierarchy related to the hedging derivative instruments (interest rate swap agreements). Subsequent to year-end, in conjunction with the 2021 bond issuance, the interest rate swap agreements were terminated.

(Dollars in Thousands, Unless Otherwise Noted)

3. DEPOSITS AND INVESTMENTS (continued)

Fair Value Hierarchy (continued)

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

			Fair Value Measurements Using:		
Investment by Fair Value Level	Credit Quality Rating	Total	Quoted Prices in Active Market for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities:					
U.S. Government securities	N/A	$ 15,506	$ -	$ 15,506	$ -
Federal Agency securities	A-1+	29,470		29,470	
Total Investment by Fair Value Level		$ 44,976	$ -	$ 44,976	$ -
Hedging Derivative Instruments (See Note 6):					
Interest-rate exchange swap agreements	N/A	$ (10,931)	$ -	$ (10,931)	$ -
Total Derivative Instruments by Fair Value	N/A	$ (10,931)	$ -	$ (10,931)	$ -

Custodial Credit Risk - Deposits/Investments - Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party.

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

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

At December 31, 2020, the carrying amount of the Authority's cash and investments were covered by FDIC and collateral held by the Authority's agent, a third-party financial institution, in the Authority's name.

All investments are in the name of the Authority and consist of obligations issued by the United States government or an agency of the United States and therefore do not require collateral.

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

Interest Rate Risk - The risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investments are relatively short-term investments (no longer than six months) based on the cash flow needs of the Authority. All investments held at December 31, 2020 mature at various times through April 1, 2021.

(Dollars in Thousands, Unless Otherwise Noted)

3. DEPOSITS AND INVESTMENTS (continued)

Fair Value Hierarchy (continued)

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

All investments are held by NIFA's trustee bank solely as agent of Authority. All investments mature in less than six months.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of December 31, 2020, the General Fund owes the Debt Service Fund $29,471 of sales tax revenue to cover debt service set aside requirements, while the Debt Service Fund owes the General Fund $3.

A summary of transfers in 2020, for primarily debt service set aside requirements, is as follows:

	Transfer In	Transfer Out
Debt Service Fund:		
General Fund	$ 141,618	$ (68,897)
General Fund:		
Debt Service Fund	68,897	(141,618)
	$ 210,515	$ (210,515)

5. LONG-TERM DEBT

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

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due within One Year	Noncurrent
Bonds payable:						
Sales tax secured bonds payable	$ 411,979	$ -	$ 42,231	$ 369,748	$ 165,410	$ 204,338
Premiums	33,254	-	6,115	27,139	-	27,139
Total bonds payable	445,233	-	48,346	396,887	165,410	231,477
Total OPEB liability	2,404	633	110	2,927	-	2,927
Net pension liability	77	149	-	226	-	226
Compensated absences payable	275	103	49	329	100	229
	$ 447,989	$ 885	$ 48,505	$ 400,369	$ 165,510	$ 234,859

5. LONG-TERM DEBT (continued)

Bonds of the Authority are issued pursuant to the Indenture, as supplemented and amended, between the Authority and the United States Trust Company of New York and its successor The Bank of New York Mellon (the "Trustee"), under which the Authority has pledged its right, title and interest in the revenues of the Authority to secure repayment of Authority debt. The Act provides that the Authority's pledge of its revenues represents a perfected first security interest on behalf of holders of its bonds. The lien of the Indenture on the revenues for the security of Authority bonds is prior to all other liens thereon. The Authority does not have any significant assets or sources of funds other than sales tax revenues and amounts on deposit pursuant to the Indenture. The Authority does not have independent taxing power.

As of December 31, 2020, the Authority had outstanding sales tax secured bonds in the amount of $369,748 maturing through the year 2025, of which $145,798 are fixed rate and $223,950 are variable rate. Of the $223,950 variable rate sales tax secured bonds, $148,625 are hedged variable rate bonds.

The accrued compensated absences liability, total OPEB liability, and net pension liability will be liquidated through the General Fund.

Fixed Rate Bonds - The Authority has outstanding fixed rate bonds at rates ranging between 2.522% and 5.0%. Interest on the Authority's fixed rate bonds is payable on May 15th and November 15th of each year, and interest on the variable rate bonds is payable on the first business day of each month. Principal on all bonds is payable on November 15th. A debt service account has been established under the Indenture to provide for the payment of interest and principal of bonds outstanding under the indenture. The Trustee makes monthly deposits to the debt service account in the amount of debt service accrued through the end of that month. For the fixed rate bonds, this is essentially one-sixth of the next interest payment and one-twelfth of the next principal payment. Because of this monthly deposit requirement, the amount accrued for debt service ("debt service set aside") in the Authority's financial statements in any year will not be the same as the debt service on the bonds paid to bondholders in that year.

Variable Rate Bonds - Interest rates on the variable rate bonds were reset weekly by remarketing agents at the minimum rate necessary for the bonds to have a market value equal to the principal amount. Interest rates are set separately for each series of variable rate bonds. The variable rate bonds are in most circumstances subject to tender at the option of the bondholder. Payment of the purchase price of eligible Series 2008 A-B bonds are subject to optional or mandatory tender for purchase and if not remarketed by the remarketing agent, payment will be made under and pursuant to, and subject to the terms, conditions, and provisions of liquidity facility agreements. At December 31, 2020, the liquidity facility agreements currently in effect were slated to expire at various dates between November 15, 2021 and May 7, 2024, and were subject to extension or early termination (see Note 13 Subsequent Events). Bonds that are purchased by financial institutions under the liquidity facility and not remarketed, if any, must be paid over periods varying between three and five years. If this were to occur, annual Authority debt service expense would increase substantially. A debt service account has been established under the indenture to provide for the payment of principal of bonds outstanding under the indenture. The Trustee makes monthly deposits to the debt service account for principal and interest debt service requirements. Additionally, the Trustee makes monthly interest payments.

(Dollars in Thousands, Unless Otherwise Noted)

5. LONG-TERM DEBT (continued)

Bonds are recorded at the principal amount outstanding and consist of the following at December 31, 2020:

	Bond Par Issued	Balance at 1/1/2020	Retired	Balance at 12/31/2020	Hedged Balance at 12/31/2020
Variable Rate Bonds:					
Sales Tax Secured Variable Rate Bonds Series 2008A-B* due through 2025	$ 250,000	$ 223,950	$ -	$ 223,950	$ 148,625
Total Variable Rate Bonds	250,000	223,950	-	223,950	148,625
Fixed Rate Bonds:					
Sales Tax Secured Bonds Series 2009A 1% to 5% serial bonds due through 2025	303,100	6,155	1,575	4,580	-
Sales Tax Secured Bonds Series 2012A 3% to 5% serial bonds due through 2025	141,580	54,920	12,050	42,870	-
Sales Tax Secured Bonds 2012B 0.688% to 2.822% serial bonds due through 2023	176,133	36,074	8,691	27,383	-
Sales Tax Secured Bonds 2015A 4% to 5% serial bonds due through 2025	116,310	90,880	19,915	70,965	-
Total Fixed Rate Bonds	737,123	188,029	42,231	145,798	-
Total Bonds	$ 987,123	$ 411,979	$ 42,231	$ 369,748	$ 148,625

* During 2020, the interest rate on the Variable Rate Bonds ranged from 0.08% to 6.00%.

The aggregate debt service to retire bonds outstanding at December 31, 2020, in the following table, reflects stated maturities of principal and interest for all bonds. As noted above, the Authority is party to liquidity facility agreements/stand by purchase agreements in connection with the variable rate bonds.

With the exception of the liquidity facility agreement expiring in May 2024, the other two agreements expire concurrently with the maturity of the underlying bond series. If the remaining liquidity facility agreement set to expire in May 2024 expired, and the related bonds were unable to be remarketed, and these agreements are not renewed or replaced, principal due would increase by $8,850 in 2024.

Under the terms of the bond indenture agreement, the Authority was to pay $117,556 in bond principal during 2020. However, during 2020, the Authority executed a mandatory tender, which deferred $75,325 of bond principal requirements until 2021, resulting in $42,231 of actual bond principal payments. The mandatory tender was executed in order to provide the County with budgetary relief during the COVID pandemic through increased distributions to the County.

(Dollars in Thousands, Unless Otherwise Noted)

5. LONG-TERM DEBT (continued)

Aggregate debt service to maturity, pursuant to the stated terms of the bond indenture agreements and assuming the variable rate bonds are remarketed, and liquidity facility agreements are maintained over the term of the variable rate bond indentures, as of December 31, 2020, is as follows:

Years Ending December 31,	Principal	Interest*	Total
2021	$ 165,410	$ 11,415	$ 176,825
2022	78,689	8,056	86,745
2023	59,719	4,868	64,587
2024	46,465	2,646	49,111
2025	19,465	831	20,296
	$ 369,748	$ 27,816	$ 397,564

* Interest on the hedged variable rate bonds is calculated at the fixed payer rates on the associated interest rate swaps; actual results may vary. Interest on the nonhedged variable rate bonds based on interest rates negotiated in interest rate auctions by authorized remarketing agents on the Authority's behalf.

Prior-Year Defeasance of Debt

In prior years, the Authority defeased certain bonds by placing the proceeds of the new bonds in an irrevocable escrow account (the "Trust") to provide for all future debt service payment on the old bonds. Accordingly, the Trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements.

At December 31, 2020, $63,200 of defeased bonds remains outstanding.

6. DERIVATIVE INSTRUMENTS - INTEREST RATE EXCHANGE SWAP AGREEMENTS

Derivative instruments, which consisted of swaps, have been reported at fair value as of December 31, 2020. As the interest rate swap agreements qualify as hedging derivative instruments, the fair value has been recorded as a deferred outflow of resources.

Board-Adopted Guidelines - On March 25, 2004, NIFA adopted guidelines ("Interest Rate Swap Policy") with respect to the use of swap contracts to manage the interest rate exposure of its debt. The Interest Rate Swap Policy establishes specific requirements that must be satisfied for NIFA to enter into a swap contract.

Objectives of Swaps - The objectives of the swaps are to protect against the potential of rising interest rates, to achieve a lower net cost of borrowing, to reduce exposure to changing interest rates on a related bond issue or in some cases where Federal tax law prohibits an advance refunding, and to achieve debt service savings through a synthetic fixed rate. In an effort to hedge against rising interest rates, NIFA entered into nine separate pay-fixed, receive-variable interest rate swap agreements in 2004, of which seven are active at December 31, 2020.

(Dollars in Thousands, Unless Otherwise Noted)

6. DERIVATIVE INSTRUMENTS - INTEREST RATE EXCHANGE SWAP AGREEMENTS (continued)

Background - NIFA entered into the following six swap contracts with an effective date of April 8, 2004, in connection with the issuance of $450 million in auction rate securities to provide for the refunding or restructuring of a portion of the County's outstanding bonds, refunding of certain outstanding NIFA bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements, County capital projects and to pay costs of issuance.

These auction rate securities were subsequently refunded on May 16, 2008 with variable rate demand bonds and the swap agreements transferred to the 2008 Bond Series A-E. The original notional amounts are as follows:

- $72.5 million notional amount (2004 Series B - swap agreement) with Goldman Sachs Mitsui Marine Derivative Products, L.P. ("GSMMDP")
- $72.5 million notional amount (2004 Series C - swap agreement) with GSMMDP
- $80 million notional amount (2004 Series D - swap agreement) with GSMMDP
- $72.5 million notional amount (2004 Series E - swap agreement) with United Bank of Switzerland, Limited ("UBS AG")
- $72.5 million notional amount (2004 Series F - swap agreement) with UBS AG
- $80 million notional amount (2004 Series G - swap agreement) with UBS AG

At December 31, 2020, the swap agreements related to the 2004 Series D and G have expired as the related debt has been repaid.

NIFA entered into the following three swap contracts with an effective date of December 9, 2004, in connection with the issuance of $150 million in Auction Rate Securities to provide for the refunding of a portion of the County's outstanding bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments, and settlements and to pay costs of issuance. These auction rate securities were subsequently refunded on May 16, 2008 with variable rate demand bonds and the swap agreements transferred to the 2008 Bond Series A-E.

- $50 million notional amount (2004 Series I - swap agreement) with GSMMDP
- $50 million notional amount (2004 Series J - swap agreement) with UBS AG
- $50 million notional amount (2004 Series K - swap agreement) with Morgan Stanley Capital Services ("MSCS")

Terms - The initial notional amount totaled $600 million, the principal associated with the 2004 Series B-K revenue bonds, and totaled $440 million for the principal associated with the sales-tax secured bonds outstanding at December 31, 2020. The outstanding notional amount as of December 31, 2020 was $148.625 million.

Under the terms of the swaps, the Authority will pay fixed rates and receive a floating rate as follows:

2004 Revenue Bonds	Pay Fixed Rate	Receives Floating Rate
Series B, C, E, F	3.1460%	60.0% of USD-LIBOR + 0.16%
Series I, J, K	3.4320%	61.5% of USD-LIBOR + 0.20%

See page 35 for additional information.

6. DERIVATIVE INSTRUMENTS - INTEREST RATE EXCHANGE SWAP AGREEMENTS (continued)

Fair Value - Fair value is described as an exit price that assumes a transaction takes place in an orderly transaction between market participants (buyers and seller that are in the most advantageous market) at the measurement date. The fair values of the interest rate derivative transactions were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The expected transaction cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing benchmark interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the transactions, where future amounts (the expected transaction cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and time value of money. Where applicable under the income approach (which takes into consideration the risk of nonperformance) an option pricing model technique is applied such as the Black-Scholes-Merton model, the Black-Derman-Toy model, one of the short-rate models, or other market standard models consistent with accepted practices in the market for interest rate option products. The option models would consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. As the prevailing market replacement rates were lower than the contractual fixed interest rates from the effective date of the swaps, the swaps had negative fair values and have been reported on the statement of net position as derivative instruments - interest rate swaps liability.

Replacement interest rates on the swaps, as of December 31, 2020, are reflected in the Chart entitled "Derivative Instruments - Interest Rate Swap Valuation" (the "Chart"). As noted in the Chart, replacement rates were lower than market interest rates on the effective date of the swaps. Consequently, as of December 31, 2020, the remaining swaps had negative fair values. In the event there is a positive fair value, NIFA would be exposed to the credit risk of the counterparties in the amount of the swaps' fair value should the swap be terminated.

The fair value of each swap, including accrued interest, is provided in the Chart. The fair value of each swap listed represents the theoretical value/(cost) to NIFA if it terminated the swap as of the date indicated, assuming that a termination event occurred on that date. Negative fair values may be offset by reductions in total interest payments required under the related variable interest rate bonds.

The Authority has determined the interest rate swaps (derivative instrument) to be a Level 2 measurement under the fair value hierarchy disclosure standards. As of December 31, 2020, the fair value of NIFA's swaps, including accrued interest, was a negative $10.931 million.

Risks Associated with the Swap Agreements - From NIFA's perspective, the following risks are generally associated with swap agreements:

- *Credit/Counterparty Risk* - The counterparty becomes insolvent or is otherwise not able to perform its financial obligations. In the event of deterioration in the credit ratings of the counterparty or NIFA, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement.

  Under the swap agreements, neither party is required to collateralize its termination exposure unless its ratings, or that of the insurer, fall below certain triggers. For the Authority, there is no requirement to collateralize until the Authority is at an A3/A- level, and then only for the amount over $50 million (threshold amount) of exposure. The threshold differs by counterparty and declines if the Authority falls into the BBB ratings category.

6. DERIVATIVE INSTRUMENTS - INTEREST RATE EXCHANGE SWAP AGREEMENTS (continued)

Risks Associated with the Swap Agreements (continued)

- *Credit/Counterparty Risk* (continued)

  To minimize the credit and counterparty credit risk exposure, NIFA's swap policy requires that counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, without distinction as to grade within the category. If after entering into an agreement the ratings of the counterparty or its guarantor or credit support party are downgraded below the described ratings by any one of the rating agencies, then the agreement is subject to termination unless the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria reasonably acceptable to NIFA or collateralizes its obligations in accordance with the criteria set forth in the transaction documents. The counterparties have the ratings set forth on page 35.

  The table shows the diversification, by percentage of notional amount outstanding on December 31, 2020, among the various counterparties that have entered into agreements with NIFA.

Counterparty:	Dollars in Millions Notional Amount	Notional Percentage
GSMMDP	$ 57.775	38.873%
UBS AG	57.775	38.873%
MSCS	33.075	22.254%
	$ 148.625	100.00%

  NIFA insured its performance in connection with the swaps originally associated with the remaining outstanding Series 2004 B, C, E and F bonds with Ambac Assurance Corporation ("Ambac"), which is rated WR/NR/NR (Moody's/S&P/Fitch), including NIFA termination payments. NIFA's payments to the counterparties on the swaps originally associated with the Series 2004 I-K bonds are insured with CDC IXIS Financial Guaranty North America, Inc. ("CIFG NA"), which is rated WR/NR/NR (Moody's/S&P/Fitch); however, termination payments from NIFA are not guaranteed except on NIFA's swap with UBS AG, where it is guaranteed up to a maximum of $2 million.

- *Basis Risk* - The variable interest rate paid by the counterparty under the swap and the variable interest rate paid by NIFA on the associated variable interest rate bonds are not the same. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement does not fully reimburse NIFA for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there is a net benefit to NIFA.

  NIFA is exposed to basis risk on the swaps. NIFA is paying a fixed rate of interest to the counterparties and the counterparties are paying a variable rate to NIFA represented by a percentage of the one-month London Inter-Bank Offered Rate ("LIBOR"), plus a fixed spread. The amount of the variable rate swap payments received from the counterparties does not normally equal the actual variable rate payable to the bondholders. Should the historical relationship between LIBOR and NIFA's variable rate on its bonds move to converge, there is a cost to NIFA. Conversely, should the relationship between LIBOR and NIFA's variable rate on its bonds move to diverge, there is a benefit to NIFA.

6. DERIVATIVE INSTRUMENTS - INTEREST RATE EXCHANGE SWAP AGREEMENTS (continued)

Risks Associated with the Swap Agreements (continued)

- *Interest Rate Risk* - The risk that changes in interest rates will adversely affect the fair value of the financial instrument or its cash flows.

  NIFA is exposed to interest rate risk on its pay-fixed, received-variable interest rate swap. As LIBOR decreases, NIFA's net payment on the swaps increases.

- *Termination Risk* - The swap agreement will be terminated and if at the time of termination, the fair value of the swap is negative, NIFA will be liable to the counterparty for an amount equal to the fair value.

  The swaps use International Swaps and Derivative Association ("ISDA") documentation and use standard provisions regarding termination events with one exception: if the termination amount is over $5 million for the Authority, the Authority can pay such excess amount over six months, financing the delay at LIBOR, plus 1%. However, adverse termination for credit deterioration is unlikely due to the NIFA's current credit rating. NIFA or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In addition, NIFA may terminate the swaps at their fair market value at any time. NIFA would be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in NIFA making or receiving a termination payment.

- *Rollover Risk* - The notional amount under the swap agreement terminates prior to the final maturity of the associated bonds, and NIFA may be exposed to the market rates and cease to get the benefit of the synthetic fixed rate for the duration of the bond issue. NIFA is not exposed to rollover risk, because the notional amounts under the swaps do not terminate prior to the final maturity of the associated variable interest rate bonds.

- *Market-Access Risk* - The Authority is not exposed to market-access risk on its hedging derivative instruments.

- *Foreign Currency Risk* - The Authority is not exposed to foreign currency risk on its hedging derivative instruments.

- *Contingency* - Generally, the derivative instruments require the Authority to post collateral at varying thresholds by counterparty based on the Authority's credit rating in the form of cash, U.S. Treasury securities, or specified Agency securities. If the Authority were not to post collateral when required, the counterparty may terminate the hedging derivative instrument.

At December 31, 2020, the aggregate fair value of all hedging derivative instrument agreements whose terms contain such collateral provisions is a negative $10.931 million. Because the Authority's credit rating is Aa1/AAA, no collateral has been required or posted.

Upon the Authority's credit ratings declining to a certain threshold (as noted below), collateral posting requirements would be triggered as follows:

- Baa1/BBB+: $4.148 million in collateral to UBS AG and $2.495 million in collateral to MSCS.
- Baa1/BBB+: $4.148 million in collateral to UBS AG and $2.495 million in collateral to MSCS.
- Baa3/BBB-: $4.148 million in collateral to GSMMDP, $4.148 million in collateral to UBS AG, and $2.495 million in collateral to MSCS.

(Dollars in Thousands, Unless Otherwise Noted)

6. DERIVATIVE INSTRUMENTS - INTEREST RATE EXCHANGE SWAP AGREEMENTS (continued)

Risks Associated with the Swap Agreements (continued)

As of December 31, 2020, NIFA's Derivative Instrument - Interest Rate Swap Valuation was as follows:

	Amounts Are Expressed in Terms of Actual Dollars							
Swap Agreements	2004 Series B	2004 Series C	2004 Series E	2004 Series F	2004 Series I	2004 Series J	2004 Series K	Total
Notional Amount:								
Original Amount	$72,500,000	$72,500,000	$72,500,000	$72,500,000	$50,000,000	$50,000,000	$50,000,000	$440,000,000
At December 31, 2020	$12,350,000	$12,350,000	$12,350,000	$12,350,000	$33,075,000	$33,075,000	$33,075,000	$148,625,000
Counterparty	GSMMDP	GSMMDP	UBS	UBS	GSMMDP	UBS	MSCS	
Counterparty Rating (1)	Aa2/AA-NA	Aa2/AA-NA	Aa3/A+/AA-	Aa3/A+/AA-	Aa2/AA-NA	Aa3/A+/AA-	A3/BBB+/A	
Effective Date	April 8, 2004	April 8, 2004	April 8, 2004	April 8, 2004	December 9, 2004	December 9, 2004	December 9, 2004	
Maturity Date	November 15, 2024	November 15, 2024	November 15, 2024	November 15, 2024	November 15, 2025	November 15, 2025	November 15, 2025	
NIFA Pays	3.146%	3.146%	3.146%	3.146%	3.432%	3.432%	3.432%	
Replacement Rate	1.551%	1.154%	1.155%	1.154%	1.396%	1.396%	1.396%	
NIFA Receives	60% of LIBOR plus 16 basis points weekly (Tuesday)	60% of LIBOR plus 16 basis points weekly (Friday)	60% of LIBOR plus 16 basis points weekly (Tuesday)	60% of LIBOR plus 16 basis points weekly (Friday)	61.5% of LIBOR plus 20 basis points weekly (Wednesday)	61.5% of LIBOR plus 20 basis points weekly (Wednesday)	61.5% of LIBOR plus 20 basis points weekly (Wednesday)	
Change in Fair Value	$ 402,849	$ 397,738	$ 402,846	$ 397,738	$ 39,889	$ 39,889	$ 39,889	
As of December 31, 2020								
Net Accrued	$ (49,473)	$ (49,391)	$ (49,476)	$ (49,391)	$ (140,728)	$ (140,728)	$ (140,728)	
Net Present Value	(706,669)	(706,712)	(706,669)	(706,712)	(2,494,623)	(2,494,623)	(2,494,623)	
Total Fair Value Swap	$ (756,142)	$ (756,103)	$ (756,145)	$ (756,103)	$ (2,635,351)	$ (2,635,351)	$ (2,635,351)	$ (10,930,546)

(1) Moody's/S&P/Fitch

(Dollars in Thousands, Unless Otherwise Noted)

6. DERIVATIVE INSTRUMENTS - INTEREST RATE EXCHANGE SWAP AGREEMENTS (continued)

Swap Payments and Associated Debt - Using rates as of December 31, 2020, debt service requirements of the hedged variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, is shown below. As rates change over time, variable-rate bond interest payments and net swap payments will change.

Hedged Variable Rate Debt and Swap Payments:

Years Ending December 31,	Hedged Variable Rate Bonds Principal	Hedged Variable Rate Bonds Interest	Interest Rate Swaps Net Payments	Total Payments
2021	$ 51,050	$ 28	$ 2,899	$ 53,977
2022	28,475	19	1,925	30,419
2023	29,650	13	1,341	31,004
2024	30,600	7	733	31,340
2025	8,850	1	164	9,015
Total	$ 148,625	$ 68	$ 7,062	$ 155,755

Other

LIBOR

During 2017, the Financial Conduct Authority announced that it would phase out LIBOR by the end of 2021 as a benchmark for interest rates. On December 11, 2020, the Financial Conduct Authority extended the phase-out for U.S. Dollar interest rates to June 30, 2023. In the United States, the Alternative Reference Rates Committee has selected the Secured Overnight Financing Rate ("SOFR"), a new index calculated by reference to short-term repurchase agreements backed by U.S. Treasury securities, as its preferred replacement for LIBOR. Management expects that the swap agreements will be revised to use SOFR as a reference rate prior to the phase out of LIBOR, if and as applicable.

Subsequent Event

Subsequent to year end, the Authority issued sales tax secured refunding bonds, of which a portion was used to currently refund the hedged variable rate bonds (sales tax secured variable rate 2008A-B) and the existing swaps were terminated, resulting in a swap termination fee of $11.007 million. (See Note 13 - Subsequent Events.)

7. RETIREMENT SYSTEM

Plan Description

The Authority participates in the System, a cost-sharing multiple-employer defined benefit employee retirement system. The System provides retirement benefits, as well as death and disability benefits. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. The Authority also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the New York State Voluntary Defined Contribution Plan ("VDC").

7. RETIREMENT SYSTEM (continued

Plan Description (continued)

Obligation of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be found at http://www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244-0001.

NYSERS

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

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.

Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 and Tier 2, is 55 and 62, respectively.

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% 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 aged 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 NYSRSSL, Tiers 1 and 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: Tiers 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.

7. RETIREMENT SYSTEM (continued

NYSERS (continued)

Benefits Provided (continued)

Tiers 3, 4 and 5 (continued)

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% 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. Tiers 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 aged 55 with reduced benefits. Tiers 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 Tiers 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 members is age 63.

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% 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.

7. RETIREMENT SYSTEM (continued)

NYSERS (continued)

Benefits Provided (continued)

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service, in some case, 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% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tiers 3, 4 and 5 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (1) all pensioners who have attained age 62 and have been retired for five years; (2) all pensioners who have attained age 55 and have been retired for ten years; (3) all disability pensioners, regardless of age, who have been retired for five years; (4) recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and (5) 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 member as computed on a base benefit amount not to exceed $18 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

Contributions

The System is noncontributory except for employees who joined the System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who jointed on or after January 1, 2010 who generally contribute 3% of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and Tier 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31st.

The Authority is required to contribute at an actuarially determined rate. The Authority's actual contributions were equal to the amounts billed by the pension plan.

(Dollars in Thousands, Unless Otherwise Noted)

7. RETIREMENT SYSTEM (continued)

NYSERS (continued)

Benefits Provided (continued)

Contributions (continued)

The contribution paid by the Authority during the current year is as follows:

	Contractually Required Contribution	Total Payment	Percentage of Covered Payroll
2020	$ 65	$ 65	16.10%

As shown in the table above, the Authority's contribution to the system was 100% of the contributions required this year.

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

At December 31, 2020, the Authority reported a liability of $226 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019, with updated procedures to roll forward the total pension liability to March 31, 2020. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

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(Dollars in Thousands, Unless Otherwise Noted)

7. RETIREMENT SYSTEM (continued)

NYSERS (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

Below is the Authority's proportionate share of the net pension liability of the System and its related employer allocation percentage:

Measurement Date	Net Pension Liability	Authority's Allocation of the System's Total Net Liability
March 31, 2020	$ 226	0.00085430%

There was no significant change in the Authority's proportionate share from March 31, 2019 (.00109360%) to March 31, 2020 (.00008543%) measurement dates.

For the year ended December 31, 2020, the Authority recognized pension expense of $100. As of December 31, 2020, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 13	$ -
Changes of assumptions	5	4
Net difference between projected and actual earnings on pension plan investments	116	-
Changes in proportion and differences between the Authority's contribution and proportionate share of contributions	57	22
Authority's contributions subsequent to the measurement date, net of prepaid amounts	49	-
Total	$ 240	$ 26

The Authority's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31, 2021	$ 36
2022	42
2023	49
2024	38
	$ 165

(Dollars in Thousands, Unless Otherwise Noted)

7. RETIREMENT SYSTEM (continued)

NYSERS (continued)

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Actuarial value date	April 1, 2019
Discount rate	6.80%
Investment rate of return, net	6.80%
Salary increases	4.20%
Cost of living adjustment	1.30%
Inflation rate	2.50%
Decrement tables	April 1, 2010 - March 31, 2015, System Experience, Scale MP-2018

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' MP-2018.

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 previous actuarial valuation as of April 1, 2018 used a discount rate of 7.0%.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future and real rates or return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected future reals rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Equity:		
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Alternatives:		
Private equity	10.00%	6.75%
Real estate	10.00%	4.95%
Other	8.00%	3.25% - 5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation indexed bonds	4.00%	0.50%
	100.00%	

(Dollars in Thousands, Unless Otherwise Noted)

7. RETIREMENT SYSTEM (continued)

NYSERS (continued)

Actuarial Assumptions (continued)

The discount rate used to calculate the total pension liability was 6.8% for the System. 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 actuarially determined statutorily required rates. Based upon the assumptions, the Systems' 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 Authority's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate:

	1% Decrease 5.80%	Current Assumption 6.80%	1% Increase 7.80%
Authority's proportionate share of the collective net pension liability (asset)	$ 415	$ 226	$ 52

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NYS ERS financial report. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244-0001, or it may be found at http://www.osc.state.ny.us/retire/publications/index.php.

VDC

The Authority also participates in the New York State Voluntary Defined Contribution ("VDC") Program, pursuant to Chapter 18 of the Laws of 2012, which amended portions of the Retirement and Social Security Law, Education Law, and portions of the Administrative Code of the City of New York. Beginning July 1, 2013, the VDC option was made available to all unrepresented employees of New York State public to certain employees.

Benefits

Eligibility: employees hired on or after July 1, 2013, and earning $75 or more annually on a full-time rate. All employees employed on a permanent full-time basis must join a retirement plan within 30 days of their date of appointment. If an employee fails to make a timely election, state law requires placement in the NYSERS system. Once an election is made, it cannot be changed.

Benefits: Benefits are determined by the amounts contributed each year and the success of the investments.

7. RETIREMENT SYSTEM (continued)

VDC (continued)

Contributions

The VDC is contributory and employee contributions are required for the duration of employment based on estimated annual gross wages as follows: employees with gross wages between $75 and $100 contribute 5.75% of gross wages and employees with gross wages of more than $100 contribute 6.00% of gross wages. VDC employee contributions are made through payroll deductions. All contributions are made based upon IRS compensation and contribution limits, which are determined annually.

Employers are required to contribute 8% of gross wages for the duration of employment. During the year ended December 31, 2020, the Authority recognized pension expense related to the VDC of approximately $13. There is no outstanding liability owed to the VDC at December 31, 2020.

Vesting

Employees participating in the VDC are fully vested in all retirement and death benefits provided upon completing 366 days of service (waived for employees who enter service with employer-funded retirement contracts from any of the VDC investment providers). The VDC vesting period is on a calendar basis.

Contributions begin upon Plan entry, but are held by the employer until completion of the vesting period. Once vested, the employer will make a single lump-sum contribution of applicable employer and employee contributions plus interest to the investment provider selected by the participant. A participant who does not complete the vesting period is entitled to a refund of his or her own contributions plus interest.

Funding

This is a defined contribution program under which individual contracts, providing retirement and death benefits for or on behalf of electing employees/participants, are purchased from one of the following authorized investment providers: Fidelity, MetLife, TIAA-CREF, VALIC and Voya. Each investment provider has a variety of approved investment options. Contracts are issued to and become the property of the electing employee. Payments are made in accordance with the contracts and the employer is not liable for the benefit payments provided by such contracts.

8. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS

Plan Description

Postemployment benefits other than pensions are provided to eligible retirees, beneficiaries and dependents under a single-employer defined benefit plan. Postemployment benefits other than pensions consist of providing healthcare coverage (or a portion thereof) to eligible retirees and spouses in accordance with the provisions of employment agreements in effect at year end. As employee agreements expire in future years, they will be re-negotiated, and the benefits provided may be modified.

To provide these benefits, the Authority currently participates in the New York State Health Insurance Plan ("NYSHIP"), which offers health insurance coverage to New York State public employees through the Empire Plan (an indemnity health insurance plan) or approved Health Maintenance Organizations ("HMO"). The New York State Department of Civil Service administers NYSHIP.

8. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS (continued)

Plan Description (continued)

The Authority pays health insurance premiums to NYSHIP monthly. Health insurance premiums paid by the Authority are based on the benefits paid throughout the State during the year or from a choice of HMOs. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Authority has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss.

No assets have been accumulated in a qualified trust.

Benefits Provided

Healthcare benefits consist of providing healthcare insurance coverage. Covered employees include all the Authority's employees who have met the following eligibility requirements:

(1) attained the age of 55 years and,

(2) completion of 5 years of service.

Contributions of 10% toward the costs of these benefits are required of the retirees. Retiree contributions toward the cost of the benefit are a percentage of the premium adjusted for accumulated sick leave credits.

Supplemental benefits include Medicare Part B premium for each covered retiree and spouse eligible for Medicare and for each surviving spouse provided the surviving spouse is payment the required premiums for health benefits. This premium is embedded in the NYSHIP premium rates.

Employees Covered by Benefit Terms

As of January 1, 2019, the effective date of the latest OPEB actuarial valuation, there are 4 active employees, 5 inactive/retired employees and 4 spouses of retirees receiving benefit payments. There have been no significant changes in the number of participants or the type of coverage since the most recent OPEB actuarial valuation date.

Total OPEB Liability

The Authority's total OPEB liability of $2,927 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019.

Funding Policy

The Authority currently pays for OPEB on a pay-as-you-go basis.

(Dollars in Thousands, Unless Otherwise Noted)

8. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS (continued)

Actuarial Assumptions and Other Inputs

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The December 31, 2020 total OPEB liability is measured as of December 31, 2019 (the measurement date), is based on the results of the January 1, 2019 actuarial valuation, and was determined using the following actuarial assumptions and other inputs:

Inflation rate:	2.30%, compounded annually	
Discount rate:	2.74%	
	Current Measurement Date	Ultimate (Yr. 2101)
Healthcare cost trend rates:		
Pre-Medicare eligible	6.70%	3.80%
Post-Medicare eligible	5.90%	3.80%
Medicare Part B reimbursement	4.50%	4.50%
Actuarial Cost Method	Entry Age Normal cost method using the level percentage of pay method	

The discount rate was based on the Bond Buyer-20 Bond General Obligation Bond Index as of the measurement date. The discount rate changed from 4.1% (measurement date of December 31, 2018) to 2.74% (measurement date of December 31, 2019).

The mortality rates used in determining the total OPEB liability as of the December 31, 2019 measurement date are from the April 1, 2016 Actuarial Valuation of the System pertaining to the Employees' Retirement System Plan, which based the annuitant mortality on the April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvement based on the Society of Actuaries' Scale MP-2014. However, the mortality projection scale has been modified from Scale MP-2014 to Scale MP-2019, based on actuarial judgement. As generational tables, they reflect mortality improvements both before and after the measurement date.

The per capital claims cost was developed by adjusting the premium rates paid by Participating Agencies in NYSHIP during 2020 to reflect differences by age in accordance with ASOP No. 6 Premiums paid by Participating Agencies differ based on Medicare-eligible status, whereas premiums paid by Participating Employers do not. The age adjustments were based on manual rates developed by Milliman's Commercial Rating Structures and Ages 65 and Over Health Cost Guidelines, Milliman's standard Part D rating model, Empire PPO plan design information and actuarial judgment.

The OPEB liability measured at December 31, 2019 was updated the healthcare cost trend rate to eliminate the impact of the excise tax brought by H.R. 1865, signed into law on December 20, 2019, which repealed the high-cost plan excise tax. However, the OPEB liability measured as of December 31, 2018 includes the provision for the high-cost plan excise taxes in effect as of the measurement date. The tax was 40% of the value of health plan costs that exceed certain thresholds for single coverage and family.

(Dollars in Thousands, Unless Otherwise Noted)

8. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS (continued)

Actuarial Assumptions and Other Inputs (continued)

In the January 1, 2019 actuarial valuation, the liabilities were computed using the Entry Age Normal cost method using the level percentage of payroll method.

Changes in the Total OPEB Liability

The following table shows the components of the Authority's other postemployment benefits liability:

Balance at January 1, 2020	$	2,404
Changes for the year:		
Service cost		78
Interest		99
Effect of changes to assumptions and inputs		456
Benefit payments, including implicit rate subsidy		(110)
Net Change		523
Balance at December 31, 2020	$	2,927

Sensitivity of the Total OPEB Liability

The following tables present the Authority's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a (1) discount rates, and (2) healthcare cost trend rates, which are 1-percentage point lower or 1-percentage point higher than the rates used in the actuarial valuation.

	Sensitivity due to Discount Rate		
	1% Decrease 1.74%	Current 2.74%	1% Increase 3.74%
Authority's total OPEB liability	$ 3,386	$ 2,927	$ 2,557

	Sensitivity due to Healthcare Cost Trend Rates (Pre and Post Medicare Eligible)		
	1% Decrease 5.7%/4.9%	Current 6.7%/5.9%	1% Increase 7.7%/6.9%
Authority's total OPEB liability	$ 2,528	$ 2,927	$ 3,418

(Dollars in Thousands, Unless Otherwise Noted)

8. OTHTER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS (continued)

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

For the year ended December 31, 2020, the Authority recognized OPEB expense of $386. As of December 31, 2020, the Authority reported the following deferred outflows/inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 323	$ -
Changes of assumptions	397	279
Benefit payments made subsequent to the measurement date	98	-
Total	$ 818	$ 279

The deferred outflows of resources for benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts currently reported as deferred outflows/inflows of resources will be recognized in OPEB expense as follows:

Years Ending December 31, 2021	$ 214
2022	199
2023	28
	$ 441

9. COMPENSATED ABSENCES

Authority employees are entitled to accumulate unused vacation, holiday, and sick leave. In the event of termination or upon retirement an employee is entitled to be paid for the vacation and holiday accruals. At current salary levels, the Authority's liability for payment of vacation and holiday pay is $222 which includes the Authority's share of taxes and other withholdings. Authority employees are also permitted to accrue unused sick leave without limitation and, upon certain conditions, apply the salary value of the leave upon retirement to the cost of the retiree's share of his or her health insurance premium. At current salary levels, the Authority's liability for payment of this sick leave accumulation is $107, which includes only the salary value of the time accumulated. Authority employees who were previously employed by the State or a State agency or authority were permitted to transfer certain leave balances to the Authority. The value of these transferred balances is included in the foregoing amounts.

The value of accrued unused leave has been recorded in the statement of net position (deficit). Management believes that sufficient resources will be made available for the payments of the accrued unused leave. As of December 31, 2020, the value of the accumulated vacation time, holiday time and sick leave was approximately $329.

10. RISK MANAGEMENT

The Authority carries coverage for workers' compensation and general liability claims and excess liability insurance coverage of $1,000 per occurrence with a $2,000 annual aggregate. The Authority is self-insured for property protection on the first $10 per loss with insurance protection coverage of up to $150 for any loss. The Authority Directors and employees are indemnified under the NIFA Act Section 3662 (7)(a) by New York State. The Authority is prohibited by the NIFA Act Section 3654 (14) from owning real property. During the past three years, there have been no claims against the Authority's insurance policies. There have been no significant reductions in insurance coverage as compared to the prior year.

11. CONTROL PERIOD EXPENSES

During a control period, NIFA is empowered, among other things, to approve or disapprove proposed contracts and borrowings by the County and Covered Organizations; approve, disapprove, or modify the County's multi-year financial plan; and issue binding orders to the appropriate local officials. It can and did impose a wage freeze on March 24, 2011 for County employees. The wage freeze was lifted on May 3, 2014 for four of Nassau County's five labor unions and on September 9, 2014 for the fifth labor union and for Nassau County's non-union employees. The five unions ratified new labor agreements at the time their respective wage freezes were lifted. NIFA will terminate the Control Period upon finding that no condition exists which would permit imposition of a Control Period. During 2020, NIFA incurred $1,221 of expenses directly related to fulfilling its expanded oversight responsibilities of the County and the Nassau University Medical Center for which it declared a Control Period in February 2020.

12. COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

The Authority has been named as a defendant in actions resulting from its imposition of a Control Period in January of 2011. Based upon the opinion of counsel, management believes that the resolution of these matters will not have a material adverse effect on its statement of net position or its statement of activities.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. Although some of the restrictions have been lifted during 2020 and 2021, the coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Authority, to date, the Authority is expecting to experience declining sales tax revenues and sales tax revenue distributions to the County in the near future. Sales tax revenue, the Authority's main revenue stream, decreased $70.466 million, or 6.02% from 2019. Although the Authority experienced a 6.02% decline in sales tax revenue, the 2020 sales tax revenue of $1,110.9 million provided 18.71 times the Authority's requirements for debt service and operations. As such, the possibility that we are vulnerable to risk of a near-term impact is remote. The expected impact of lower sales tax revenue is smaller amounts distributed to the County after the Authority has satisfied its 2021 debt service and operational requirements.

13. SUBSEQUENT EVENTS

In 2021, the Authority issued $553.07 million of Series 2021A sales tax secured bonds and $557.05 million of Series 2021B sales tax secured bonds, collectively ("Series 2021 bonds") to currently refund $331.22 million of the Authority's bonds and $856.79 million of County bonds. Of the $1,307.78 million bond issuance proceeds (including premium on issuance of $197.67 million), $1,291.86 was used for refunding of existing bonds (including interest of $103.84 million) and $15.92 million was used to pay for costs associated with the issuance. In conjunction with the Series 2021 bond issuance, the existing swaps, a hedged derivative instrument (see Note 6) were terminated, resulting in an $11.01 million swap termination fee, which is included in the $15.92 million cost of issuance noted in the previous sentence. The overall transaction resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of $117.65 million.

The Series 2021 bonds are redeemable or subject to mandatory tender for purchase in lieu of redemption, prior to maturity, in accordance with their terms.

14. PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

The following statements have been issued by the GASB and are to be implemented in future years, if applicable on the implementation date:

Statement No. 87, *"Leases"* establishes accounting and financial reporting of leases. It requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For leases with terms in-excess of 12 months, the Statement requires the leases to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (as extended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*").

Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"* requires that interest costs incurred before the end of a construction period be recognized as an expense. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset recorded in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (as extended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*").

Statement No. 91, *"Conduit Debt Obligations"* clarifies the existing definition of conduit debt obligations, establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and also improves required not disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (as extended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*").

Statement No. 92, *"Omnibus 2020"* has been issued to provide guidance in leases, pension plans and a wide range of other accounting and financial reporting issues that were identified during the implementation and application of some earlier pronouncements. The requirements of this Statement are effective as follows: (a) paragraphs 6 and 7, fiscal years beginning after June 15, 2021, and (b) paragraphs 8, 9, 10 and 12, reporting beginning after June 15, 2021.

Statement No. 93, *"Replacement of Interbank Offered Rates"* amends certain provisions of GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments"* as amended) and Statement No. 87, *"Leases".* It has been issued to address the various accounting and reporting implications that will result from the replacement of LIBOR, as LIBOR will cease to exist in 2021. Among other provisions, this Statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, clarifies the hedge accounting termination provisions when a hedge item is amended to replace the reference rate, clarifies the GASB Statement No. 53 definition of a *reference rate*, and identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. The requirements of this Statement are effective for years beginning after June 15, 2021 (as extended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*"), except for the provisions that LIBOR is not an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate of taxable debt, which is effective for years ending after December 31, 2021.

14. PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*, this Statement has been issued to improve financial reporting related to public-private and public-public partnership arrangements, in which one a government (transferor) contracts with an operator (governmental or nongovernmental entity) to provide public services by conveying the right to operate or use a nonfinancial asset. The requirements of this Statement are effective for years beginning after June 15, 2022.

Statement No. 96, *"Subscription-Based Information Technology Arrangements"*, this Statement has been issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *"Leases",* as amended. The requirements of this Statement are effective for years beginning after June 15, 2022.

Statement No. 97, *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84 and a suppression of GASB Statement No. 32"*, this Statement has been issued to (1) increase consistency in reporting of fiduciary component units in instances where the potential component unit does not have a governing board and the primary government performs the duties of a governing board (effective upon issuance); (2) mitigate costs associated with the reporting of certain defined contribution plans and employee benefits plans other than pension plans or OPEB plans as fiduciary component units (effective upon issuance); and (3) enhances relevance and consistency of accounting and financial reporting for Internal Revenue Service Section 457 deferred compensation plans that meet the definition of a pension plan for benefits provided through those plans. The requirements of this Statement are effective as follows:

- Paragraphs 4 and 5, effective upon issuance.
- Paragraphs 6-9, effective years beginning after June 15, 2021.
- All other requirements, effective reporting periods beginning after June 15, 2021.

The Authority is currently evaluating the impact of the aforementioned GASB Statements on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

NASSAU COUNTY INTERIM FINANCE AUTHORITY
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT LIABILITY AND RELATED RATIO
(UNAUDITED)
December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

Financial Reporting Date, December 31st:	2020	2019	2018	2017
OPEB Measurement Date of December 31st:	2019	2018	2017	2016
Total OPEB Liability:				
Balance, Beginning of Period	$ 2,404	$ 2,234	$ 1,909	$ 1,884
Service costs	78	91	77	79
Interest	99	79	73	69
Effect of economic/demographic gains or losses	-	638	13	-
Effect of changes of assumptions and other inputs	456	(545)	240	(57)
Benefit payments, including implicit subsidy	(110)	(93)	(78)	(66)
Balance, End of Year	$ 2,927	$ 2,404	$ 2,234	$ 1,909
Covered employee payroll	$ 798	$ 836	$ 791	$ 832
Total OPEB liability as a percentage of covered employee payroll	366.79%	287.56%	282.43%	229.45%

Notes to Schedule:

Changes in assumptions:				
Discount rate used at each measurement date listec	2.74%	4.10%	3.44%	3.78%

Mortality:
2018 Measurement date - April 1, 2016 Actuarial Valuation of the New York State and Local Retirement System, modified to use Scale MP-2019
2017 Measurement date - April 1, 2016 Actuarial Valuation of the New York State and Local Retirement System, modified to use Scale MP-2018
2016 Measurement Date - RP-2000, Scale AA

Dependent Coverage:
The 2018 measurement date assumes the dependent coverage assumption for female members electing spousal coverage from changed from 60% to 50%.

High-Cost Excise Tax:
The liability measured as of December 31, 2019 excludes the impact of the excise tax on high-cost plans.

No assets have been accumulated in a trust which meets the criteria in GASB Statement No. 75, paragraph 4.

Information prior to financial reporting year December 31, 2017 is not available.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(UNAUDITED)
December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

	Authority's:				
March 31,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of Total Pension Liability
2020	0.0008543%	$ 226	$ 407	55.53%	86.39%
2019	0.0010936%	77	432	17.82%	96.27%
2018	0.0011925%	38	429	8.86%	98.24%
2017	0.0013429%	126	406	31.03%	94.70%
2016	0.0017413%	279	586	47.61%	90.70%
2015	0.0016961%	57	636	8.96%	97.95%
2014	0.0016961%	77	625	12.32%	97.20%

Notes:

Amounts presented were determined as of the System/Plan's measurement date of March 31st.

Change in assumptions from the March 31, 2019 to March 31, 2020 Plan Year

- The interest (discount) rate was lowered from 7.0% to 6.8%.
- The mortality improvement assumption was updated to the Society of Actuaries' Scale MP-2018.

Changes in assumptions from the March 31, 2017 to March 31, 2018 Plan year:

- The salary scale rate was lowered from 4.9% to 3.8%.

Changes in assumptions from the March 31, 2015 to March 31, 2016 Plan year:

- The interest (discount) rate was lowered from 7.5% to 7.0%.
- The inflation rate was decreased from 2.7% to 2.5%.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
(UNAUDITED)
December 31, 2020
(Dollars in Thousands, Unless Otherwise Noted)

Years Ended December 31,	Contractually Required Contributions	Contributions Recognized by the Plan in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 65	$ 65	$ -	$ 405	16.05%
2019	68	68	-	422	16.11%
2018	67	67	-	339	19.76%
2017	71	71	-	426	16.67%
2016	98	98	-	452	21.68%
2015	115	115	-	640	17.97%
2014	103	103	-	464	22.20%
2013	135	135	-	648	20.83%
2012	125	125	-	721	17.34%
2011	94	94	-	638	14.73%

Notes:

Amounts presented for each year were determined as of December 31st and the contractually required contributions are based on the amounts invoiced by the New York State Local Retirement System.

RSM

RSM US LLP

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Nassau County Interim Finance Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Nassau County Interim Finance Authority (the Authority), a component unit of the County of Nassau, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 26, 2021.

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

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

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

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

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

RSM US LLP

New York, New York
May 26, 2021