

OFFICIAL STATEMENT DATED AUGUST 30, 2018

NEW ISSUE - SERIAL BONDS

RATING: MOODY'S INVESTOR SERVICE:

In the opinion of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds will not be subject to the alternative minimum tax on individuals. In the further opinion of Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein for a description of the opinion of Bond Counsel and certain other tax consequences.

The Bonds will NOT be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code").

\$8,890,000*

**HICKSVILLE WATER DISTRICT
IN THE TOWNS OF OYSTER BAY AND HEMPSTEAD
NASSAU COUNTY, NEW YORK
(the "Water District")**

**WATER DISTRICT REFUNDING (SERIAL) BONDS, 2018
[BOOK-ENTRY-ONLY BONDS]
(the "Bonds")**

SEE BOND MATURITY SCHEDULE HEREIN

Security and Sources of Payment: The Bonds are general obligations of the Hicksville Water District in the Towns of Oyster Bay and Hempstead, Nassau County, New York (the "Water District"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount, pursuant to Section 324.8 of the Nassau County Civil Divisions Act.

Prior Redemption: The Bonds maturing on December 15, 2026 and thereafter are subject to redemption prior to maturity, at the option of the Water District, as a whole or in part, on any date on or after December 15, 2025. (See "Optional Redemption" under "THE BONDS," herein.)

Form and Denomination: At the option of the purchaser, the Bonds may be either registered in the name of the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. Individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. See "Book-entry-only System" under "The Bonds," herein

Payment: Payment of the principal of and interest on the Bonds to the beneficial owners of the Bonds will be made by DTC Participants and indirect participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Payment will be the responsibility of the DTC Participant or indirect participant and not of DTC or the Water District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" under "The Bonds" herein.

Norton Rose Fulbright US LLP has not participated in the preparation of the demographic, financial or statistical data contained in this Official Statement, nor verified the accuracy, completeness or fairness thereof, and, accordingly, the firm expresses no opinion with respect thereto.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the legal opinion as to the validity of the Bonds of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, and certain other conditions. It is anticipated that the Bonds will be available for delivery in New York, New York, or at such place as may be agreed upon with the purchaser on or about October 2, 2018.

THE WATER DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. IN ADDITION, THE WATER DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE ANNUAL FINANCIAL INFORMATION AND OPERATING DATA AND NOTICE OF CERTAIN MATERIAL EVENTS (AS DEFINED IN THE RULE) AS REQUIRED BY THE RULE (SEE "ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING," HEREIN).

*Preliminary, subject to change.

\$8,890,000*

**HICKSVILLE WATER DISTRICT,
IN THE TOWNS OF OYSTER BAY AND HEMPSTEAD
NASSAU COUNTY, NEW YORK**

**WATER DISTRICT REFUNDING (SERIAL) BONDS, 2018
[BOOK-ENTRY-ONLY BONDS]**

Dated: October 2, 2018

Principal Due: December 15, 2018 – 2030, inclusive

**Interest Due: December 15, 2018, June 15, 2019 and
semi-annually thereafter in each year
until maturity**

BOND MATURITY SCHEDULE

<u>Year</u>	<u>Amount**</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2018	\$ 675,000			
2019	545,000			
2020	560,000			
2021	585,000			
2022	610,000			
2023	635,000			
2024	665,000			
2025	695,000			
2026	725,000			
2027	760,000			
2028	785,000			
2029	815,000			
2030	835,000			

*Preliminary, subject to change

**Amounts are subject to adjustment by the District following the sale, pursuant to the terms of the Notice of Sale relating to the Bonds, to achieve substantial level or declining annual debt service as provided in Section 58.00 9(c)(2) of the Local Finance Law and to effectuate the District's plan of refunding.

**HICKSVILLE WATER DISTRICT
IN THE TOWNS OF OYSTER BAY AND HEMPSTEAD
NASSAU COUNTY, NEW YORK**

PO Box 9065
Hicksville, New York 11802-9065
Telephone: (516) 931-0184
Fax: (516) 931-6506

BOARD OF COMMISSIONERS

Karl Schweitzer, Chairman
William Schuckmann, Treasurer
Nicholas Brigandi, Secretary

Anthony Iannone, District Superintendent
Christine S. Costa, CPA, Business Manager
Mary Ellen Thorgramson, Secretary to the Board of Commissioners
Joseph Frank, Esq., District Attorney

* * *

BOND COUNSEL

Norton Rose Fulbright US LLP
New York, New York

* * *

FINANCIAL ADVISOR

MUNISTAT SERVICES, INC.
Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: <http://www.munistat.com>

No person has been authorized by the Hicksville Water District in the Towns of Oyster Bay and Hempstead to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Hicksville Water District in the Towns of Oyster Bay and Hempstead since the date hereof.

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OFFICIAL STATEMENT
HICKSVILLE WATER DISTRICT
IN THE TOWNS OF OYSTER BAY AND HEMPSTEAD
NASSAU COUNTY, NEW YORK

\$8,890,000* WATER DISTRICT REFUNDING (SERIAL) BONDS, 2018
[BOOK-ENTRY-ONLY BONDS]

This Official Statement and the appendices hereto present certain information relating to the Hicksville Water District in the Towns of Oyster Bay and Hempstead, in the County of Nassau, in the State of New York (the "Water District," "County" and "State," respectively) in connection with the sale of \$8,890,000 Water District Refunding (Serial) Bonds, 2018 (the "Bonds").

All quotations from and summaries and explanations of provisions of the Constitution and Laws of the State and acts and proceedings of the Water District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the proceedings of the Water District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

THE BONDS

Description of the Bonds

The Bonds will be dated October 2, 2018, and will mature on December 15 in each of the years 2018 to 2030, inclusive, in the principal amounts as set forth on the inside cover page hereof.

At the option of the purchaser, the Bonds may be either registered in the name of the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. Individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof. For Bonds issued as book-entry bonds through DTC, Bondholders will not receive certificates representing their respective interests in the Bonds purchased. (See "Book-entry-only System" under "THE BONDS" herein).

Interest on the Bonds will be payable December 15, 2018, and semi-annually thereafter on June 15 and December 15 in each year to maturity, commencing on December 15, 2018. Principal and interest will be paid by the Water District to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the Water District referred to therein.

The Record Date of the Bonds will be the last business day of the month preceding each interest payment date.

The Water District will act as Paying Agent for the Bonds. Paying agent fees, if any, will be paid by the purchaser(s). The Water District's contact information is as follows: Anthony Iannone, District Superintendent, Hicksville Water District in the Towns of Oyster Bay and Hempstead, PO Box 9065, Hicksville, New York 11802-9065, telephone number (516) 931-0184, Fax (516) 931-6506 and email: aiannone@hicksvillewater.org.

Optional Redemption

The Bonds maturing on or before December 15, 2025 are not subject to redemption prior to maturity. The Bonds maturing on or after December 15, 2026, and thereafter will be subject to redemption prior to maturity, at the option of the Water District, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after December 15, 2025, at par, plus accrued interest to the date of redemption.

The Bonds shall be redeemable prior to maturity upon the giving of notice which identifies the Bonds to be redeemed, by mailing such notice to the registered holders thereof at their respective addresses as shown upon the registration books of the Fiscal Agent at least 30 days prior to the date set for any such redemption. If notice of redemption shall have been given as aforesaid, the Bonds so called for redemption shall become due and payable at the applicable redemption price on the redemption date designated in such notice, and interest on such Bonds shall cease to accrue from and after such redemption date.

*Preliminary, subject to change

Authorization and Purpose

The Bonds are being issued pursuant to the State Constitution and statutes of the State, including among others, the Town Law, and the Local Finance Law, the Nassau County Civil Divisions Act and other proceedings and determinations relating thereto, and a refunding bond resolution in the amount of \$9,750,000 adopted by the Board of Commissioners of the Water District (the “Board of Commissioners”) on August 28, 2018 to refund all or part of the Water District Serial Bonds – 2011, maturing in the years 2018 to 2030 (the “Refunded Bonds”). The Refunded Bonds are as follows:

Summary of Refunded Bonds* (the “Refunded Bonds”)

2011 Bonds Maturity Date	Par Amount	Interest Rate (%)	Call Date	Call Price (%)	CUSIP Numbers
12/15/2018	\$ 580,000	3.500	-	-	429164BQ8
12/15/2019	600,000	3.500	12/15/2018	100.00	429164BR6
12/15/2020	615,000	3.500	12/15/2018	100.00	429164BS4
12/15/2021	635,000	4.000	12/15/2018	100.00	429164BT2
12/15/2022	655,000	4.000	12/15/2018	100.00	429164BU9
12/15/2023	675,000	4.000	12/15/2018	100.00	429164BV7
12/15/2024	700,000	4.125	12/15/2018	100.00	429164BW5
12/15/2025	725,000	4.250	12/15/2018	100.00	429164BX3
12/15/2026	755,000	4.375	12/15/2018	100.00	429164BY1
12/15/2027	785,000	4.500	12/15/2018	100.00	429164BZ8
12/15/2028	815,000	4.625	12/15/2018	100.00	429164CA2
12/15/2029	850,000	4.750	12/15/2018	100.00	429164CB0
12/15/2030	890,000	4.750	12/15/2018	100.00	429164CC8
Total	\$9,280,000				

*Preliminary, subject to change.

The Refunding Bond Resolution authorizes the issuance of the Bonds to provide the funds necessary to effect the refunding of all or a portion of the Refunded Bonds. The Town Boards of the Towns of Oyster Bay and Hempstead have each consented to the refunding of the Refunded Bonds.

For further information regarding bond authorizations of the Water District for capital purposes and other matters relating thereto. (See “*Indebtedness of the District*,” herein.)

Refunding Financial Plan

Pursuant to the Water District’s Refunding Financial Plan, as referred to in the Refunding Bond Resolution, the Bonds are being issued to effect the refunding of the Refunded Bonds maturing on their principal payment dates as set forth above. The Refunding Financial Plan will permit the Water District to realize, as a result of the issuance of the Bonds, cumulative dollar and present-value debt service savings.

The net proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance relating to the Bonds), will be used to purchase non-callable, direct obligations of or obligations guaranteed by the United States of America (the “Government Obligations”) which, together with remaining cash proceeds from the sale of the Bonds, will be placed in an irrevocable trust fund (the “Escrow Fund”) to be held by U.S. Bank (the “Escrow Holder”), a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the Water District and the Escrow Holder, dated as of the delivery date of the Bonds (the “Escrow Contract”). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of, interest on and applicable redemption premiums, if any, of the Refunded Bonds on the dates of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the Refunding Bond resolution of the Water District and Escrow Contract, to pay the Refunded Bonds at maturity or at the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

The holders of the Refunded Bonds will have a first lien on all cash on deposit in the Escrow Fund. Upon payment by the Escrow Holder to the fiscal agent for the Refunded Bonds of amounts from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds to be paid from the Escrow Fund, including interest and redemption premium, if any, payable with respect thereto, and payment of all expenses incidental to the issuance of the Bonds, such Escrow Contract shall terminate.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the Water District and will continue to be payable from *ad valorem* taxes on all taxable real property in the Water District. However, inasmuch as the funds held in the Escrow Fund together with interest earnings thereon and cash held in the Escrow Fund shall be sufficient to meet all required payments of principal of, and interest on the Refunded Bonds, it is not anticipated that other sources of payment will be utilized.

The New York State Local Finance Law provides that upon placement in escrow of proceeds of the Refunding Bonds sufficient to provide for the payment of the principal and interest of the bonds to be refinanced by such refunding bonds the refunded bonds are no longer counted in computing the Water District's debt for statutory debt limitations purposes.

Sources and Uses of Bond Proceeds

Sources:

Par Amount of Bonds.....	\$ _____
Original Issue Premium/Discount	_____
Total.....	\$ _____

Uses:

Escrow Deposit.....	\$ _____
Underwriter's Discount	_____
Allowance for Costs of Issuance and Contingency	_____
Total.....	\$ _____

Book-entry-only System

So long as the Bonds remain in the Book-Entry-Only System, as described below, the Water District will give such notice only to Cede & Co., or other successor nominee of DTC, as sole registered holder.

DTC, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and deposited with DTC for all of the Bonds bearing the same rate of interest.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission (the "Commission"). More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond

("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them or notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Water District as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Water District on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of DTC (nor its nominee) or the Water District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Water District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Water District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Water District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Source: The Depository Trust Company, New York, New York.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Water District takes no responsibility for the accuracy thereof. In addition, the Water District will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, and participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the bonds or (iii) any notice which is permitted or required to be given to Bondowners.

THE WATER DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; OR (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE WATER DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Water District and discharging its responsibilities with respect thereto under applicable law, or the Water District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the Bonds will be issued in fully registered form in denominations of \$5,000, or integral multiples thereof. Principal of and interest on the Bonds when due will be payable at the office of the Water District Clerk or another fiscal agent for the Bonds, or, at the option of the Water District, at a principal corporate trust office of a bank or trust company to be named by the Water District as the fiscal agent. Certificated Bonds may be transferred or exchanged at no cost to the owner of such Bonds at any time prior to maturity at the corporate trust office of the fiscal and paying agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of the Water District Treasurer authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

Security and Source of Payment

The Bonds are general obligations of the Water District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the laws of the State of New York (Local Finance Law, Section 100.00). All the taxable real property within the Water District is subject to the levy of ad valorem taxes to pay the principal of and interest on the Bonds, without limitation as to rate or amount.

The Bonds are not general obligations of the Town of Hempstead, the Town of Oyster Bay, or the County of Nassau. Section 324.8 of the Nassau County Civil Division Act, as established by Chapter 894 of the Laws of the State, provides that the amount required to pay the principal and interest on the Bonds shall be raised by the levy of an ad valorem tax on all the taxable property in the Water District. Pursuant to Section 324.8, the annual budget of the Water District, showing the amount to be levied for principal and interest, as approved by the Water District Commissioners and by the Town Boards of the Towns of Hempstead and Oyster Bay, is presented by the Town Boards to the County of Nassau, and the required levy is made by the County and assessed and raised in the same manner as for State or County taxes.

Special Provisions Affecting Remedies Upon Default

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Water District upon any judgment or accrued claim against the Water District shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of or interest on the Bonds.

In accordance with the general rule with respect to municipalities, judgments against the Water District may not be enforced by levy and execution against property owned by the Water District.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness, when such filing is authorized under State law. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. The Water District is most presently a "municipality" within the meaning of Section 85.80, but the State could elect to grant such authority to the Water District at any time by State Legislation.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authorizing any county, city, village or town with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Water District.

THE WATER DISTRICT

There follows in this Statement a brief description of the Water District, together with certain information concerning its economy and governmental organization, its indebtedness, current major revenue sources and expenditures and general and specific funds.

Description

The Water District was established in 1921. Pursuant to Chapter 894 of the Laws of 1945, the Water District was established as a joint water district whose commissioners have the power to finance the cost of improvements to the Water District and to issue debt obligations therefore; provided, however, said obligations may not carry a rate of interest in excess of six per centum per annum. The Water District is located in central Nassau County, principally within the Town of Oyster Bay, but also containing some areas within the northeast corner of the Town of Hempstead, approximately 25 miles east of mid-town Manhattan. The Water District has a population currently estimated at 48,000 and a land area of approximately 8 square miles.

The Water District is comprised of residential and commercial property. Within the Water District's boundaries is the Broadway Mall which is home to department stores such as Macy's, IKEA home furnishings and Target which anchor this 140 store complex.

Cantiague Park, a county park, with golf courses, athletic fields, tennis courts, swimming pools, picnic and play areas is also located within the Water District.

The Water District's location in central Nassau County provides residents with employment opportunities throughout Nassau County, western Suffolk County and New York City. Commercial activity is found along major highways and is typically in the form of shopping centers, retail stores and office buildings.

Major road arteries that run through the Water District include Jerusalem Avenue, Broadway (Route 107), Newbridge Road (Route 106) and Old Country Road. Residents of the Water District have easy access to the Long Island Expressway and Wantagh, Northern State and Southern State Parkways. Rail transportation is provided by the Long Island Railroad. Both the Port Jefferson and Central Branches of the Long Island Railroad (Metropolitan Transit Authority) meet in Hicksville where they form the main line to Jamaica. Local bus service provides access to surroundings areas.

Gas and electric is provided by PSEG. Police protection is provided by Nassau County. Fire protection is available from the following fire departments: Bethpage, East Meadow, Hicksville, Jericho, Syosset and Westbury.

Water District Facilities

The Water District currently maintains ten Plant sites and fifteen wells with two elevated and three ground storage tanks. Pumping capacity is thirty-six million gallons per day and Storage Tank Capacity is 7.23 million gallons. Equipment includes: (2) Back hoes: with (2) trailer; (10) pick-up trucks; (1) dump trucks; (1) flat bed; (2) utility trucks, (1) sports utility vehicle, (1) van, (1) fork lift and (2) transits.

Form of Government

The Water District is not a typical administrative and assessment unit of either the Town of Oyster Bay or the Town of Hempstead. The Water District is an independent district corporation and political subdivision of the State, duly constituted to continue as such by special act of the State Legislature (Chapter 894 of the Laws of 1945).

The Water District is governed by a three-member Board of Water Commissioners. Each Commissioner is elected for a three-year term. Each term is staggered so that every year one Commissioner is elected at large. The Chairman is elected by the Commissioners themselves. Members of the Board have no limitation as to the number of terms they may serve. The Board appoints a Water District Treasurer and a Water District Secretary.

Financial Organization

Pursuant to the Local Finance Law and Section 324.4 of the Nassau County Civil Divisions Act, the Water District Treasurer is the chief fiscal officer of the Water District. However, certain of the financial functions, including authorizing all disbursements of the Water District are the responsibility of the Chairman of the Board of Water Commissioners. The Treasurer and the Account Clerk are responsible for all accounting and bookkeeping functions, review and analysis of the financial conditions, and providing assistance to the Board of Water Commissioners in determining future financing needs of the Water District and preparation of Water District budgets.

Budgetary Procedures

The Water District's fiscal year begins on January 1 and ends on December 31. The budget officer submits a tentative budget in August of each year to the Board of Water Commissioners for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all governmental funds.

Upon review and approvals by the Board of Water Commissioners, the proposed budgets are forwarded to the respective Towns of Oyster Bay and Hempstead. Public hearings are held with final approval from the towns.

Employees

The Water District currently employs sixteen people of whom thirteen are represented by the Utility Workers Union of America, AFL-CIO, under a contract which expires on December 31, 2018.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the Towns, the County and the State.

<u>Year</u>	<u>Town of Hempstead</u>	<u>Town of Oyster Bay</u>	<u>County of Nassau</u>	<u>State of New York</u>
2000	755,923	293,925	1,336,713	19,001,780
2010	759,757	291,609	1,329,083	19,229,752
2016	768,708	297,537	1,356,801	19,697,457

Source: U.S. Bureau of the Census.

Selected Wealth and Income Indicators

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016</u>
Town of Hempstead	\$20,955	\$28,153	\$36,168	\$41,144
Town of Oyster Bay	24,449	35,895	46,598	53,164
County of Nassau	23,352	32,151	41,387	46,482
State of New York	16,501	23,389	30,948	35,534

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016</u>
Town of Hempstead	\$52,286	\$69,083	\$89,878	\$102,157
Town of Oyster Bay	59,286	78,839	104,453	118,242
County of Nassau	54,283	72,030	93,613	105,870
State of New York	32,965	43,393	55,603	62,909

Source: United States Bureau of the Census
a. Note: Based on American Community Survey 5-Year Estimates (2012-2016)

Major Employers in the Water District Area

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
National Grid	Public Utility	1,500
Family Aides, Inc.	Home Health Care Services	600
Kozy Shack Enterprises, Inc.	Food Preparations	480
Macy's Retail Holdings, Inc.	Department Stores	450
Star Community Publishing Group, LLC.	Books Periodicals & Newspapers	350
United States Postal Service	U.S. Postal Service	350
Sentry Integrated Systems, Inc.	Security Systems Services	300
Slomin's, Inc.	Fuel Oil Dealers	275
Omoo, Inc.	Commercial Industrial Lighting Fixtures	270
IKEA Holdings US Inc.	Furniture Stores	256
Aladdin Fragrances, Inc.	Drugs & Sundries	200

Source: Water District estimate.

Unemployment Rate Statistics

Unemployment statistics are not available for the Water District as such. The smallest area for which such statistics are available (which includes the Water District) are the Towns of Hempstead and Oyster Bay. The information set forth below with respect to such Towns is included for information purposes only. Inclusion of such data in this Statement is not intended to imply that the Water District is necessarily representative of the Towns or vice versa.

<u>Annual Averages:</u>	<u>Town of Oyster Bay (%)</u>	<u>Town of Hempstead (%)</u>	<u>County of Nassau (%)</u>	<u>New York State (%)</u>
2013	6.4	6.4	6.0	7.7
2014	5.4	5.1	5.0	6.3
2015	4.5	4.5	4.3	5.3
2016	4.1	4.0	3.9	4.9
2017	3.8	4.2	4.0	4.6
2018 (6 Month Average)	3.8	4.3	4.1	4.6

Source: Department of Labor, State of New York.

INDEBTEDNESS OF THE WATER DISTRICT

Statutory Requirements

The State Constitution does not contain provisions relating to a Water District's power to issue obligations or incur indebtedness. The authorization and issuance of Water District debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are prescribed by statute.

The Local Finance Law of the State provides the authority for the Water District (and certain municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Some of the limitations of the Local Finance Law, in summary form, and as generally applicable to the Water District and the Bonds, include the following:

Purpose and Pledge. The Water District shall not give or loan any money or property to or in aid of any individual, or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Water District may contract indebtedness only for a Water District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Water District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Water District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for payment of principal on its serial bonds, and bond anticipation notes.

No Constitutional Debt Limit. The Water District may contract debt only with the consent of the Town Boards of the Towns of Oyster Bay and Hempstead, given after proceedings undertaken under Section 102.00 of the Local Finance Law. Such consent for the issuance of the Bonds has been obtained. The Water District is not subject to a Constitutional debt limit, but each of the Towns of Oyster Bay and Hempstead must proportionally take Water District debt into account when computing their respective debt limits under Section 104.00 of the Local Finance Law.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the Water District to borrow and incur indebtedness. The power to spend money, however, generally derives from other law, including specifically the Town Law, the General Municipal Law and the Nassau County Civil Divisions Act.

Pursuant to the Local Finance Law, the Water District authorizes the issuance of bonds by the adoption of a bond resolution, approved by at least two of the three members of the Board of Water Commissioners, the finance board of the Water District. Such capital project to be financed pursuant to the bond resolution is to be submitted for approval by the Town Boards of the Towns within which the Water District is situated, after public hearings by said Towns.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, which in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. This estoppel procedure for the Bonds will have been complied with at the time of the delivery of the Bonds.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds or notes subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year, provided annual principal reductions are made and provided that such renewals generally do not extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual principal reductions for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "Payment and Maturity" under "Statutory Requirements".)

In general, the Local Finance Law contains to which law provisions providing the Water District with power to issue general obligation revenue and tax anticipation notes and general obligation budget and capital notes.

Debt Statement Summary – Town of Hempstead

Statement of indebtedness, debt limit and net debt-contracting margin of the Town of Hempstead, New York as of June 20, 2018.

Fiscal Year Ending <u>December 31:</u>	Assessed <u>Valuation</u>	State Equal. <u>Rate (%)</u>	<u>Full Valuation</u>
2014	\$296,172,686	0.31	\$ 95,539,576,129
2015	290,552,906	0.29	100,190,657,241
2016	284,555,400	0.28	101,626,928,571
2017	260,729,091	0.26	100,280,419,615
2018	253,423,781	0.26	97,470,685,000
Total Five Year Full Valuation			\$495,108,266,557
Average Five Year Full Valuation			99,021,653,311
Debt Limit - 7% of Average Full Valuation			6,931,515,732
 Inclusions:			
General Purpose Bonds			271,893,231
Water Purpose Bonds			34,439,387
Sewer Purpose Bonds			2,527,381
Bond Anticipation Notes			0
Total Inclusions			308,859,999
 Exclusions:			
Water Debt			34,439,387
Appropriations			23,715,000
Total Exclusions			58,154,387
Total Net Indebtedness			250,705,612
Net Debt Contracting Margin			\$6,680,810,120
 Percent of Debt Contracting Margin Exhausted (%)			 3.62

Note: Although the issuance of the Bonds will increase the gross indebtedness of the Town of Hempstead pursuant to Section 135.00 (a)(7) of the Local Finance Law, the issuance of the Bonds will not increase the net indebtedness of the Town of Hempstead in accordance with section 136.00 (2) of the Local Finance Law.

Debt Statement Summary – Town of Oyster Bay

Statement of indebtedness, debt limit and net debt-contracting margin of the Town of Oyster Bay, New York as of May 3, 2018.

Fiscal Year Ending <u>December 31:</u>	Assessed <u>Valuation</u>	State Equal. <u>Rate (%)</u>	<u>Full Valuation</u>
2014	\$163,350,725	0.31	\$ 52,693,782,258
2015	158,257,935	0.30	52,752,645,000
2016	149,895,469	0.27	55,516,840,370
2017	143,981,459	0.26	55,377,484,231
2018	139,004,330	0.24	57,918,470,833
Total Five Year Full Valuation			\$274,259,222,693
Average Five Year Full Valuation			54,851,844,539
Debt Limit - 7% of Average Full Valuation			3,839,629,118
 Inclusions:			
Outstanding Bonds			541,164,981
Bond Anticipation Notes			158,090,388
Tax Anticipation Notes			0
Revenue Anticipation Notes			0
Total Inclusions			699,255,369
 Exclusions:			
Water Debt			53,617,017
Water Bond Anticipation Notes			34,355,000
Revenue Anticipation Notes			0
Appropriations			5,425,000
Total Exclusions			93,397,017
Total Net Indebtedness			605,858,352
Net Debt Contracting Margin			\$3,233,770,766
Percent of Debt Contracting Margin Exhausted (%)			15.78

Note: Although the issuance of the Bonds will increase the gross indebtedness of the Town of Oyster Bay pursuant to Section 135.00 (a) (7) of the Local Finance Law, the issuance of the Bonds will not increase the net indebtedness of the Town of Oyster Bay in accordance with section 136.00 (2) of the Local Finance Law.

Details of Short-Term Indebtedness Outstanding (As of August 30, 2018)

As of the date of this Official Statement, the Water District has no short-term debt outstanding.

Capital Projects

The Water District is in the midst of an approximately \$21,445,000 capital project. The project includes: (1) wellhead treatment and site improvements at Plant No. 10; (2) wellhead treatment upgrades and site improvements at Plant No. 4; (3) Wellhead treatment upgrades and site improvements at Plant No. 8; (4) booster pump upgrades and infrastructure improvements at Plant No. 1; (5) water main replacement program; (6) water meter replacement program; (7) administration building improvements. On March 20, 2018, the Water District issued a \$14,000,000 bond against such authorization. The date of issuance of the balance of the authorization has yet to be determined.

There are no other projects of the Water District authorized or contemplated at the present time.

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$895,000	\$413,794	\$1,308,794
2019	1,220,000	1,049,651	2,269,651
2020	1,130,000	794,882	1,924,882
2021	1,170,000	752,357	1,922,357
2022	1,215,000	705,056	1,920,056
2023	1,255,000	656,056	1,911,056
2024	1,305,000	605,357	1,910,357
2025	1,350,000	551,881	1,901,881
2026	1,410,000	495,469	1,905,469
2027	1,460,000	439,213	1,899,213
2028	1,510,000	383,338	1,893,338
2029	1,570,000	324,419	1,894,419
2030	1,630,000	262,144	1,892,144
2031	765,000	197,294	962,294
2032	785,000	174,044	959,044
2033	810,000	150,119	960,119
2034	835,000	125,444	960,444
2035	860,000	100,019	960,019
2036	890,000	73,213	963,213
2037	915,000	45,009	960,009
2038	945,000	15,356	960,356
	<u>\$23,925,000</u>	<u>\$8,314,111</u>	<u>\$32,239,111</u>

Authorized but Unissued Debt

On November 28, 2017, the District adopted a bond resolution authorizing \$21,445,000 bonds for the current capital project described above. As of the date of this Statement, the Water District has authorized but unissued debt in the aggregate amount of \$7,445,000 for the construction of improvements to the Water District facilities. See also "Capital Project Plans" herein.

Debt Outstanding of the Water District as of End of Fiscal Year

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$13,220,000	\$12,435,000	\$11,625,000	\$10,790,000	\$9,925,000
BAN's	0	0	0	0	0
Other Debt	0	0	0	0	0
Total Debt Outstanding	<u>\$13,220,000</u>	<u>\$12,435,000</u>	<u>\$11,625,000</u>	<u>\$10,790,000</u>	<u>\$9,925,000</u>

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Nassau	10/31/2017	3.92	\$164,027,774	\$140,857,830
Town of Hempstead	03/28/2017	8.60	26,304,253	19,884,953
Town of Oyster Bay	12/27/2017	14.80	114,168,680	98,589,061
Hicksville UFSD	06/30/2016	100.00	7,305,000	7,305,000
Totals			<u>\$311,805,707</u>	<u>\$266,636,844</u>

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the office of the State Comptroller or more recently published Statements.

FINANCES OF THE WATER DISTRICT

Independent Audit Procedures

The Water District maintains its financial records in accordance with the Uniform System of Accounts for Water Districts prescribed by the State Comptroller. The financial records of the Water District are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2017 and is attached as Appendix B. In addition, the financial affairs of the Water District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Water District has complied with the requirements of various State and Federal statutes.

The Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Statement are based on the audited Annual Financial Reports of the Water District for the 2013-2017 fiscal years.

Investment Policy

Pursuant to the statutes of the State, the Water District is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State, provided however, that such time deposit account or certificate of deposit is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (4) obligations of the State; (5) with the approval of the State Comptroller in tax anticipation notes or revenue anticipation notes issued by any municipalities, school district, or district corporation, other than those notes issued by the Water District; (6) certificates of participation issued by political subdivisions of the State, as those terms are defined in the law; (7) obligations of a New York public corporation which are made lawful investments for the Water District pursuant to the enabling laws of such public corporation; or (8) in the case of moneys held in certain reserve funds established by the Water District pursuant to law, in obligations of the Water District. Any investments made by the Water District pursuant to law are required to be payable or redeemable at the option of the Water District within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the Water District, within two years of the date of purchase. These statutes also require that the Water District's investments, unless registered or inscribed in the name of the Water District, must be purchased through, delivered to and held in the custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law. The Water District is not presently investing in repurchase agreements.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

Fund Structure and Accounts

The accounts of the Water District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The Water District reports the following major governmental funds; General, Highway Debt service and Capital Projects Funds. Fiduciary funds consist of the agency funds.

Basis of Accounting

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes and grants. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied.

The governmental fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues

The Water District receives most of its revenue from a real property tax on all non-exempt real property situated within the Water District and metered water sales. The Water District does not receive any State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

Real Property Taxes

See "Tax Information", herein.

Expenditures

The major categories of expenditure for the Water District are Administration, Plant Operations, Transmission, Distributions and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

Pension Payments and Other Post-Retirement Employee Benefits

Substantially all employees of the Water District are members of the State and Local Employees' Retirement System ("ERS" or "Retirement System"), a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts which are collected through annual billings to all participating employers. Generally, all full-time employees participate in the Retirement System. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976, with less than 10 years of service, must contribute 3% of gross annual salary toward the cost of retirement programs.

Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

On December 10, 2009, Governor Paterson signed the new Tier V into law. The law is effective for new ERS and TRS hires beginning on January 1, 2010. New ERS employees will not become fully vested until after ten years of service and will now contribute 3% of salary or wages. There is no provision for these contributions to cease after a certain period of service. Overtime in excess of \$15,000 will not be subject to ERS either in contribution from the Water District or for the final average salary of the employee.

- In the State, historically there has been a state mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 11% to 15% (percentage dependent on tier) of payroll for employees' retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

- Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year will be based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

- Chapter 260 of the Laws of 2004 ("Chapter 260") contains three components which altered the way municipalities and school districts contribute to the State pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to Chapter 260, the annual retirement bill sent to municipalities and school districts from the State had reflected pension payments due between April 1 and March 31, consistent with the state fiscal year.

- Chapter 260 provided for the following changes:

- **Contribution Payment Date Change:** The law changed the date on which local pension contributions are due to the State. The annual required contribution is now due Feb. 1 annually instead of Dec. 15. As a result, no payment was due in calendar year 2004.
- **Pension Cost Amortization-Extension of Payout Period:** The law also extends the ability of municipalities and school districts to amortize a portion of the current year pension cost over a period of 10 years, extending the term from five years as authorized under the 2003 Chapter 49 legislation. Municipalities can amortize, either directly through the State retirement system at a fixed interest rate annually determined by the State comptroller or through the capital markets, pension payments in excess of 9.5% of eligible payroll in 2006, and 10.5% in 2007.
- **Pension Contributions Reserve Fund:** The law creates special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

In September 2007, the State Comptroller announced that the strength of the \$154.5 billion Common Retirement Fund had allowed him to lower the employer contribution rates for ERS for 2008. For 2009, ERS dropped to 8.5% from 9.6% of payroll and for 2010 ERS dropped from 8.5% to 7.4% of payroll. Due to the decline in the performance of the Retirement System investments the State Comptroller has indicated that increased contributions are likely for the next fiscal year.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the Water District’s employees is not subject to the direction of the Water District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the Water District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

While the Water District is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for increased pension liabilities, there can be no assurance that its financial position will not be negatively impacted.

Other Post-Employment Benefits

The Water District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. GASB Statement No. 45 (“GASB 45”) of the GASB requires governmental entities, such as the Water District, to account for post-retirement health care benefits as its accounts for vested pension benefits.

GASB 45 and OPEB. OPEB refers to “other post-employment benefits,” and refers to benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>For the Year Ended December 31, 2017</u>
Annual required contribution (ARC)	\$985,107
Interest on net OPEB obligation	178,207
Less: Adjustments to ARC	(248,006)
Annual OPEB cost (expense)	<u>915,308</u>
Less: Contributions made	<u>(300,338)</u>
Increase in net OPEB obligation	614,970
Net OPEB obligation-beginning of year	<u>4,455,178</u>
Net OPEB obligation-end of year	<u><u>\$5,070,148</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2016 and the two preceding years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed (%)</u>	<u>Net OPEB Obligation</u>
December 31, 2015	893,340	35.90	3,879,696
December 31, 2016	930,173	38.10	4,455,178
December 31, 2017	915,308	32.80	5,070,148

Actuarial Valuation will be required every two years for OPEB plans with more than two hundred members and every three years if there are less than two hundred members.

Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The Water District derives its power to levy an ad valorem real property tax from methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the Water District are prepared by the County of Nassau. Assessment valuations are determined by the County assessor and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The Water District is not subject to constitutional real property taxing limitations.

The following table sets forth the percentage of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2013 through 2017 and, as budgeted, for the years ending December 31, 2018.

<u>Fiscal Year Ending December 31:</u>	<u>Total Revenue</u>	<u>Property Taxes</u>	<u>Property Taxes To Revenues (%)</u>
2013	\$8,030,595	\$4,505,179	56.10
2014	8,103,339	4,656,264	57.46
2015	8,429,238	4,703,247	55.80
2016	8,518,867	4,497,351	52.79
2017	9,232,843	5,069,992	54.91
2018 (Budgeted)	9,361,059	5,333,101	56.97

Tax Collection Procedure

The Town Tax Receivers collect all real estate taxes for Town, County, Fire District, School District and Special District purposes on a single tax bill.

Real property tax payments are due in two equal installments due January 1 and July 1, payable without penalty to February 10 and August 10, respectively. Penalties are imposed thereafter at the rate of 1% per month from January 1 and July 1 until August 31, after which taxes are payable to the County Treasurer. The Towns retain the total amount of Town, Highway, Town Special District (including Hicksville Water District) and water arrears levies from the amount collected, and forwards the balance collected to the County which assumes collection responsibility and holds annual tax sales. The Towns and the Hicksville Water District therefore realize annually the 100% collection of Real Property Taxes.

Tax Increase Procedural Limitation Legislation

Although the State Legislature is limited by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted”, the New York State Legislature may from time to time impose additional limitations on the ability to issue new indebtedness or to raise taxes therefor.

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limit Law” or the “Law”). The Tax Levy Limit Law generally applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities to levy certain year-to-year increases in real property taxes.

The Water District has been subject to the Tax Levy Limit Law, since the Water District’s budget for its fiscal year beginning January 1, 2012. Pursuant to the Tax Levy Limit Law, additional procedural requirements are imposed if a municipality seeks to increase the tax levy by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index, over the amount of the Water District’s prior year’s tax levy (the “Tax Levy Increase Limit”). In the event the Water District seeks to adopt a budget requiring a tax levy exceeding the Tax Levy Increase Limit, a favorable vote of at least two members of the three-member Water District Board would be required. The Water District Board would also be required to act by Local Law rather than simply by resolution, and a public hearing would be required.

The Law permits certain exceptions to the Tax Levy Increase Limit. The Water District may levy taxes exceeding the Tax Levy Increase Limit, if necessary, to support the following expenditures: (i) funds needed to pay judgments arising out of tort actions that exceed five percent of the total tax levied by the Water District in the prior fiscal year and (ii) required pension payments (but only that portion of such payments attributable to the average actuarial contribution rate exceeding two percentage points). Taxes necessary for these expenditures will not be included in the calculation of the Tax Levy Increase Limit.

The Law also provides for adjustments to be made to the Water District’s Tax Levy Increase Limit based upon changes in the assessed value of the taxable real property in the Water District. Additionally, the Water District will be permitted to carry forward a certain portion of its unused tax levy capacity from the prior year.

Notes or bonds of the Water District issued prior to the July 1, 2011 effective date of the Tax Levy Limit Law are payable from real property taxes that can be levied as necessary without regard to any Constitutional or statutory limit. Inasmuch as the Law has no exclusion for principal and interest on notes and bonds, however, levies required to pay principal and interest on notes and bonds will be included in the calculation of the Tax Levy Increase Limit. In the absence of administrative or judicial guidance, and with a lack of long-term experience operating under the Law, the effect of the Law on the Water District’s finances and its ability to continue to levy taxes sufficient to both pay debt service on pre July 1, 2011 and post July 1, 2011 notes and bonds and meet its other governmental responsibilities is uncertain.

Assessed Valuations, Levies, Collection and Rates for the District

	Fiscal Year Ending December 31:				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed Valuations:					
Town of:					
Hempstead	\$ 2,196,733	\$ 2,136,986	\$ 1,451,586	\$ 1,411,839	\$ 1,365,895
Oyster Bay	19,003,542	18,050,646	16,980,649	16,441,432	15,391,175
Totals	\$21,200,275	\$20,187,632	\$18,432,235	\$17,853,271	\$16,757,070
% Within Town of:					
Hempstead	10.36%	10.59%	10.59%	10.59%	10.59%
Oyster Bay	89.64%	89.41%	89.41%	89.41%	89.41%
Equalization Rates:					
Hempstead	0.33%	0.31%	0.29%	0.28%	0.26%
Oyster Bay	0.31%	0.30%	0.27%	0.26%	0.24%
Taxable Full Valuations:					
Town of:					
Hempstead	\$ 665,676,667	\$ 689,350,323	\$ 500,546,897	\$ 504,228,214	\$ 525,344,231
Oyster Bay	6,130,174,839	6,016,882,000	6,289,129,259	6,323,627,692	6,412,989,583
Totals	\$6,795,851,505	\$6,706,232,323	\$6,789,676,156	\$6,827,855,907	\$6,938,333,814
Tax Levy	\$4,656,264	\$4,734,693	\$4,799,289	\$5,087,246	\$5,333,101
Uncollected Taxes	None	None	None	None	None
Taxes Rate per \$1,00 of Assessed Valuation	\$19.73	\$21.27	\$22.48	\$28.49	\$31.83

Town of Hempstead Valuations

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed Valuation	\$ 296,172,686	\$ 290,552,906	\$ 284,555,400	\$ 260,729,091	\$ 253,423,781
Equalization Rate	0.33%	0.31%	0.29%	0.28%	0.26%
Full Valuation	89,749,298,788	93,726,743,871	98,122,551,724	93,117,532,500	97,470,685,000

Town of Oyster Bay Valuations

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed Valuation	\$ 163,350,725	\$ 158,257,935	\$ 149,895,469	\$ 143,981,459	\$ 139,004,330
Equalization Rate	0.31%	0.30%	0.27%	0.26%	0.24%
Full Valuation	52,693,782,258	52,752,645,000	55,516,840,370	55,377,484,231	57,918,470,833

Selected Listing of Large Taxable Properties
2015-2016 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Broadway Mall.....	Shopping Mall	\$1,087,262
Sears Roebuck & Company	Retail	246,059
Delco Development of Hicksville.....	Retail Plaza	196,777
Josam Associates LLC.....	Retail Plaza	131,488
111 New South Road Corporation.....	Office Building	123,374
Hicksville Project LLC.....	Commercial	93,277
L&K Holding Corporation	Commercial	89,439
Verizon New York.....	Public Utility	35,048
Long Island Power Authority	Public Utility	33,000
FED LI LLC & GSM LI LLC & ICA LI LLC.....	Industrial	18,406
TEC Street Realty LLC	Real Estate	11,656
100 Duffy LLC.....	Real Estate	<u>826</u>
 Total.....		 <u>\$2,066,615^a</u>

a. Represents Approximately 9.68% of the Total Taxable Assessed Valuation of the District for 2016.
Source: Nassau County Assessment Rolls.

LITIGATION

In common with other municipalities, the Water District from time to time receives notices of claim and is party to litigation. In the opinion of the Water District Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Water District has not asserted a substantial and adequate defense, nor which, if determined against the Water District, would have an adverse material effect on the financial condition of the Water District, in view of the Water District's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

MARKET AND RISK FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

The financial and economic condition of the Water District, as well as the market for the Bonds, could be affected by a variety of factors, many of which are beyond the Water District's control. There can be no assurance that adverse events in the global economy, the State or elsewhere, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or of any of their respective agencies or political subdivisions or elsewhere, thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Water District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

There are various other forms of risk associated with investing in the Bonds. Although none of such risks currently exist with respect to the Water District or the Bonds, there can be no assurance that one or more of such events will not occur in the future. One such risk is that the Water District will be unable to promptly pay interest and principal on the Bonds as they become due (see "Remedies Upon Default", herein). If a Bondholder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the Water District to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in certiorari proceedings could result in a large reduction in the assessed valuation of taxable real property in the Water District. Unforeseen developments could also result in substantial increases in Water District expenditures, thus placing considerable strain on the Water District's financial condition.

A deterioration of Water District finances could cause the credit rating of the Bonds to be lowered, suspended or withdrawn, if such action were to be deemed appropriate by Moody's Investors Service and/or Standard & Poor's Corporation. Any of such actions on the part of either or both of such rating agencies could have an adverse effect on the market price of the Bonds or the availability of a secondary market for the Bonds.

If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interests rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the Water District. Any such future legislation would have an adverse effect on the market value of the Bonds. See "Tax Matters" herein.

ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule") promulgated by the Commission, the Water District has agreed to provide, at the time of delivery of the Bonds, an executed Annual and Continuing Disclosure Undertaking in substantially the form attached as Appendix C.

To the best of the Water District's knowledge, in the past five years the Water District has not failed in any material respect under the Rule to provide annual reports or notices of material events.

The following table sets forth the annual filings for each of the five preceding fiscal years.

<u>Fiscal Year Ending December 31:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2012	06/28/2013	06/28/2013
2013	06/27/2014	06/27/2014
2014	06/26/2015	10/20/2015
2015	06/24/2016	09/07/2016
2016	06/29/2017	06/29/2017
2017	06/29/2018	06/18/2018

On March 5, 2018, the Water District filed a material event notice for the failure to file its audited financial for fiscal years ended December 31, 2014 and 2015 within six months of the end of the fiscal year. The unaudited financial statements were filed within six months and the audited financial statement were filed within one year.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals, or, except as hereinafter corporations described. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

For taxable years that began on or before December 31, 2017, interest on the Bonds owned by certain corporations will be included in such corporations' adjusted current earnings for purposes of computing the alternative minimum tax on such corporations. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Water District made in a certificate (the "Tax Certificate") dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the Water District with the provisions of the Tax Certificate subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the Water District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Water District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Water District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Water District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

In the opinion of Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Except as described above, Bond Counsel expresses no opinion with respect to any federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (FASIT), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change so as to reduce or eliminate the benefit to holders of the Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation for taxable years that began on or before December 31, 2017, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income

tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

The Water District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds will be covered by the unqualified legal opinion of Norton Rose Fulbright US LLP, Bond Counsel, New York, New York. Such legal opinion will be delivered in substantially the form attached hereto as "Appendix D."

BOND RATINGS

The Water District has applied to Moody's for a rating on the Bonds and such rating is pending at this time. Moody's currently has assigned a "Aa2" rating to the outstanding bonds of the Water District. This rating will reflect only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's Investor Service. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of Moody's Investor Service circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Bonds or the availability of a secondary market for the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc. will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Bonds, of: (1) the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium requirements of the Refunded Bonds. Causey Demgen & Moore Inc. will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Bonds.

The accuracy of the mathematical computations regarding the adequacy of the cash as deposit in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds on the applicable payment date(s) will be verified by Causey Demgen & Moore, P.C. Such verification of the accuracy of the mathematical computation will be based, in part, upon factual information supplied by the Water District and the Purchaser or the Municipal Advisor.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the “Municipal Advisor”), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the Water District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the Water District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Water District or the information set forth in this Official Statement or any other information available to the Water District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

OTHER MATTERS

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Bonds are to be issued in the Local Finance Law.

The estoppel procedure for the Bonds provided in Title 6 of Article 2 of the Local Finance Law will have been complied with before the delivery date of the Bonds.

There is no bond or note of the Water District on which principal or interest is past due.

The fiscal year of the Water District is January 1 to December 31.

This Official Statement does not include the financial data of any political subdivision of the State of New York having power to levy taxes within the Water District, except as expressed in the “Calculation of Estimated Overlapping and Underlying Indebtedness.”

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the District Superintendent, Hicksville Water District in the Towns of Oyster Bay and Hempstead, PO Box 9065, Hicksville, NY 11802-9065, telephone number 516/931-01874, or from the office of Munistat Services Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Water District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Water District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Water District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Bonds is to be construed as a contract with the holders of the Bonds.

Except for its review of the descriptions of the terms of the Bonds and its approving legal opinion to be rendered on the Bonds as Bond Counsel to the Water District, Norton Rose Fulbright US LLP, has not participated in the preparation of this Official Statement, nor verified the accuracy, completeness or fairness of the information contained herein, and accordingly, expresses no opinion with respect thereto.

The preparation and distribution of this Official Statement have been approved by the Water District Supervisor pursuant to the power delegated to him by the authorizing bond determination certificate to sell and deliver the Bonds.

This Official Statement has been duly executed and delivered by the Supervisor of the Hicksville Water District in the Towns of Oyster Bay and Hempstead, New York.

HICKSVILLE WATER DISTRICT, NEW YORK

By: s/s WILLIAM SCHUCKMANN
Treasurer

APPENDIX A

FINANCIAL INFORMATION

**Statement of Revenues, Expenditures and Fund Balances
General Fund**

	Year Ending December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 4,505,179	\$ 4,656,264	\$ 4,703,247	\$ 4,497,351	\$ 5,069,992
Other Tax Items	137,311	79,786	165,881	463,600	375,346
Operating Revenues	2,891,025	2,832,007	3,051,027	3,087,800	2,935,734
Use of Money and Property	399,798	489,624	453,383	379,960	523,796
Sale of Property and Comp. for Loss	49,568	32,505	41,932	75,470	94,140
Stated Aid			3,379		19,645
Federal Aid	30,407				
Miscellaneous	17,307	13,153	10,389	14,686	214,190
Total Revenues	<u>8,030,595</u>	<u>8,103,339</u>	<u>8,429,238</u>	<u>8,518,867</u>	<u>9,232,843</u>
Expenditures:					
Water Administration	918,981	903,536	954,140	1,024,328	1,016,701
Source of Supply, Power and Pumping	1,735,203	1,733,307	1,752,722	1,743,721	2,027,196
Transmission and Distribution	1,300,005	1,437,637	1,594,846	1,696,319	1,542,417
Employee Benefits	1,267,051	1,194,620	1,296,848	1,142,699	1,199,413
Debt Service	1,327,125	1,329,150	1,324,463	1,317,425	1,313,550
Total Expenditures	<u>6,548,365</u>	<u>6,598,250</u>	<u>6,923,019</u>	<u>6,924,492</u>	<u>7,099,277</u>
Excess (Deficiency) of Revenues & Over Expenditures	1,482,230	1,505,089	1,506,219	1,594,375	2,133,566
Other Sources (Uses):					
Operating Transfers In					
Operating Transfers Out	(2,410,704)	(5,617,728)	(1,485,000)	(851,341)	(850,000)
Total Sources and Uses	<u>(2,410,704)</u>	<u>(5,617,728)</u>	<u>(1,485,000)</u>	<u>(851,341)</u>	<u>(850,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and other Uses	(928,474)	(4,112,639)	21,219	743,034	1,283,566
Fund Balance Beginning of Year	15,178,110	14,249,636	10,136,997	10,158,216	10,901,250
Fund Balance Transfer					
Fund Balance End of Year	<u>\$ 14,249,636</u>	<u>\$ 10,136,997</u>	<u>\$ 10,158,216</u>	<u>\$ 10,901,250</u>	<u>\$ 12,184,816</u>

Source: Audited Annual Financial Reports of the District (2013-2017)

NOTE: This Schedule NOT audited.

**Balance Sheet-General Fund
Year Ending December 31**

	2016	2017
Assets:		
Cash - Unrestricted	\$ 8,618,529	\$ 4,997,810
Cash - Restricted	3,372,470	7,631,521
Restricted Investments	3,906,228	
Accounts Receivables	478,008	382,225
Due from Other Funds	3,520	26,417
Due from Other Governments	263,407	264,314
Inventories	13,114	7,835
Miscellaneous		
Prepaid Expenditures	113,507	120,757
Total Assets:	\$ 16,768,783	\$ 13,430,879
Liabilities:		
Accounts Payable	\$ 459,803	\$ 248,393
Due to Other Funds	5,407,730	997,670
Collections in Advance		
Total Liabilities	5,867,533	1,246,063
Deferred Inflows of Resources:		
Deferred Revenues		
Total Deferred Inflows of Resources	0	0
Fund Equity:		
Nonspendable	126,621	128,592
Restricted	7,087,735	7,631,521
Assigned	615,580	946,654
Unassigned	3,071,314	3,478,049
Total Fund Equity	10,901,250	12,184,816
Total Liabilities, Deferred Inflows and Fund Equity	\$ 16,768,783	\$ 13,430,879

Sources: Audited Financial Statement (2016-2017)

NOTE: This Schedule NOT audited.

BUDGET SUMMARIES

	<u>2017</u>	<u>2018</u>
Revenues:		
Operating		
Real Property Taxes	\$ 5,087,246	\$ 5,333,101
Payment in Lieu of Taxes	50,000	50,000
Metered Water Sales	2,800,000	2,900,000
Unmetered Sales - Hydrant	114,940	114,940
Sprinkler Fees	165,000	165,000
Hydrant Fees		4,500
Closing Service Charges		
Water Service Charges/Misc.	15,000	20,000
Penalties on Water Sale	40,000	50,000
Non-Operating		
Interest on Use of Money	3,500	5,000
Sale of Supplies	10,000	10,000
Cell Site Rental (transfer to reserve)	420,001	383,518
Energy Load Shedding		
Miscellaneous	25,000	25,000
Appropriated Fund Balance	<u>400,000</u>	<u>300,000</u>
 Total Revenues	 <u>\$ 9,130,687</u>	 <u>\$ 9,361,059</u>
Expenditures:		
Water Administration	\$ 1,130,784	\$ 1,353,237
Source of Supply, Power, Pumping	1,982,429	2,159,654
Transmission and Distribution	1,731,116	1,612,420
Employee Benefits	1,384,384	1,480,724
Operating Transfer	1,588,423	1,446,230
Debt Service	<u>1,313,551</u>	<u>1,308,794</u>
 Total Expenditures	 <u>\$ 9,130,687</u>	 <u>\$ 9,361,059</u>

Source: Adopted Budget of the District for 2017 and 2018

APPENDIX B

**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

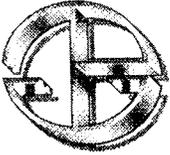
NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE TOWN'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORTS IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

HICKSVILLE WATER DISTRICT

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Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

*The Board of Commissioners
4 Dean Street
Hicksville Water District
Hicksville,, New York*

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hicksville Water District, a component unit of the Town of Oyster Bay, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hicksville Water District, as of

December 31, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The other supplementary financial information as listed in the Index is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated June 11, 2018, on our consideration of Hicksville Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hicksville Water District's internal control over financial reporting and compliance.



Commack, New York
June 11, 2018

HICKSVILLE WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Management's Discussion and Analysis

Our discussion and analysis of the Hicksville Water District's ("District") financial performance provides an overview of the Water District's financial activities for the fiscal year ended December 31, 2017. The Water District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

The Water District's governmental funds report total ending fund balance of \$16,759,004 for the year ending December 31, 2017. This compares to the prior year ending fund balance of \$19,628,504, thereby, showing a decrease of \$2,869,500 during the current year. The unassigned general fund balance in the amount of \$3,478,049 at December 31, 2017 represents an increase in the unassigned general fund balance of \$406,735 over the prior year.

The Water District's net position increased by \$933,394 or 2.6% for the year ending December 31, 2017. Net position also increased \$801,653 for the year ended December 31, 2016.

Total liabilities and deferred inflows of resources of the Water District as of December 31, 2017 amounted to \$17,513,572 of which approximately \$14,972,228 will be due in years subsequent to December 31, 2018. Total liabilities and deferred inflows of resources at December 31, 2016 amounted to \$18,773,655.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Water District's basic financial statements. The basic financial statements include the combined District-wide and fund financial statements and notes to the financial statements. The Water District also includes in the report additional information to supplement the basic financial statements.

Combined District-Wide and Fund Financial Statements

The Water District's basic financial statement includes a Statement of Net Position and a Statement of Activities prepared on a District-wide basis. The basic financial statements also include fund financial statements entitled Balance Sheet - Governmental Funds, the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds and the Statement of Fiduciary Net Position - Fiduciary Funds. The Notes to the financial statements are also an integral part of these financial statements.

HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Overview of the Financial Statements (cont'd)

District-Wide Financial Statements

The District-wide financial statements provide both long term and short term information about the Water District's status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these District-wide statements is the Statement of Net Position. This statement presents information that includes all of the Water District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water District as a whole is improving or deteriorating. Evaluation of the overall financial position of the Water District would extend to other nonfinancial factors such as weather related issues impacting water usage or the condition of the Water District's infrastructure in addition to the financial information provided in this report.

The second District-wide statement is the Statement of Activities which reports how the Water District's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Water District's activities on revenues provided by the Water District's water users and taxpayers.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Water District uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the Water District's most significant funds rather than the Water District as a whole. As of and for the year ending December 31, 2017, the District's General Fund and Capital Projects fund were major governmental funds.

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide portion of the financial statements. However, the focus is very different with fund statements providing a distinctive view of the Water District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the calendar year. The fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting.

HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Overview of the Financial Statements (cont'd)

Fund Financial Statements (cont'd)

Since the District-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation with the Statement of Net Position and the Statement of Activities to assist in understanding the difference between these two perspectives.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the accrual basis of accounting. Fiduciary activities are reported in separate statements. The fiduciary activities are excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Required Supplementary Information

This management discussion and analysis as well as the Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual (Budgetary Basis)-General Fund, the Schedule of Funding Progress for Post Employment Benefits Other Than Pensions, the Schedule of District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions that follow the notes to the financial statements are required supplementary information to supplement the basic financial statements.

Supplementary Information

A summary schedule of Capital Project Fund Revenues, Expenditures and Fund Balance from Project Inception, is also presented in this report.

HICKSVILLE WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Financial Analysis of the Water District as a Whole

The following table provides a summary of the Water District's net position:

Summary of Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Current and Other Assets	\$ 18,454,091	\$ 21,893,514
Capital Assets	<u>35,662,162</u>	<u>32,193,328</u>
Total Assets	\$ 54,116,253	\$ 54,086,842
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources -		
NYSERS Pension Related	\$ 431,284	\$ 802,574
Deferred Outflows of Resources -		
NYSERS Subsequent Payments	<u>212,975</u>	<u>197,785</u>
Total Deferred Outflows of Resources	\$ 644,259	\$ 1,000,359
LIABILITIES		
Current Liabilities	\$ 2,473,317	\$ 3,080,679
Other Liabilities	<u>14,972,228</u>	<u>15,607,477</u>
Total Liabilities	\$ 17,445,545	\$ 18,688,156
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources -		
NYSERS Pension Related	\$ 68,027	\$ 85,499
Total Deferred Inflows of Resources	\$ 68,027	\$ 85,499
Net Position:		
Net Investment in Capital Assets	\$ 28,352,430	\$ 25,951,713
Restricted	7,998,221	7,581,369
Unrestricted (deficit)	<u>896,289</u>	<u>2,780,464</u>
Total Net Position	\$ 37,246,940	\$ 36,313,546

HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Financial Analysis of the Water District as a Whole (continued)

The Water District's overall net position has continued to increase during the calendar years ended December 31, 2017 and December 31, 2016 with net position increasing annually \$933,394 and \$801,653 respectively.

The following table provides a summary of the Water District's changes in net position:

Summary of Changes in Net Position

	<u>Governmental Activities</u>			
	<u>2017</u>	<u>% of Totals</u>	<u>2016</u>	<u>% of Totals</u>
<u>Revenues:</u>				
<u>Operating Revenues</u>				
Charge for Services	\$ 2,998,608	33.9%	\$ 3,094,457	38.4%
<u>Non-operating Revenues</u>				
<u>(Expenses)</u>				
Real Property Taxes	5,069,992	57.3%	4,497,351	55.8%
Other tax items	375,346	4.2%	463,600	5.8%
Use of Money and property	523,796	5.9%	379,960	4.7%
Sale of Property and Compensation for Loss	94,140	1.1%	75,470	0.9%
State Aid	19,645	0.2%	-0-	0.0%
Miscellaneous	214,190	2.4%	14,686	0.2%
Debt Service - interest	(444,289)	(5.0)%	(469,125)	(5.8)%
<u>Total Revenues</u>	<u>\$ 8,851,428</u>	<u>100.0%</u>	<u>\$ 8,056,399</u>	<u>100.0%</u>
<u>Expenses</u>				
Water Administration	\$ 1,520,324	19.2%	\$ 1,538,950	21.2%
Source of supply, power and pumping	2,295,171	29.0%	2,157,018	29.7%
Transmission and distribution	2,468,466	31.2%	2,498,688	34.4%
Depreciation - unallocated	1,634,073	20.6%	1,060,090	14.7%
<u>Total Expenses</u>	<u>\$ 7,918,034</u>	<u>100.0%</u>	<u>\$ 7,254,746</u>	<u>100.0%</u>
 Net Change in Net Position	 <u>\$ 933,394</u>		 <u>\$ 801,653</u>	

As indicated above, the Water District is reliant on charges for water use and real property taxes to support governmental operations.

Total governmental activities for water operations cost \$7,918,034 for the calendar year ended December 31, 2017, an increase of \$663,288 from the 2016 calendar year.

HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Financial Analysis of the Water District's Funds

Governmental Funds

As previously discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming occurred due to financing requirements. Governmental funds reported ending fund balances of \$16,759,004 for the year ended December 31, 2017.

The total ending fund balances of governmental funds report a decrease of \$2,869,500 from the prior year. This decrease occurred due to 8% increase in revenues (\$9,232,843 vs. \$8,518,867), but a 23% increase in governmental funds expenditures (\$12,102,343 vs. \$9,810,505).

Major Governmental Fund

The General Fund is the Water District's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund had increased \$743,034 during the 2016 year. The increase of revenues increased the general fund fund balance \$1,283,566 during the 2017 year. The General Fund has assigned \$300,013 of this fund balance to reduce the 2018 tax levy. At December 31, 2017, the General Fund's unassigned balance is approximately 37% or 3 months of the 2018 General Fund Budget.

The Capital Projects fund is used to account for financial resources earmarked for specific capital projects. For the year, the fund balance decreased \$4,153,066 as capital expenditures exceeded other financing sources.

General Fund Budgetary Highlights

The original budget for the General Fund for the calendar year ended December 31, 2017 included appropriations of \$9,130,687. During the year, the District incurred expenditures and other financing uses of \$7,949,277 or 87% against the final budget. Expenditures for employee benefits were \$149,072 less than the budgeted amount. Transmission and distribution expenditures were \$116,499 under budget, source of supply, power and pumping expenditures were \$52,335 under budget, and water administration expenditures were \$117,080 under budget. The District's actual revenues and other financing sources of \$9,232,843 was more than final estimated revenues by \$502,156. The District's final budget expected fund balance to increase \$316,571. However, the general fund fund balance actually increased \$1,283,566 during the 2017 year, which was \$966,995 more than the final budget anticipated.

HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Capital Asset and Debt Administration

Capital Assets

The Water District's capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2017 was \$35,662,162 and as of December 31, 2016 was \$32,193,329. For the year ended December 31, 2017, capital asset additions exceeded depreciation expenses by \$13,222,125.

See Note 5 for additional information about changes in capital assets during the calendar year.

	<u>Capital Assets - At Cost</u>	
	<u>2017</u>	<u>2016</u>
<u>Non-Depreciable Assets:</u>		
Land	\$ 362,937	\$ 362,937
Construction in Progress	1,511,801	10,394,895
<u>Depreciable Assets:</u>		
Buildings	29,136,662	19,380,650
Improvements other than Buildings	1,295,991	1,290,908
Furniture & Equipment	7,685,498	7,662,474
Infrastructure	<u>23,928,354</u>	<u>19,865,978</u>
<u>Total</u>	<u>\$ 63,921,243</u>	<u>\$ 58,957,842</u>

Long-Term Debt

At the end of the calendar year, the Water District had total bonded debt outstanding in the amount of \$9,925,000, a decrease of \$865,000 from the fiscal year ended December 31, 2016.

Outstanding Bonds

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 9,925,000	\$10,790,000

HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Economic Factors and Next Year's Budget

A. Subsequent Year's Budget

The 2018 budget of \$9,361,059 represents a \$230,372 (2.52%) increase over the 2017 budget. The District expects to maintain the quality level of service to its taxpayers and customers as it has historically provided. The increase in the budget was primarily due to an increase in real property taxes. Funding for the budget will be provided by a combination of a \$300,013 appropriation of the unassigned fund balance and estimated revenues of \$9,061,046. Revenues other than real property taxes are estimated to increase \$84,517 to \$3,727,958. The real property tax levy will increase \$245,842 (4.83%) over 2017 and provide the balance of the funding for the budget.

The District's water rates are reviewed by the Board of Commissioners on an annual basis.

B. Tax Cap

New York State Law limits the increase in the property tax levy of municipalities to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. Municipalities may override the tax levy limit by drafting a local law or resolution that overrides the tax levy limit and having it approved by 60% of the governing body. Based on the law, the District's tax levy cap is 1.84% for 2018. The District's tax levy increase of 4.83% exceeded the cap and was approved by the entire governing board.

Contacting the Water District's Financial Management

This financial report is designed to provide a general overview of the Water District's finances, comply with finance related laws and regulations and demonstrate the Water District's commitment to public accountability. If you have questions about the report or would like to request additional information, contact the Water District's Administrative Office at 4 Dean Street, Hicksville, New York 11802.

HICKSVILLE WATER DISTRICT
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	<u>Governmental Activities</u>
ASSETS	
<u>Current Assets:</u>	
Cash	
Unrestricted	\$ 6,665,494
Restricted	10,650,498
Accounts Receivable	718,776
Due from Other Governments	264,314
Due from Fiduciary Funds	26,417
Inventory	7,835
Prepaid Expenses	120,757
<u>Total Current Assets</u>	<u>\$ 18,454,091</u>
<u>Non-Current Assets:</u>	
Non-Depreciable Capital Assets	\$ 1,874,738
Depreciable Capital Assets, Net of Depreciation	33,787,424
<u>Total Non-Current Assets</u>	<u>\$ 35,662,162</u>
TOTAL ASSETS	<u>\$ 54,116,253</u>
 <u>Deferred Outflows of Resources:</u>	
Deferred Outflows of Resources - NYSERS Pension Related	\$ 431,284
Deferred Outflows of Resources - NYSERS Subsequent Payments	212,975
<u>Total Deferred Outflows of Resources</u>	<u>\$ 644,259</u>
LIABILITIES	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 1,354,542
Accrued Liabilities	34,659
Retainage Payable	37,009
Non-Current Liabilities Due Within One Year:	
General Obligation Bonds Payable	895,000
Compensated Absences Payable	152,107
<u>Total Current Liabilities</u>	<u>\$ 2,473,317</u>
<u>Non-Current Liabilities:</u>	
General Obligation Bonds Payable	9,030,000
Compensated Absences Payable	469,863
Other Post Employment Benefits Payable	5,070,148
Net Pension Liability	402,217
<u>Total Non-Current Liabilities</u>	<u>\$ 14,972,228</u>
TOTAL LIABILITIES	<u>\$ 17,445,545</u>
 <u>Deferred Inflows of Resources:</u>	
Deferred Inflows of Resources - NYSERS Pension Related	
<u>Total Deferred Inflows of Resources</u>	<u>\$ 68,027</u>
NET POSITION	
Net Investment in Capital Assets	\$ 28,352,430
Restricted	
Retirement contribution	25,420
Employee benefit accrued liability	335,524
Capital - buildings and grounds	3,066,898
Capital - Plant 5	820,450
Plant 5 operation & maintenance	3,749,929
Unrestricted	896,289
<u>TOTAL NET POSITION</u>	<u>\$ 37,246,940</u>

See Accompanying Notes to Basic Financial Statements

HICKSVILLE WATER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Revenues	
Metered sales and charges for services	\$ 2,998,608
Total Operating Revenues	<u>\$ 2,998,608</u>
Operating Expenses	
Water Administration	\$ 1,520,324
Source of supply, power and pumping	2,295,171
Transmission and distribution	2,468,466
Depreciation - unallocated	<u>1,634,073</u>
Total Operating Expenses	<u>\$ 7,918,034</u>
Operating Income	<u>(4,919,426)</u>
Non-operating Revenues (Expenses)	
Real Property Taxes	5,069,992
Other tax items	375,346
Use of Money and property	523,796
Sale of property and compensation for loss	94,140
State Aid	19,645
Miscellaneous	214,190
Debt Service - interest	<u>(444,289)</u>
Total Non-operating Revenues	<u>5,852,820</u>
Change in Net Position	933,394
Net Position - Beginning of Year	<u>36,313,546</u>
Net Position - End of Year	<u>\$ 37,246,940</u>

See Accompanying Notes to Basic Financial Statements

HICKSVILLE WATER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2017

	<u>Major Governmental Funds</u>		
		<u>Capital</u>	
	<u>General</u>	<u>Projects</u>	<u>Totals</u>
<u>ASSETS</u>			
Unrestricted Cash	\$ 4,997,810	\$ 1,667,684	\$ 6,665,494
Restricted Cash	7,631,521	3,018,977	10,650,498
Accounts Receivable	382,225	-0-	382,225
Due from Other Funds	26,417	997,670	1,024,087
Due from Other Governments	264,314	-0-	264,314
Prepaid Expenses	120,757	-0-	120,757
Inventory	7,835	-0-	7,835
	<u>\$ 13,430,879</u>	<u>\$ 5,684,331</u>	<u>\$ 19,115,210</u>
<u>Total Assets</u>			
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable & Accrued Liabilities	\$ 248,393	\$ 1,110,143	\$ 1,358,536
Due to Other Funds	997,670	-0-	997,670
	<u>\$ 1,246,063</u>	<u>\$ 1,110,143</u>	<u>\$ 2,356,206</u>
<u>Total Liabilities</u>			
 <u>Fund Balance</u>			
<u>Nonspendable</u>			
Inventory	\$ 7,835	\$ -0-	\$ 7,835
Prepaid Items	120,757	-0-	120,757
<u>Restricted</u>			
Retirement Contribution	25,420	-0-	25,420
Employee Benefit Accrued Liability	335,524	-0-	335,524
Capital - Buildings and Grounds	3,066,898	-0-	3,066,898
Capital - Plant 5	453,750	366,700	820,450
Plant 5 Operation & Maintenance	3,749,929	-0-	3,749,929
Unspent Bond Proceeds	-0-	2,652,277	2,652,277
<u>Assigned</u>			
Appropriated	300,013	-0-	300,013
Bond Payments	511,922	-0-	511,922
For Other Purposes	134,719	-0-	134,719
Capital Projects	-0-	1,555,211	1,555,211
Unassigned Fund Balance	3,478,049	-0-	3,478,049
	<u>\$ 12,184,816</u>	<u>\$ 4,574,188</u>	<u>\$ 16,759,004</u>
<u>Total Fund Balance</u>			
	<u>\$ 13,430,879</u>	<u>\$ 5,684,331</u>	<u>\$ 19,115,210</u>
<u>Total Liabilities and Fund Balance</u>			

See Accompanying Notes to Basic Financial Statements

HICKSVILLE WATER DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

Total Fund Balances - Governmental Funds \$ 16,759,004

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

Capital assets less accumulated depreciation are included in the Statement of Net Position as follows:

Capital Assets - Non-Depreciable	\$ 1,874,737	
Capital Assets - Depreciable	62,046,505	
Accumulated Depreciation	<u>(28,259,081)</u>	35,662,161

Other accrued receivables are not available to pay for current period expenditures and, therefore, are not as revenues in the funds statement. 336,550

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred Outflows of Resources Pension Related 644,259

Long-Term Liabilities applicable to the Village's governmental activities are not due and payable in the current period and therefore are not reported in the governmental funds. However, these liabilities are included in the Statement of Net Position as follows:

General Obligation Bonds Payable	\$ (9,925,000)	
Compensated Absences	(621,970)	
Retainage Payable	(37,009)	
Accrued Interest Payable	(30,663)	
Other Post Employment Benefits Payable	(5,070,148)	
Deferred Inflows of Resources Pension Related	(68,027)	
Proportionate Share of Net Pension Liability-NYSERS	<u>(402,217)</u>	<u>(16,155,034)</u>

Total Net Position of Governmental Activities \$ 37,246,940

HICKSVILLE WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Major Governmental Funds</u>		<u>Totals</u> <u>Governmental Funds</u>
	<u>General</u>	<u>Capital</u> <u>Projects</u>	
REVENUES			
Real Property Taxes	\$ 5,069,992	\$ -0-	\$ 5,069,992
Other Tax Items	375,346	-0-	375,346
Operating Revenues	2,935,734	-0-	2,935,734
Use of Money and Property	523,796	-0-	523,796
Sale of Property and Compensation for Loss	94,140	-0-	94,140
State Aid	19,645	-0-	19,645
Miscellaneous	214,190	-0-	214,190
<u>Total Revenues</u>	<u>\$ 9,232,843</u>	<u>\$ -0-</u>	<u>\$ 9,232,843</u>
EXPENDITURES			
Water Administration	\$ 1,016,701	\$ -0-	\$ 1,016,701
Source of Supply, Power and Pumping	2,027,196	-0-	2,027,196
Transmission and Distribution	1,542,417	-0-	1,542,417
Employee Benefits	1,199,413	-0-	1,199,413
Debt Service			
Principal	865,000	-0-	865,000
Interest	448,550	-0-	448,550
Capital Outlay	-0-	5,003,066	5,003,066
<u>Total Expenditures</u>	<u>\$ 7,099,277</u>	<u>\$ 5,003,066</u>	<u>\$ 12,102,343</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>\$ 2,133,566</u>	<u>\$ (5,003,066)</u>	<u>\$ (2,869,500)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In (Out)	(850,000)	\$ 850,000	-0-
<u>Total Other Financing Sources and Uses</u>	<u>\$ (850,000)</u>	<u>\$ 850,000</u>	<u>\$ -0-</u>
<u>Net Change in Fund Balance</u>	<u>\$ 1,283,566</u>	<u>\$ (4,153,066)</u>	<u>\$ (2,869,500)</u>
<u>FUND BALANCE AT BEGINNING OF YEAR</u>	<u>\$ 10,901,250</u>	<u>\$ 8,727,254</u>	<u>\$ 19,628,504</u>
<u>Fund Balances - End of Year</u>	<u>\$ 12,184,816</u>	<u>\$ 4,574,188</u>	<u>\$ 16,759,004</u>

See Accompanying Notes to Basic Financial Statements

HICKSVILLE WATER DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (2,869,500)

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 and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:

Capital Outlay	\$ 5,109,171	
Loss on Disposition of Asset	(6,264)	
Depreciation Expense	<u>(1,634,073)</u>	3,468,834

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

62,875

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Repayment of Bonds Principal

865,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These activities consist of the following in this year.

Decrease in Compensated Absences	20,669	
Decrease in Accrued Interest Payable	4,260	
Decrease in Retainage Payable	15,766	
Increase in Other Post Employment Benefits Payable	(614,970)	
Decrease in Net Pension Liability	319,088	
Decrease in Deferred Inflows of Resources-NYSERS Pension Related	17,472	
Decrease in Deferred Outflows of Resources-NYSERS Pension Related	(371,290)	
Increase in Deferred Outflows of Resources-NYSERS Subsequent Payments	<u>15,190</u>	<u>(593,815)</u>

Net Change in Net Position of Governmental Activities

\$ 933,394

HICKSVILLE WATER DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF DECEMBER 31, 2017

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 208,115
<u>Total Assets</u>	<u>\$ 208,115</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 4,695
Due to Governmental Fund	26,417
Other Liabilities	<u>177,003</u>
<u>Total Liabilities</u>	<u>\$ 208,115</u>

See Accompanying Notes to Basic Financial Statements

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hicksville Water District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing accounting and financial reporting principles.

The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Commissioners. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no component units or other entities included in the District's reporting entity.

The District is a component unit of the Town of Oyster Bay, New York.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Financial Reporting Entity (continued)

In addition to the Town of Oyster Bay, the District has a financial and operational association with the Town of Hempstead, New York. The District receives its property tax revenue through the aforementioned Towns' tax levies. Approximately 90% of the District's total property taxes are received from the Town of Oyster Bay and approximately 10% from the Town of Hempstead.

B. Basis of Presentation

Government-Wide Financial Statements

The District-wide financial statements titled, the Statement of Net Position and the Statement of Activities, present financial information on all of the District's governmental activities, except for Fiduciary activities. Governmental activities include programs supported primarily by taxes, State Aid, grants and other intergovernmental revenues. The District has no business type activities.

The Statement of Net Position presents the District's financial position at year-end. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (cont'd)

Fund Financial Statements

Separate financial statements are provided for governmental funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The emphasis of governmental fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported in a separate column.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the District-wide statements.

The District's books and records are organized on the basis of funds, each of which is considered a separate accounting entity. The funds operations are accounted for with a separate set of self-balancing accounts that consists of its assets, liabilities, funds balance, revenues and expenditures. A fund is segregated for its specific objectives or attaining specific objectives in accordance with regulations, restrictions or limitations.

The District reports the following governmental funds:

- 1) The General Fund - The general fund is the District's primary operating fund and is classified as a major governmental fund. It accounts for all financial resources except those required to be accounted for in another fund.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (cont'd)

Fund Financial Statements (cont'd)

- 2) Capital Projects Fund - used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. This fund is a major governmental fund.

The District reports the following fiduciary funds:

- 1) Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various groups and for payroll or employee withholding.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Hicksville Water District are prepared in accordance with generally accepted accounting principles (GAAP). The Water Districts' reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The District-wide and Fiduciary Fund financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Governmental fund financial statements report using the current financial resources measurements focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Hicksville Water District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Major revenue sources susceptible to accrual include: property taxes, water charges and fees for use of real property.

Expenditures are recorded when related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

D. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then assigned resources and unassigned resources last.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

The Hicksville Water District maintains cash on hand, bank deposits, certificates of deposit, money markets and short-term investments with a maturity date of three months or less from the date of acquisition.

F. Restricted Cash

Some of the District's cash is restricted in use for specific purposes by virtue of contractual agreements, legal requirements or enabling legislation. Cash restricted for Retirement contributions, the Employee Benefit Accrued Liability plant 5, plant 5 operating and maintenance, and unspent bond proceeds are considered restricted cash.

G. Water Rents Receivable

Significant receivables include amounts due from customers primarily for water usage. Delinquent, unpaid water receivables are levied on the subsequent year's tax and Town of Oyster Bay's roll for collection by the Town of Hempstead's Receiver of Taxes on behalf of the District. The Receiver of Taxes remits 100% of the real property tax levied and delinquent water bills to the District.

H. Interfund Receivables, Payables and Transfers

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to or due from other funds". Interfund transfer balances represent the funding of Capital Fund expenditures through General Fund appropriations.

I. Inventories and Prepaid Items

Inventories consist of supply type items and are recorded at cost on first-in, first-out basis. These items are accounted for using the consumption method.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Inventories and Prepaid Items (cont'd)

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are accounted for using the consumption method. Under the consumption method, a current asset for inventories and prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported when the goods or services are consumed or used.

A portion of fund balance has been classified as nonspendable to indicate that inventories and prepaids do not constitute available spendable resources.

J. Capital Assets

Capital assets, which include land, construction in process, buildings and improvements, land improvements, furniture and equipment, and infrastructure are reported in the governmental activities column in the District-Wide Financial Statements. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital asset acquisitions are reported as expenditures in the governmental funds financial statement of revenues, expenditures and changes in fund balances.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets (continued)

Buildings, land improvements, furniture and equipment, and infrastructure of the District are depreciated in the District-wide financial statements using the straight line method over the following estimated useful lives:

Buildings and Improvements	30-40
Land Improvements	15-30
Furniture and Equipment	5-20
Infrastructure	20-50

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in the Statement of Activities.

K. Compensated Absences

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by December 31st.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Other Post Employment Benefits Payable

Postemployment benefits are provided for retired employees and their survivors. The District pays the cost of the retired employees premiums to an insurance company which provides health care insurance. The District recognizes the cost of providing health insurance by recording insurance premiums as an expenditure in the general fund, in the year paid. Consistent with GASB Statement No. 45, Financial Reporting for Postemployment Benefits Plans other than Pension Plans, an accrual for the District's net other postemployment benefits obligation is included in the Statement of Net Position. See Note 8 for further details.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item relates to the pension reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement period between the District's contributions and its proportionate share between the District's contributions and its proportionate share of total contributions to the pension system not included in pension expense. The second item is the District's contribution to the New York State Employees Retirement system subsequent to the measurement date.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Deferred Outflows/Inflows of Resources (cont'd)

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension system not included in pension expense.

N. Net Position

The District-Wide financial statements report the difference between total assets, deferred outflows, total liabilities and deferred inflows as net position. Net position is classified in the following categories:

i. Net Investment in Capital Assets -

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

- ii. Restricted Net Position - This amount is restricted by external creditors, grantors, contributions, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- iii. Unrestricted Net Position - This amount is all other net position that does not meet the definitions of "net investment in capital assets" or "restricted net position" and is deemed to be available for general use by the District.

O. Fund Balances

The District divides fund balance into four classifications based primarily on the extent the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - Consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments. Nonspendable fund balance includes the prepaid items in the general fund.

Restricted - Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grants, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted Fund balance currently in use by the District include the following:

- i. Retirement Contribution Reserve - Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution may establish the reserve and authorize expenditures from the reserve. The reserve

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balances (cont'd)

i. Retirement Contribution Reserve (cont'd)

is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

ii. Employee Benefit Accrued Liability Reserve - Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

iii. Capital Reserves - Capital Reserves (GML §6-c) are used to finance all or part of the cost of construction, reconstruction or acquisition of capital improvements or equipment. These reserves are accounted for in the general fund and capital projects fund.

iv. Restricted for Plant 5 Operations and Maintenance - Amounts for Plant 5 operations and maintenance are recorded as restricted fund balance because they are subject to external legal constraints. These amounts are to be used for the operations and maintenance of plant 5. These restricted funds are accounted for in the general fund.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balances (cont'd)

- v. Restricted for Unspent Bond Proceeds - Unspent bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the bond agreement. These restricted funds are accounted for in the capital projects fund.

Assigned - Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Board of Commissioners. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes encumbrances not classified as restricted at the end of the fiscal year and an assignment for water meters that will be accounted for in the capital projects fund along with borrowing proceeds.

1. Assigned for Bond Payments - The balance represents an amount set aside to make future debt service payments on serial bonds.

Unassigned - Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, postemployment benefits, potential contingent liabilities and useful lives of capital assets.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Budgetary Policies

The Hicksville Water District Administration prepares a proposed budget for approval by the Board of Water Commissioners. No later than September 20, the Board of Commissioners submits a tentative budget to the Town board of the Town of Hempstead and Town of Oyster Bay for the calendar year of January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the General Fund. After public hearings are conducted to obtain taxpayer comments, no later than November 20, the governing board adopts the budget. Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. The New York Uniform System of Accounts requires that fixed budgetary control be used for all governmental fund types.

All modifications of the budget must be approved by the Board of Water Commissioners.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information (cont'd)

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in Governmental Funds. Encumbrances are generally reported as an assignment or restriction of fund balance since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting

The budget for the District's General Fund is adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and by resolutions of the Board of Commissioners.

NOTE 3 - DEPOSITS AND INVESTMENTS

The District investments policies are governed by State statutes and its own written investment policy.

Permissible investments include special time deposit accounts, certificates of deposit, obligations of the United States Treasury and its agencies, New York State and its municipalities and repurchase agreements from an authorized trading partner.

The amount of District deposits and investments on its financial records at December 31, 2017, exclusive of petty cash, was \$17,315,742.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017
(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Deposits are protected by the Federal Deposit Insurance Corporation (FDIC) or by eligible collateral pledged by the financial institution in the District's name. Obligations that may be pledged as collateral are obligations of the United States of America, its agencies and obligations of New York State and its municipalities.

The District's deposits and investments are subject to custodial credit risk when a depository financial institution fails and the District is unable to recover its deposits and investments, or recover collateral securities that are in possession of an outside agency.

Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance or collateral and the deposits are:

- 1) Uncollateralized
- 2) Collateralized with securities held by the pledging financial institution, or
- 3) Collateralized with securities held by the pledging financial institution; trust department, or agent but not in the District's name.

The District's deposits at December 31, 2017, were entirely covered by federal depository insurance or by collateral held by the District's agent, a third party financial institution in the District's name. The District's deposits are not subject to custodial credit risk or interest rate risk.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 4 - INTERFUND ACTIVITY

Interfund other financing sources (uses) for the year
ending December 31, 2017 were as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 26,417	\$ 997,670	\$ -0-	\$ 850,000
Capital Projects Fund	997,670	-0-	850,000	-0-
Total Governmental Activities	\$ 1,024,087	\$ 997,670	\$ 850,000	\$ 850,000
Fiduciary Agency Fund	-0-	26,417	-0-	-0-
<u>Totals</u>	<u>\$ 1,024,087</u>	<u>\$ 1,024,087</u>	<u>\$ 850,000</u>	<u>\$ 850,000</u>

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017
(Continued)

NOTE 5 - CAPITAL ASSETS

District-wide capital assets activity for the year ending
December 31, 2017 follows:

	Balance			Balance
	January 1, 2017	Additions	Deletions	December 31, 2017
Non-depreciable Capital Assets:				
Land	\$ 362,937	\$ -0-	\$ -0-	\$ 362,937
Construction in Progress	10,394,895	863,934	(9,747,028)	1,511,801
Total Non-Depreciable Capital Assets	\$ 10,757,832	\$ 863,934	\$ (9,747,028)	\$ 1,874,738
Depreciable Capital Assets:				
Buildings	\$ 19,380,650	\$ 9,772,678	\$ (16,666)	\$ 29,136,662
Improvements Other Than Buildings	1,290,908	5,083	-0-	1,295,991
Furniture & Equipment	7,662,474	111,912	(88,888)	7,685,498
Infrastructure	19,865,978	4,102,591	(40,215)	23,928,354
Total Depreciable Capital Assets	\$ 48,200,010	\$ 13,992,264	\$ (145,769)	\$ 62,046,505
Total Capital Assets at Cost	\$ 58,957,842	\$ 14,856,198	\$ (9,892,797)	\$ 63,921,243
Accumulated Depreciation:				
Buildings	\$ (7,883,560)	\$ (622,246)	\$ 10,464	\$ (8,495,342)
Improvements Other Than Buildings	(1,140,126)	(80,050)	-0-	(1,220,176)
Furniture & Equipment	(6,260,883)	(254,171)	88,826	(6,426,228)
Infrastructure	(11,479,944)	(677,606)	40,215	(12,117,335)
Total Accumulated Depreciation	\$ (26,764,513)	\$ (1,634,073)	\$ 139,505	\$ (28,259,081)
Total Governmental-Wide Capital Assets, Net	\$ 32,193,329	\$ 13,222,125	\$ (9,753,292)	\$ 35,662,162

For the year ended December 31, 2017, the District-wide
Statement of Activities recorded \$1,634,073 of depreciation expense.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 6 - LONG-TERM LIABILITIES

The changes in the District's long-term indebtedness during the year ended December 31, 2017 are summarized as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017	Due Within One Year
Serial Bonds Payable	\$ 10,790,000	\$ -0-	\$ 865,000	\$ 9,925,000	\$ 895,000
Compensated Absences	642,639	-0-	20,669	621,970	152,107
	<u>\$ 11,432,639</u>	<u>\$ -0-</u>	<u>\$ 885,669</u>	<u>\$ 10,546,970</u>	<u>\$ 1,047,107</u>

Additions and/or deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

A. Serial Bonds Payable

The following table summarizes the District's future serial bond debt service requirements for the two issues as of December 31, 2017.

<u>Calendar Year Ended</u>	<u>Serial Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2018	\$ 895,000	\$ 413,794	\$ 1,308,794
December 31, 2019	930,000	377,762	1,307,762
December 31, 2020	615,000	348,513	963,513
December 31, 2021	635,000	326,987	961,987
December 31, 2022	655,000	301,588	956,588
December 31, 2023-2027	3,640,000	1,087,656	4,727,656
December 31, 2028-2030	2,555,000	245,269	2,800,269
Totals	<u>\$ 9,925,000</u>	<u>\$ 3,101,569</u>	<u>\$ 13,026,569</u>

B. Compensated Absences

The District provides vacation and sick time benefits for its regular employees. The employees are permitted to accumulate unused vacation days up to a maximum number (60) and sick days up to a maximum number (200) during their working careers. Management is permitted to accumulate (165) total days. The unused portion of these sick days is partially redeemable in cash upon retirement or termination from service in accordance with the length of service of the employee. As of December 31, 2017 the termination benefits for vacation and sick days amounted to \$621,970.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

(Continued)

NOTE 7 - PENSION PLAN

General Information About the Pension Plan

Plan Description & Benefits Provided

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at 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, NY 12244.

Benefits Provided

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

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

(Continued)

NOTE 7 - PENSION PLAN (continued)

General Information About the Pension Plan (cont'd)

Benefits Provided (cont'd)

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent 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 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

(Continued)

NOTE 7 - PENSION PLAN (continued)

General Information About the Pension Plan (cont'd)

Benefits Provided (cont'd)

Tiers 3, 4 and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 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 percent 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 percent 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 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

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

Tier 6

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

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

(Continued)

NOTE 7 - PENSION PLAN (continued)

General Information About the Pension Plan (cont'd)

Benefits Provided (cont'd)

Benefit Calculation: Generally, the benefit is 1.67 percent 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 percent 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 percent 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 percent of the average of the previous four years.

Ordinary Disability Benefits

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

Accidental Disability Benefits

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

Ordinary Death Benefits

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

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 7 - PENSION PLAN (continued)

General Information About the Pension Plan (cont'd)

Benefits Provided (cont'd)

Post-Retirement Benefit Increases

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

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 percent 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 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 Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

December 31, 2017	\$283,967
December 31, 2016	\$263,713
December 31, 2015	\$411,183

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017
(Continued)

NOTE 7 - PENSION PLAN (continued)

General Information About the Pension Plan (cont'd)

Benefits Provided (cont'd)

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

At December 31, 2017, the District reported a liability of \$402,217 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2017, the District's proportion was 0.0042806 percent, which was an increase of .0000179 from its proportion measured as of March 31, 2016. For the year ended December 31, 2017, the District recognized pension expense of \$298,443. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,079	\$ 61,079
Changes of Assumptions	137,412	-0-
Net difference between projected and actual earnings on pension plan investments	80,339	-0-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	203,454	6,948
Employer contributions subsequent to the measurement date	<u>212,975</u>	<u>-0-</u>
Total	<u>\$ 644,259</u>	<u>\$ 68,027</u>

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 7 - PENSION PLAN (continued)

General Information About the Pension Plan (cont'd)

Benefits Provided (cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

\$212,975 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2018	\$144,176
2019	\$144,176
2020	\$111,720
2021	\$(36,815)
2022	\$ -0-

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions:

Significant actuarial assumptions used in April 1, 2016 valuation were as follows:

Inflation rate	2.5%
Salary scale	
ERS	3.8% indexed by service
Decrement tables	April 1, 2010-March 31, 2015 System's Experience
Interest rate	7.0% compounded annually, net of investment expense
Cost of living adjustment	1.3%

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

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

(Continued)

NOTE 7 - PENSION PLAN (continued)

General Information About the Pension Plan (cont'd)

Actuarial Assumptions (cont'd)

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of March 31, 2017 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.75%
Real Estate	10%	5.80%
Absolute Return Strategies	2%	4.00%
Opportunistic Portfolio	3%	5.89%
Real Assets	3%	5.54%
Bonds & Mortgages	17%	1.31%
Cash	1%	(.25%)
Inflation Indexed Bonds	4%	1.50%
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 7 - PENSION PLAN (continued)

General Information About the Pension Plan (cont'd)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
District's proportionate share of the net pension liability (Asset)	\$1,284,602	\$ 402,217	\$(343,838)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

	(Dollars in Thousands)
	<u>Employees' Retirement System</u>
Employers' total pension liability	\$177,400,586
Plan net position	<u>168,004,363</u>
Employers' net pension liability	<u>\$ 9,396,223</u>
Ratio of plan net position to the employers' total pension liability	94.7%

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

(Continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

A. Description of Benefits

The District provides medical, Medicare part B reimbursement, and dental and vision (the healthcare provision) coverage to retired employees in accordance with employment contracts. A retiree must be 55 years old with 5 years of service to be eligible for these benefits. The Plan is a single-employer defined benefit plan. As of December 31, 2017, the most recent actuarial valuation, there were 34 active and retired employees (including surviving spouses) participating in the District's OPEB plan.

B. Funding Policy

The District assumes the full cost of the premiums and recognizes the cost of the healthcare provision annually as expenditures in the general fund of the fund financial statements as payments are made. Currently, there is no provision in the law to permit the District to fund OPEB by any means other than the "pay as you go" method.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year and the District's net OPEB obligation to the District's healthcare provision.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017
(Continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual Required Contribution (ARC)	\$	985,107
Interest on Net OPEB Obligation		178,207
Adjustment to ARC		<u>(248,006)</u>
Annual OPEB Cost	\$	915,308
Contributions Made		<u>(300,338)</u>
Increase in OPEB Obligation	\$	614,970
Net OPEB Obligation - Beginning of Year		<u>4,455,178</u>
Net OPEB Obligation - End of Year	\$	<u><u>5,070,148</u></u>

C. Annual OPEB Cost and Net OPEB Obligation (cont'd)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2017 and the two preceding years were as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2017	\$ 915,308	32.80	\$ 5,070,148
12/31/2016	\$ 930,173	38.10	\$ 4,455,178
12/31/2015	\$ 893,340	35.90	\$ 3,879,696

D. Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the funded status and funding progress of the plan was as follows:

<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio (Assets as a % of UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
\$11,292,270	\$ -0-	\$ 11,292,270	0%	\$1,704,565	662.47%

Covered payroll represents the annual payroll of active employees covered by the plan.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017
(Continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (continued)

E. Actuarial Methods and Assumptions

Projections for 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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2017, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% funding interest rate, a payroll growth rate of 2.50% and the healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 6% after year 2021. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis.

NOTE 9 - RISK MANAGEMENT

The Hicksville Water District assumes the liability for most risk including, but not limited to, property damage, and personal injury liability. The District has purchased a Commercial Excess Liability (Umbrella) Insurance Policy through a major insurer to limit its exposure to risk from property damage, personal injury and product liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017
(Continued)

NOTE 10 - CONTINGENCIES

There are no impending liabilities, direct claims or contingent liabilities which might materially affect the District's financial position, nor are there any other claims or litigation which are not adequately covered by insurance.

At December 31, 2017, the District had the following encumbrances:

Transmission & Distribution	\$111,769
Water Administration	<u>22,950</u>
<u>Total Encumbrances</u>	<u>\$134,719</u>

NOTE 11 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. In March 2018, the District borrowed \$14,000,000 from a \$21,445,000 bond authorization to finance capital projects.

NOTE 12 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The Governmental Accounting Standards (GASB) has issued pronouncements not yet required to be implemented by the District. The Statements that may impact the District are as follows:

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB No. 75 improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for the year ending December 31, 2018.

GASB Statement No. 82 - In March 2016, GASB issued Statement No. 82, *Pension Issues an Amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB No. 82 addresses issues regarding (1) the

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

(Continued)

NOTE 12- NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS
(continued)

presentation of payroll - related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments, made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for the year ending December 31, 2018.

GASB Statement No. 83 - In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement is effective for the year ending December 31, 2019.

GASB Statement No. 84 - In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement is effective for the year ending December 31, 2019.

GASB Statement No. 85 - In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. GASB No. 85 addresses practice issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement is effective for the year ending December 31, 2018.

HICKSVILLE WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

(Continued)

NOTE 12- NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS
(continued)

GASB Statement No. 86 - In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. GASB No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is deferred in substance. This statement is effective for the year ending December 31, 2018.

The District's management has not yet determined the effect these statements will have on its financial statements.

NOTE 13- TAX ABATEMENTS

The District receives payments in lieu of taxes (PILOT) from the Town of Hempstead and Nassau County as a result of property tax abatement programs entered into by the Town and County Industrial Development Agency under New York State Real Property Tax Law §412-a. GASB Statement 77, *Tax Abatement Disclosures*, defines tax abatement, for financial reporting purposes, as a reduction in tax revenue resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or other benefits the governments or the citizens of those governments.

The financial statements of the District report PILOT revenue that agree with the definition of GASB 77 under Other Tax Items in the amount of \$222,581. The District also received \$152,765 from Nassau County under the LIPA Reform Act. Additional information regarding abatements and impact on revenue will be reported in the future as available.

HICKSVILLE WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues				
Real Property Tax Items:				
Real Property Taxes	\$ 5,087,246	\$ 5,087,246	\$ 5,069,992	\$ (17,254)
Total Real Property Taxes	\$ 5,087,246	\$ 5,087,246	\$ 5,069,992	\$ (17,254)
Other Tax Items:				
Payment In Lieu of Taxes	\$ 50,000	\$ 50,000	\$ 375,346	\$ 325,346
Total Other Tax Items	\$ 50,000	\$ 50,000	\$ 375,346	\$ 325,346
Operating Revenues				
Metered Water Sales	\$ 2,800,000	\$ 2,800,000	\$ 2,559,637	\$ (240,363)
Hydrant Rentals	114,940	114,940	113,960	(980)
Sprinkler Fees	165,000	165,000	166,320	1,320
Hydrant Fees	-0-	-0-	4,375	4,375
Water Service Charges and Miscellaneous	15,000	15,000	29,801	14,801
Penalties on Water Sales	40,000	40,000	61,641	21,641
Total Departmental Income	\$ 3,134,940	\$ 3,134,940	\$ 2,935,734	\$ (199,206)
Use of Money and Property				
Interest Earnings	\$ 3,500	\$ 3,500	\$ 165,158	\$ 161,658
Rental Income	420,001	420,001	358,638	(61,363)
Total Use of Money and Property	\$ 423,501	\$ 423,501	\$ 523,796	\$ 100,295
Sale of Property and Compensation for Loss:				
Sale of Equipment	\$ -0-	\$ -0-	\$ 9,191	\$ 9,191
Sale of Scrap and Metal	-0-	-0-	33,465	33,465
Insurance Recovery	-0-	-0-	100	100
Sale of Supplies	10,000	10,000	51,384	41,384
Total Sale of Property and Compensation for Loss	\$ 10,000	\$ 10,000	\$ 94,140	\$ 84,140
State Aid				
State Aid	\$ -0-	\$ -0-	\$ 19,645	\$ 19,645
Total State Aid	\$ -0-	\$ -0-	\$ 19,645	\$ 19,645
Miscellaneous				
Energy Load Shedding	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Refund of Prior Year Expense	-0-	-0-	200,201	200,201
Miscellaneous	25,000	25,000	13,989	(11,011)
Total Miscellaneous	\$ 25,000	\$ 25,000	\$ 214,190	\$ 189,190
Total Revenues	\$ 8,730,687	\$ 8,730,687	\$ 9,232,843	\$ 502,156
Appropriated Fund Balance				
Prior Year's Surplus	\$ 400,000	\$ 400,000		
Total Appropriated Fund Balance	\$ 400,000	\$ 400,000		
Total Revenues and Appropriated Fund Balance	\$ 9,130,687	\$ 9,130,687		

See Paragraph on Required Supplementary Information in the Auditor's Report

HICKSVILLE WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Water Administration				
Commissioner fees	\$ 29,760	\$ 30,760	\$ 30,700	\$ 60
Office salaries	503,266	503,266	482,573	20,693
Dues and memberships	5,000	5,000	4,517	483
Educational	18,200	18,200	9,064	9,136
Equipment	13,500	13,500	10,077	3,423
Miscellaneous contingencies	5,000	-0-	-0-	-0-
Autoexpenses	2,000	2,300	2,280	20
Liability insurance	23,875	23,875	22,225	1,650
Repairs and maintenance	75,604	79,904	79,847	57
Office supplies	25,000	25,000	17,290	7,710
Other office expenditures	3,000	6,600	6,564	36
Notices and advertising	2,000	3,200	3,176	24
Office heat	60,000	60,000	37,990	22,010
Legal fees	16,232	36,232	26,232	10,000
Accounting fees	73,000	94,000	93,530	470
Postage	48,000	48,000	44,073	3,927
Service contracts - hardware	97,944	97,944	72,202	25,742
Service contracts - software	85,000	75,000	63,906	11,094
Consulting services	-0-	11,000	10,455	545
Total Water Administration	\$ 1,106,381	\$ 1,133,781	\$ 1,016,701	\$ 117,080
Source of Supply, Power and Pumping:				
Plant operator	\$ 181,907	\$ 181,907	\$ 148,787	\$ 33,120
Water servicemen	100,404	101,404	101,112	292
Additional salaries and increases	64,000	75,000	74,558	442
Uniforms	900	900	720	180
Electric and gas	1,100,200	1,149,202	1,148,274	928
Auto expense	9,000	9,000	7,091	1,909
Liability insurance	45,938	51,238	51,147	91
Repairs and maintenance	196,700	248,700	248,422	278
Communication	30,880	39,980	39,943	37
Analysis	150,000	110,000	102,097	7,903
Lease line charge	46,200	46,200	39,100	7,100
Water conservation	56,500	66,000	65,945	55
Total Source of Supply, Power	\$ 1,982,429	\$ 2,079,531	\$ 2,007,196	\$ 52,335
Transmission and Distribution:				
Servicemen	\$ 125,000	\$ 129,800	\$ 129,770	\$ 30
Skilled labor	643,514	643,514	604,596	38,918
Meter reader	100,404	101,604	101,545	59
Additional salaries and increases	134,760	54,760	47,938	6,822
Uniforms	3,600	3,600	3,483	117
Equipment	45,000	-0-	-0-	-0-
Auto expense	35,000	35,000	32,847	2,153
Liability insurance	120,488	120,488	112,704	7,784
Repairs and maintenance				
Mains	70,600	70,600	57,878	12,722
Hydrants	25,000	25,000	13,633	11,367
Meters	5,000	9,800	9,754	46
Service lines	20,000	14,000	9,769	4,231
Miscellaneous	10,000	10,000	2,015	7,985
Consumer supplies	10,000	22,000	21,273	727
Chemicals	260,000	238,400	218,293	20,107
Tools	15,000	15,000	11,608	3,392
Engineering	100,000	157,600	157,561	39
Leak detection program	7,750	7,750	7,750	-
Total Transmission and Distribution	\$ 1,731,116	\$ 1,658,916	\$ 1,542,417	\$ 116,499

See Paragraph on Required Supplementary Information in the Auditor's Report

HICKSVILLE WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

Employee Benefits:				
NYS employees' retirement system	\$ 285,342	\$ 285,342	\$ 278,904	\$ 6,438
Social security	144,069	144,069	126,045	18,024
Workers' compensation	60,000	91,300	91,258	42
Unemployment	5,000	5,000	3,249	1,751
NY metro commuter tax	6,403	6,403	4,386	2,017
NYS health insurance plan	688,671	578,271	558,948	19,323
Dental plan	42,900	42,900	36,115	6,785
Optical plan	15,000	15,000	5,388	9,612
Disability	20,000	20,000	13,298	6,702
Medi-gap	9,702	56,500	39,997	16,503
Cancer plan	14,500	14,500	11,825	2,675
Travel accident insurance	2,700	2,700	-0-	2,700
Tuition reimbursement	2,000	2,000	-0-	2,000
Compensated Absences	50,000	50,000	-0-	50,000
Flex plan reimbursement	34,500	34,500	30,000	4,500
Total Employee Benefits	\$ 1,400,787	\$ 1,348,465	\$ 1,199,413	\$ 149,072

Debt Service

Serial Bonds:				
Principal	\$ 865,000	\$ 865,000	\$ 865,000	\$ -0-
Interest	448,551	448,551	448,550	1
Total Debt Service	\$ 1,313,551	\$ 1,313,551	\$ 1,313,550	\$ 1

Total Expenditures \$ 7,534,264 \$ 7,534,264 \$ 7,099,277 \$ 434,987

Other Financing Uses

Operating transfer out	\$ 850,000	\$ 850,000	\$ 850,000	\$ -0-
Budgeted transfer to capital reserve, buildings and grounds	420,001	420,001	-0-	420,001
Future Debt Services	326,422	326,422	-0-	326,422

Other Financing (Sources) Uses

Operating Transfer - Capital	\$ 0-	\$ 0-	\$ -0-	\$ -0-
Total Other Financing (Sources) Uses	\$ 0-	\$ 0-	\$ 0-	\$ -0-

Net Change in Fund Balances 1,283,566
Fund Balance at Beginning of Year 10,901,250
Fund Balance at End of Year \$ 12,184,816

Note to Required Supplementary Information

Budget Basis of Accounting

Budget are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

HICKSVILLE WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Most Recent</u> <u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u>	<u>Unfunded</u> <u>AAL</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>Ratio of</u> <u>Unfunded AAL</u> <u>to Annual</u> <u>Covered Payroll</u>
12/31/2017	\$ -0-	\$ 11,292,270	\$ 11,292,270	0%	\$ 1,704,565	662.00%
12/31/2015	\$ -0-	\$ 11,707,283	\$ 11,707,283	0%	\$ 1,698,336	689.00%
12/31/2013	\$ -0-	\$ 9,651,556	\$ 9,651,556	0%	\$ 1,588,731	608.00%

See Paragraph on Required Supplementary Information in the Auditor's Report

HICKSVILLE WATER DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

NYSEES PENSION PLAN
 LAST 10 FISCAL YEARS

	2008 **	2009 **	2010 **	2011 **	2012 **	2013 **	2014 **	2015 **
District's proportion of the net pension liability	5,044,895	9,844,940	9,504,439	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	402,217	21,305	144,691	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	1,007,180	1,668,213	1,637,449	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	22.26%	43.24%	8.8%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	94.7%	100.0%	100.0%	N/A	N/A	N/A	N/A	N/A

The amounts presented for each fiscal year were determined as of March 31
 N/A = Not Available

Note to Required Supplementary Information

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available

HICKSVILLE NOTES DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 RESERVE FUNDING PLAN
 LAST FISCAL YEARS

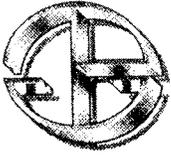
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036		
Contractually required contribution	\$ 293,967	\$ 263,713	\$ 411,183	\$ 426,701	\$ 411,848	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	\$ 404,418	
Contributions in relation to the contractually required contribution	263,967	263,713	411,183	426,701	411,848	404,418	404,418	404,418	404,418	404,418	404,418	404,418	404,418	404,418	404,418	404,418	404,418	404,418	404,418	404,418	404,418	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
District's covered employee payroll	\$ 1,704,565	\$ 1,750,777	\$ 1,671,208	\$ 1,602,932	\$ 1,575,297	\$ 1,464,147	\$ 1,451,858	\$ 1,404,732	\$ 1,364,296	\$ 1,304,296	\$ 1,264,296	\$ 1,224,296	\$ 1,184,296	\$ 1,144,296	\$ 1,104,296	\$ 1,064,296	\$ 1,024,296	\$ 984,296	\$ 944,296	\$ 904,296	\$ 864,296	
Contributions as a percentage of covered employee payroll	17%	15%	25%	27%	26%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%

See Paragraph on Required Supplementary Information in the Auditor's Report
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HICKSVILLE WATER DISTRICT
SCHEDULE OF EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

PROJECT	Fund Balance 12/31/16	Revenues and Transfers	Available Funding	Expenditures	Fund Balance 12/31/17
Meter replacement	\$ 1,196,411	\$ 2,634,665	\$ 3,831,076	\$ 3,831,076	\$ -0-
R&M pumphouse exterior	107,548	-0-	107,548	(396)	107,944
Water main replacement	581,268	532,209	1,113,477	267,036	846,441
Nitrate/VOC treatment plant 5	104,648	(44,214)	60,434	60,434	-0-
Nitrate treatment plant 1	-0-	7,992	7,992	7,992	-0-
Plant 11	4,294,585	(1,337,857)	2,956,728	192,376	2,764,352
Plant 8 Caustic Tank Compliance	363,000	-0-	363,000	80,354	282,646
Plant 9 - Ground storage tank	418,867	(418,867)	-0-	-0-	-0-
Plant 5 - Ground storage tank	208,667	165,761	374,428	56,679	317,749
Communication conversion	173,049	325,000	498,049	270,869	227,180
Plants 1 & 4 - touch up elevated storage tank	36,858	(36,858)	-0-	-0-	-0-
Office upgrade	108,998	(108,998)	-0-	-0-	-0-
Archival upgrade	95,800	-0-	95,800	4,800	91,000
Plant 4 - VOC treatment grants	946,405	(936,885)	9,520	9,520	-0-
Plant 5 - Landscaping improvements	18,650	(2,108)	16,542	11,542	5,000
Plant 10 - VOC treatment upgrade	(21,500)	-0-	(21,500)	90,574	(112,074)
Plant 1 - Booster	100,000	(100,000)	-0-	-0-	-0-
Plant 8 Diesel Tank Removal	(6,000)	6,000	-0-	-0-	-0-
Plant 5 Well/Booster Replace	-0-	70,200	70,200	29,250	40,950
Plant 5 Generator	-0-	93,960	93,960	90,960	3,000
	<u>\$ 8,727,254</u>	<u>\$ 850,000</u>	<u>\$ 9,577,254</u>	<u>\$ 5,003,066</u>	<u>\$ 4,574,188</u>

See Paragraph on Supplementary Information in the Auditor's Report



Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

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***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***

*The Board of Commissioners
Hicksville Water District
4 Dean Street
Hicksville, New York*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Hicksville Water District, a component unit of the Town of Oyster Bay, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

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 the 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.

Pappas & Company

*Commack, New York
June 11, 2018*

APPENDIX C

FORM OF DISCLOSURE UNDERTAKING

**ANNUAL AND CONTINUING
DISCLOSURE UNDERTAKING CERTIFICATE
PURSUANT TO RULE 15c2-12 OF THE
SECURITIES AND EXCHANGE COMMISSION**

On the date hereof, the Issuer is issuing the Bonds, and hereby undertakes, in accordance with the requirements of the Rule, as follows:

A. Definitions. As used in this Undertaking, the following terms have the meanings ascribed to such terms below:

“*Bonds*” means the Issuer’s \$8,890,000 Water District Refunding (Serial) Bonds, 2018, dated October 2, 2018.

“*Issuer*” means the Hicksville Water District in the Towns of Oyster Bay and Hempstead, Nassau County, New York.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

“*SEC*” means the United States Securities and Exchange Commission.

“*Undertaking*” means this Annual and Continuing Disclosure Undertaking.

B. Annual Reports. The Issuer shall provide annually to the MSRB, (1) within six months after the end of each fiscal year ending after the date hereof, financial information and operating data with respect to the Issuer of the general type contained in or cross referenced in the Issuer’s final Official Statement, dated _____ in Appendix A, under the headings ““The Water District”, “Economic and Demographic Information” “Indebtedness of the Towns”, “Finances of the Water District”, “Real Property Tax Information”, “Litigation” and “Appendix A, and (2) if not provided as part of such financial information and operating data, financial statements of the Issuer, when and if available. Any financial statements so to be provided shall be prepared in accordance with the accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and shall be audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided.

If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this Undertaking.

The financial information and operating data to be provided pursuant to this Undertaking may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the SEC.

C. Event Notices. The Issuer shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond or Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the Issuer, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide a notice described in "B", above, by the time required by this Undertaking.

D. Filings with the MSRB. All notices and other documents provided to the MSRB in accordance with this Undertaking shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

E. Limitations, Disclaimers, and Amendments. The Issuer shall be obligated to observe and perform the covenants specified in this Undertaking for so long as, but only for so long as, the Issuer remains an “obligated person” with respect to the Bonds within the meaning of the Rule.

The provisions of this Undertaking are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Undertaking, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the notices which it has expressly agreed to provide pursuant to this Undertaking and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Undertaking or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY NOTE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS UNDERTAKING, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Undertaking shall constitute a breach of or default on the Bonds.

Nothing in this Undertaking is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

The provisions of this Undertaking may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Undertaking, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of the Bonds consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Issuer may also repeal or amend the provisions of this Undertaking if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of this Undertaking in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

IN WITNESS WHEREOF, I have hereunto set my hand to this Disclosure Certificate this
October 2, 2018.

Treasurer

APPENDIX D

FORM OF LEGAL OPINIONS

October 2, 2018

Norton Rose Fulbright US LLP
1301 Avenue of the Americas
New York, New York 10019-6022
United States

Hicksville Water District in the,
Towns of Oyster By and Hempstead,
County of Nassau,
State of New York

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Re: Hicksville Water District in the Towns of Oyster Bay and Hempstead
Nassau County, New York
\$8,890,000 Water District Refunding Serial Bonds, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$8,890,000 Water District Refunding Serial Bonds, 2018 (the "Obligation") of the Hicksville Water District in the Towns of Oyster Bay and Hempstead, Nassau County, New York (the "Obligor"), dated October 2, 2018.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986 (the "Code"), including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder;
- (3) a tax certificate (the "Tax Certificate") executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes; and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or ordinance applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information,

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expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Tax Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, without limitation as to rate or amount, except as to certain statutory limitations which may result from the application of Chapter 97 of the Laws of 2011 of the State of New York, as amended, provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights; and (ii) may be subject to the exercise of judicial discretion.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights.
- (c) Under existing law, interest on the Obligation (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for Federal income tax purposes, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, assuming continuing compliance after the date hereof by the Obligor with the provisions of the Tax Certificate, and (2) will not be included in computing the Federal alternative minimum taxable income of the owners thereof who are individuals. We call to your attention that, for taxable years that began on or before December 31, 2017, interest on the Obligation owned by certain corporations will be included in such corporations' adjusted current earnings for purposes of computing the alternative minimum tax on such corporations. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018. Under existing law, interest on the Obligation is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion with respect to any other federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligation. Ownership of tax-exempt obligations such as the Obligation may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax

credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinion expressed herein. Such opinion is not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,