Nassau County Interim Finance Authority

NIFA

Financial Statements for the Year Ended December 31, 2023 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, 2023, 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, 2023, 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.

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 12 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 23, 2024, 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 23, 2024

NASSAU COUNTY INTERIM FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2023
(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, 2023. 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.*

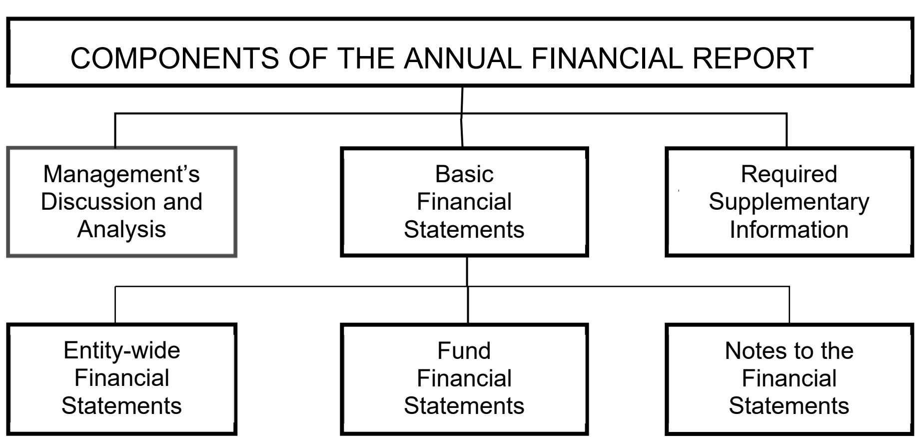
The Authority, created by the Nassau County Interim Finance Authority Act ("Act"), is a New York State Authority empowered to monitor and oversee the finances of Nassau County, New York (the "County") and is, or has previously been, empowered within certain statutory limits to issue bonds and notes for 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.



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 with 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.

(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 $1,223,257 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,

	2023	2022*
Governmental Activities:		
Assets		
Current	$ 171,919	$ 181,371
Long-term	965	1,149
Total Assets	172,884	182,520
Deferred Outflows of Resources	689	886
Liabilities		
Current	204,004	218,833
Non-current	1,186,932	1,259,776
Total Liabilities	1,390,936	1,478,609
Deferred Inflows of Resources	5,894	8,479
Net Position		
Unrestricted	(1,223,257)	(1,303,682)
Total Net Position	$ (1,223,257)	$ (1,303,682)

* 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, 2023 and 2022, the Authority's net position was a deficit of $1,223,257 and $1,303,682, 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, 2023 and 2022 was $1,245,106 and $1,327,812 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 element of long-term liabilities is sales tax secured bonds outstanding, which totaled $1,079,820 and $1,147,734 at December 31, 2023 and 2022, respectively. The net decrease in total long-term liabilities, including current and noncurrent portions, of $82,706 is primarily due to bond principal payments of $67,914, premium amortization of $14,767, OPEB liability of $269, and lease liability of $42, which was offset by increases in pension liability payable of $195 and compensated absences payable of $91.

(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 utilizes retained sales tax revenue to finance the bond principal repayment in addition to all the Authority's operating expenses.

At December 31, 2023 and 2022, the outstanding bonds of $1,079,820 and $1,147,734 respectively, are all fixed rate.

The reconciliation on page 14 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.

Condensed Statements of Activities and Changes in Net Position
For the Years Ended December 31,

	2023	2022*
Governmental Activities:		
Revenues		
General revenues:		
Sales tax	$ 1,474,295	$ 1,441,414
Investment income	2,444	204
Compensation for loss	-	12
Total Revenues	1,476,739	1,441,630
Expenses		
General and administrative	1,826	1,983
Control period expenses	964	651
Bond interest and other debt service expenses	16,663	15,317
Distributions to Nassau County	1,376,861	1,383,473
Total Expenses	1,396,314	1,401,424
Change in Net Position	80,425	40,206
Net Position - Beginning of Year	(1,303,682)	(1,343,888)
Net Position - End of Year	$ (1,223,257)	$ (1,303,682)

* refer to page 6

The single most critical source of the Authority's financial resources is sales tax revenue, which provided over 99% of the Authority's 2023 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.

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, 2023 was $1,474,295, increased 2.28% from the prior year due to consumer demand for goods and effects of inflation. Investment income totaled $2,444 in 2023, an increase from $204 in 2022 as interest rates increased during 2023.

Sales tax revenue of $1,474,295 provided 14.51 times the coverage of the Authority's 2023 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 $101,620. 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 $99,818 of 2023 sales tax revenue for debt service and Authority operations and remitted the balance of $1,374,477 to Nassau County (excluding general distributions). Of the $1,441,414 of sales tax revenue received in 2022, the Authority transferred $1,383,252 to the County (excluding distributions from other sources).

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

The Authority's expenses for 2023 include a distribution to the County of $2,384 representing interest and appreciation earned from investments not needed for debt service. The actual distributions to the County in 2024 will depend upon the investment values at maturity.

The Authority's baseline general and administrative operating expenses were $1,826 and $1,983 for the years ended December 31, 2023 and 2022, respectively. The $157 decrease in baseline operating expenses is primarily due to the following decreases: $102 compensation and related expenses and $47 in occupancy costs . 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 $964 in 2023 and $651 in 2022 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 $16,663 in 2023 increased by $1,346 from the prior year.

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, 2023, the Authority's governmental funds reported total ending fund balances of $30,063, a decrease of $4,639 in comparison with the prior year. This change in total governmental funds is due to expenditures and other financing uses exceeding revenues and other financing sources in the Debt Service Fund by $4,435 and expenditures and other financing uses exceeding revenues and other financing sources in the General Fund by $204. The total ending fund balances are categorized as follows:

- **Nonspendable fund balance** - $177 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - $29,169 (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** - $717 (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 $894, decreasing $204 from the prior year. Sales tax revenue of $1,474,295 increased by $32,881 from the 2022 level of $1,441,414, primarily due to increases in consumer spending within Nassau County. Of the $1,474,295 of sales tax revenue, 93.23%, or $1,374,477, was distributed to the County as part of its normal distributions. The amount of sales tax distributed to the County of $1,374,477 decreased by $8,775 from the 2022 transfers totaling $1,383,252. Transfers to the Debt Service Fund were $99,024 and $56,012 for the years ended December 31, 2023 and 2022, respectively. Additionally, $2,600 of sales tax revenue was retained in the General Fund to pay for the recurring operations of the Authority.

Debt Service Fund

At the end of the current year, the total fund balance of the Debt Service Fund was $29,169, all of which is restricted for future debt service requirements. During 2023, the Debt Service Fund received $99,024 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 $101,711 is $68,323 greater than the prior year, primarily due to principal payments that was $67,454 greater than in 2022 and bond issuance costs incurred in 2023 for a tender offer that was executed in 2024.

(Dollars in Thousands, Unless Otherwise Noted)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2023 and 2022, NIFA had $965 and $1,072 of capital assets respectively, which consists of an intangible right-to-use asset for office space, net of accumulated amortization.

Debt Administration

At the end of the current year, NIFA has total sales tax secured bonded debt outstanding of $1,079,820, 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, 2022 and 2023 is as follows:

	Outstanding Principal Balance at January 1, 2022	Principal Retired	Outstanding Principal Balance at December 31, 2022	Principal Retired	Outstanding Principal Balance at December 31, 2023
Sales tax secured bonds:					
Fixed rate	$ 1,148,194	$ 460	$ 1,147,734	$ 67,914	$ 1,079,820

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

As demonstrated in the chart above, the balance of outstanding bonds decreased by $67,914 during 2023, 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, 2023 and 2022 (a decrease in the net position deficit balance of $80,425 and $40,206, respectively).

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 nifacomments@nifa.ny.gov.

BASIC FINANCIAL STATEMENTS

NASSAU COUNTY INTERIM FINANCE AUTHORITY
STATEMENT OF NET POSITION
December 31, 2023
(Dollars in Thousands, Unless Otherwise Noted)

Governmental Activities:		
Assets		
Unrestricted cash		$ 902
Restricted cash		3
Restricted investments		15,090
Sales tax revenue receivable		155,747
Other assets		177
Capital assets, net of accumulated amortization		965
	Total Assets	172,884
Deferred Outflows of Resources		
Deferred charges on debt refundings		318
Deferred outflows relating to OPEB		123
Deferred outflows relating to pensions		248
	Total Deferred Outflows of Resources	689
Liabilities		
Accounts payable and accrued liabilities		5,295
Due to Nassau County		140,535
Bonds payable:		
Due within one year		57,850
Due in more than one year		1,021,970
Unamortized bond premium		160,825
Lease payable:		
Due within one year		52
Due in more than one year		980
Total other postemployment benefits liability (OPEB)		
Due within one year		120
Due in more than one year		2,618
Net pension liability		195
Compensated absences payable:		
Due within one year		152
Due in more than one year		344
	Total Liabilities	1,390,936
Deferred Inflows of Resources		
Deferred amounts of debt refundings		5,666
Deferred inflows relating to OPEB		214
Deferred inflows relating to pensions		14
	Total Deferred Inflows of Resources	5,894
Net Position		
Unrestricted		(1,223,257)
	Total Net Position	$ (1,223,257)

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For the year ended December 31, 2023
(Dollars in Thousands, Unless Otherwise Noted)

Governmental Activities:	
Expenses	
General and administrative	$ 1,826
Control period expenses	964
Debt interest and other debt service expenses	16,663
Distributions to Nassau County from:	
General operations- investment income	2,384
Total Expenses	21,837
Net Cost	21,837
General Revenues	
Sales tax	1,474,295
Less: sales tax distributions to Nassau County	(1,374,477)
Investment income	2,444
Total Sales Tax and Other General Revenue Retained	102,262
Change in Net Position	80,425
Net Position - Beginning of Year	(1,303,682)
Net Position - End of Year	$ (1,223,257)

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2023
(Dollars in Thousands, Unless Otherwise Noted)

	Major Funds		Total
	General	Debt Service	(Governmental Funds)
ASSETS			
Unrestricted cash	$ 902	$ -	$ 902
Restricted cash	-	3	3
Restricted investments	-	15,090	15,090
Sales tax revenue receivable	155,747	-	155,747
Due from other funds	-	15,004	15,004
Other assets	177	-	177
Total Assets	$ 156,826	$ 30,097	$ 186,923
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ 372	$ 886	$ 1,258
Accrued compensated absences payable	63	-	63
Due to Nassau County	140,493	42	140,535
Due to other funds	15,004	-	15,004
Total Liabilities	155,932	928	156,860
Fund Balances			
Nonspendable:			
Prepaid items and other assets	177	-	177
Restricted for:			
Debt service - bonds	-	29,169	29,169
Unassigned, reported in:			
General fund	717	-	717
Total Fund Balances	894	29,169	30,063
Total Liabilities and Fund Balances	$ 156,826	$ 30,097	$ 186,923

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2023
(Dollars in Thousands, Unless Otherwise Noted)

Total Fund Balances - Governmental Funds	$ 30,063
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets - amortizable right-to-use asset	1,187
Accumulated amortization	(222)
Deferred outflows of resources not recorded in governmental funds	689
Liabilities that are not due and payable in the current period, and accordingly are not reported in the governmental funds:	
Bonds payable	(1,079,820)
Unamortized bond premiums	(160,825)
Lease payable	(1,032)
Total other postemployment benefits liability	(2,738)
Net pension liability	(195)
Accrued compensated absences payable	(433)
Accrued expenses	(4,037)
Deferred inflows of resources not recorded in governmental funds	(5,894)
Net Position of Governmental Activities	$ (1,223,257)

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2023
(Dollars in Thousands, Unless Otherwise Noted)

	Major Funds		Total
	General	Debt Service	(Governmental Funds)
Revenues			
Sales tax	$ 1,474,295	$ -	$ 1,474,295
Investment income	9	2,435	2,444
Total Revenues	1,474,304	2,435	1,476,739
Expenditures			
General and administrative	1,773	-	1,773
Control period expenditures	964	-	964
Distribution to Nassau County for:			
Sales tax remittance	1,374,477	-	1,374,477
General operations - investment income	2,432	(48)	2,384
Debt service			
Bonds	-	101,711	101,711
Lease	69	-	69
Total Expenditures	1,379,715	101,663	1,481,378
Excess (Deficiency) of Revenues Over (Under) Expenditures	94,589	(99,228)	(4,639)
Other Financing Sources and (Uses)			
Transfers in	4,231	99,024	103,255
Transfers out	(99,024)	(4,231)	(103,255)
Total Other Financing Sources and (Uses)	(94,793)	94,793	-
Net Changes in Fund Balances	(204)	(4,435)	(4,639)
Fund Balances			
Beginning of Year	1,098	33,604	34,702
End of Year	$ 894	$ 29,169	$ 30,063

See notes to the financial statements.

NASSAU COUNTY INTERIM FINANCE 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, 2023
(Dollars in Thousands, Unless Otherwise Noted)

Net Change in Fund Balances - Total Governmental Funds	$	(4,639)
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		
Amortization expense		(107)
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		67,914
Reduction of premiums on bonds issued		14,767
Repayment of lease		42
Net change in deferred inflows and outflows of resources related to bond refundings		2,303
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		91
Net change in deferred (inflows) and outflows of resources relating to:		
net pension asset/liability		263
total postemployment benefits liability		(178)
Net change in net pension asset/liability		(272)
Net change in OPEB liability		269
Net change in accrued compensated absences payable		(28)
Change in Net Position of Government Activities	$	80,425

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Authority is governed by a Board of Directors (“Directors”), consisting of seven Directors, each appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the State Assembly, and the State Comptroller. The Governor also designates the chairperson and vice chairperson from among the Directors. At December 31, 2023 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.

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.

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 proceeds of the Authority debt and funds dedicated to the payment of Authority debt (and related amounts) and are governed by the Act and the Indenture between the Authority and the Authority's bond trustee (as supplemented and amended, the "Indenture".

Unrestricted cash and investments exclude the amounts in the preceding sentence and are governed by the Act and the Authority's Investment Guidelines.

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 asset's useful life or the lease term, including options to renew which have been deemed reasonably expected to be exercised.

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 assets 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 assets 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 proportionate 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, which 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 has been received. As of December 31, 2023 there is no liability outstanding.

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, net pension liability, 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 a systematic and rational method. 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, 2023, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Other Postemployment Benefits - Healthcare Benefits

For the Authority, 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. NEW ACCOUNTING PRINCIPLES

During 2023, the Authority adopted the following the statements issued by GASB:

- Statement No. 94, *"Public -Private and Public -Public Partnerships and Availability Payment Arrangements",*
- Statement No. 96, *"Subscription- Based Information Technology Arrangements*", and
- Statement No. 99*, "Omnibus 2022",* those requirements pertaining to leases, public-private and public-public partnerships and availability payments arrangements, and subscription-based information technology arrangements.

The implementation of the Statements noted above had no impact on the Authority's financial statements.

F. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 23, 2024, which is the date the financial statements were available to be issued. See Note 13.

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, 2023:

Distributions:

- Of the $1,474,295 sales tax revenues recognized as revenue, the Authority distributed $1,374,477 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 the Authority's expenses of $2,384.

At December 31, 2023 the Authority owes the County $140,535 for sales tax revenue and when applicable, unrealized investment appreciation not remitted by year end.

3. DEPOSITS AND INVESTMENTS

Deposits and Permitted Investments

Deposits and investments consist of both unrestricted amounts and restricted amounts. The Authority's unrestricted deposits and permitted investments are governed by the Act and the Authority's Investment Guidelines, and the restricted deposits and investments are governed by the Act, the Indenture (which may vary from the Act) and, until July 13, 2023, the Investment Guidelines but only with respect to funds dedicated to the payment of Authority debt and related amounts. The Investment Guidelines are approved at least annually by the Directors.

(Dollars in Thousands, Unless Otherwise Noted)

3. DEPOSITS AND INVESTMENTS (continued)

Deposits and Permitted Investments (continued)

Permitted investments under the Act and the Investment Guidelines include, but are not limited to, obligations of the State, the United States government, and certain federal agencies, obligations guaranteed by the State or the United States government, certain certificates of deposits, commercial paper of any bank or federal or state created corporation with certain credit ratings, bonds of any state of the United States with certain ratings and certain repurchase and reserve repurchase agreements. Permitted investments under the Indenture include, but are not limited to, non-cancellable direct obligations of the United States, non-callable and non-prepayable direct federal agency obligations guaranteed by the United States and certain other federal agency obligations.

The Investment Guidelines require collateral to be provided for all deposits in excess of the applicable limit of coverage provided by the Federal Deposit Insurance Corporation ("FDIC") and for investment to be fully secured or collateralized. Authorized forms of collateral under the Act include obligations of the United States the State or of the County. On July 13, 2023, the Investment Guidelines were amended by the Directors to exclude restricted investments dedicated to the repayment of Authority debt and related amounts from the scope of the Investment Guidelines (as proceeds from debt issuance had been previously excluded). The amendments also specified that investments issued or guaranteed by the U.S. Government are not subject to the collateralization requirements.

Pursuant to the Authority's third-party custodian agreement, the depository bank is required to provide the Authority with eligible collateral to be held by the custodian, consisting solely of U.S. Treasury bills, bonds or notes, with an adjusted market value equal to 102% of the amount on deposit in excess of FDIC coverage.

At December 31, 2023, 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, 2023, the Authority's investments consisted of $8.3 million of U.S. Government securities and $6.8 million of U.S. Government mortgage-backed securities.

Cash

The following is a summary of cash as of December 31, 2023:

Cash classification:		
Unrestricted	$	902
Restricted		3
	$	905

Investments

The following is a summary of the fair value of investments of the Authority as of December 31, 2023.

Investment type:		
Restricted - *maturities less than 1 year*:		
U.S. Government securities	$	8,319
U.S. Government mortgage backed securities		6,771
Total Restricted Investments	$	15,090

At December 31, 2023, all restricted investments are held by the Authority's bond trustee for future debt service requirements.

(Dollars in Thousands, Unless Otherwise Noted)

3. DEPOSITS AND INVESTMENTS (continued)

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.

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, 2023:

			Fair Value Measurements Using:		
Investment by Fair Value Level	Credit Quality Rating	Total	Quoted Prices in Active Market for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities:					
U.S. Government securities	N/A**	$ 8,319	$ -	$ 8,319	$ -
U.S. Government mortgage backed securities	AA+	6,771	-	6,771	-
Total Investment by Fair Value Level		$ 15,090	$ -	$ 15,090	$ -

** U.S. Government Securities are backed by the full faith and credit of the United States Government.

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, 2023, the carrying amount of the Authority's cash was $905. The bank balance was $902, of which $252 was covered by FDIC and $650 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 $660.

(Dollars in Thousands, Unless Otherwise Noted)

3. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits/Investments (continued) – At certain times prior to May 15, 2023, 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.

Through May 15, 2023, the Authority invested in obligations issued by the FHLB, a federal government sponsored entity, which 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 Indenture and Guidelines as applicable and not subject to credit risk. These investments matured May 15, 2023 without investment loss incurred by any involved parties.

At December 31, 2023, investments totaling $15.1 million were not collateralized, nor were they required to be collateralized because of amendment(s) to the Investment Guidelines as discussed previously. Of the $15.1 million investment at December 31, 2023, $8.3 million was invested in U.S. Government securities and is therefore not subject to custodial credit risk and the remaining $6.8 million was invested in an eligible investment according to the Indenture (which governs the investment of funds dedicated to the payment of Authority debt and related amounts).

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, 2023 mature at various times through May 15, 2024.

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 Home Loan Mortgage Corporation bonds at December 31, 2023.

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, 2023, the General Fund owes the Debt Service Fund $15,004 of sales tax revenue to cover debt service set aside requirements. A summary of transfers in 2023, for primarily debt service set aside requirements, is as follows:

	Transfer In	Transfer Out
Debt Service Fund:		
General Fund	$ 99,024	$ (4,231)
General Fund:		
Debt Service Fund	4,231	(99,024)
	$ 103,255	$ (103,255)

(Dollars in Thousands, Unless Otherwise Noted)

5. CAPITAL ASSETS

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

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
Capital Assets				
Right-to-use asset - leased office space	$ 1,187	$ -	$ -	$ 1,187
Less: accumulated amortization	115	107	-	222
Capital assets, net of accumulated amortization	$ 1,072	$ (107)	$ -	$ 965

6. LONG-TERM LIABILITIES

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

	Balance 1/1/2023	Additions	Reductions	Balance 12/31/2023	Due within One Year	Noncurrent
Bonds payable:						
Sales tax secured bonds payable	$ 1,147,734	$ -	$ 67,914	$ 1,079,820	$ 57,850	$ 1,021,970
Premiums	175,592	-	14,767	160,825	-	160,825
Total bonds payable	1,323,326	-	82,681	1,240,645	57,850	1,182,795
Lease payable	1,074	-	42	1,032	52	980
Total OPEB liability	3,007	167	436	2,738	120	2,618
Net pension liability	-	325	130	195	-	195
Compensated absences payable	405	172	81	496	152	344
	$ 1,327,812	$ 664	$ 83,370	$ 1,245,106	$ 58,174	$ 1,186,932

The amount due for the lease payable, compensated absences liability, net pension 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, 2023, the Authority had outstanding fixed rate sales tax secured bonds in the amount of $1,079,820 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.

(Dollars in Thousands, Unless Otherwise Noted)

6. LONG-TERM LIABILITIES (continued)

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 points for bonds that mature in 2026, 2028 and 2030.

The Authority's outstanding bonds bear interest at fixed rates ranging between 0.434% 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.

As discussed in Note 3, the Authority's investments held through May 15, 2023 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, 2023:

	Bond Par Issued	Balance at 1/1/2023	Retired	Balance at 12/31/2023
Fixed Rate Bonds:				
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	6,540	21,710
Sales Tax Secured Bonds 2021A				
4% to 5% serial bonds due through 2035	553,065	553,065	-	553,065
Sales Tax Secured Bonds 2021B				
0.434% to 1.639% serial bonds due through 2030	557,045	557,045	52,000	505,045
Total Fixed Rate Bonds	$ 1,402,553	$ 1,147,734	$ 67,914	$ 1,079,820

(Dollars in Thousands, Unless Otherwise Noted)

6. LONG-TERM LIABILITIES (continued)

Aggregate debt service to maturity, pursuant to the stated terms of the bond indenture agreements, as of December 31, 2023, is as follows:

Years Ending December 31,	Principal	Interest	Total
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	103,700	28,649	132,349
2029-2033	477,150	102,341	579,491
2034-2035	178,125	11,958	190,083
	$ 1,079,820	$ 266,245	$ 1,346,065

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, 2023, $217,510 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, and is payable monthly with annual increases 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
2024	$ 52	$ 64	$ 116
2025	76	43	119
2026	83	39	122
2027	90	36	126
2028	99	31	130
2029-2033	632	78	710
	$ 1,032	$ 291	$ 1,323

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.

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 five 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 five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 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.

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.

(Dollars in Thousands, Unless Otherwise Noted)

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
2023	$ 95	$ 95	14.90%

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

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

At December 31, 2023, the Authority reported a liability of $195 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2022, with updated procedures to roll forward the total pension liability to March 31, 2023. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

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(Dollars in Thousands, Unless Otherwise Noted)

8. RETIREMENT SYSTEM (continued)

NYSERS (continued)

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

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

Measurement Date	Net Pension Liability	Authority's Allocation of the System's Total Net Pension Liability
March 31, 2023	$ 195	0.00090810%

There was no significant change in the Authority's proportionate share from March 31, 2022 (0.000947%) to March 31, 2023 (0.00090810%) measurement dates.

For the year ended December 31, 2023, the Authority recognized pension expense of $94. As of December 31, 2023, 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	$ 21	$ 6
Changes of assumptions	95	1
Net difference between projected and actual earnings on pension plan investments	-	1
Changes in proportion and differences between the Authority's contribution and proportionate share of contributions	61	6
Authority's contributions subsequent to the measurement date, net of prepaid amounts	71	-
Total	$ 248	$ 14

The Authority's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. 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, 2024	$ 48
2025	8
2026	50
2027	57
	$ 163

(Dollars in Thousands, Unless Otherwise Noted)

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, 2022
Discount rate	5.90%
Investment rate of return, net	5.90%
Salary increases	4.40%
Cost of living adjustment	1.50%
Inflation rate	2.90%
Decrement tables	April 1, 2015 - March 31, 2020, System Experience, Scale MP-2021

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-2021. The previous actuarial valuation as of April 1, 2021 used the same assumptions for the measurement of the pension liability, except the mortality improvements was based on the Society of Actuaries' MP-2020.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future and real rates or return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected future reals rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2023 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Equity:		
Domestic equity	32.00%	4.30%
International equity	15.00%	6.85%
Alternatives:		
Private equity	10.00%	7.50%
Real estate	9.00%	4.60%
Other	10.00%	5.38% - 5.84%
Fixed income	23.00%	1.50%
Cash	1.00%	0.00%
	100.00%	

(Dollars in Thousands, Unless Otherwise Noted)

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)	$ 471	$ 195	$ (36)

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 12244-001, or it may be found at http://www.osc.state.ny.us/retire/about us/financial statements index.php.

VDC

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

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.

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, 2023, the Authority recognized pension expense related to the VDC of approximately $14. There is no outstanding liability owed to the VDC at December 31, 2023.

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.

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, 2023, the effective date of the latest OPEB actuarial valuation, there are 4 active employees, 5 inactive/retired employees and 4 spouses of retirees receiving benefit payments. There have been no significant changes in the number of participants or the type of coverage since the most recent OPEB actuarial valuation date.

Total OPEB Liability

The Authority's total OPEB liability of $2,738 was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2023.

Funding Policy

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

(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, 2023 total OPEB liability, measured as of December 31, 2022 (the measurement date), is based on the results of the January 1, 2023 actuarial valuation, and was determined using the following actuarial assumptions and other inputs:

Inflation rate:	2.30%, compounded annually	
Discount rate:	3.72%	
	Current Measurement Date	Ultimate (Yr. 2101)
Healthcare cost trend rates:		
Pre-Medicare eligible	6.70%	3.70%
Post-Medicare eligible	5.90%	3.70%
Medicare Part B reimbursement	7.00%	3.60%
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 2.06% (measurement date of December 31, 2021) to 3.72% (measurement date of December 31, 2022).

The mortality rates used in determining the total OPEB liability as of the December 31, 2022 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-2021. 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 2023 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. Retirees claim costs are based on actual 2023 NYSHIP plan rates effective July 1, 2023, adjusted for age, status (retiree or dependent) and gender. Factors that would adjust the average age cost per life into per life costs over a range of ages, separately by gender and status are based on Milliman's Health Cost Guidelines, Empire PPO plan design information, the ERS retiree distribution from the 2022 ACFR, and actuarial judgments. Pre- and post-65 NYSHIP premium rates were adjusted separately to be consistent with the way in which demographic factors were developed.

(Dollars in Thousands, Unless Otherwise Noted)

9. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE BENEFITS (continued)

Actuarial Assumptions and Other Inputs (continued)

In the January 1, 2023 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, 2023	$ 3,007
Changes for the year:	
Service cost	102
Interest	63
Effect of economic/demographic gains or losses	(3)
Effect of changes to assumptions and inputs	(319)
Benefit payments, including implicit rate subsidy	(112)
Net Change	(269)
Balance at December 31, 2023	$ 2,738

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 2.72%	Current 3.72%	1% Increase 4.72%
Authority's total OPEB liability	$ 3,100	$ 2,738	$ 2,438

	Sensitivity due to Healthcare Cost Trend Rates (Pre and Post Medicare Eligible)		
	1% Decrease 3.6%/3.9%	Current 4.6%/4.9%	1% Increase 5.6%/5.9%
Authority's total OPEB liability	$ 2,432	$ 2,738	$ 3,103

(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, 2023, the Authority recognized OPEB expense of $28. As of December 31, 2023, the Authority reported the following deferred outflows/inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5
Changes of assumptions	3	209
Benefit payments made subsequent to the measurement date	120	-
Total	$ 123	$ 214

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, 2024	$ (118)
2025	(93)
	$ (211)

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. Upon the discretion of the Executive Director, employees may request used vacation to be paid out, pursuant to specific limitations. At current salary levels, the Authority's liability for payment of vacation and holiday pay is $293, 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 $203, 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.

In the governmental funds balance sheet, only the portion of unused leave which is deemed due and payable from expendable current financial resources is accrued, and in the governmental activities statement of net position, the total value of accrued unused leave has been recorded. Management believes that sufficient resources will be made available for the payments of the accrued unused leave. As of December 31, 2023, the total value of the accumulated vacation time, holiday time and sick leave was approximately $496.

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.

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 2023, NIFA incurred $964 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 finalizing New York State mandated limited performance audits of three public benefit corporations.

13. SUBSEQUENT EVENT

On February 15, 2024 the Authority issued $132,960 of taxable Series 2024A sales tax secured bonds at a premium of $13,378 and used the proceeds to advance refund $161,668 of tax-exempt Series 2021B sales tax secured bonds generating a net present value savings of $7,971.

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. 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 were implemented this year, 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.

14. PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

Statement No. 101, *"Compensated Absences",* was issued to provide 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 requirements of this Statement are effective for years beginning after December 15, 2023.

Statement No. 102, *"Certain Risk Disclosures",* was issued to enhance disclosures regarding concentrations and/or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The required disclosure includes descriptions of the concentration and/or constraint, each event associated with the concentration/constraint that could cause a substantial impact if it occurred or had begun to occur prior to issuance of the financial statements and actions taken by the government prior to issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for years beginning after June 15, 2024.

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 BENEFITS LIABILITY AND RELATED RATIO
(UNAUDITED)
December 31, 2023
(Dollars in Thousands, Unless Otherwise Noted)

Financial Reporting Date, December 31st:	2023	2022	2021	2020	2019	2018	2017
OPEB Measurement Date of December 31st:	2022	2021	2020	2019	2018	2017	2016
Total OPEB Liability:							
Balance, Beginning of Period	$ 3,007	$ 2,852	$ 2,927	$ 2,404	$ 2,234	$ 1,909	$ 1,884
Service costs	102	99	104	78	91	77	79
Interest	63	62	82	99	79	73	69
Effect of plan changes	-	88	-	-	-	-	-
Effect of economic/demographic gains or losses	(3)	(5)	(40)	-	638	13	-
Effect of changes of assumptions and other inputs	(319)	10	(123)	456	(545)	240	(57)
Benefit payments, including implicit subsidy	(112)	(99)	(98)	(110)	(93)	(78)	(66)
Balance, End of Year	$ 2,738	$ 3,007	$ 2,852	$ 2,927	$ 2,404	$ 2,234	$ 1,909
Covered employee payroll	$ 1,017	$ 880	$ 832	$ 798	$ 836	$ 791	$ 832
Total OPEB liability as a percentage of covered employee payroll	269.22%	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	3.72%	2.06%	2.12%	2.74%	4.10%	3.44%	3.78%

2021 Measurement date - reflects addition of sick leave offset amounts for some retirees, which reduces the retirees share of contributions

Mortality:

2022 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-2021.

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, 2023
(Dollars in Thousands, Unless Otherwise Noted)

	Authority's:				
March 31,	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	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)
2023	0.0009081%	$ 195	$ 639	30.52%	90.78%
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%

Notes:

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

Changes in assumptions from the March 31, 2022 to March 31, 2023 Plan Year and other information:

- The fluctuation in the Authority's proportionate share of the net pension liability/asset from the prior year is primarily due to the impact of the net investment loss on the Plan's fiduciary net assets.
- The inflation rate was increased from 2.7% to 2.9%.
- The cost-of-living adjustment was increased from 1.4% to 1.5%.
- The vesting requirement for Tiers 5 and 6 were lowered from 10 years to 5 years, prior to the April 1, 2022 valuation.

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

- The fluctuation 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 the Authority's proportionate share of the net pension liability from the prior year is primarily due to the 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, 2023
(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
2023	$ 95	$ 95	$ -	$ 666	14.26%
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%

Notes:

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

RSM US LLP

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

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, 2023, 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 23, 2024.

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 2023-001 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 2023-001.

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 23, 2024

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

2023-001
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 11, 2023 and amended July 13, 2023. The Investment Guidelines include 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. The amendment changed the scope of the Investment Guidelines to cover investment funds other than the proceeds of debt issued by the Authority and funds dedicated to the payment of the Authority debt and related amounts.

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.

Condition:
The Authority invested in Federal Home Loan Bank (FHLB) securities during 2022 which were held through May 15, 2023. FHLB securities were not eligible in accordance with the criteria stated above as they are not explicitly guaranteed by the U.S. government. Therefore, they were not permissible investments under the Investment Guidelines because they are not allowed under the Indenture. During the period January 1 to May 15, 2023, the Authority held $8.4 million in FHLB securities. 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 Indenture and Investment Guidelines as applicable and not subject to credit risk. These FHLB securities matured on May 15, 2023 with no loss to the Authority.

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.

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 disclosures in the basic financial statements and required reporting by the Authority to the State of New York.

Recommendation:
We recommend the Authority continue to monitor the investments to ensure compliance with the Investment Guidelines, the NIFA Act and the Indenture.

View of responsible officials: and Planned Corrective Action

In addition to amending our Investment Guidelines and investment practice in 2023 and noting the non-compliance and corrective action in the footnotes to our 2022 and 2023 financial statements, the Authority had immediately sought the opinion of our Bond Counsel who responded that they did not view the technical non-compliance as a material event requiring notice under the Authority's continuing disclosure obligations. The Authority also reported the non-compliance in our Authority Report on Investments for each of 2022 and 2023.

As of May 15, 2023, all the Authority's investments in FHLB securities matured at full and unimpaired value and the Authority no longer invests in such securities. Neither the Authority, Nassau County nor the Authority's bondholders have suffered any negative financial effect resulting from the prior non-compliant actions.

No further corrective action is considered necessary by the Authority's management.

II. Compliance and Other Matters

See 2023-001.