

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 16, 2017

NEW ISSUE – SERIAL BONDS

MOODY'S INVESTORS SERVICE - THE BONDS: "Aa3"
See "Bond Rating", herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that 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). Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "Tax Matters". The Bonds will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$6,500,000

**DIX HILLS FIRE DISTRICT
IN THE TOWN OF HUNTINGTON
SUFFOLK COUNTY, NEW YORK
(the "Fire District")**

**FIRE DISTRICT (SERIAL) BONDS, 2017
[BOOK-ENTRY-ONLY BONDS]**

Dated: July 12, 2017

**Principal Due: June 1, 2018-2042, inclusive
Interest Due: June 1, 2018, December 1, 2018 and
semiannually thereafter in each year to
maturity**

SEE BOND MATURITY SCHEDULE HEREIN

Security and Sources of Payment: The Bonds are general obligations of the Dix Hills Fire District in the Town of Huntington, Suffolk County, New York (the "Fire District"), and will contain a pledge of the faith and credit of the Fire District for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the Fire District, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011, as amended (the "Tax Levy Limitation Law"). (See "Nature of Obligation" and "Tax Levy Limitation Law" herein).

Prior Redemption: The Bonds maturing on June 1, 2026 and thereafter are subject to redemption prior to maturity, at the option of the Fire District, as a whole or in part, on any date on or after June 1, 2025 at par. (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 any Bonds issued in book-entry form will be made by the Fire District to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds in accordance with standing instructions and customary practices. Payment to the Beneficial Owners will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the Fire 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. Payment of the principal of and interest on any Bonds registered in the name of the Purchaser will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder at the bidder's expense.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the receipt of an approving legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in Jersey City, New Jersey on or about July 12, 2017.

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE FIRE DISTRICT FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT WILL BE UPDATED FOLLOWING THE SALE OF THE BONDS. FOR A DESCRIPTION OF THE FIRE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

**DIX HILLS FIRE DISTRICT
IN THE TOWN OF HUNTINGTON
SUFFOLK COUNTY, NEW YORK**

\$6,500,000 FIRE DISTRICT (SERIAL) BONDS, 2017

BOND MATURITY SCHEDULE

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2018	\$ 30,000			
2019	165,000			
2020	170,000			
2021	175,000			
2022	185,000			
2023	190,000			
2024	200,000			
2025	210,000			
2026	215,000			
2027	225,000			
2028	235,000			
2029	245,000			
2030	255,000			
2031	265,000			
2032	275,000			
2033	290,000			
2034	300,000			
2035	310,000			
2036	325,000			
2037	335,000			
2038	350,000			
2039	365,000			
2040	380,000			
2041	395,000			
2042	410,000			

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

**DIX HILLS FIRE DISTRICT
IN THE TOWN OF HUNTINGTON,
SUFFOLK COUNTY, NEW YORK**

115 East Deer Park Road
Dix Hills, New York 11746-4818
Telephone: 631/499-8836
Fax: 631/499-6262

BOARD OF FIRE COMMISSIONERS

L. Feld, Chairman

T. Cohen
R. Comisso
M. Plumitallo
P.H. Tepe

Nancy Magno, Treasurer

Fire District Attorney

Sapienza & Frank
Massapequa, New York

* * *

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.
Municipal Finance Advisory Service
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Port Jefferson Station, N.Y. 11776
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E-mail: info@munistat.com
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No dealer, broker, salesman or other person has been authorized by the Fire District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Fire District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Fire District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information 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 Fire District since the date hereof.

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OFFICIAL STATEMENT

\$6,500,000

DIX HILLS FIRE DISTRICT IN THE TOWN OF HUNTINGTON SUFFOLK COUNTY, NEW YORK

FIRE DISTRICT (SERIAL) BONDS, 2017

This Official Statement and the appendices hereto present certain information relating to the Dix Hills Fire District in the Town of Huntington, in the County of Suffolk, in the State of New York (the "Fire District," "Town," "County" and "State," respectively) in connection with the sale of \$6,500,000 Fire District (Serial) Bonds, 2017 (the "Bonds") of the Fire District.

All quotations from and summaries and explanations of provisions of the Constitution and Laws of the State and acts and proceedings of the Fire 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 Fire 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 July 12, 2017, and will mature on June 1, in each of the years 2018 to 2042, 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 June 1, 2018, December 15, 2018 and semi-annually thereafter in each year to maturity. For Bonds issued as book-entry bonds through DTC, principal and interest will be paid by the Fire District to DTC as 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 Fire District referred to therein.

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

The Fire District will act as Paying Agent for the Bonds. The Fire District's contact information is as follows: Nancy Magno, Treasurer, Dix Hills Fire District in the Town of Huntington, 115 East Deer Park Road, Dix Hills, New York 11746-4818, Phone (631) 499-8836, Fax (631) 499-6262 and email: distreas@dhfiredistrict.org.

Optional Redemption

The Bonds maturing on or before June 1, 2025 will not be subject to redemption prior to maturity. The Bonds maturing on June 1, 2026 and thereafter will be subject to redemption prior to maturity, at the option of the Fire 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 June 1, 2025, at par plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the Fire District by lot in any customary manner of selection as determined by the Fire District. Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

Book-entry-only System

DTC will act as Securities Depository for the Bonds, if the book-entry-only format is chosen by the successful bidder. The Bonds will be issued as fully-registered securities, 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 and deposited with DTC for each maturity of the Bonds.

DTC is 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. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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 affect 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 of 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 issuer 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 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 Fire 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 Fire 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.

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 Fire District takes no responsibility for the accuracy thereof.

THE FIRE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION 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 OF 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; (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 FIRE 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.

Continuing Disclosure Undertaking for the Bonds

At the time of delivery of the Bonds, the Fire District will provide an executed copy of its "Undertaking to Provide Continuing Disclosure" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the Fire District for the benefit of holders of and owners of beneficial interest in the Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board ("MSRB") established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking:

- (1) (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement relating to the Bonds under the headings "The Fire District", "Indebtedness of the Fire District", "Finances of the Fire District", "Tax Information", "Litigation" and all Appendices (other than any related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2017, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2017; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the Fire District of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in

the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the Fire District of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) 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 of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Fire District; (xiii) the consummation of a merger, consolidation, or acquisition involving the Fire District or the sale of all or substantially all of the assets of the Fire District, other than in the ordinary course of business, the entry into 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 (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (iv) the Fire District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

With respect to event (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Fire District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Fire District, or if such jurisdiction has been assumed by leaving the existing governing body and official 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 Fire District.

The Fire District may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the Fire District does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above; and

(3) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide the annual financial information by the date specified.

The Fire District's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Rule which require the Undertaking, or such provisions, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Fire District, and no person or entity, including a holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Fire District to comply with the Undertaking will not constitute a default with respect to the Bonds.

The Fire District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

Compliance History

On May 31, 2017 the Fire District filed a material event notice for the failure to file certain financial information pursuant to the Limited Continuing Disclosure Undertaking entered into in conjunction with the Fire District's 2010 bond issue. The Fire District failed to file its unaudited financial statements and adopted budgets for the fiscal years ended December 31, 2010 through December 31, 2015. Pursuant to the Limited Undertaking, the Fire District was required to file its audited financial statements within 180 days of the end of the fiscal year. Such audits were filed more than 180 days after the end of the fiscal year. The 2010 Bonds matured on June 1, 2015. The Fire District has hired Munistat Services, Inc. to act as the Dissemination Agent with regard to the Continuing Disclosure Undertaking entered into with sale of the Bonds. Other than noted above, the Fire District is in compliance in all respects with all previous undertaking made pursuant to Rule 15c2-12 during the last five years.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fire District and discharging its responsibilities with respect thereto under applicable law, or the Fire 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 and a successor depository is not obtained, the following provisions will apply: The Bonds will be issued in 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 principal corporate trust office of a bank or trust company to be named by the Fire 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 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 bond determinations certificate of the Fire District Treasurer authorizing the sale of the Bonds and fixing the details thereof and in accordance with the New York State Local Finance Law.

Authorization and Purpose for the Bonds

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law, and a bond resolution duly adopted by the Board of Fire Commissioners on June 8, 2016, authorizing the issuance of serial bonds for the reconstruction of the headquarters building and construction of a new fire station building.

Nature of Obligation

The Bonds when duly issued and paid for will constitute a contract between the Fire District and the holder thereof.

Holders of any series of notes or bonds of the Fire District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds will be general obligations of the Fire District and will contain a pledge of the faith and credit of the Fire District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the Fire District has power and statutory authorization to levy ad valorem taxes on all real property within the Fire District subject to such taxation by the Fire District, subject to applicable statutory limitations. See "Tax Levy Limitation Laws", herein.

Although the State Legislature is restricted 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" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the Fire District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the Fire District's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "Tax Levy Limitation Law," herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the Fire District’s faith and credit is both a commitment to pay and a commitment of the Fire District’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the Fire District’s “faith and credit” is secured by a promise both to pay and to use in good faith the Fire District’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean . . . So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the Fire District’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted . . . While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders and noteholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo). It also applies to independent special districts and to improvements districts as part of their parent municipalities tax levies.

The Tax Levy Limitations Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Each municipality, prior to adoption of each fiscal year budget, must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the tax levy limitation provisions.

While the Tax Levy Limitation Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit and issuer’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors’ Provision

The Bonds when duly issued and paid for will constitute a contract between the Fire District and the holder thereof. Under current law, provision is made for contract creditors of the Fire District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Fire District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. 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 and interest on the Bonds.

Execution/Attachment of Municipal Property

As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the Fire District may not be enforced by levy and execution against property owned by the Fire District.

Authority to File for Municipal Bankruptcy

The Federal Bankruptcy Code allows public bodies, such as counties, cities, towns or villages, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Bonds should the Fire District be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Bonds to receive interest and principal from the Fire District could be adversely affected by the restructuring of the Fire District's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the Fire District (to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the Fire District under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

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 Fire District of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature, as described below, authorizing any county, city, town or village 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 Fire District.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an “emergency financial control board” for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law (“Title 6-A”) effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such “additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established

for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Fire District is not working with the FRB, nor reasonably anticipates to do so, and in any event, school districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders and noteholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See "Nature of Obligations" and "State Debt Moratorium Law" herein.

No Past Due Debt

No principal of or interest on Fire District indebtedness is past due. The Fire District has never defaulted in the payment of the principal of and interest on any indebtedness.

THE FIRE DISTRICT

General Information

The Dix Hills Fire District was established by a resolution of the Town Board of the Town of Huntington, Suffolk County, New York in 1951, pursuant to the provisions of Town Law. The Fire District includes the unincorporated community of Dix Hills. The Dix Hills Fire District encompasses an area of approximately 25 square miles and has a population currently estimated at 27,374.

The Fire District is primarily residential, and is composed of mostly single family dwellings. Commercial activity including a strip mall and other stores, is located along the major thoroughfare of Jericho Turnpike. AT&T maintains a major long distance facility within the District. Portions of two schools districts fall within the boundaries of the Fire District, and Five Towns College is also within the District.

The Dix Hills Fire District is traversed by the Long Island Expressway, the Northern State Parkway, Deer Park Avenue, and a network of county and town roads. The area within the Fire District is served by a municipal water district in addition to other services provided by the Town of Huntington. The District is patrolled by the Suffolk County Police Department.

Form of Government

The Fire District is governed by a five-member Board of Fire Commissioners. Each Commissioner is publicly elected for a five-year term. The terms are staggered so that every year one Commissioner is elected at large each year. The Board's Chairman is elected by the Commissioners themselves. There is no limitation as to the number of terms which may be served by members of the Board. The Board appoints a Fire District Treasurer and Fire District Secretary.

Financial Organization

Pursuant to the Local Finance Law, the Treasurer is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Board of Fire Commissioners. The Treasurer is responsible for all accounting and bookkeeping functions, review and analysis of the financial condition, and providing assistance to the Board in determining future financing needs of the Fire District and preparation of Fire District budgets. The Commissioners are responsible for the ongoing audit and approval of bills and claims presented to the District and for the management of the operating budget and various capital reserve funds.

District Facilities

The Fire District currently maintains one headquarters firehouse and two sub-stations. The headquarters building houses District and fire department administrative offices, a mechanic's shop and a communications hub in addition to fire apparatus. The Fire District also maintains two storage barns on the headquarters property. The substations each contain meeting rooms and fire apparatus. Each of the three properties houses an outdoor communication shelter. One sub-station has a newly built training facility.

Fire apparatus consists of three Class A pumpers, three rescue pumpers, two brush trucks, a mini pumper, five ambulances, five chiefs' vehicles, two first responder vehicles, six district support vehicles, three trailers, two fire police vehicles, a rehab truck, a passenger bus, a passenger van and an antique fire engine. All apparatus is owned by the Dix Hills Fire District.

Employees

The Fire District currently has 9 full-time and 74 part-time on-call paid employees. A union contract for 8 of the full time employees was recently signed and is in effect until 12/31/21. The other full time employee, the District Manager, is not a union member, and has his own employment contract with no expiration date.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Huntington. The following table sets forth population statistics for the Town of Huntington and Suffolk County.

<u>Year</u>	<u>Town of Huntington</u>	<u>Suffolk County</u>	<u>State of New York</u>
1990	191,474	1,321,864	17,990,455
2000	195,269	1,419,369	18,976,457
2010	203,264	1,493,350	19,378,102
2015	204,240	1,501,373	19,673,174

Source: United States Bureau of the Census.

Income Data

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015^a</u>
Town of Huntington	\$24,810	\$36,390	\$46,862	\$52,957
County of Suffolk	18,481	26,577	35,755	37,634
State of New York	16,501	23,389	30,791	34,297
	<u>Median Family Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015^a</u>
Town of Huntington	\$65,820	\$90,606	\$116,478	\$122,602
County of Suffolk	53,244	72,112	96,220	102,582
State of New York	32,965	43,393	55,603	71,913

a. Based on American Community Survey 5-Year Estimates (2011-2015)

Source: United States Bureau of the Census

Major Employers in the Town of Huntington

<u>Name</u>	<u>Type</u>	<u>Estimated Number Of Employees</u>
Huntington Hospital	Hospital	2,000
Northport Veterans Affairs Medical Center	Healthcare	2,000
Canon	Imaging Products	1,800
Estee Lauder, Inc.	Cosmetics	1,500
Henry Schein, Inc.	Medical & Dental Supplies	1,400
Western Suffolk BOCES	Education	1,317
Newsday	Newspaper	1,228
Marchon Eyewear	Healthcare	1,055
Town of Huntington	Government	702
BAE	Technology	650

Unemployment Rate Statistics

<u>Annual Averages:</u>	<u>Town of Huntington</u>	<u>County of Suffolk(%)</u>	<u>New York State (%)</u>
2013	5.7	7.3	7.7
2014	4.6	7.8	6.4
2015	4.2	4.8	5.3
2016	3.7	4.3	4.9
2017 (2 Months)	4.3	4.8	5.1

Source: New York State Department of Labor.

INDEBTEDNESS OF THE FIRE DISTRICT

Constitutional Requirements

The State Constitution limits the power of the Fire District (as well as other municipalities and school districts of the State) to issue obligations and contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the Fire District and the Bonds:

Purpose and Pledge. The Fire 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 Fire District may contract indebtedness only for a Fire 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, 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 as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Fire District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Fire 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 amortization and redemption of its serial bonds and bond anticipation notes.

General. The Fire District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Fire District so as to prevent abuses in the exercise of such powers; however, as has been noted under "*Security and Source of Payment*", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Fire District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Fire District's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limitation Law. (See "*Tax Levy Limitation Law*" herein).

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Fire District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Fire District Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Fire District authorizes the issuance of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Fire District Board, the finance board of the Fire District. Customarily, the Board of Fire Commissioners has delegated to the Fire District Treasurer, as chief fiscal officer of the Fire District, the power to authorize and sell bonds and bond anticipation notes in anticipation of the sale of authorized bonds.

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. The Fire District has complied with such requirement with respect to the bond resolutions authorizing the issuance 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 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 that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, bonds 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 reductions of principal for the entire period of probable usefulness of the purpose for which such bonds were originally issued. (See "*Payment and Maturity*" under "*Constitutional Requirements*" herein).

In addition, under each bond resolution, the Board of Fire Commissioners may delegate, and has delegated, power to issue and sell bonds and notes, to the Fire District Treasurer, the chief fiscal officer of the Fire District.

In general, the Local Finance Law contains similar provisions providing the Fire District with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

Debt Limit. The Fire District has the power to contract indebtedness for any Fire District purpose authorized by the Legislature of the State so long as the aggregate principal amount thereof shall not exceed three per centum (3.00%) of the full valuation of taxable real property of the Fire District, except as otherwise provided by the Local Finance Law, and subject to certain enumerated exclusions and deductions such as cash or appropriations for principal of debt. The three per centum limit may be exceeded if the proposition for approval of the bond resolution is approved by a two-thirds vote of the qualified voters of the Fire District and the State Comptroller consents thereto. The method for determining full valuation is by taking the assessed valuation of taxable real property for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

There is no constitutional limitation on the amount that may be raised by the Fire District by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the Fire District to increase its annual tax levy, unless the Fire District complies with certain procedural requirements to permit the Fire District to cause the levy of certain year-to-year increases in real property taxes. (See “*Tax Levy Limitation Law*” herein).

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of June 16, 2017)

	<u>Assessed Valuation</u>	State Equalization <u>Rate (%)</u>	<u>Full Valuation</u>
Town of Huntington (2016-2017)	\$41,117,540	0.85	\$4,837,357,647
Debt Limit - 3% of Full Valuation			145,120,729
Inclusions:			
Outstanding Bonds:			
General Purpose Bonds			0
Bond Anticipation Notes			<u>0</u>
Total Inclusions			<u>0</u>
Exclusions:			
Appropriations for Bonds			0
Appropriations for Notes			<u>0</u>
Total Exclusions			<u>0</u>
Total Net Indebtedness Before Issuing the Bonds			0
The Bonds			6,500,000
Less: Bond Anticipation Notes to be Redeemed			<u>0</u>
Net Effect of the Bonds			6,500,000
Total Net Indebtedness After Issuing the Bonds			<u>6,500,000</u>
Net Debt Contracting Margin			<u><u>\$138,620,729</u></u>
Percent of Debt Limit Exhausted			4.48%

Details of Short-Term Indebtedness Outstanding

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

Authorized but Unissued Indebtedness

As of the date of this Official Statement, the District has authorized but unissued debt in the amount of \$6,500,000 to reconstruct headquarters building and construct new fire station. There are no further capital projects being contemplated at this time.

Trend of Outstanding Indebtedness

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Bonds	\$ 380,000	\$ 395,000	\$ 405,000	\$ 0	\$ 0
BANs	0	0	0	0	0
Other	0	0	0	0	0
Total	<u>\$ 380,000</u>	<u>\$ 395,000</u>	<u>\$ 405,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

Debt Service Requirements - Outstanding Bonds

As of the date of this Official Statement the Fire District has no long-term debt outstanding.

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 Suffolk	12/05/2016	2.40	42,841,344	34,786,540
Town of Huntington	06/08/2016	13.35	14,474,738	9,454,102
Half Hollow Hills CSD	12/15/2016	50.51	19,837,803	14,519,100
South Huntington UFSD	12/15/2016	96.34	44,754,747	26,153,208
Totals			<u>\$121,908,632</u>	<u>\$84,912,950</u>

a. Excluded items consist of debt legally excluded in the determination of net indebtedness for purposes of the constitutional debt limitation (including water and sewer debt and tax and revenue anticipation notes)

Sources: Annual Financial Reports for the most recently completed fiscal year or more recently published Official Statements.

Debt Ratios

	<u>Amount^a</u>	<u>Per Capita^b</u>	<u>Percentage Of Full Value (%)^c</u>
Total Direct Debt	\$ 6,500,000	\$ 237	0.134
Net Direct Debt	6,500,000	237	0.134
Total Direct & Applicable Total Overlapping Debt	128,408,632	4,691	2.655
Net Direct & Applicable Net Overlapping Debt	91,412,950	3,339	1.890

a. The current estimated population of the Fire District is 27,374.

b. The full valuation of taxable real property in the Fire District for 2016-17 is \$4,837,357,647

FINANCES OF THE FIRE DISTRICT

Independent Audit Procedures

Each year the Fire District prepares an unaudited Annual Financial Report Update Document which is submitted to the Office of State Comptroller, Division of Municipal Affairs, and Bureau of Municipal Research and Statistics, annually. The financial affairs of the Fire District are subject to periodic audit by the State Comptroller. Additionally, the financial statements of the Fire District are audited annually by an independent public accountant. For the fiscal year 2016, the audit was performed by the firm Jones, Little & Co. LLP and is attached as Appendix B hereto.

The Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Official Statement are based on the Audited Financial Statements of the Fire District for the 2012-2016 fiscal years.

Budget Process

The Board of Fire Commissioners, with the assistance of the Treasurer and District Manager prepares a budget each year. The budget is then adopted by the Board after holding a budget hearing as its final budget for the coming fiscal year. The budget is not subject to referendum unless the operating portion exceeds limitation provided by law. The budget is submitted to the Town of Huntington which levies taxes for District purposes. Budget Summary for 2017 can be found in Appendix A

Basic of Accounting

The Fire District retains independent certified public accountants. Each year the Fire District prepares an Annual Report of the Fire District Treasurer which is submitted to the Office of State Comptroller, Division of Municipal Affairs, Bureau of Municipal Research and Statistics. The financial affairs of the Fire District are subject to periodic audit by the State Comptroller.

The Fire District complies with the Uniform System of Accounts as prescribed by the Department of Audit and Control of the State of New York. This system conforms with generally accepted accounting principles as promulgated in the American Institute of Certified Public Accountants' Industry Audit Guide. "Audits of State and Local Governmental Units", and codified in "Government Accounting, Auditing and Financial Reporting" (GAFFR), published by the National Committee on Government Accounting.

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 Fire District for the 2012-2016 fiscal years.

Investment Policy

Pursuant to the statutes of the State of New York, the Fire 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 of New York; (5) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Fire District. Any investments made by the Fire District pursuant to law are required to be payable or redeemable at the option of the Fire 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 Fire District, within two years of the date of purchase. These statutes also require that the Fire District's investments, unless registered or inscribed in the name of the Fire 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.

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.

The Fire District is currently investing reserve funds and other moneys in interest bearing bank time deposit accounts, collateralized in accordance with the Fire District's adopted investment policy, as set forth above. The Fire District's investment policy states that it may use repurchase agreements as an investment vehicle for Fire District funds.

Retirement Pension Benefits

The Fire District participates in the New York State and Local Employees' Retirement System ("ERS" or "Retirement System"). The ERS is generally also known as the "Common Retirement Fund". The Retirement System is 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. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute 3% of gross annual salary toward the cost of the retirement programs. Chapter 86 of the Laws of 2000 eliminated the 3% contribution for Tier 3 and Tier 4 members with 10 years of service credit. On December 10, 2009, the Governor Paterson signed into law the creation of a new Tier 5, which is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees in Tier 5 will now contribute 3% of their salaries and new TRS employees in Tier 5 will contribute 3.5% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service.

With regard to the ERS, a Pension Reform Bill was signed by the Governor into law in 2003. The Law changes the cycle of billing to match budget cycles of the Fire District. Under the previous method, the Fire District was unsure of how much they paid to the system until after their budget was implemented. Under the new system the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the Fire District will be able to build the cost of the contribution into their budget.

The Law requires the Fire District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible. The legislation further authorizes that the amount of payment in excess of 7% of payroll will be allowed to be amortized over a period of five years. This amortization may be made with the State Comptroller and the Fire District would pay 8% interest on any amortized amounts or the Fire District could issue general obligation bonds, the interest on which would be taxable for federal income tax purposes.

The investment of monies, and assumptions underlying same, of the Retirement System covering the Fire District employees is not subject to the direction of the Fire District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement System (“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 Fire District which could affect other budgetary matters. Concerned investors should contact the Retirement System’s administrative staff for further information on the latest actuarial valuations of the Retirement System.

On July 20, 2004 the New York State Legislature passed a bill amending the General Municipal Law, Local Finance Law and the Retirement and Social Security Law. On July 30, 2004, the Governor signed the new retirement system legislation into Law as Chapter 260 of the Laws of 2004. The bill moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004. It increased, from five to ten years, the maximum amortization period of the portion of employer contributions that exceeds 7% of payroll for the 2004-2005 fiscal year of the Retirement System.

The District’s contributions to the State Retirement System for the previous five years are as follows:

<u>FYE Dec 31:</u>	<u>Amount of Contribution</u>
2012	\$168,279
2013	194,685
2014	254,796
2015	207,560
2016	191,845

Service Award Program

The Fire District sponsors a Length of Service Award Program (LOSAP) with two components, pre- and post-entitlement age, which took effect January 1, 1990.

The program, consistent with the provisions of Article 11-A of the General Municipal Law, is a defined benefit plan where the award to be paid to eligible volunteers is twenty dollars (\$20.00) per month for each qualified year of active firefighter’s service, not to exceed thirty (30) years, with benefit payment commencing when the eligible volunteer firefighter reaches age fifty-five (55). To earn a year of credited service a participant must accumulate a minimum of fifty (50) points under the Fire District’s LOSAP Point System. The participant’s accrued benefit is 100% vested after the volunteer firefighter has earned credit for five (5) years, attains entitlement ages, is awarded a finding of total and permanent disability or dies. All active volunteer firefighters who are members of the Dix Hills Fire Department are eligible to participate in this component of the LOSAP.

The second component of the LOSAP is for post entitlement age volunteer firefighters who have not yet reached the maximum number of years provided in Article 11-A of the General Municipal Law for earning credit in a defined benefit plan program. Credit is earned in the identical manner as the original component of the LOSAP but the benefit is paid annually as a lump sum payment in the year that follows the successful completion of a year of firefighting service. All active volunteer firefighters who are members of the Dix Hills and fifty-five (55) years of age and older are eligible to participate in this component of the LOSAP. The Plan also provides for death and disability benefits. Contributions of the plan are determined on an actuarial basis. The contribution costs for the year 2016 amounted \$309,644.

The Fire District is currently investing reserve funds and other moneys in interest bearing bank time deposit accounts, collateralized in accordance with the Fire District's adopted investment policy, as set forth above. The Fire District's investment policy states that it may use repurchase agreements as an investment vehicle for Fire District funds.

TAX INFORMATION

Real Property Taxes

The Fire District derives its power to require the levy of an ad valorem real property tax from the State Constitution; methods and procedures to require the levy, collection and enforcement of this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the Fire District are prepared by the Town of Huntington. Assessment valuations are determined by the Town assessor and the State Office of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Office 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 aid and are used by many localities in the calculation or debt contracting and real property taxing limitations. The Fire District is not subject to constitutional real property taxing limitations.

<u>FYE Dec 31:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2012	\$4,837,196	\$4,685,390	96.86
2013	5,024,164	4,777,623	93.26
2014	5,011,936	4,907,114	95.32
2015	5,228,850	5,060,335	93.85
2016	5,243,258	5,124,651	97.74
2017 (Budgeted)	5,335,457	5,244,707	98.30

Tax Collection Procedure

Property taxes for the Fire District, together with Town, County and school district taxes, are collected by the Town Tax Receiver on a single tax bill. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and payable and 10% after May 31.

The Tax Receiver distributes the collected tax money to the Town, fire districts and school districts prior to distribution the balance to the County. Uncollected amounts are not segregated by the Tax Receiver and any deficiency in tax collection is the County's responsibility. The Fire District thereby is virtually assured of full tax collection.

Additional Tax Information

Real property located in the Fire District is assessed by the Town of Huntington.

Valuations, Rates, Levies and Collection

A summary of valuations, rates and levies is contained in Appendix A.

Selected Listing of Large Taxable Properties in Town of Huntington
2016 Assessment Roll^a

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
LIPA/Keyspan Energy Corp.	Utility	\$1,684,543
The Retail Property Trust	Real Estate	2,000,000
Avalon Bay Communities	Real Estate	526,303
Estee Lauder	Cosmetics	469,700
Grandview Hotel Limited	Hotel	425,000
Hines Reit Three Huntington Quadrangle	Commercial	425,000
Federal Realty Investment Trust	Real Estate	385,000
CLK-HP 300 Broadhollow LLC	Commercial	380,000
445 Melville LLC	Commercial	358,000
Long Island Lighting Co.	Utility	351,229
	Total ^a	\$7,004,775

a. Represents 17.04% of the total taxable Assessed Valuation of the Town for 2017.

LITIGATION

In common with other fire districts, the Fire District from time to time receives notices of claim and is party to litigation. In the opinion of the attorney for the Fire District, 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 Fire District has not asserted a substantial and adequate defense, nor which, if determined against the Fire District, would have a adverse material effect on the financial condition of the Fire District, in view of the Fire District's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the Fire District, threatened against or affecting the Fire District to restrain or enjoin sale or delivery of the Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the Fire District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the Fire District.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an 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 investment risk.

The financial and economic condition of the Fire District as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Fire District's control. There can be no assurance that adverse events in the State and in other jurisdictions, 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 any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Fire District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds could be adversely affected.

The Fire District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the Fire District, in any year, the Fire District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the Fire District. In some years, the Fire District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

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

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. 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. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder 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 Bond and other debt issued by the Fire District. Any such future legislation would have an adverse effect on the market value of the Bonds (See "Tax Exemption" herein).

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Fire District and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the Fire District and hence upon the market price of the Bonds. See "Tax Levy Limitation Law" herein.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Fire District has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York and its political subdivisions (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owners or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. In recent year, proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incidental to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially in the form attached hereto as Appendix C.

BOND RATING

Moody's Investors Services, Inc. ("Moody's") 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, Telephone: (212) 553-4055 and Fax: (212) 298-6761, has assigned an rating of "Aa3" to the Bonds.

Moody's has assigned a rating of "Aa3" to the outstanding bonds of the Fire District. The Fire District has not applied to Moody's for a rating on the Bonds. This rating reflects only the view of the rating agency furnishing the same, and an explanation of the significance of this rating may be obtained only from the rating agency. There is no assurance such rating will continue for any given period of time, or that such rating will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. Any such action could have an adverse effect on the market for and market price of the Bonds.

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 Fire 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 Bonds 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 Bonds was based on materials provided by the Fire 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 Fire District or the information set forth in this Official Statement or any other information available to the Fire 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 Fire District is in compliance with the procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance.

There is no bond or note principal or interest past due.

The fiscal year of the Fire 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 Fire 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 Fire District Treasurer, Nancy Magno, Dix Hills Fire District in the Town of Huntington, 115 East Deer Park Road, Dix Hills, New York 11746-4818, Phone (631) 499-8836, Fax (631) 499-6262 and email: distreas@dhfiredistrict.org. and website: <http://www.munistat.com>.

So far as any statements made in this Official Statement involve 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.

To the extent any statements made in this Official Statement involve 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 the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

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 Fire District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Fire 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 Fire District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Orrick, Herrington & Sutcliffe LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the Fire District for use in connection with the offer and sale of the Bonds, including this Official Statement.

The preparation and distribution of this Official Statement have been approved by the Fire District Treasurer pursuant to the power delegated to him by the authorizing note resolutions to sell and deliver the Bonds.

This Official Statement has been duly executed and delivered by the Fire District Treasurer of the Dix Hill Fire District in the Town of Huntington.

DIX HILLS FIRE DISTRICT OF THE TOWN OF HUNTINGTON, NEW YORK

By: s/s NANCY MAGNO
Fire District Treasurer

June 16, 2017

APPENDIX A

FINANCIAL INFORMATION

DIX HILLS FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
Total Governmental Fund

	Fiscal Year Ending December 31:				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$ 4,685,390	\$ 4,777,623	\$ 4,907,114	\$ 5,060,335	\$ 5,110,526
Real Property Tax Items	92				
Interest and Earnings	2,017	1,935	998	452	4,384
Rental of Property	51,731	62,847	70,447	67,377	65,469
Sale of Equipment	33,500	42,450	1,000	3,600	35,000
Insurance Recoveries	12,768	66,707	1,215	9,538	16,330
Report Fees	161	182	98	101	525
Refund of Prior Year Expenditures	51,537	71,420	4,133	32,159	4,078
Grants		1,000	26,931	55,288	6,946
Total Revenues	<u>4,837,196</u>	<u>5,024,164</u>	<u>5,011,936</u>	<u>5,228,850</u>	<u>5,243,258</u>
Expenditures:					
Fire Protection & Contractual	1,630,811	1,563,253	1,532,119	1,430,788	1,503,692
Personal Services	1,303,647	1,314,028	1,334,266	1,401,502	1,413,746
Equipment & Capital Outlay	602,287	598,769	1,462,042	311,352	608,931
State Retirement System	168,279	194,685	254,796	207,560	191,845
Service Award Program	200,000	200,000	117,441	592,883	309,644
Social Security	99,370	100,462	101,836	107,215	107,488
MTA Tax	2,728	1,113	1,254	1,661	
Worker's Compensation Insurance	181,495	205,585	170,904	203,868	208,754
Medical & Accident Insurance	246,508	261,404	284,787	277,410	284,013
Unemployment Insurance	5,804	5,889	8,687	8,577	9,396
Disability	2,283	1,880	2,051	1,982	1,946
Principal (Debt Service)	365,000	380,000	395,000	405,000	
Interest (Debt Service)	54,675	40,725	27,163	10,125	
Total Expenditures	<u>4,862,887</u>	<u>4,867,793</u>	<u>5,692,346</u>	<u>4,959,923</u>	<u>4,639,455</u>
Excess (Deficit) of Revenues Over Expenditures	(25,691)	156,371	(680,410)	268,927	603,803
Other Financing Sources and Uses					
Operating Transfers In	155,000	537,740	618,738	506,102	
Operating Transfers (Out)	(155,000)	(537,740)	(618,738)	(506,102)	
Total Other Sources (Uses)	0	0	0	0	0
Fund Balance - Beginning of Year	<u>3,150,572</u>	<u>3,124,881</u>	<u>3,281,252</u>	<u>2,600,842</u>	<u>2,869,769</u>
Prior Period Adjustments					
Fund Balance - End of Year	<u>\$ 3,124,881</u>	<u>\$ 3,281,252</u>	<u>\$ 2,600,842</u>	<u>\$ 2,869,769</u>	<u>\$ 3,473,572</u>

Sources: Audited Financial Statements of the District (2012-2016)

Note: This Schedule NOT audited

**DIX HILLS FIRE DISTRICT
BALANCE SHEET
Government Funds**

	2015	2016
Assets:		
Unrestricted Cash	\$677,098	\$362,758
Restricted Cash	2,199,494	3,113,403
Prepaid Expenses	—	1,956
Total Assets	\$2,876,592	\$3,478,117
Liabilities:		
Accounts Payable	2,986	
Accrued Liabilities	3,837	4,545
Total Liabilities	6,823	4,545
Fund Balance		
Nonspendable		1,956
Restricted	2,199,494	3,113,403
Unrestricted	670,275	358,213
Total Fund Equity	2,869,769	3,473,572
Total Liabilities and Fund Equity	\$2,876,592	\$3,478,117

Sources: 2015 & 2016 Audited Financial Statements

NOTE: This Schedule NOT audited.

BUDGET SUMMARIES

	<u>2017</u>
Revenues:	
Real Property Taxes	\$ 5,244,707
Interest Income	1,000
Cell Tower Rental	65,000
Grant Income	24,750
	<u>\$ 5,335,457</u>
Expenditures	
Personal Services	\$ 1,434,843
Equipment and Capital Outlay	111,500
Contractual Expenditures	1,905,849
Fuel - Emergency Vehicles	0
State Retirement System	190,000
Local Pension Fund	293,000
Social Security	109,765
Worker's Compensation	228,000
Medical and Accidental Insurance	317,000
Unemployment Insurance	10,500
Hydrant Rental	0
Transfer to Other Funds	735,000
	<u>735,000</u>
Total Expenditures	<u>\$ 5,335,457</u>

Source: Adopted Budgets of the Fire District.

**DIX HILLS FIRE DISTRICT
VALUATIONS, TAX LEVIES & TAX RATES**

Fiscal Year Ending December 31:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed Valuation	\$ 42,501,109	\$ 42,112,421	\$ 41,579,887	\$ 41,311,011	\$ 41,117,540
State Equalization Rate	0.88%	0.90%	0.89%	0.86%	0.85%
Full Valuation	4,829,671,477	4,679,157,889	4,671,897,416	4,803,605,930	4,837,357,647
Tax Levy	4,777,263	4,907,114	5,060,335	5,110,525	5,245,043
Tax Rate Per \$100 of Assessed Valuation	11.24	11.65	12.17	12.37	12.76

Source: NYS Office of Real Property Services and the Town

DIX HILLS FIRE DISTRICT IN THE TOWN OF HUNTINGTON

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT.

DIX HILLS FIRE DISTRICT
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DECEMBER 31, 2016

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Jones, Little & Co.
CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Fire Commissioners
Dix Hills Fire District
Dix Hills, New York

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the fiduciary fund of the Dix Hills Fire District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Dix Hills Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the New York State Office of the State Comptroller (NYS OSC), Uniform System of Accounts for Fire Districts. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 auditors' 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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Dix Hills Fire District on the basis of the financial reporting provisions of the New York State Office of the State Comptroller (NYS OSC), Uniform System of Accounts for Fire Districts, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the OSC.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Dix Hills Fire District as of December 31, 2016, or the changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances of each fund of the Dix Hills Fire District, as of December 31, 2016, and their respective revenues, expenditures and changes in fund balance for the year then ended, in accordance with accounting practices prescribed or permitted by NYS OSC, Uniform System of Accounts for Fire Districts as described in Note 1.

Other Required Supplementary Information

The accounting practices prescribed or permitted by NYS OSC, Uniform System of Accounts for Fire Districts which is a basis of accounting other than accounting principles generally accepted in the United States of America requires that other supplementary information (Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, and Fire District Questionnaire) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the accounting practices prescribed or permitted by NYS OSC, Uniform System of Accounts for Fire Districts which is a basis of accounting other than accounting principles generally accepted in the United States of America, which considers it to be an essential part of financial reporting for placing the 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 response to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017 on our consideration of the Dix Hills Fire District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dix Hills Fire District’s internal control over financial reporting and compliance.

Jones Little & Co., CPA's, LLP
East Islip, New York
May 31, 2017

DIX HILLS FIRE DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	<u>GENERAL FUND</u>
ASSETS	
Unrestricted Cash	\$ 362,758
Restricted Cash	3,113,403
Accounts Receivable	<u>1,956</u>
TOTAL ASSETS	<u>\$ 3,478,117</u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accrued Liabilities	<u>\$ 4,545</u>
TOTAL LIABILITIES	<u>4,545</u>
 FUND BALANCES	
Not in Spendable Form	1,956
Capital Reserves	3,113,403
Unassigned Fund Balance	<u>358,213</u>
TOTAL FUND BALANCES	<u>3,473,572</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,478,117</u>

See notes to financial statements.

DIX HILLS FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	GENERAL OPERATING FUND	CAPITAL RESERVES	NOT IN SPENDABLE FORM	TOTAL GOVERN- MENTAL FUNDS
REVENUES				
Real Property Taxes	\$ 5,110,526	-	-	\$ 5,110,526
Interest and Earnings	1,340	3,044	-	4,384
Rental of Real Property	65,469	-	-	65,469
Sale of Equipment	35,000	-	-	35,000
Insurance Recoveries	16,330	-	-	16,330
Report Fees	525	-	-	525
Refund of Prior Year Expenditures	4,078	-	-	4,078
Grants	6,946	-	-	6,946
TOTAL REVENUES	5,240,214	3,044	-	5,243,258
EXPENDITURES				
Fire Protection	1,503,692	-	-	1,503,692
Personal Services	1,413,746	-	-	1,413,746
Equipment and Capital Outlay	197,521	411,410	-	608,931
State Retirement System	191,845	-	-	191,845
Service Award Program	309,644	-	-	309,644
Social Security	107,488	-	-	107,488
Workers' Compensation Insurance	208,754	-	-	208,754
Medical and Accident Insurance	284,013	-	-	284,013
State Unemployment Insurance	9,396	-	-	9,396
Disability Insurance	1,946	-	-	1,946
TOTAL EXPENDITURES	4,228,045	411,410	-	4,639,455
OTHER SOURCES (USES)				
Not in Spendable Form (Accounts Receivable)	(1,956)	-	1,956	-
Capital Reserves	(1,322,275)	1,322,275	-	-
TOTAL OTHER SOURCES (USES)	(1,324,231)	1,322,275	1,956	-
NET CHANGES IN FUND BALANCES	(312,062)	913,909	1,956	603,803
FUND BALANCES, BEGINNING	670,275	2,199,494	-	2,869,769
FUND BALANCES, ENDING	\$ 358,213	\$ 3,113,403	\$ 1,956	\$ 3,473,572

See notes to financial statements.

DIX HILLS FIRE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
DECEMBER 31, 2016

	<u>TRUST AND AGENCY</u>
ASSETS	
Service Award Program Assets	\$ <u>2,767,638</u>
TOTAL ASSETS	\$ <u>2,767,638</u>
 LIABILITIES	
Service Awards	\$ <u>2,767,638</u>
TOTAL LIABILITIES	\$ <u>2,767,638</u>

See notes to financial statements.

DIX HILLS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Dix Hills Fire District (Fire District) as of and for the year ended December 31, 2016 have been prepared in accordance with the financial reporting provisions of the New York State Office of the State Comptroller (OSC), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The financial statements of the Fire District have been prepared using the modified accrual basis of accounting. This method differs from GAAP, which requires the accrual basis of accounting to be used. The accrual basis of accounting requires the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the modified accrual basis of accounting, property and equipment are recorded as expenditures when purchased and long-term liabilities are recognized when paid. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standards Board (GASB) No. 34, *Basic Financial Statements - and Management's Discussions and Analysis - for State and Local Governments*. GASB 34 financial statements require presentation of government-wide financial statements and management's discussion and analysis. The accounting practices used to prepare these financial statements does not require compliance with GASB 34.

The significant accounting policies of the Fire District are described below:

Financial Reporting Entity

The Fire District is a district corporation and political subdivision of the State of New York, distinct from the municipalities in which it is located. In general, the Fire District is governed by an elected Board of Fire Commissioners (Board) and is required to have a treasurer and secretary. The Fire District has the legal authority to levy taxes on real property and to borrow in its own name. The Fire District is governed by General Municipal Law and other laws of the State of New York and its subdivisions. The scope of activities included in the accompanying financial statements are the transactions which comprise the Fire District's operations and are governed by, or significantly influenced by, the Board of Fire Commissioners.

The primary function of the Fire District is to provide fire protection and emergency medical services to the community. Services such as fire fighting, fire prevention, ambulance and public education support the primary function.

The financial reporting entity includes all funds, functions and organizations over which the Fire District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Basis of Presentation - Fund Accounting

The Fire District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain types of functions or activities.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

DIX HILLS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

The various funds are grouped by type in the financial statements. The following fund types are used by the Fire District:

Governmental Fund Types

Governmental funds are those through which most general functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the Fire District's governmental fund types:

General Fund - The General Fund is the general operating fund of the Fire District. It is used to account for all financial resources except those required to be accounted for in other funds.

Reserve Fund - The Reserve Fund is designed to segregate resources to provide for future contingencies and plan for major capital outlays, thereby reducing the need to rely on borrowing or outlays of current revenue to finance such events. For financial reporting purposes, the Reserve Fund is included in the General Fund.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the Fire District in a trustee or custodial capacity.

Agency Fund - The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Fund Balance Classifications

Not in Spendable Form – 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.

Capital Reserves - consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Unassigned Fund Balance - represents the residual classification for the government's general fund, and could report a surplus or deficit.

When resources are available from multiple classifications, the Fire District spends fund balances in the following order: restricted fund balance, assigned fund balance, and unassigned fund balance, unless a Board resolution is passed otherwise.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured (i.e., expenditures or expenses).

DIX HILLS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Modified Accrual Basis - The governmental fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus.

Under this method, revenues are recognized when measurable and available. The Fire District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if collected within 90 days after the calendar year.

Expenditures are recorded when the related fund liability is incurred, except for prepaid expenses which are recognized in the period of benefit; principal and interest on general long-term debt are not funded as expenditures until due; unfunded claims and judgments and unfunded compensated absences are recognized as expenditures to the extent they have been paid. General capital asset acquisitions are reported as expenditures in governmental funds.

Interfund Transactions

The operations of the Fire District give rise to certain transactions between funds, including transfers of expenditures and revenues to provide services and construct assets. Interfund transfers and the related receivables and payables have been recorded in the funds where applicable.

Use of Estimates

The preparation of financial statements on the modified accrual basis requires management to make estimates and assumptions that affect the reported amount of assets and liabilities 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 computation of encumbrances, compensated absences, and potential contingent liabilities.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes, is utilized by the general fund. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditure or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

Stewardship, Compliance, and Accountability

Budgetary Procedures

The Fire District prepares an annual budget for the General Fund, which is approved by the Board of Fire Commissioners. The budget is then submitted to the Town of Huntington for inclusion in the Town Budget and a public hearing is held thereon. The budget is not subject to a referendum. Any revisions to the annual budget are adopted by a resolution of the Board of Fire Commissioners.

DIX HILLS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Budget Basis of Accounting

Budgets are adopted annually by the Board in accordance with New York State law. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Cash and Equivalents

Cash and equivalents (including restricted cash) consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Accounts Receivable

Accounts receivable consist of reimbursements for fuel and conferences paid by the Fire District in 2016.

General Fixed Assets

The State System requires that general fixed assets be recorded at cost as disbursement in respective funds at the time of purchase. Additionally, they could be accounted for in the General Fixed Assets Account Group, although this is not required for fire districts using the modified accrual basis of accounting. Donated amounts are valued at estimated fair market value.

Accrued Liabilities

Accrued liabilities consist of expenses that have been incurred but not yet remitted to various vendors.

Property Taxes

Real property taxes are levied annually by the Fire District no later than November 1st and become a lien on December 1st. Real property taxes are payable without penalty and interest, in two equal installments on January 10th and May 31st.

The Fire District's tax levy is collected by the Town of Huntington. Tax collections are remitted in full to the Fire District with the Suffolk County Tax Act. Suffolk County is responsible for all uncollected taxes.

Subsequent Events

In preparing these financial statements, the Fire District has evaluated events through May 31, 2017, the date the financial statements were available to be issued. The Fire District has determined no events have occurred during this period that would require adjustment to or disclosure in the financial statements. The Fire District has no responsibility to update these financial statements for events and circumstances occurring subsequent to May 31, 2017.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS

The Fire District's investment policies are governed by State statutes and Fire District policy. The Fire District's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use time and demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and its subdivisions, repurchase agreements, and obligations of New York State and its subdivisions.

DIX HILLS FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Collateral is required for demand and time deposits as well as certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the Fire District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Fire District's name.

The Fire District's bank balances, not covered by depository insurance, were fully collateralized under category B. The Fire District did not have any investments at year-end or during the year. Consequently, the Fire District was not exposed to any material interest rate risk.

3. GENERAL FIXED ASSETS

A summary of changes in general fixed assets valued at replacement cost together with additions and disposals at cost through December 31, 2016, is as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Ending</u>
Buildings	\$10,251,178	\$ 66,783	\$ -	\$10,317,961
Land	117,887	-	-	117,887
Equipment	9,492,230	542,148	(34,000)	10,000,378
Total Fixed Assets	<u>\$19,861,295</u>	<u>\$ 608,931</u>	<u>\$ (34,000)</u>	<u>\$20,436,226</u>

4. PENSION PLAN - NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM

The Fire District elected to participate in the New York State and Local Employees' Retirement System (ERS). This System is a cost-sharing, multiple-employer, defined benefit pension plan. The System offers retirement and disability benefits, annual cost of living increases, and death benefits to plan members and beneficiaries.

Plan Description

The ERS is established, pursuant to the New York State Retirement and Social Security Law, to provide benefits for the state, local governments, and their employees. ERS plan benefits are guaranteed by the state constitution.

The System issues publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing or calling the system at the following location: NYS and Local Retirement Systems, 110 State Street, Albany, NY 12244, (518) 474-7736.

Funding Policy

The System is noncontributory except for employees who joined the retirement system after July 27, 1976 with less than ten years of service, who contribute 3% of their salary. Regardless of start date, all members may elect to make member contributions.

DIX HILLS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

The Comptroller shall certify annually the rates expressed as proportions of the member's payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The Fire District is required to contribute on an annual basis. Contributions are generally made to the ERS on December 15th for the period April 1 to March 31 of the following year based on estimated eligible employees' salaries. Contributions are adjusted in the following year based on actual salaries.

The following represents the Fire District's regular pension contribution to the System based on annual covered payroll:

	<u>2016</u>
District Contribution Rate	
Tier 3 & 4	18.6 %
Tier 5	15.3 %
Tier 6	10.4 %
District Contribution	\$191,845

5. LENGTH OF SERVICE AWARDS PROGRAM - LOSAP

The Dix Hills Fire District established a defined benefit LOSAP for the active volunteer firefighters of the Dix Hills Fire District. The program took effect on January 1, 1990. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded pension like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Dix Hills Fire District is the sponsor of the program.

Program Description

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age 55.

In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

Benefits

A participant's benefit under the program is a life annuity with 10 years certain equal to \$20 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed forty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. Volunteer firefighters who are active after attaining the entitlement age and who may have commenced receiving a service award have the opportunity to earn program credit and to thereby increase their service award payments.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program.

DIX HILLS FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Each fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained and designated Hometown Insurance Agency to assist in the administration of the program. The designated program administrator's functions include the preparation of the Fire District's Service Award Program's Annual Report. This report consists of plan specifications, census and participation reconciliation, schedule of benefits, valuation statements, an actuarial valuation summary and a composition of assets at the program end date. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by the Fire District's Board of Fire Commissioners.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operations and administration of the program. The trust agreement is dated January 1, 1990, and the trustee is the Dix Hills Fire District.

Authority to invest program assets is vested in the Dix Hills Fire District. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule. The "rule" provides that fiduciaries are required to exercise the same diligence and prudence in the care and management of other people's money as they would their own.

In addition, the rule provides that investments should be made in such a manner as to seek a reasonable income while preserving capital. The program document allows for certain types of investments such as marketable securities, annuities, and life insurance.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is BPA's Actuarial and Pension Services, LLC. Portions of the following information are derived from a report prepared by the actuary dated March 2017.

Assets and Liabilities

Actuarial Present Value of Benefits at 12/31/16			\$4,041,725
Less: Assets Available for Benefits			
Trust Securities	<u>% of total</u>		<u>\$2,767,638</u>
Total Assets Available for Benefits	100%		2,767,638
Less: Liabilities			(_____)
Total Net Assets Available for Benefits			<u>2,767,638</u>
Total Unfunded Benefits			1,274,087
Less: Unfunded Liability for Prior Service			<u>(1,274,087)</u>
Unfunded Normal Benefits			<u>\$_____</u>

Prior Service Costs

Prior service costs are being amortized over a range of 19 to 10 years at a discount rate of 4.75%.

DIX HILLS FIRE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Receipts and Disbursements

Plan Net Assets, Beginning of Year	\$2,681,125
Changes during the year:	
Plan Contributions from Sponsor	309,644
Investment Income Earned	106,078
Realized Gain	548
Unrealized Gain	12,275
Distributions to Participants	(332,398)
Administrative Fees	(9,634)
Plan Net Assets, End of Year	<u>\$2,767,638</u>

Contributions

Amount of Sponsor's contribution recommended by the actuary:	Minimum	\$ 293,822
	Maximum	\$ 354,524
Amount of Sponsor's actual contribution:		\$ 309,644

Administration Fees

Fees paid to Program Administrator	\$ 6,671
Fees paid to Actuary	\$ 2,963

Funding Methodology and Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the United Credit Cost Method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment 4.75%

Mortality Tables used for

Withdrawal	None	
Disability	None	
Retirement		1994 Group Annuity - Males (Scale AA to 2001)-5.25%
Death (Actives)	None	
Death (Inactives)	None	
Other	None	

6. COMMITMENTS AND CONTINGENCIES

The Fire District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. As of December 31, 2016, there were no claims pending or liabilities outstanding against the Dix Hills Fire District.

7. SPENDING LIMITATION

The Fire District did not exceed the statutory spending limitation imposed by state law for the year ended December 31, 2016.

DIX HILLS FIRE DISTRICT
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>APPROVED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Real Property Taxes	\$ 5,110,456	\$ 5,110,526	\$ 70
Interest and Earnings	-	1,340	1,340
Rental of Real Property	90,750	65,469	(25,281)
Sale of Equipment	-	35,000	35,000
Insurance Recoveries	-	16,330	16,330
Report Fees	-	525	525
Refund of Prior Year Expenditures	-	4,078	4,078
Grants	-	6,946	6,946
	<u>5,201,206</u>	<u>5,240,214</u>	<u>39,008</u>
TOTAL REVENUES			
EXPENDITURES			
Fire Protection	1,891,171	1,503,692	387,479
Personal Services	1,388,128	1,413,746	(25,618)
Equipment and Capital Outlay	103,300	197,521	(94,221)
State Retirement System	196,000	191,845	4,155
Service Award Program	309,400	309,644	(244)
Social Security	108,707	107,488	1,219
Workers' Compensation Insurance	220,000	208,754	11,246
Medical and Accident Insurance	322,000	284,013	37,987
State Unemployment Insurance	10,500	9,396	1,104
Disability Insurance	-	1,946	(1,946)
	<u>4,549,206</u>	<u>4,228,045</u>	<u>321,161</u>
TOTAL EXPENDITURES			
OTHER SOURCES (USES)			
Not in Spendable Form (Accounts Receivable)	-	(1,956)	(1,956)
Capital Reserves	(652,000)	(1,322,275)	(670,275)
	<u>(652,000)</u>	<u>(1,324,231)</u>	<u>(672,231)</u>
TOTAL OTHER SOURCES (USES)			
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ (312,062)</u>	<u>\$ (312,062)</u>

See independent auditors' report.

Dix Hills FIRE DISTRICT
 Fire District Questionnaire
 For the Fiscal Year Ending 2016

	Response
1) Has your district adopted a written procurement policy and is it complied with?	Y
2) Has your district contracted to have an independent audit of its financial statements? If not, has the Board of Fire Commissioners performed an internal audit of the Treasurer's records and reports?	Y
3) Does your district have a written travel policy and is it complied with?	Y
4) Are monthly bank reconciliations performed?	Y
5) What is your district's statutory spending limitation margin (amount) for the next fiscal	\$2,857,641
6) Does your district have a Length of Service Award Program (LOSAP) for volunteer firefighters?	
If so, how are the LOSAP funds invested?	
Marketable Securities	
Annuities	Y
Life Insurance	
Other (describe)	
7) Has your Fire District adopted an investment policy as required by General Municipal Law, Section 39?	Y



Jones, Little & Co.
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Thomas Jones, CPA
Roy Little, CPA
Kathleen Galway, CPA
Lori LaPonte, CPA
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Fire Commissioners
The Dix Hills Fire District
Dix Hills, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund and the fiduciary fund of the Dix Hills Fire District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements and have issued our report thereon dated May 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dix Hills Fire 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dix Hills Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Dix Hills Fire 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 the 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 Dix Hills Fire District financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

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

Jones, Little + Co., CPAs, LLP

East Islip, New York
May 31, 2017

APPENDIX C

BOND COUNSEL OPINION

FORM OF BOND COUNSEL'S OPINION

July 12, 2017

Dix Hills Fire District in the Town of Huntington
County of Suffolk,
State of New York

Re: Dix Hills Fire District in the Town of Huntington, Suffolk County, New York
\$6,500,000 Fire District (Serial) Bonds, 2017

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$6,500,000 Fire District (Serial) Bonds, 2017 (the "Obligation"), of the Dix Hills Fire District in the Town of Huntington, Suffolk County, New York (the "Obligor"), dated the date of delivery, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of _____ and _____ hundredths per centum (_____ %) per annum as to bonds maturing in each of the years 20_____ to 20_____, both inclusive, and at the rate of _____ per centum (_____ %) per annum as to bonds maturing in each of the years 20_____ to 20_____, both inclusive, payable on June 1, 2018 and semi-annually thereafter December 1 and June 1 until maturity.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage 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 (the "Arbitrage Certificate"); 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 resolution 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, 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 Arbitrage 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, subject to applicable statutory limitations; 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 in appropriate cases.
- (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) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

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 opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of revenues or moneys of the Obligor legally available 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,

/s/ Orrick, Herrington & Sutcliffe LLP