

***Nassau County Interim
Finance Authority***



***Financial Statements for the
Year Ended December 31, 2022 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 Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 and Note 13 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, as of January 1, 2022. As a result of the adoption beginning right to use assets and lease liabilities were restated. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in total other postemployment benefits liability and related ratio, schedule of proportionate share of the net pension liability/(asset) and schedule of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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 GAAS, 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 22, 2023 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 22, 2023

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
 Year Ended December 31, 2022
 (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, 2022. We encourage readers to consider the information presented within this section in conjunction with the financial statements. All amounts are expressed in thousands of dollars, unless otherwise indicated.

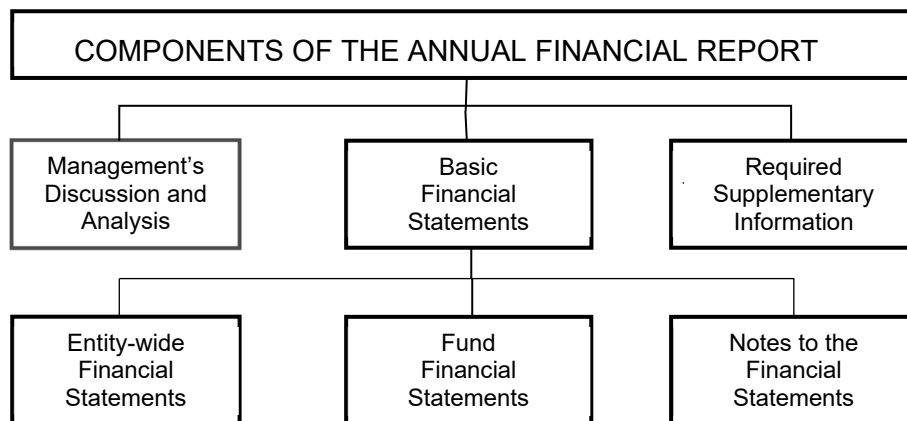
The Authority, created by the Nassau County Interim Finance Authority Act (“Act”), is a New York State Authority empowered to monitor and oversee the finances of Nassau County, New York (the “County”) and is, or has previously been, empowered within certain statutory limits to issue bonds and notes for 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). 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 throughout this Management’s Discussion and Analysis and in Note 6 to the financial statements.

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.



NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

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 and provides the reader a long-term view of the Authority's financial condition.

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 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 excellent 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.

Fund Financial Statements

The governmental fund financial statements focus is on current available resources or in other words, near-term inflows and outflows of spending 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 the funds and entity-wide 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 balance 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.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 for assets and liabilities, 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 net investment in capital assets, restricted or unrestricted, if and as applicable. The Authority's liabilities and deferred inflows exceeded its assets and deferred outflows by \$1,303,682 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,

	2022	2021
Governmental Activities:		
Assets		
Current	\$ 181,371	\$ 151,740
Long-term	1,149	-
Total Assets	182,520	151,740
Deferred Outflows of Resources	886	1,445
Liabilities		
Current	218,833	144,143
Non-current	1,259,776	1,341,568
Total Liabilities	1,478,609	1,485,711
Deferred Inflows of Resources	8,479	11,362
Net Position		
Unrestricted	(1,303,682)	(1,343,888)
Total Net Position	\$ (1,303,682)	\$ (1,343,888)

* Capital assets and long-term liabilities as of January 1, 2022 were restated for the cumulative effect of change in accounting principle pertaining to the implementation of GASB Statement No. 87, "Leases". While there was no impact on net position, capital assets and long-term liabilities were increased by \$182.

At December 31, 2022 and 2021, the Authority's net position was a deficit of \$1,303,682 and \$1,343,888, respectively. Given the purpose for which the Authority was established and its financial transactions, the Authority does not retain significant assets, and thus, the Authority's net deficit position is directly attributable to its long-term liabilities. The total of long-term liabilities, including current and non-current portions, at December 31, 2022 and 2021 totaled \$1,327,812 and \$1,342,103 respectively, and consist of sales-tax secured bonds and related premiums, lease liability, net pension liability, total other postemployment benefits liability and accrued compensated absences. By far the most significant balance of long-term liabilities is sales tax secured bonds outstanding, which totaled \$1,147,734 and \$1,148,194 at December 31, 2022 and 2021, respectively. The net decrease in total long-term liabilities, including current and noncurrent portions, of \$14,473 is primarily due to bond premium amortization of \$15,114 and a bond principal payment of \$460 and which was offset by the establishment of a lease liability of \$1,074 required by the adoption of GASB Statement No. 87 during 2022. During 2021, the Authority issued \$1,110,110 of sales-tax secured bonds at a premium of \$197,670 (excluding premiums assumed from the County) to refund \$331,224 of existing NIFA debt and \$856,790 of certain debt NIFA assumed from the County. This transaction is described in more detail in the Debt Service Fund and Debt Administration sections of this Management's Discussion and Analysis.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

ENTITY-WIDE FINANCIAL ANALYSIS (continued)

The Authority's deficit net position is expected to improve in each subsequent year, as the Authority retains sales tax revenue to finance the bond principal repayment in addition to all the Authority's operating expenses.

At December 31, 2022 and 2021, the balances of outstanding bonds of \$1,147,734 and \$1,148,194 respectively, are fixed rate.

The reconciliation on page 15 of these financial statements provides additional detail on the determination of the net deficit amount.

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.

	2022	2021
Governmental Activities:		
Revenues		
General revenues:		
Sales tax	\$ 1,441,414	\$ 1,351,312
Investment income	204	9
Compensation for loss	12	238
Total Revenues	1,441,630	1,351,559
Expenses		
General and administrative	1,983	1,709
Control period expenses	651	300
Bond interest and other debt service expenses	15,317	24,938
Distributions to Nassau County	1,383,473	1,372,714
Total Expenses	1,401,424	1,399,661
Change in Net Position before Special Item	40,206	(48,102)
Special Item		
Assumption of County debt	-	(950,698)
Change in Net Position	40,206	(998,800)
Net Position - Beginning of Year	(1,343,888)	(345,088)
Net Position - End of Year	\$ (1,303,682)	\$ (1,343,888)

The single most critical factor of the Authority's financial resources is sales tax revenue, which provided over 99% of the Authority's 2022 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 and are 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.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

ENTITY-WIDE FINANCIAL ANALYSIS (continued)

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, the effects of the COVID-19 pandemic and more recently, inflation. 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.

Sales tax revenue for the year ended December 31, 2022 was \$1,441,414, an increase of 6.67% from the prior year due to consumer demand for goods and effects of inflation. Investment income totaled \$204 in 2022, an increase from \$9 in 2021 as interest rates increased during 2022.

Sales tax revenue of \$1,441,414 provided 43.18 times the coverage of the Authority's 2022 bond debt service requirements (including principal, interest and other debt service costs but excluding amortization of premiums and deferred gains/loss on refundings) of approximately \$33,385. This coverage will change as sales tax revenue fluctuates, as the Authority refunds and/or amortizes its debt, or as borrowing rates change. Altogether, the Authority retained \$57,664 of 2022 sales tax revenue for debt service and Authority operations and remitted the balance of \$1,383,252 to Nassau County (excluding general distributions). Of the \$1,351,312 of sales tax revenue received in 2021, the Authority transferred \$1,315,878 to the County (excluding distributions from other sources).

As with sales tax, interest earnings that are not required for Authority operations or debt service requirements are remitted to the County.

The Authority's expenses for 2022 include a distribution to the County of \$221 of which \$209 represents interest and appreciation earned from investments not needed for debt service and \$12 from a LIBOR-related settlement. The actual distributions to the County in 2023 will depend upon the investment values at maturity.

Expenses for 2021 included a distribution to the County of \$56,598, of which \$55,800 represented a return of debt service set-asides no longer needed due to the debt restructuring, \$578 represented a reserve for debt service expense related to variable rate debt no longer needed, and the remaining \$220 represented funds set aside to pay expenses related to the debt restructuring. Additionally, during 2021 \$238 was distributed to the County from LIBOR-related settlements.

The Authority's baseline general and administrative operating expenses were \$1,983 and \$1,709 for the years ended December 31, 2022 and 2021, respectively. The increase in baseline operating expenses of \$274 from 2021 to 2022 is primarily due to an increase in compensation and related benefits of \$158, amortization of right-to-use leased asset of \$115, professional fees of \$34, which was offset by a decrease of \$33 in other operating expenses. NIFA adopted a resolution declaring a control period in Nassau County in accordance with its enabling legislation. NIFA incurred control period-related operating expenses of \$651 in 2022 and \$300 in 2021 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 related statutory mission for the County and its component units.

Bond interest and other debt service expenses of \$15,317 in 2022 decreased by \$9,621 from the prior year. The 2021 debt refunding/restructuring transaction caused NIFA to incur \$4,918 of bond issuance expenses, \$8,965 of interest expense on the assumed portion of the County debt currently refunded from the date of assumption to when actually paid, as well as additional accrued interest of \$3,026 at year end due to higher outstanding debt (as a result of the bond refunding transaction including the assumption of County debt), which was not incurred in 2022.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

ENTITY-WIDE FINANCIAL ANALYSIS (continued)

Included in the 2021 statement of activities and changes in net position is a \$950,698 special item. This balance consists of the amount of debt NIFA assumed from the County in the refinancing. In December 2020, the County executed a Declaration of Need, which provided the ability to effectively transfer certain debt and related amounts (i.e., unamortized premiums and deferred amounts on prior refundings) to NIFA and for NIFA to refund said debt. Accordingly, in February 2021, the Authority assumed \$856,790 of general obligation bonds ("Assumed County Debt" or "Assumption of County Debt"), \$27,490 of accrued interest and \$66,418 of related net unamortized premiums and deferred amounts. Concurrently, this debt was refunded.

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 of the General Fund may serve as a useful measure of a government's net resources available for spending at the end of the year, while the restricted fund balance in the Debt Service Fund reflects inflows of resources retained for future debt service requirements.

At December 31, 2022, the Authority's governmental funds reported total ending fund balances of \$34,702, an increase of \$22,413 in comparison with the prior year. This change in total governmental funds is due to revenues and other financing sources exceeding expenditures and other financing uses in the Debt Service Fund by \$22,611 and expenditures and other financing uses exceeding revenues and other financing sources in the General Service Fund by \$198. 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** - \$33,604 (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** - \$1,035 (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.

General Fund

At the end of the current year, the total fund balance of the General Fund was \$1,098, decreasing \$198 from the prior year. Sales tax revenue of \$1,441,414 increased by \$90,102 from the 2021 level of \$1,351,312, primarily due to increases in consumer spending within Nassau County. Of the \$1,441,414 of sales tax revenue, 95.96%, or \$1,383,252, was distributed to the County as part of its normal distributions. The amount of sales tax distributed to the County of \$1,383,252 increased by \$10,532 from the 2021 transfers totaling \$1,372,720, which also included debt service reserves no longer required and funds from the debt restructuring. Transfers to the Debt Service Fund were \$56,012 and \$57,990 for the years ended December 31, 2022 and 2021, respectively. Additionally, sales tax revenue was retained in the General Fund to pay for the recurring operations of the Authority, lease debt service, as well as to fund the additional costs incurred in fulfilling its responsibilities under the control period, which collectively totaled \$2,356.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS (continued)

Debt Service Fund

At the end of the current year, the total fund balance of the Debt Service Fund was \$33,604, all of which is restricted for future debt service requirements. During 2022, the Debt Service Fund received \$56,012 from the General Fund to finance the monthly debt service set-asides as required by the bond indenture agreement and pay debt service related expenses. Debt service expense of \$33,388 is \$16,389 less than the prior year, primarily due to \$16,027 of bond issuances expenditures and other professional fees incurred in 2021 pertaining to the bond sale and variable rate bonds.

During 2021, in order to provide the County with budgetary relief during the COVID-19 pandemic, the Authority issued \$1,110,110 of sales-tax secured fixed rate bonds at a premium of \$197,670. The proceeds of \$1,307,780 were used as follows: \$1,283,618 deposited with escrow agent for future payment of defeased debt (reported as other financing use), \$8,238 deposited with escrow agent for NIFA's portion of interest on current refunding (reported as debt service) and \$15,924 of bond issuance fees, including swap termination fee of \$11,007. As stated earlier, the refunding bonds were issued to advance refund \$1,188,014 of bonds outstanding, of which \$331,224 was the Authority's existing debt and \$856,790 was assumed debt from the County. The Authority assumed certain debt of the County pursuant to regulations granted under 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 amended, and from the Declaration of Need executed by the County in December 2020. The bond refunding transaction consisted of both a current refunding and an advance refunding. As the refunding transaction reduced the 2021 debt service, the Authority transferred \$81,106 back to the General Fund, of which \$56,836 was then transferred the County.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2022, NIFA had \$1,072 capital assets, which consists of an intangible right-to-use leased asset for office space. There were no capital assets at December 31, 2021.

Debt Administration

At the end of the current year, NIFA has total sales tax secured bonded debt outstanding of \$1,147,734, all of which is subject to a fixed interest rate.

A summary of changes in sales tax secured bonds for governmental activities for the years ended December 31, 2021 and 2022 is as follows:

	Outstanding Principal Balance at January 1, 2021	Bond Issuance	Principal Retired	Outstanding Principal Balance at December 31, 2021	Principal Retired	Outstanding Principal Balance at December 31, 2022
Sales tax secured bonds:						
Fixed rate	\$ 145,798	\$ 1,110,110	\$ 107,714	\$ 1,148,194	\$ 460	\$ 1,147,734
Variable rate hedged	223,950		223,950	-	-	-
General obligations bonds of the County assumed by NIFA		856,790	856,790	-	-	-
	<u>\$ 369,748</u>	<u>\$ 1,966,900</u>	<u>\$ 1,188,454</u>	<u>\$ 1,148,194</u>	<u>\$ 460</u>	<u>\$ 1,147,734</u>

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

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration (continued)

As demonstrated in the chart above, the balance of outstanding bonds increased by \$778,446 during 2021, while the balance decreased by \$460 during 2022. The bond activity is the most significant transaction impacting the reported amount of changes in net position for the years ended December 31, 2022 (a decrease in the net position deficit balance of \$40,206) and 2021 (an increase in the net position deficit balance of \$998,800). To understand this stark difference, it is important to understand significant bond activity in 2021, which is discussed below.

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 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 COVID-19 pandemic. The legislation allowed for the Authority to issue 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.

On February 17, 2021, 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 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 at rates ranging from 4.0% to 5.0% and mature in November 2035 and the Series B bonds bear interest at rates ranging from 0.0263% to 1.639% and mature in November 2030. The net present value savings to be realized from the 2021 Series A and B 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 A and B 2021 Bonds, the remaining swaps on refunded debt were terminated at a cost of \$11,007.

Effectively, with this 2021 bond issuance, the Authority assumed \$856,790 of existing County debt, as well as \$93,908 of accrued interest, premiums, and deferred loss on prior refundings. The bonds were refinanced with a lower interest rate due to NIFA's superior credit rating. With this bond issuance, the County debt was essentially 'restructured', providing total budgetary relief to the County of \$487 million in 2021 and 2022.

Additional information on NIFA's indebtedness is shown in the notes to the financial statements (see Note 6).

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 nifacommments@nifa.state.ny.us.

BASIC FINANCIAL STATEMENTS

NASSAU COUNTY INTERIM FINANCE AUTHORITY

STATEMENT OF NET POSITION

December 31, 2022

(Dollars in Thousands)

Governmental Activities:

Assets

Unrestricted cash	\$ 892
Restricted cash	2
Restricted investments	16,889
Sales tax revenue receivable	163,525
Other assets	63
Net pension asset	77
Capital assets, net of accumulated amortization	<u>1,072</u>

Total Assets 182,520

Deferred Outflows of Resources

Deferred charges on debt refundings	495
Deferred outflows relating to OPEB	148
Deferred outflows relating to pensions	<u>243</u>

Total Deferred Outflows of Resources 886

Liabilities

Accounts payable and accrued liabilities	4,234
Due to Nassau County	146,563
Bonds payable:	
Due within one year	67,914
Due in more than one year	1,079,820
Unamortized bond premium	175,592
Lease payable:	
Due within one year	41
Due in more than one year	1,033
Total other postemployment benefits liability (OPEB)	3,007
Compensated absences payable:	
Due within one year	81
Due in more than one year	<u>324</u>

Total Liabilities 1,478,609

Deferred Inflows of Resources

Deferred amounts of debt refundings	8,146
Deferred inflows relating to OPEB	61
Deferred inflows relating to pensions	<u>272</u>

Total Deferred Inflows of Resources 8,479

Net Position

Unrestricted	<u>(1,303,682)</u>
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Total Net Position \$ (1,303,682)

See Notes to Financial Statements and Independent Auditor's Report.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

Governmental Activities:

Expenses

General and administrative	\$	1,983
Control period expenses		651
Debt interest and other debt service expenses		15,317
Distributions to Nassau County from:		
General operations		209
Compensation for loss		12

		<u>18,172</u>
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		<u>18,172</u>
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General Revenues

Sales tax		1,441,414
Less: sales tax distributions to Nassau County		(1,383,252)
Investment income		204
Compensation for loss		12

		<u>58,378</u>
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		40,206
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		<u>(1,343,888)</u>
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		<u>\$ (1,303,682)</u>
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See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCIAL AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

	Major Funds		Total (Governmental Funds)
	General	Debt Service	
ASSETS			
Unrestricted cash	\$ 892	\$ -	\$ 892
Restricted cash	-	2	2
Restricted investments	-	16,889	16,889
Sales tax revenue receivable	163,525	-	163,525
Due from other funds	-	16,803	16,803
Other assets	63	-	63
	<u>164,480</u>	<u>33,694</u>	<u>198,174</u>
Total Assets	<u>\$ 164,480</u>	<u>\$ 33,694</u>	<u>\$ 198,174</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 106	\$ -	\$ 106
Due to Nassau County	146,473	90	146,563
Due to other funds	16,803	-	16,803
	<u>163,382</u>	<u>90</u>	<u>163,472</u>
Total Liabilities	<u>163,382</u>	<u>90</u>	<u>163,472</u>
Fund Balances			
Nonspendable:			
Prepaid items and other assets	63	-	63
Restricted for:			
Debt service - bonds	-	33,604	33,604
Unassigned, reported in:			
General fund	1,035	-	1,035
	<u>1,098</u>	<u>33,604</u>	<u>34,702</u>
Total Fund Balances	<u>1,098</u>	<u>33,604</u>	<u>34,702</u>
Total Liabilities and Fund Balances	<u>\$ 164,480</u>	<u>\$ 33,694</u>	<u>\$ 198,174</u>

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, 2022
(Dollars in Thousands, Unless Otherwise Noted)

Total Fund Balances - Governmental Funds	\$ 34,702
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net pension asset is not an available resource, and therefore, is not reported in the funds.	77
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets - depreciable right-to-use asset	1,187
Accumulated amortization	(115)
Deferred outflows of resources not recorded in governmental funds	886
Liabilities that are not due and payable in the current period, and accordingly are not reported in the governmental funds:	
Bonds payable	(1,147,734)
Unamortized bond premiums	(175,592)
Lease payable	(1,074)
Total other postemployment benefits liability	(3,007)
Accrued compensated absences payable	(405)
Accrued expenses	(4,128)
Deferred inflows of resources not recorded in governmental funds	(8,479)
Net Position of Governmental Activities	\$ (1,303,682)

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, 2022
(Dollars in Thousands, Unless Otherwise Noted)

	Major Funds		Total (Governmental Funds)
	General	Debt Service	
Revenues			
Sales tax	\$ 1,441,414	\$ -	\$ 1,441,414
Compensation for loss	12	-	12
Investment income	1	203	204
Total Revenues	<u>1,441,427</u>	<u>203</u>	<u>1,441,630</u>
Expenditures			
General and administrative	1,589	-	1,589
Control period expenditures	651	-	651
Distribution to Nassau County for:			
Sales tax remittance	1,383,252	-	1,383,252
General operations	131	90	221
Capital outlay	1,005	-	1,005
Debt service			
Bonds		33,388	33,388
Lease	116	-	116
Total Expenditures	<u>1,386,744</u>	<u>33,478</u>	<u>1,420,222</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,683</u>	<u>(33,275)</u>	<u>21,408</u>
Other Financing Sources and (Uses)			
Lease issued	1,005	-	1,005
Transfers in	126	56,012	56,138
Transfers out	(56,012)	(126)	(56,138)
Total Other Financing Sources and (Uses)	<u>(54,881)</u>	<u>55,886</u>	<u>1,005</u>
Net Changes in Fund Balances	(198)	22,611	22,413
Fund Balances			
Beginning of Year	<u>1,296</u>	<u>10,993</u>	<u>12,289</u>
End of Year	<u>\$ 1,098</u>	<u>\$ 33,604</u>	<u>\$ 34,702</u>

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, 2022
(Dollars in Thousands, Unless Otherwise Noted)

Net Change in Fund Balances - Total Governmental Funds \$ 22,413

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives

Capital outlay	1,005
Amortization expense	(115)

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	460
Reduction of premiums on bonds issued	15,114
Lease issued	(1,005)
Repayment of lease	113
Net change in deferred inflows and outflows of resources related to bond refundings	2,497

Net change in deferred inflows of resources not reported in the funds

Expenses reported in the statement of activities which do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds:

Change in accrued expenses	29
Net change in deferred (inflows) and outflows of resources relating to:	
net pension asset/liability	(45)
total postemployment benefits liability	(128)
Net change in net pension asset/liability	78
Net change in OPEB liability	(155)
Net change in accrued compensated absences payable	(55)

Change in Net Position of Government Activities \$ 40,206

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

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 December 31, 2022 there were six Directors. No vice chairperson has 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 COVID-19 pandemic. The legislation allows for the Authority to issue 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 and investments on deposit in various Authority accounts. 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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

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 (bonds and leases), 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 bond 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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

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's investments are governed by 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. All bank deposits and investments of Authority funds are required to be fully collateralized or insured. Collateral required for the Authority's cash and investments 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 obligations of the U.S. government or its agencies, New York State and Nassau County, NY.

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, including right-to-use leased assets, purchased, or acquired with an original cost/value of greater than \$15 are capitalized.

The Authority's capital assets consist of a right-to-use-asset pursuant to long-term lease agreement for office space. The leased right-to-use asset has been measured at the amount of the initial measurement of the lease liability. The leased asset of the Authority is amortized using the straight-line method over the shorter of the leased assets useful life or the lease term, including options to renew which have been deemed reasonably expected to be exercised.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 deferred charges on debt refunding, and amounts related to pension and other postemployment benefits (“OPEB”).

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.

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, 2022 there is no liability outstanding.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Long-Term Liabilities and Related Amounts

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

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 in the year the bonds are issued. 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, 2022, there is no outstanding arbitrage rebate liability.

8. Interfund Transactions

Interfund transactions and balances have been eliminated from the entity-wide financial statements. In the fund financial statements, interfund 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.

9. Lease Liability

A lease is defined as a contractual agreement which conveys control of the right to use another entity's nonfinancial asset as specified in a contract/agreement, for a minimum contractual period in an exchange or exchange-like transaction. Where the contractual period is greater than twelve months, including options to renew which are reasonably expected to be exercised, a lease liability and associated asset (right-to-use asset) is recognized on the entity-wide statement of net position. At the inception of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term less lease incentives, as applicable. A lease liability and corresponding right-to-use asset are recorded with an initial, individual value of \$15 or more. The lease liability may be remeasured subsequently in certain circumstances, such as a change in the lease term.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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/(asset), 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.

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 reportable 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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

13. Net Position and Fund Equity Classifications (continued)

- (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.

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. 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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. NEW ACCOUNTING PRINCIPLES

During 2022, the Authority adopted the following the statements issued by GASB:

- Statement No. 87, “Leases”,
- Statement No. 91, “Conduit Debt Obligations”,
- Statement No. 92, “Omnibus 2020”,
- Statement No. 93, “Replacement of Interbank Offered Rates”, and
- 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”, and
- Statement No. 99, “Omnibus 2022”, paragraphs pertaining to use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of provisions of Statement No. 34 and terminology updates related to Statement No. 53 and 63.

GASB Statement No. 87 established a uniform approach to account for lease transactions based on the principal that long-term leases are essentially financing the right to use an underlying asset, and therefore a liability has been incurred. The adoption of GASB Statement No. 87 resulted in the Authority reporting an intangible right-to-use-asset (a capital asset) and a lease liability, as well as enhanced footnote disclosure. It had no impact on opening net position. See Note 13.

The remaining Statements noted above had no impact on the Authority’s financial statements.

F. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 22, 2023, which is the date the financial statements were available to be issued. There are no significant subsequent events to report.

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, 2022:

Distributions:

- Of the \$1,441,414 sales tax revenues recognized as revenue, the Authority distributed \$1,383,252 to Nassau County. The remainder was retained for Authority debt service and operations.
- Other distributions to the County consisted primarily of investment earnings not needed for Authority’s expenses of \$209. The Authority also distributed \$12 from a settlement related to LIBOR lawsuits.

At December 31, 2022 the Authority owes the County \$146,563 for sales tax revenue and when applicable, unrealized investment appreciation not remitted by year end.

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3. DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments

The Authority's investments are governed by the Act, as well as other applicable rules and regulations, the Indenture, and Authority Investment Guidelines adopted by the Directors annually, collectively referred to as "Investment Policy". Permitted investments include obligations of the United States government, certain federal agencies, obligations guaranteed by the 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 reverse repurchase agreements. At December 31, 2022, 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.

As of December 31, 2022, the Authority's investments consisted of \$8.5 million of U.S. Government securities and \$8.4 million of Federal Home Loan Bank securities ("FHLB"). The FHLB investments are not a permissible investment under the Investment Policy. Subsequent to year end, the FHLB investments matured at fair value without loss to the Authority and proceeds were used to satisfy the debt service requirements.

Cash

The following is a summary of cash as of December 31, 2022:

Cash classification:		
Unrestricted	\$	892
Restricted		2
	\$	894

Investments

The following is a summary of the fair value of investments of the Authority as of December 31, 2022.

Investment type:		
Restricted - <i>maturities less than 1 year</i> :		
U.S. Government securities	\$	8,455
Federal Home Loan Bank securities		8,434
Total Restricted Investments	\$	16,889

At December 31, 2022, 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.

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3. DEPOSITS AND INVESTMENTS (continued)

Fair Value Hierarchy (continued)

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.

The following is a summary of the fair value hierarchy of the Authority's investments as of December 31, 2022:

Investment by Fair Value Level	Credit Quality Rating	Total	Fair Value Measurements Using:		
			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	\$ 8,455	\$ -	\$ 8,455	\$ -
Federal Home Loan Bank securities	A-1+	8,434		8,434	
Total Investment by Fair Value Level		\$ 16,889	\$ -	\$ 16,889	\$ -

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, 2022, the carrying amount of the Authority's cash was \$894. The bank balance was \$888, of which \$252 was covered by FDIC and \$636 was covered by collateral held by the Authority's agent, a third-party financial institution, in the Authority's name with a fair value of \$649. At certain times during 2022, cash balances were collateralized with securities which were not permitted under the NIFA Act. After discovering this non-compliance, Management amended the tri-party custodial agreement to include only investments allowable by the NIFA Act.

All investments are in the name of the Authority. Pursuant to the Investment Guidelines, all financial interests in investments are to be fully secured or collateralized at all times. At December 31, 2022, the investments totaling \$16.9 million were not collateralized, however \$8.5 million was invested in U.S. Government securities and is therefore not subject to credit risk.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
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3. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits/Investments (continued) - Obligations issued by the FHLB, a federal government sponsored entity, are not explicitly guaranteed by the federal government and therefore subject to credit risk. Subsequent to the discovery that FHLB debt is not an allowable investment under the Investment Guidelines, Management amended their investment practice to limit investments to those allowable under the Guidelines and not subject to credit risk.

Credit Risk - Credit risk is the risk that the issuer or other counter party to an investment will not fulfill its obligations. 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, 2022 mature at various times through May 15, 2023.

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 government agency discount notes at December 31, 2022.

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, 2022, the General Fund owes the Debt Service Fund \$16,803 of sales tax revenue to cover debt service set aside requirements. A summary of transfers in 2022, for primarily debt service set aside requirements, is as follows:

	Transfer In	Transfer Out
Debt Service Fund:		
General Fund	\$ 56,012	\$ (126)
General Fund:		
Debt Service Fund	126	(56,012)
	\$ 56,138	\$ (56,138)

5. CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

	(As Restated)*			Balance 12/31/2022
	Balance 1/1/2022	Additions	Deletions	
Capital Assets				
Right-to-use asset - leased office space	\$ 182	\$ 1,005	\$ -	\$ 1,187
Less: accumulated amortization		115		115
Capital assets, net of accumulated amortization	\$ 182	\$ 890	\$ -	\$ 1,072

* Restated for cumulative effect of change in accounting principles, adoption of GASB Statement No. 87

NASSAU COUNTY INTERIM FINANCE AUTHORITY
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6. LONG-TERM LIABILITIES

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

	(As Restated)*			Balance 12/31/2022	Due within One Year	Noncurrent
	Balance 1/1/2022	Additions	Reductions			
Bonds payable:						
Sales tax secured bonds payable	\$ 1,148,194	\$ -	\$ 460	\$ 1,147,734	\$ 67,914	\$ 1,079,820
Premiums	190,706	-	15,114	175,592	-	175,592
Total bonds payable	1,338,900	-	15,574	1,323,326	67,914	1,255,412
Lease payable*	182	1,005	113	1,074	41	1,033
Total OPEB liability	2,852	155		3,007	-	3,007
Net pension liability	1		1	-	-	-
Compensated absences payable	350	130	75	405	81	324
	<u>\$ 1,342,285</u>	<u>\$ 1,290</u>	<u>\$ 15,763</u>	<u>\$ 1,327,812</u>	<u>\$ 68,036</u>	<u>\$ 1,259,776</u>

* Restated for cumulative effect of change in accounting principles, adoption of GASB Statement No. 87

The amount due for the lease payable, compensated absences liability, and total OPEB liability will be liquidated through the General Fund.

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 inflows of resources other than sales tax revenues and amounts on deposit pursuant to the Indenture. The Authority does not have independent taxing power.

Pursuant to the Act, as amended, no bond of the Authority may mature later than January 31, 2051.

As of December 31, 2022, the Authority had outstanding fixed rate sales tax secured bonds in the amount of \$1,147,734 maturing at various dates through the year 2035. The Series 2021A bonds maturing on or after November 15, 2031, are subject to optional redemption or mandatory tender prior to their stated maturity dates, in whole or part, on any date on or after May 15, 2031, at 100% of principal amount plus accrued interest at date of redemption. The 2021B bonds are subject to optional redemption or mandatory tender prior to their stated maturity dates, in whole or part on any date, at 100% of the principal amounts or at the present value of the remaining scheduled principal and interest discounted to the redemption date plus 5 basis points for those bonds maturing in 2023 through and including 2025, 2027 and 2029 or plus 10 basis point for bonds that mature in 2026, 2028 and 2030.

The Authority's outstanding bonds bear interest at rates ranging between 0.263% and 5.0%. Interest on the Authority's bonds is payable on May 15th and November 15th of each year. 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. This monthly deposit 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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
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6. LONG-TERM LIABILITIES (continued)

As discussed in Note 3, the Authority's investments included FHLB securities, which are not a permissible investment in accordance with the Investment Policy. The Authority has since amended its tri-party custodian agreement, amended its Investment Guidelines and consulted with bond counsel. It is the opinion of bond counsel that this noted noncompliance with investment requirements under the Indenture is not a material event requiring disclosure pursuant to SEC Rule 15c2-12.

Bonds are recorded at the principal amount outstanding and consist of the following at December 31, 2022:

	Bond Par Issued	Balance at 1/1/2022	Retired	Balance at 12/31/2022
Fixed Rate Bonds:				
Sales Tax Secured Bonds Series 2012A 3% to 5% serial bonds due through 2025	\$ 141,580	\$ 460	\$ 460	\$ -
Sales Tax Secured Bonds 2012B 0.688% to 2.822% serial bonds due through 2023	176,133	9,374	-	9,374
Sales Tax Secured Bonds 2015A 4% to 5% serial bonds due through 2025	116,310	28,250	-	28,250
Sales Tax Secured Bonds 2021A 4% to 5% serial bonds due through 2035	553,065	553,065	-	553,065
Sales Tax Secured Bonds 2021B 0.263% to 1.639% serial bonds due through 2030	557,045	557,045	-	557,045
Total Fixed Rate Bonds	<u>\$ 1,544,133</u>	<u>\$ 1,148,194</u>	<u>\$ 460</u>	<u>\$ 1,147,734</u>

Aggregate debt service to maturity, pursuant to the stated terms of the bond indenture agreements, as of December 31, 2022, is as follows:

Years Ending December 31,	Principal	Interest	Total
2023	\$ 67,914	\$ 32,901	\$ 100,815
2024	57,850	32,173	90,023
2025	98,815	31,306	130,121
2026	82,985	30,253	113,238
2027	81,195	29,565	110,760
2028-2032	438,900	118,699	557,599
2033-2035	320,075	24,249	344,324
	<u>\$ 1,147,734</u>	<u>\$ 299,146</u>	<u>\$ 1,446,880</u>

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NOTES TO FINANCIAL STATEMENTS
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6. LONG-TERM LIABILITIES (continued)

Defeasance of Debt

In prior years and the current year, 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 payments 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, 2022, \$266,145 of defeased bonds remain outstanding.

7. LEASE PAYABLE

The Authority leases office space pursuant to a lease agreement. At January 1, 2022, the lease was set to expire in July 2023, however, in December 2022, the terms of lease were modified to extend the lease for five years and 5 months, with an option to renew for an additional five years, and payable over 120 months (including option to renew period). The lease as modified, including the option to renew, expires in December 2033, is payable monthly with annual increase of 3%.

The lease payable consists of the obligation pursuant to a lease agreement for office space. The amount of the estimated lease liability report is equal to the present value of lease payments during the remainder of the lease term, including extension options which management is reasonably certain it will exercise. The subsequent lease payments have been discounted using a discount rate of 4.55%, based on the Authority's estimated incremental borrowing rates for leases.

The future lease payments under the lease agreement are as follows:

Years Ending December 31,	Principal	Interest	Total
2023	\$ 41	\$ 28	\$ 69
2024	51	64	115
2025	76	43	119
2026	83	39	122
2027	91	35	126
2028-2032	585	106	691
2033	147	4	151
	\$ 1,074	\$ 319	\$ 1,393

NASSAU COUNTY INTERIM FINANCE AUTHORITY
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8. 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").

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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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8. RETIREMENT SYSTEM (continued)

NYSERS (continued)

Benefits Provided (continued)

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.

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 aged 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.

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8. RETIREMENT SYSTEM (continued)

NYSERS (continued)

Benefits Provided (continued)

Disability Retirement Benefits

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

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (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 joined 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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
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8. 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
2022	\$ 55	\$ 55	17.55%

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

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

At December 31, 2022, the Authority reported an asset of \$77 for its proportionate share of the net pension asset of the System. The net pension asset was measured as of March 31, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of April 1, 2021, with updated procedures to roll forward the total pension liability to March 31, 2022. The Authority's proportion of the net pension asset 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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8. RETIREMENT SYSTEM (continued)

NYSERS (continued)

Pension Liabilities/(Assets), 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 asset of the System and its related employer allocation percentage:

Measurement Date	Net Pension Liability/(Asset)	Authority's Allocation of the System's Total Net Liability/(Asset)
March 31, 2022	<u>\$ (77)</u>	0.00094700%

There was no significant change in the Authority's proportionate share from March 31, 2021 (0.0009734%) to March 31, 2022 (0.000947%) measurement dates.

For the year ended December 31, 2022, the Authority recognized pension expense of \$27. As of December 31, 2022, 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	\$ 6	\$ 8
Changes of assumptions	129	2
Net difference between projected and actual earnings on pension plan investments	-	253
Changes in proportion and differences between the Authority's contribution and proportionate share of contributions	67	9
Authority's contributions subsequent to the measurement date, net of prepaid amounts	41	-
Total	\$ 243	\$ 272

The Authority's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending December 31, 2022. 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, 2023	\$ 2
2024	(11)
2025	(53)
2026	(8)
	<u>\$ (70)</u>

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8. 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, 2021
Discount rate	5.90%
Investment rate of return, net	5.90%
Salary increases	4.40%
Cost of living adjustment	1.40%
Inflation rate	2.70%
Decrement tables	April 1, 2015 - March 31, 2020, System Experience, Scale MP-2020

Annuitant mortality rates are based on the April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions for the measurement of the pension liability.

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 real 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, 2022 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Equity:		
Domestic equity	32.00%	3.30%
International equity	15.00%	5.85%
Alternatives:		
Private equity	10.00%	6.50%
Real estate	9.00%	5.00%
Other	10.00%	3.78% - 5.58%
Bonds and mortgages	23.00%	0.00%
Cash	1.00%	-1.00%
	100.00%	

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8. RETIREMENT SYSTEM (continued)

NYSERS (continued)

Actuarial Assumptions (continued)

The discount rate used to calculate the total pension liability was 5.9% 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/(Asset) to the Discount Rate Assumption

The following presents the Authority's proportionate share of the net pension liability/(asset) calculated using the discount rate of 5.9%, as well as what the Authority's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (4.9%) or 1-percentage point higher (6.9%) than the current rate:

	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Authority's proportionate share of the collective net pension liability (asset)	\$ 199	\$ (77)	\$ (309)

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/retirement/publications>.

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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

8. 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, 2022, the Authority recognized pension expense related to the VDC of approximately \$13. There is no outstanding liability owed to the VDC at December 31, 2022.

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.

9. 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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

9. 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 retiree. 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, 2021, 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 \$3,007 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2021.

Funding Policy

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

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

9. 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, 2022 total OPEB liability, measured as of December 31, 2021 (the measurement date), is based on the results of the January 1, 2021 actuarial valuation, and was determined using the following actuarial assumptions and other inputs:

Inflation rate:	2.20%, compounded annually	
Discount rate:	2.06%	
	<u>Current Measurement Date</u>	<u>Ultimate (Yr. 2101)</u>
Healthcare cost trend rates:		
Pre-Medicare eligible	4.60%	3.30%
Post-Medicare eligible	4.90%	3.30%
Medicare Part B reimbursement	6.20%	3.80%
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 2.12% (measurement date of December 31, 2020) to 2.06% (measurement date of December 31, 2021).

The mortality rates used in determining the total OPEB liability as of the December 31, 2021 measurement date are from the August 2020 Annual Report to the Comptroller on Actuarial Assumptions for the System pertaining to the Employees’ Retirement System Plan. The mortality projection scale used is SOA Scale MP-2020. As generational tables, they reflect mortality improvements both before and after the measurement date.

The per capita claims cost was developed by adjusting the premium rates paid by Participating Agencies in NYSHIP during 2021 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. Pre- and post-65 NYSHIP premium rates were adjusted separately to be consistent with the way in which demographic factors were developed.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

9. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS (continued)

Actuarial Assumptions and Other Inputs (continued)

In the January 1, 2021 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, 2022	<u>\$</u>	2,852
Changes for the year:		
Service cost		99
Interest		62
Effect of plan changes		88
Effect of economic/demographic gains or losses		(5)
Effect of changes to assumptions and inputs		10
Benefit payments, including implicit rate subsidy		<u>(99)</u>
Net Change		<u>155</u>
Balance at December 31, 2022	<u>\$</u>	<u>3,007</u>

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	Current	1% Increase
	1.06%	2.06%	3.06%
Authority's total OPEB liability	<u>\$ 3,472</u>	<u>\$ 3,007</u>	<u>\$ 2,630</u>
	Sensitivity due to Healthcare Cost Trend Rates (Pre and Post Medicare Eligible)		
	1% Decrease	Current	1% Increase
	3.6%/3.9%	4.6%/4.9%	5.6%/5.9%
Authority's total OPEB liability	<u>\$ 2,601</u>	<u>\$ 3,007</u>	<u>\$ 3,503</u>

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

9. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS (continued)

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

For the year ended December 31, 2022, the Authority recognized OPEB expense of \$397. As of December 31, 2022, the Authority reported the following deferred outflows/inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17
Changes of assumptions	35	44
Benefit payments made subsequent to the measurement date	113	-
Total	\$ 148	\$ 61

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, 2023	\$ (22)
2024	(4)
	\$ (26)

10. 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 \$268 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 \$137, 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, 2022, the value of the accumulated vacation time, holiday time and sick leave was approximately \$405.

11. 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.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

12. 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 2022, NIFA incurred \$651 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 as well as conducting New York State mandated limited performance audits of three public benefit corporations.

13. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The Authority implemented the provisions of GASB Statement No. 87 on January 1, 2022. GASB Statement No. 87 established a single model for lease accounting based on the concept that leases are a financing of a right-to-use underlying asset. This statement requires a lessee to recognize a lease liability and intangible right-to-use asset. As a result of implementing this Statement, the Authority restated its January 1, 2022 capital assets by \$182 and lease payable (long-term liability) by \$182. There was no impact on the Authority's opening net position.

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. 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 GASB Statement No. 87, as amended. The requirements of this Statement are effective for years beginning after June 15, 2022.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

14. PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

Statement No. 99, "Omnibus 2022", this statement enhances the comparability in accounting and reporting to improve the consistency of authoritative literature by addressing 1) practical issues identified in implementing certain GASB statements and 2) accounting and financial reporting for financial guarantees. The requirements related to leases, Public-Private and Public-Public Partnerships and subscription-based information technology arrangements are effective for fiscal years beginning after June 15, 2022, and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for years beginning after June 15, 2023.

Statement No. 100, "Accounting for Changes and Error Corrections – an amendment of GASB Statement No. 62", was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections. The Statement defines accounting changes and prescribes the accounting and financial reporting for 1) each type of accounting changes and 2) correction of errors. The requirements of this Statement are effective for years beginning after June 15, 2023.

Statement No. 101, "Compensated Absences", this Statement provides updated guidance for the recognition and measurement of compensated absences under a uniformed model and by amending certain previously required disclosures. Among other provision, this Statement requires the liabilities for compensated absences be recognized for 1) leave that has not been used and 2) leave that has been used by not yet paid in cash or settled through noncash means – for leave that is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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, 2022
(Dollars in Thousands, Unless Otherwise Noted)

Financial Reporting Date, December 31st:	2022	2021	2020	2019	2018	2017
OPEB Measurement Date of December 31st:	2021	2020	2019	2018	2017	2016
Total OPEB Liability:						
Balance, Beginning of Period	\$ 2,852	\$ 2,927	\$ 2,404	\$ 2,234	\$ 1,909	\$ 1,884
Service costs	99	104	78	91	77	79
Interest	62	82	99	79	73	69
Effect of plan changes	88					
Effect of economic/demographic gains or losses	(5)	(40)	-	638	13	-
Effect of changes of assumptions and other inputs	10	(123)	456	(545)	240	(57)
Benefit payments, including implicit subsidy	(99)	(98)	(110)	(93)	(78)	(66)
Balance, End of Year	\$ 3,007	\$ 2,852	\$ 2,927	\$ 2,404	\$ 2,234	\$ 1,909
Covered employee payroll	\$ 880	\$ 832	\$ 798	\$ 836	\$ 791	\$ 832
Total OPEB liability as a percentage of covered employee payroll	341.70%	342.79%	366.79%	287.56%	282.43%	229.45%

Notes to Schedule:

Changes in assumptions:

Discount rate used at each measurement date listed	2.06%	2.12%	2.74%	4.10%	3.44%	3.78%
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2021 Measurement date - reflects addition of sick leave offset amounts for some retirees, which reduces the retirees share of contributions

Mortality:

2020 Measurement date - August 2020 Annual Report to the NYS Comptroller on Actuarial Assumptions for the New York State and Local Retirement System, modified to use Scale MP-2020.

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.

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/(ASSET)
(UNAUDITED)
December 31, 2022
(Dollars in Thousands, Unless Otherwise Noted)

March 31,	Authority's:		Covered Payroll	Authority's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of Total Pension Liability/(Asset)
	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)			
2022	0.0009470%	\$ (77)	\$ 425	-18.12%	103.65%
2021	0.0009734%	1	413	0.24%	99.95%
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.

Changes in assumptions from the March 31, 2021 to March 31, 2022 Plan Year and other information:

- The fluctuation in in the Authority's proportionate share of the net pension liability/(asset) from the prior year is primarily due to impact of investment earnings/gains on the Plan's fiduciary net assets.
- The inflation rate was increased from 2.5% to 2.7%.

Changes in assumptions from the March 31, 2020 to March 31, 2021 Plan Year and other information:

- The interest (discount) rate was lowered from 6.8% to 5.9%.
- The mortality improvement assumption was updated to the Society of Actuaries' Scale MP-2020.
- The fluctuation in in the Authority's proportionate share of the net pension liability from the prior year is primarily due to impact of investment earnings/gains on the Plan's fiduciary net assets.

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, 2022
(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
2022	\$ 55	\$ 55	-	\$ 425	12.94%
2021	75	75	-	413	18.16%
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%

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.

**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***

Independent Auditor's Report

Board of Directors
Nassau County Interim Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2022, 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 22, 2023. Our report contained an emphasis of matter paragraph related to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2022-001.

The Authority's Response to Findings

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

Purpose of This Report

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

RSM US LLP

New York, New York
May 22, 2023

Schedule of Findings and Responses

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

I. Internal Control Over Financial Reporting

2022-001

Noncompliance with Investment Guidelines

Criteria:

The Authority's Investment Guidelines are re-adopted each year as required by Section 2925 of the New York Public Authorities Law. Section 4.1 of the Authority's Investment Guidelines, re-adopted May 31, 2022, includes a list of permissible investments. It states that the Authority may invest in any and all of the permissible investments listed, if and to the extent permitted by statutes, regulations and bond resolutions applicable at the time of investment of such Investment Funds.

Section 3657(4) of the Nassau County Interim Finance Authority Act (NIFA Act) requires that all deposits of Authority money be secured by obligations of the United States, New York State or Nassau County.

Section 505 of the Indenture between the Authority and the United States Trust Company of New York, as Trustee (the Indenture), dated October 1, 2000, requires that funds may be invested by the Trustee in eligible investments maturing or redeemable at the option of the holder at or before the time when such money is expected to be needed and shall be invested pursuant to the written direction of the Authority. Section 102 of the Indenture defines eligible investments as being direct obligations of, or obligations guaranteed as to timely payment of principal and interest by the federal government, among others.

Section 5.8 of the Authority's Investment Guidelines requires that the Authority's financial interest in its investments be fully secured or collateralized at all times in an amount not less than the original amount invested plus accrued, unpaid interest thereon.

Condition:

During 2022, Authority cash balances were collateralized with securities that are not permissible under the NIFA Act. Further, the Authority invested in Federal Home Loan Bank (FHLB) securities during 2022. FHLB securities are not eligible in accordance with the criteria stated above as they are not explicitly guaranteed by the U.S. government. Therefore, they are not permissible investments under the Investment Guidelines because they are not allowed under the Indenture. \$8.4 million of the Authority's total \$16.9 million of investments as of December 31, 2022 were in FHLB securities.

The Authority's investment balance of \$16.9 million was not collateralized as of December 31, 2022, although \$8.5 million of such amount was invested in U.S. government securities and not subject to credit risk.

Cause:

The Authority's Investment Guidelines were reviewed in approving the investments made by the Authority. However, the NIFA Act and the Indenture are referred to from the Authority's Investment Guidelines and contain language that is more restricting than Section 4.1 of the Authority's Investment Guidelines. The Authority did not recognize that FHLB securities are not guaranteed by the federal government at the time the investments were approved.

Investments were not collateralized because management believed the holdings were guaranteed by the federal government.

Effect or potential effect:

The potential effect could have been loss in the Authority's cash and investment accounts; however, there was no loss to the Authority as a result of this matter. The noncompliance resulted in expanded footnote disclosure in the basic financial statements and required reporting by the Authority to the State of New York.

Recommendation:

We recommend that the Investment Guidelines be evaluated and revised as necessary to better align with the NIFA Act and the Indenture and to better align with the intent of the Authority's investment strategy.

View of responsible officials: and Planned Corrective Action

Management has undertaken the following corrective actions (or plans to do so, where indicated) to address the identified noncompliance.

Immediately upon making the determination that collateral was not compliant with the NIFA act, we amended our tri-party custodian agreement with Bank of America and Bank of New York Mellon to limit collateral (currently U.S. Treasuries only) to those that are eligible under the NIFA Act. Further, as of May 15, 2023, all our investments of debt service set asides in FHLB securities have matured at full and unimpaired value and we no longer invest in such securities.

As recommended above, we have amended our Investment Guidelines to clarify that acceptance of collateral is subject to applicable law (e.g., the NIFA act); and, we expect to amend them to clarify that funds dedicated to the payment of NIFA debt and related amounts are not subject to the Guidelines (including the requirement to collateralize investments). This change will result in such amounts being treated in the same manner as NIFA bond proceeds, which are excluded from the Guidelines but which are subject to the separate investment provisions in the Indenture. We also expect to clarify in the Guidelines that investments issued or guaranteed by the U.S. government do not require collateralization.

Additionally, we have reported the noncompliance with the NIFA act, the Indenture and the Guidelines in NIFA's Annual Authority Report on Investments.

We have consulted with NIFA's bond counsel regarding the investment of set asides for debt service who advised that they did not view the technical non-compliance with investment requirements under the Indenture, which was promptly corrected upon discovery and which had no adverse financial effect, as a material event requiring notice under NIFA's continuing disclosure obligations.

Neither NIFA, Nassau County nor NIFA's bondholders have suffered any negative financial impact resulting from the unauthorized investments, the absence of collateral on investments, or acceptance of unauthorized collateral for funds on deposit.

II. Compliance and Other Matters

See 2022-001.