

OFFICIAL STATEMENT DATED JUNE 29, 2020

NEW ISSUE - SERIAL BONDS

RATING: MOODY'S INVESTOR SERVICE:

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

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

\$7,000,000

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

**WATER DISTRICT (SERIAL) BONDS, 2020 SERIES A
[BOOK-ENTRY-ONLY BONDS]
(the "Bonds")**

SEE BOND MATURITY SCHEDULE HEREIN

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

Prior Redemption: The Bonds maturing on March 1, 2029 and thereafter are subject to redemption prior to maturity, at the option of the Water District, as a whole or in part, on any date on or after March 1, 2028. (See "Optional Redemption" under "THE BONDS," herein.)

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

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

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

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the legal opinion as to the validity of the Bonds of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, and certain other conditions. It is anticipated that the Bonds will be available for delivery in New York, New York, or at such place as may be agreed upon with the purchaser on or about July 22, 2020.

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

\$7,000,000

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

**WATER DISTRICT (SERIAL) BONDS, 2020 SERIES A
[BOOK-ENTRY-ONLY BONDS]**

Dated: July 22, 2020

**Principal Due: March 1, 2021 – 2040, inclusive
Interest Due: March 1, 2021, September 1, 2021
and semi-annually thereafter in each
year until maturity**

BOND MATURITY SCHEDULE

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2021	260,000			
2022	270,000			
2023	275,000			
2024	285,000			
2025	295,000			
2026	300,000			
2027	310,000			
2028	320,000			
2029	330,000			
2030	340,000			
2031	350,000			
2032	360,000			
2033	370,000			
2034	385,000			
2035	395,000			
2036	405,000			
2037	420,000			
2038	430,000			
2039	445,000			
2040	455,000			

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

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

4 Dean Street
Hicksville, New York 11801
Telephone: (516) 931-0184
Fax: (516) 931-6506

BOARD OF COMMISSIONERS

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

Paul J. Granger, P.E, District Superintendent
Joseph Frank, Esq., District Attorney

* * *

BOND COUNSEL

Norton Rose Fulbright US LLP
New York, New York

* * *

FINANCIAL ADVISOR

MUNISTAT SERVICES, INC.
Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
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E-mail: info@munistat.com
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No person has been authorized by the Hicksville Water District in the Towns of Oyster Bay and Hempstead to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Hicksville Water District in the Towns of Oyster Bay and Hempstead since the date hereof.

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

\$7,000,000 WATER DISTRICT (SERIAL) BONDS, 2020 SERIES A
[BOOK-ENTRY-ONLY BONDS]

This Official Statement and the appendices hereto present certain information relating to the Hicksville Water District in the Towns of Oyster Bay and Hempstead, in the County of Nassau, in the State of New York (the "Water District," "County" and "State," respectively) in connection with the sale of \$7,000,000 Water District (Serial) Bonds, 2020 Series A (the "Bonds").

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

THE BONDS

Description of the Bonds

The Bonds will be dated July 22, 2020, and will mature on March 1 in each of the years 2021 to 2040, 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 March 1, 2021, September 1, 2021 and semi-annually thereafter in each year to maturity. Principal and interest will be paid by the Water District to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the Water District referred to therein.

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

The Water District will act as Paying Agent for the Bonds. Paying agent fees, if any, will be paid by the purchaser(s). The Water District's contact information is as follows: Nicholas Brigandi, Treasurer, Hicksville Water District in the Towns of Oyster Bay and Hempstead, 4 Dean Street, Hicksville, New York 11801, telephone number (516) 931-0184, Fax (516) 931-6506.

Optional Redemption

The Bonds maturing on or before March 1, 2028 are not subject to redemption prior to maturity. The Bonds maturing on or after March 1, 2029, and thereafter will be subject to redemption prior to maturity, at the option of the Water District, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after March 1, 2028, at par, plus accrued interest to the date of redemption.

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

Authorization and Purpose

The Bonds are being issued pursuant to the State Constitution and statutes of the State, including among others, the Town Law, and the Local Finance Law, the Nassau County Civil Divisions Act and other proceedings and determinations relating thereto, and a bond resolution in the amount of \$21,445,000 for the increase and improvement of the facilities of the Water District adopted by the Board of Commissioners of the Water District (the "Board of Commissioners") on November 28, 2017. The Water District has previously issued \$14,000,000 in serial bonds against such authorization. The proceeds of the bonds will provide original financing in the amount of \$7,000,000 of such authorized amount.

Book-entry-only System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Certificated Bonds

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

Security and Source of Payment

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

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

Special Provisions Affecting Remedies Upon Default

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

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

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

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

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

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

THE WATER DISTRICT

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

Description

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

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

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

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

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

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

Water District Facilities

The Water District currently maintains ten Plant sites and fifteen wells with two elevated and three ground storage tanks. Pumping capacity is thirty-six million gallons per day and Storage Tank Capacity is 7.25 million gallons. Equipment includes: (2) Back hoes: with (2) trailer; (10) pick-up trucks; (1) dump trucks; (1) flat bed; (2) utility trucks, (1) sports utility vehicle, (1) van, (1) fork lift and (2) transits.

Form of Government

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

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

Financial Organization

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

Budgetary Procedures

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

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

Employees

The Water District currently employs twenty-two (22) people of whom sixteen (16) are represented by the Utility Workers Union of America, AFL-CIO, under a contract which expires on December 31, 2020.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

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

<u>Year</u>	<u>Town of Hempstead</u>	<u>Town of Oyster Bay</u>	<u>County of Nassau</u>	<u>State of New York</u>
2000	755,923	293,925	1,336,713	19,001,780
2010	759,757	291,609	1,329,083	19,229,752
2018	768,078	298,404	1,358,343	19,542,209

Source: U.S. Bureau of the Census.

Selected Wealth and Income Indicators

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>
Town of Hempstead	\$20,955	\$28,153	\$36,168	\$44,036
Town of Oyster Bay	24,449	35,895	46,598	58,051
County of Nassau	23,352	32,151	41,387	50,397
State of New York	16,501	23,389	30,948	38,884

	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>
Town of Hempstead	\$52,286	\$69,083	\$89,878	\$110,570
Town of Oyster Bay	59,286	78,839	104,453	129,718
County of Nassau	54,283	72,030	93,613	116,304
State of New York	32,965	43,393	55,603	67,844

Source: United States Bureau of the Census

a. Note: Based on American Community Survey 5-Year Estimates (2014-2018)

Major Employers in the Water District Area

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

Source: Water District estimate.

Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>Town of Oyster Bay (%)</u>	<u>Town of Hempstead (%)</u>	<u>County of Nassau (%)</u>	<u>New York State (%)</u>
2015	4.5	4.5	4.3	5.3
2016	4.1	4.0	3.9	4.9
2017	3.8	4.2	4.0	4.6
2018	3.3	3.7	3.5	4.1
2019	3.0	3.4	3.4	4.0
2020 (4 Month Average) ^a	6.4	6.8	6.6	6.8

Source: Department of Labor, State of New York

a. Unemployment rates dramatically increased in April of 2020 due to the COVID-19 pandemic. See "Impact of COVID-19" herein

INDEBTEDNESS OF THE WATER DISTRICT

Statutory Requirements

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

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

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

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

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

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

Statutory Procedure

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

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

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, which in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations.

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

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

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

Debt Statement Summary – Town of Hempstead

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

Fiscal Year Ending <u>December 31:</u>	Assessed <u>Valuation</u>	State Equal. <u>Rate (%)</u>	<u>Full Valuation</u>
2015	\$290,552,906	0.31	\$ 93,726,743,871
2016	284,555,400	0.29	98,122,551,724
2017	260,729,091	0.28	93,117,532,500
2018	253,423,781	0.26	97,470,685,000
2019	253,660,422	0.24	105,691,842,500
Total Five Year Full Valuation			\$488,129,355,595
Average Five Year Full Valuation			97,625,871,119
Debt Limit - 7% of Average Full Valuation			6,833,810,978
Inclusions:			
General Purpose Bonds			355,914,978
Water Purpose Bonds			45,713,939
Sewer Purpose Bonds			2,262,857
Bond Anticipation Notes			0
Total Inclusions			403,891,774
Exclusions:			
Water Debt			45,713,939
Appropriations			21,481,774
Total Exclusions			67,195,713
Total Net Indebtedness			336,696,061
Net Debt Contracting Margin			\$6,497,114,917
Percent of Debt Contracting Margin Exhausted (%)			4.93

Source: Most recent Official Statement for the Town of Hempstead dated as of July 18, 2019.

Debt Statement Summary – Town of Oyster Bay

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

Fiscal Year Ending <u>December 31:</u>	Assessed <u>Valuation</u>	State Equal. <u>Rate (%)</u>	<u>Full Valuation</u>
2015	\$158,257,935	0.30	\$52,752,645,000
2016	149,895,469	0.27	55,516,840,370
2017	143,981,459	0.26	55,377,484,231
2018	139,004,330	0.24	57,918,470,833
2019	134,800,551	0.22	61,272,977,727
Total Five Year Full Valuation			\$282,838,418,162
Average Five Year Full Valuation			56,567,683,632
Debt Limit - 7% of Average Full Valuation			3,959,737,854
 Inclusions:			
Outstanding Bonds			569,945,000
Bond Anticipation Notes			101,035,000
Tax Anticipation Notes			0
Revenue Anticipation Notes			0
Total Inclusions			<u>670,980,000</u>
 Exclusions:			
Water Debt			76,676,842
Water Bond Anticipation Notes			18,000,000
Revenue Anticipation Notes			0
Appropriations			39,053,190
Total Exclusions			<u>133,730,032</u>
Total Net Indebtedness			<u>537,249,968</u>
Net Debt Contracting Margin			<u><u>\$3,422,487,886</u></u>
Percent of Debt Contracting Margin Exhausted (%)			13.57

Source: The most recent Official Statement for the Town of Oyster Bay dated as of February 21, 2020.

Details of Short-Term Indebtedness Outstanding
(As of June 29, 2020)

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

Capital Projects

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

1,4-Dioxane

The Water District has been awarded a \$17 million grant from the State which will go toward the construction of two state-of-the-art treatment facilities, totaling a \$30.8 million investment, which are being specifically designed to remove trace amounts of 1,4-dioxane from the community's water.

1,4-Dioxane is a synthetic industrial chemical that is completely miscible in water. It is used as a solvent or solvent stabilizer. It is also used in many products, including paint strippers, dyes, greases, varnishes and waxes; it is also found as an impurity in antifreeze and aircraft deicing fluids, and in some consumer products, including deodorants, shampoos and cosmetics.

Currently, there is no federal or state maximum contaminant level (MCL) for the emerging contaminants 1,4-dioxane. On July 24, 2019, the New York State Department of Health (NYSDOH) published a proposed amendment to Subpart 5-1 of Title 10 (Health) of the Official Compilation of Codes, Rules and Regulations of the State of New York to include an MCL for 1,4 dioxane. The compliance schedule for the rule states that the MCLs will be effective immediately upon publication of a Notice of Adoption in the New York State Register. To date, a Notice of Adoption has not been published. The Water District passed a series of resolutions last fall to initiate the design and construction for the necessary 1,4-dioxane treatment systems. During this past winter, the District has reached a critical milestone in the fight against 1,4-dioxane, as it has moved from the planning phase into the execution and construction phase to provide treatment to remove 1,4-dioxane and other emerging contaminants. The construction of AOP and GAC treatment systems will ensure the Water District is ready for the State's impending guidelines and provide water to residents that is non-detect of 1,4-dioxane.

The Water District is in the midst of updating its Long-Term Capital Plan and such plan will include projects to address all projects to be completed within the next 5 years. It is expected that the Water District will commence borrowing pursuant to the plan during the first quarter of 2021. The amount to borrow has yet to be determined.

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Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$1,100,000	\$744,619	\$1,844,619
2021	1,135,000	706,069	1,841,069
2022	1,185,000	654,169	1,839,169
2023	1,230,000	600,119	1,830,119
2024	1,285,000	543,919	1,828,919
2025	1,335,000	485,319	1,820,319
2026	1,400,000	424,219	1,824,219
2027	1,440,000	378,644	1,818,644
2028	1,475,000	335,144	1,810,144
2029	1,520,000	290,519	1,810,519
2030	1,565,000	244,619	1,809,619
2031	765,000	197,294	962,294
2032	785,000	174,044	959,044
2033	810,000	150,119	960,119
2034	835,000	125,444	960,444
2035	860,000	100,019	960,019
2036	890,000	73,213	963,213
2037	915,000	45,009	960,009
2038	945,000	15,356	960,356
	<u>\$21,475,000</u>	<u>\$6,287,853</u>	<u>\$27,762,853</u>

Authorized but Unissued Debt

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$11,625,000	\$10,790,000	\$9,925,000	\$22,670,000	\$21,475,000
BAN's	0	0	0	0	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$11,625,000</u>	<u>\$10,790,000</u>	<u>\$9,925,000</u>	<u>\$22,670,000</u>	<u>\$21,475,000</u>

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Nassau	09/30/2019	3.92	\$148,553,496	\$128,827,625
Town of Hempstead	07/18/2019	8.60	34,734,693	28,955,861
Town of Oyster Bay	02/21/2020	14.80	99,305,040	79,512,995
Hicksville UFSD	01/23/2020	100.00	15,390,000	15,390,000
Totals			\$297,983,229	\$252,686,481

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

FINANCES OF THE WATER DISTRICT

Independent Audit Procedures

The Water District maintains its financial records in accordance with the Uniform System of Accounts for Water Districts prescribed by the State Comptroller. The financial records of the Water District are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2019 and is attached as Appendix B. In addition, the financial affairs of the Water District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Water District has complied with the requirements of various State and Federal statutes.

The Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Statement are based on the audited Annual Financial Reports of the Water District for the 2015-2019 fiscal years.

Investment Policy

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

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

Fund Structure and Accounts

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

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

Basis of Accounting

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

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

Revenues

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

Real Property Taxes

See "Tax Information", herein.

Expenditures

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

Pension Payments and Other Post-Retirement Employee Benefits

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

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

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

- In the State, historically there has been a state mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 11% to 15% (percentage dependent on tier) of payroll for employees' retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.
- Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year will be based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.
- Chapter 260 of the Laws of 2004 ("Chapter 260") contains three components which altered the way municipalities and school districts contribute to the State pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to Chapter 260, the annual retirement bill sent to municipalities and school districts from the State had reflected pension payments due between April 1 and March 31, consistent with the state fiscal year.
- Chapter 260 provided for the following changes:
 - Contribution Payment Date Change: The law changed the date on which local pension contributions are due to the State. The annual required contribution is now due Feb. 1 annually instead of Dec. 15. As a result, no payment was due in calendar year 2004.
 - Pension Cost Amortization-Extension of Payout Period: The law also extends the ability of municipalities and school districts to amortize a portion of the current year pension cost over a period of 10 years, extending the term from five years as authorized under the 2003 Chapter 49 legislation. Municipalities can amortize, either directly through the State retirement system at a fixed interest rate annually determined by the State comptroller or through the capital markets, pension payments in excess of 9.5% of eligible payroll in 2006, and 10.5% in 2007.
 - Pension Contributions Reserve Fund: The law creates special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

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

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

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

Other Post-Employment Benefits

The Water District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended December 31, 2018, the Water District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

Biennial valuations are no required for all plans. The alternative measurement method continues to be available for plans with less than 100 members.

For the fiscal year ended December 31, 2018, the Water District implemented GASB 75. The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other post-employment benefits. The Water District's total OPEB liability at December 31, 2019 is as follows:

Total OPEB Liability at December 31, 2018	<u>\$12,088,465</u>
Charges for the Year:	
Service Cost	320,934
Interest	430,652
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	(1,786,642)
Changes in Assumptions or Other Inputs	2,426,819
Benefit Payments	<u>(352,327)</u>
Net Changes	<u>1,039,436</u>
Total OPEB Liability at December 31, 2019	<u><u>\$13,127,901</u></u>

Additional information about GASB 75 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

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

The following table sets forth the percentage of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2015 through 2019 and, as budgeted, for the years ending December 31, 2020.

<u>Fiscal Year Ending</u> <u>December 31:</u>	<u>Total</u> <u>Revenue</u>	<u>Property</u> <u>Taxes</u>	<u>Property Taxes</u> <u>To Revenues (%)</u>
2015	\$8,429,238	\$4,703,247	55.80
2016	8,518,867	4,497,351	52.79
2017	9,232,843	5,069,992	54.91
2018	9,944,602	5,333,609	53.63
2019	10,334,500	5,438,995	52.63
2020 (Budgeted)	11,199,666	6,874,383	61.38

Tax Collection Procedure

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

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

Tax Increase Procedural Limitation Legislation

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

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

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

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

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

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

Assessed Valuations, Levies, Collection and Rates for the District

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Assessed Valuations:					
Town of:					
Hempstead	\$1,451,586	\$1,411,839	\$1,365,895	\$1,671,581	\$1,411,835
Oyster Bay	16,980,649	16,441,432	15,391,175	15,521,750	18,180,620
Totals	<u>\$18,432,235</u>	<u>\$17,853,271</u>	<u>\$16,757,070</u>	<u>\$17,193,331</u>	<u>\$19,592,455</u>
% Within Town of:					
Hempstead	10.59%	10.59%	10.59%	10.59%	10.59%
Oyster Bay	89.41%	89.41%	89.41%	89.41%	89.41%
Equalization Rates:					
Hempstead	0.29%	0.28%	0.26%	0.24%	0.22%
Oyster Bay	0.27%	0.26%	0.24%	0.22%	0.21%
Taxable Full Valuations:					
Town of:					
Hempstead	\$500,546,897	\$504,228,214	\$525,344,231	\$696,492,083	\$641,743,182
Oyster Bay	6,289,129,259	6,323,627,692	6,412,989,583	7,055,340,909	8,657,438,095
Totals	<u>\$6,789,676,156</u>	<u>\$6,827,855,907</u>	<u>\$6,938,333,814</u>	<u>\$7,751,832,992</u>	<u>\$9,299,181,277</u>
Tax Levy	\$4,799,289	\$5,087,246	\$5,333,101	\$5,439,035	\$6,874,383
Uncollected Taxes	None	None	None	None	None
Taxes Rate per \$100 of Assessed Valuation	\$22.48	\$28.49	\$31.83	\$31.63	\$35.09

Town of Hempstead Valuations

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Valuation	\$290,552,906	\$284,555,400	\$260,729,091	\$253,423,781	\$253,660,442
Equalization Rate	0.31%	0.29%	0.28%	0.26%	0.24%
Full Valuation	93,726,743,871	98,122,551,724	93,117,532,500	97,470,685,000	105,691,850,833

Town of Oyster Bay Valuations

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Valuation	\$158,257,935	\$149,895,469	\$143,981,459	\$139,004,330	\$134,800,551
Equalization Rate	0.30%	0.27%	0.26%	0.24%	0.22%
Full Valuation	52,752,645,000	55,516,840,370	55,377,484,231	57,918,470,833	61,272,977,727

Selected Listing of Large Taxable Properties 2019 Assessment Roll

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

a. Represents Approximately 10.55% of the Total Taxable Assessed Valuation of the District for 2020.
Source: Nassau County Assessment Rolls.

LITIGATION

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

IMPACT OF COVID-19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Water District's financial condition and operating results by potentially delaying the receipt of real property taxes. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the Water District's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have an adverse effect on the State and municipalities and school districts located in the State, including the Water District. The Water District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. The District has developed and implemented a comprehensive health and safety plan to proactively address COVID-19 concerns. Water District operations have not been adversely impacted by the pandemic.

CYBERSECURITY

The Water District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Water District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Water District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Water District digital networks and systems and the costs of remedying any such damage could be substantial.

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

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

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

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

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

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

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

ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING

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

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

<u>Fiscal Year Ending December 31:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2015	06/24/2016	09/07/2016
2016	06/29/2017	06/29/2017
2017	06/29/2018	06/18/2018
2018	06/28/2019	06/24/2019
2019	06/11/2020	06/10/2020

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

TAX MATTERS

Tax Exemption

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

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

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

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

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

LEGAL MATTERS

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

BOND RATINGS

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

MUNICIPAL ADVISOR

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

OTHER MATTERS

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

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

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

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

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the District Superintendent, Hicksville Water District in the Towns of Oyster Bay and Hempstead, 4 Dean Street, Hicksville, NY 11801, telephone number 516/931-01874, or from the office of Munistat Services Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

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

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

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

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

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

HICKSVILLE WATER DISTRICT, NEW YORK

By: s/s NICHOLAS BRIGANDI
Treasurer

APPENDIX A

FINANCIAL INFORMATION

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

	Year Ending December 31:				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 4,703,247	\$ 4,497,351	\$ 5,069,992	\$ 5,333,609	\$ 5,438,995
Other Tax Items	165,881	463,600	375,346	342,214	465,541
Operating Revenues	3,051,027	3,087,800	2,935,734	3,460,641	3,348,883
Use of Money and Property	453,383	379,960	523,796	713,472	965,764
Sale of Property and Comp. for Loss	41,932	75,470	94,140	60,792	88,754
Stated Aid	3,379		19,645	11,349	
Federal Aid					
Miscellaneous	10,389	14,686	214,190	22,525	26,563
Total Revenues	<u>8,429,238</u>	<u>8,518,867</u>	<u>9,232,843</u>	<u>9,944,602</u>	<u>10,334,500</u>
Expenditures:					
Water Administration	954,140	1,024,328	1,016,701	1,167,039	1,709,351
Source of Supply, Power and Pumping	1,752,722	1,743,721	2,027,196	1,907,500	2,063,401
Transmission and Distribution	1,594,846	1,696,319	1,542,417	1,478,175	1,454,266
Employee Benefits	1,296,848	1,142,699	1,199,413	1,379,880	1,344,831
Debt Service	1,324,463	1,317,425	1,313,550	1,289,808	2,190,639
Total Expenditures	<u>6,923,019</u>	<u>6,924,492</u>	<u>7,099,277</u>	<u>7,222,402</u>	<u>8,762,488</u>
Excess (Deficiency) of Revenues & Over Expenditures	1,506,219	1,594,375	2,133,566	2,722,200	1,572,012
Other Sources (Uses):					
Premiums on Debt Issuance				280,582	
Operating Transfers In					
Operating Transfers Out	(1,485,000)	(851,341)	(850,000)	(2,027,859)	(3,587,487)
Total Sources and Uses	<u>(1,485,000)</u>	<u>(851,341)</u>	<u>(850,000)</u>	<u>(1,747,277)</u>	<u>(3,587,487)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and other Uses	21,219	743,034	1,283,566	974,923	(2,015,475)
Fund Balance Beginning of Year	10,136,997	10,158,216	10,901,250	12,184,816	13,159,739
Fund Balance Transfer					
Fund Balance End of Year	<u>\$ 10,158,216</u>	<u>\$ 10,901,250</u>	<u>\$ 12,184,816</u>	<u>\$ 13,159,739</u>	<u>\$ 11,144,264</u>

Source: Audited Annual Financial Reports of the District (2015-2019)

NOTE: This Schedule NOT audited.

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

	2018	2019
Assets:		
Cash - Unrestricted	\$ 8,827,127	\$ 5,241,415
Cash - Restricted	4,217,845	10,669,448
Restricted Investments		
Accounts Receivables	816,484	958,119
Due from Other Funds		873,544
Due from Other Governments	352,871	451,948
Inventories	27,725	11,775
Due from Fiduciary Funds	48,105	16,336
Prepaid Expenditures		56,072
Total Assets:	\$ 14,290,157	\$ 18,278,657
Liabilities:		
Accounts Payable	\$ 312,122	\$ 434,449
Due to Other Funds	300,726	6,562,063
Due to Fiduciary Fund		12,196
Due to Employee Retirement System	194,084	
Total Liabilities	806,932	7,008,708
Deferred Inflows of Resources:		
Deferred Revenues	323,486	125,685
Total Deferred Inflows of Resources	323,486	125,685
Fund Equity:		
Nonspendable	27,725	67,847
Restricted	7,133,900	4,980,930
Assigned	1,175,828	1,160,757
Unassigned	4,822,286	4,934,730
Total Fund Equity	13,159,739	11,144,264
Total Liabilities, Deferred Inflows and Fund Equity	\$ 14,290,157	\$ 18,278,657

Sources: Audited Financial Statement (2018-2019)

NOTE: This Schedule NOT audited.

BUDGET SUMMARIES

	<u>2019</u>	<u>2020</u>
Revenues:		
Operating		
Real Property Taxes	\$ 5,439,035	\$ 6,874,383
Payment in Lieu of Taxes	200,000	340,000
Metered Water Sales	2,900,000	2,700,000
Unmetered Sales - Hydrant	114,940	113,960
Sprinkler Fees	165,000	165,000
Hydrant Fees	4,500	4,500
Backflow Noncompliance	5,625	5,625
Water Service Charges/Misc.	20,000	20,000
Penalties on Water Sale	50,000	50,000
Non-Operating		
Interest on Use of Money	50,000	150,000
Sale of Supplies	10,000	10,000
Cell Site Rental (transfer to reserve)	394,423	441,198
Energy Load Shedding		
Miscellaneous	25,000	25,000
Appropriated Fund Balance	<u>600,721</u>	<u>300,000</u>
 Total Revenues	 <u>\$ 9,979,244</u>	 <u>\$ 11,199,666</u>
Expenditures:		
Water Administration	\$ 1,478,432	\$ 2,150,264
Source of Supply, Power, Pumping	2,030,836	2,343,168
Transmission and Distribution	1,574,871	2,004,266
Employee Benefits	1,537,631	1,746,151
Operating Transfer	1,064,423	1,111,198
Accounting Fees	23,400	
Debt Service	<u>2,269,651</u>	<u>1,844,619</u>
 Total Expenditures	 <u>\$ 9,979,244</u>	 <u>\$ 11,199,666</u>

Source: Adopted Budget of the District for 2019 and 2020

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

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



HICKSVILLE WATER DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

**HICKSVILLE WATER DISTRICT
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Hicksville Water District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Hicksville Water District (the "District"), as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the 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 principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Hicksville Water District as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

NawrockiSmith

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, on pages 3-13, and 46-49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2020, on our consideration of the 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 the District's internal control over financial reporting and compliance.

Melville, New York
May 12, 2020



HICKSVILLE WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Hicksville Water District's (the "District") financial performance for the fiscal year ended December 31, 2019. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- As of December 31, 2019, the District had total assets of \$72,890,315, total deferred outflows of resources of \$2,237,901, total liabilities of \$39,232,171, total deferred inflows of resources of \$1,966,862 and total net position of \$33,929,183.
- Total revenues for the year ended December 31, 2019 were \$13,681,275 and total expenses were \$9,812,541, resulting in revenues exceeding expenditures by \$3,868,734. As the District received \$3,544,576 in settlement funds resulting from contamination of Well4-2.
- As of December 31, 2019, the District's General Fund had fund balance totaling \$11,144,264, which was a decrease of \$2,015,475 from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: required supplementary information including management's discussion and analysis (this section), other supplementary information and the financial statements. The financial statements include two kinds of financial statements that present different views of the District:

- The first two financial statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide financial statements.
 - The *fund financial statements* tell how programs were financed in the *short-term* as well as what remains for future spending.
 - *Fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Table A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the financial statements.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-1: Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Financial Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

HICKSVILLE WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The two District-wide financial statements report the District's net position and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as availability of State and Federal funding and the condition of buildings and other facilities.

In the District-wide financial statements, the District's activities are shown as *governmental activities*; most of the District's basic services are included here. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, reconciliations of the District-wide and fund financial statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position increased by 12.9% over the year before to \$33,929,183, as detailed in Tables A-2 and A-3.

The restricted net position balance of \$12,422,749 represents the District's reserves for employee benefit accrued liabilities, retirement contributions, capital improvements, and debt services. These assets are restricted by external sources, imposed by laws through constitutional provisions or by enabling legislation.

As of December 31, 2019, the District has an unrestricted net deficit position of \$7,326,429. This deficit is primarily driven by the District's required recognition of the total other postemployment benefit ("OPEB") liability of \$13,127,901. This obligation will continue to grow into the future (see Note 9 to the accompanying financial statements) resulting in a greater unrestricted net deficit position.

Table A-2: Condensed Statements of Net Position - Governmental Activities

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 35,176,658	\$ 33,009,976	\$ 2,166,682	6.6
Capital assets, net	<u>37,713,657</u>	<u>34,628,173</u>	<u>3,085,484</u>	8.9
Total assets	<u>\$ 72,890,315</u>	<u>\$ 67,638,149</u>	<u>\$ 5,252,166</u>	7.8
Deferred outflows of resources	<u>\$ 2,237,901</u>	<u>\$ 746,020</u>	<u>\$ 1,491,881</u>	200.0
Current liabilities	\$ 4,582,152	\$ 2,348,027	\$ 2,234,125	95.1
Noncurrent liabilities	<u>34,650,019</u>	<u>34,701,227</u>	<u>(51,208)</u>	(0.1)
Total liabilities	39,232,171	37,049,254	2,182,917	5.9
Deferred inflows of resources	<u>1,966,862</u>	<u>1,274,466</u>	<u>692,396</u>	54.3
Total liabilities and deferred inflows of resources	<u>\$ 41,199,033</u>	<u>\$ 38,323,720</u>	<u>\$ 2,875,313</u>	7.5
Net position:				
Net investment in capital assets	\$ 28,832,863	\$ 26,047,120	\$ 2,785,743	10.7
Restricted	12,422,749	11,026,376	1,396,373	12.7
Unrestricted (Deficit)	<u>(7,326,429)</u>	<u>(7,013,047)</u>	<u>(313,382)</u>	(4.5)
Total net position	<u>\$ 33,929,183</u>	<u>\$ 30,060,449</u>	<u>\$ 3,868,734</u>	12.9

Reclassifications

Certain reclassifications of prior year balances on the Condensed Statements of Net Position have been made to conform to the current year presentation. These reclassifications had no effect on the increase in net assets for the year ended December 31, 2018.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Changes in Net Position

The District's fiscal year 2019 revenues totaled \$13,681,275, which is 37.8% more than fiscal year 2018 (see Table A-3). Property taxes, charges for services and sale of property and compensation for loss accounted for 89.4% of total revenues (see Table A-4). The remainder came from other tax items, use of money and property and miscellaneous sources.

- Real property taxes increased by 1.99%, as a result of an increase of District-wide property values.
- Charges for services decreased 8.6%, as a result of the decreased water usage and rates throughout the District.
- Sale of property and compensation for loss revenue increased as a result of receipt of settlement funds in the amount of \$3,544,576.

The District's fiscal year 2019 expenses totaled \$9,812,541, which is 21.7% more than fiscal year 2018 (see Table A-3). These expenses are predominantly related to water administration, source of supply, power and pumping, and transmission and distribution services (see Table A-6).

Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 3,151,082	\$ 3,447,577	\$ (296,495)	(8.6)
General revenues:				
Real property taxes	5,438,995	5,333,609	105,386	2.0
Other tax items	465,541	342,214	123,327	36.0
Use of money and property	965,764	713,472	252,292	35.4
Sale of property and compensation for loss	3,633,330	60,792	3,572,538	5,876.7
State sources	-	11,349	(11,349)	(100.0)
Miscellaneous	26,563	22,525	4,038	17.9
Total revenues	<u>13,681,275</u>	<u>9,931,538</u>	<u>3,749,737</u>	37.8
Expenses				
Water administration	3,283,286	2,491,567	791,719	31.8
Source of supply, power and pumping	2,746,955	2,443,166	303,789	12.4
Transmission and distribution	2,998,084	2,609,965	388,119	14.9
Debt service - interest	784,216	514,893	269,323	52.3
Total expenses	<u>9,812,541</u>	<u>8,059,591</u>	<u>1,752,950</u>	21.7
Change in net position	<u>\$ 3,868,734</u>	<u>\$ 1,871,947</u>	<u>\$ 1,996,787</u>	106.7

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-4: Sources of Revenues for Fiscal Year 2019

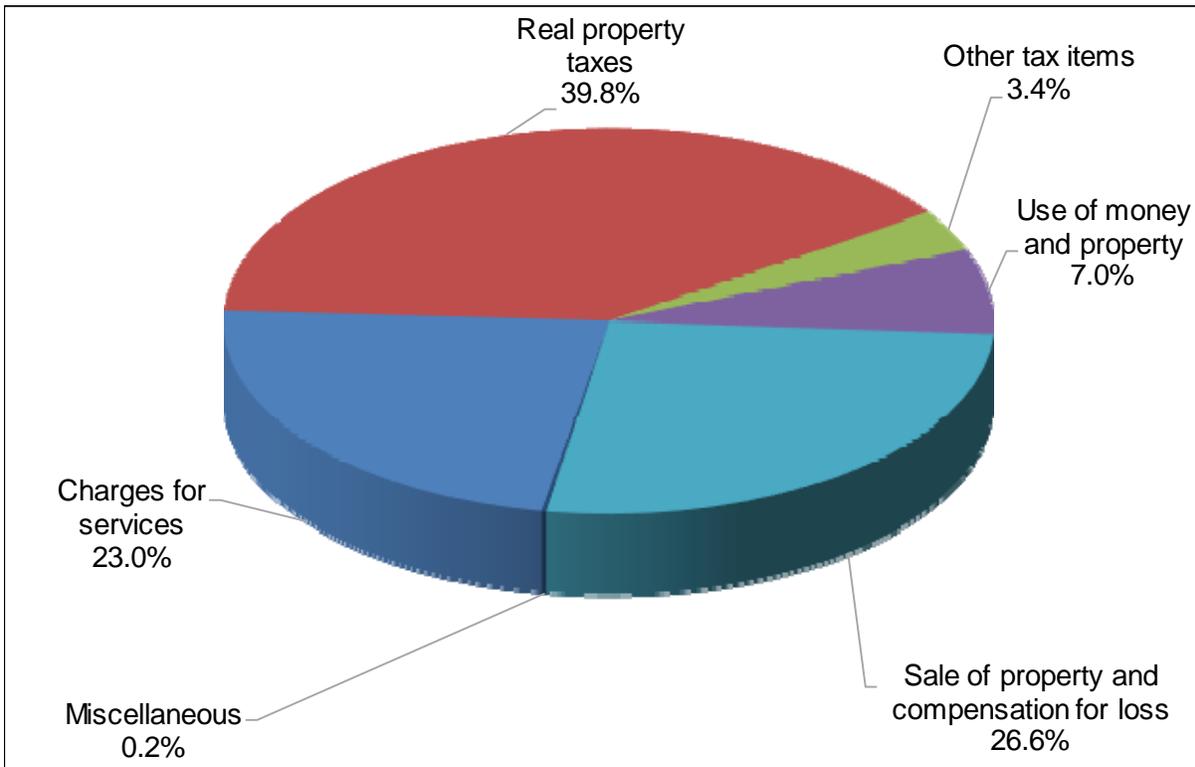
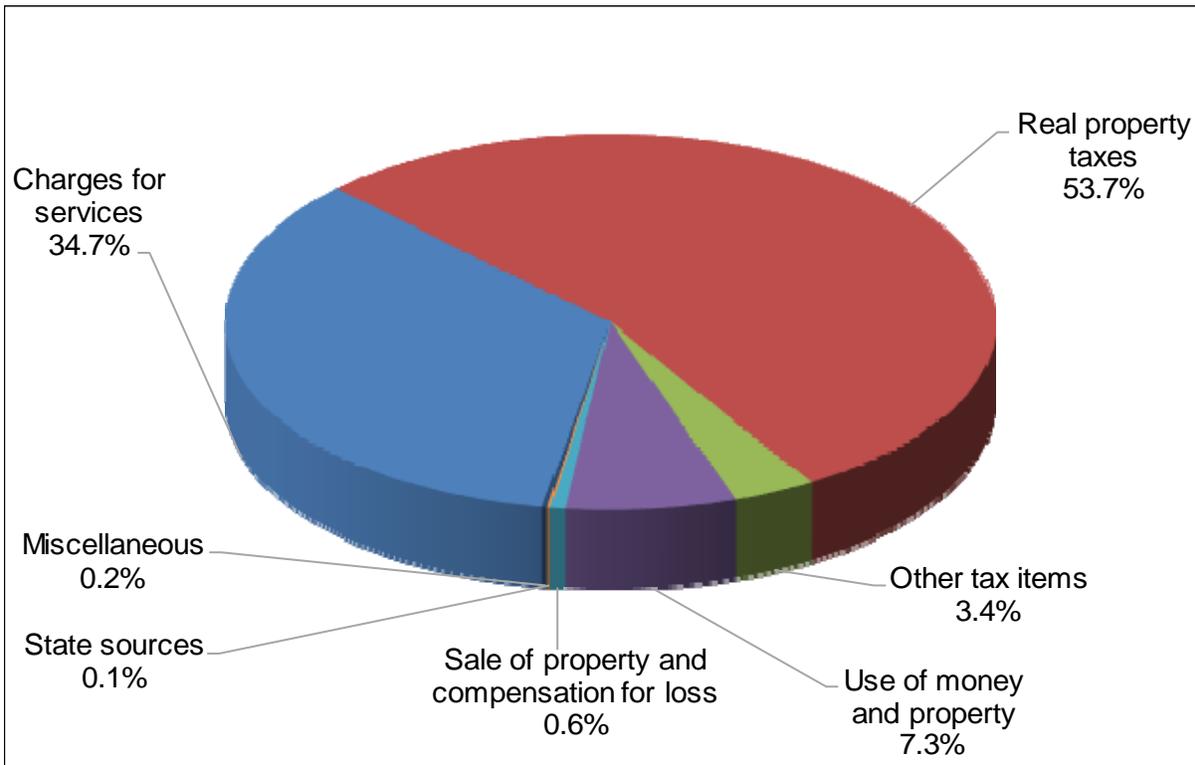


Table A-5: Sources of Revenues for Fiscal Year 2018



**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-6: Expenses for Fiscal Year 2019

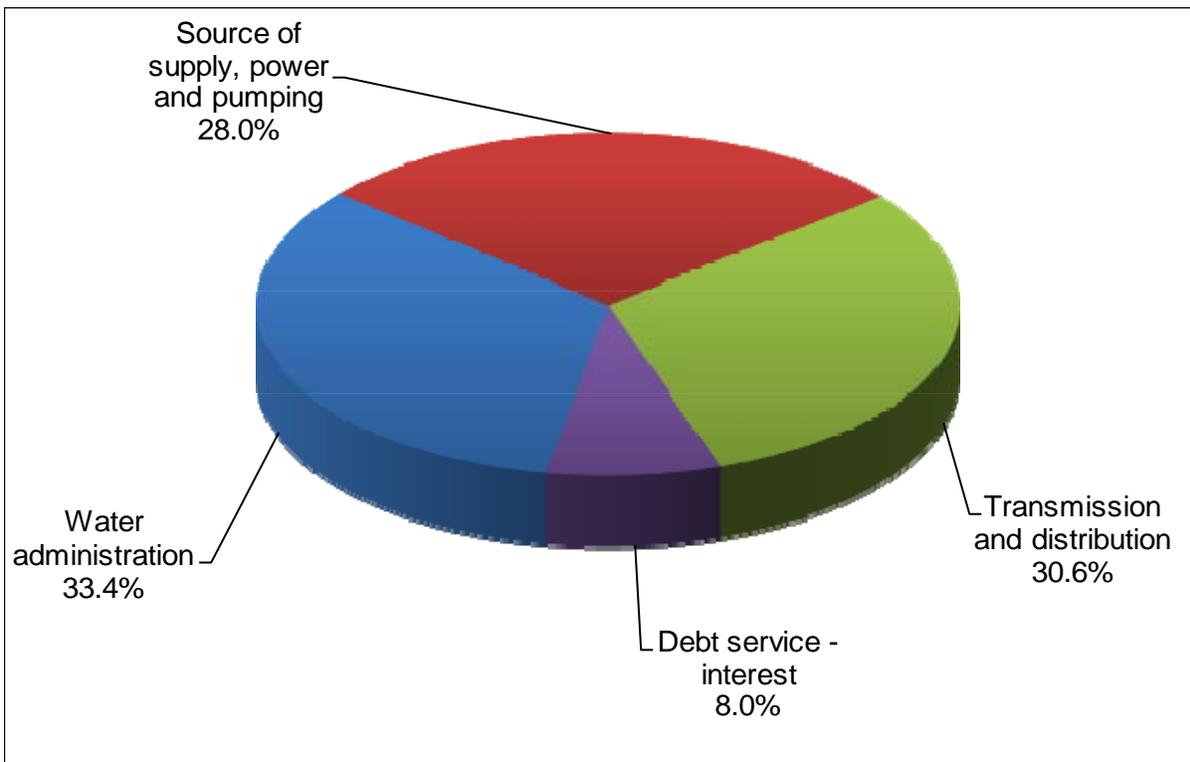
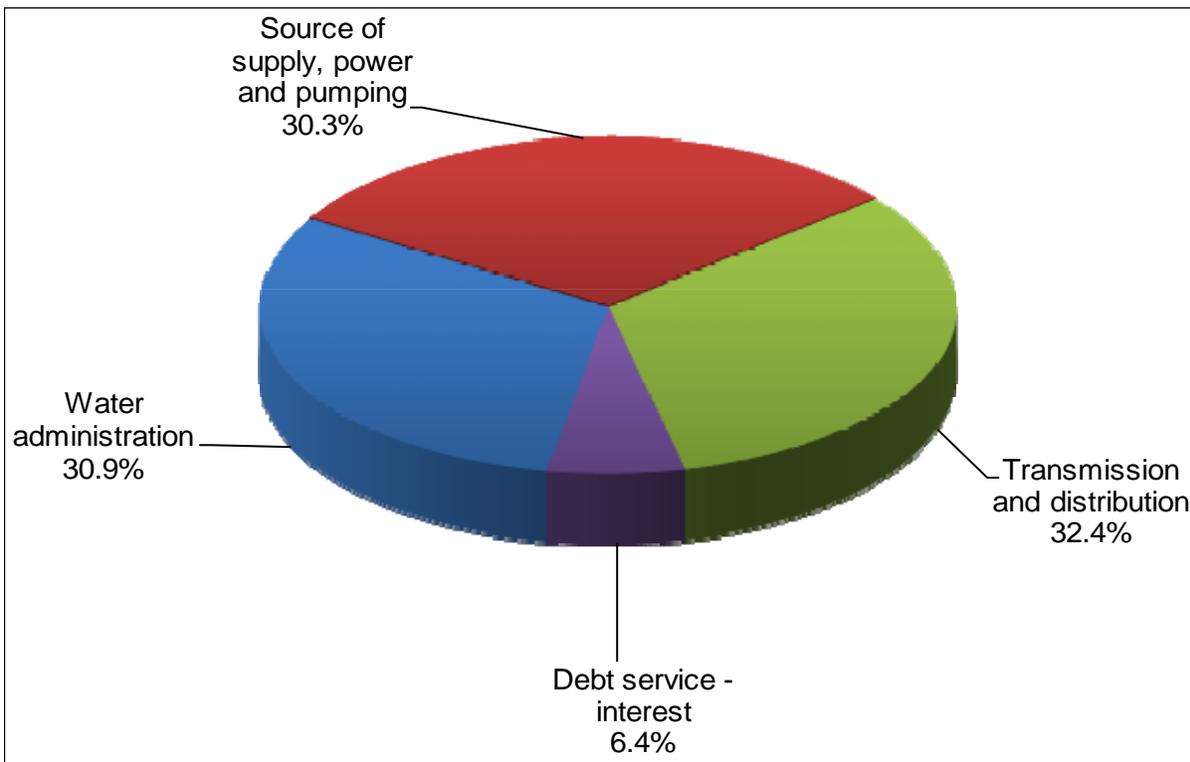


Table A-7: Expenses for Fiscal Year 2018



**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Governmental Activities

Revenues for the District's governmental activities were consistent with the District-wide operating results. District-wide expenditures were less than governmental expenditures due principally to the capitalization of capital assets offset by depreciation charges and pension obligations.

Substantially all of the District's revenues are generated through real property taxes and charges for water use.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the fund financial statements are not the same as variances between years for the District-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets and the current payments for debt.

The District's fund financial statements show the following significant variations:

- Total assets increased from \$33,310,702 in 2018 to \$42,612,265 in 2019. The overall increase is a result of more cash at year end and monies due from other funds.
- Total liabilities and deferred inflows of resources increased from \$1,390,031 in 2018 to \$10,713,129 in 2019. The increase is primarily due to increases in accounts payable and monies due to other funds.

At December 31, 2019, the District's governmental funds had a combined fund balance of \$31,899,136, which is a decrease of \$21,535, from the previous year. Fund balances for the District's governmental funds for the past two years were distributed as follows:

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-8: Fund Balances - Governmental Funds

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>\$ Change</u>	<u>% Change</u>
Nonspendable:				
Inventories	\$ 11,775	\$ 27,725	\$ (15,950)	(57.5)
Prepaid expenses	56,072	-	56,072	100.0
Restricted:				
Employee benefit accrued liability	443,355	436,674	6,681	1.5
Retirement contributions	25,898	25,507	391	1.5
Capital improvements	3,901,082	3,923,596	(22,514)	(0.6)
Plant 5 operations and maintenance	-	2,493,504	(2,493,504)	(100.0)
Debt service	610,595	254,619	355,976	139.8
Assigned:				
Designated for bond payments	811,922	711,922	100,000	14.0
Encumbrances	48,835	114,665	(65,830)	(57.4)
Designated for subsequent year's expenditures	300,000	349,241	(49,241)	(14.1)
Unassigned	<u>4,934,730</u>	<u>4,822,286</u>	<u>112,444</u>	2.3
Total General Fund	<u>11,144,264</u>	<u>13,159,739</u>	<u>(2,015,475)</u>	(15.3)
Capital Projects Fund				
Restricted:				
Unspent bond proceeds	13,313,053	14,868,456	(1,555,403)	(10.5)
Restricted for special purpose	<u>7,441,819</u>	<u>3,892,476</u>	<u>3,549,343</u>	91.2
Total Capital Projects Fund	<u>20,754,872</u>	<u>18,760,932</u>	<u>1,993,940</u>	10.6
Total fund balance	<u>\$ 31,899,136</u>	<u>\$ 31,920,671</u>	<u>\$ (21,535)</u>	(0.1)

Reclassifications

Certain reclassifications of prior year fund balances, specifically as it relates to unspent bond proceeds, have been made to conform to the current year presentation. These reclassifications had no effect on the increase in net assets for the year ended December 31, 2018.

General Fund Budgetary Highlights

Reference is made to the budget vs. actual schedule on page 46, which presents budget and actual results for the District's General Fund.

- Actual revenues in the General Fund were greater than the final budgeted revenues by \$955,977, primarily due to a higher than projected amount of other tax items received throughout the year, as well as an increase in use of money and property.
- Actual expenditures in the General Fund were lower than budgeted by \$80,098, primarily due to decreases in sources of transmission and distribution and employee benefits categories.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the District had invested \$37,713,657, net of depreciation, in a broad range of capital assets, including land, construction-in-progress, land improvements, buildings, infrastructure and vehicles, furniture and equipment.

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 217,447	\$ 217,447	\$ -	-
Construction-in-progress	5,346,165	2,728,813	2,617,352	95.9
Buildings	18,978,686	19,785,596	(806,910)	(4.1)
Improvements, other than building	120,416	138,659	(18,243)	(13.2)
Infrastructure	7,331,441	7,349,981	(18,540)	(0.3)
Vehicles, furniture, machinery	5,719,502	4,407,677	1,311,825	29.8
	<u>\$ 37,713,657</u>	<u>\$ 34,628,173</u>	<u>\$ 3,085,484</u>	8.9

Long-Term Debt

At year-end, the District had the following long-term debt outstanding.

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable, net of premiums	\$ 22,193,847	\$ 23,449,509	\$ (1,255,662)	(5.4)
Other post-employment benefits	13,127,901	12,088,465	1,039,436	8.6
Compensated absences	368,508	301,024	67,484	22.4
Totals	<u>\$ 35,690,256</u>	<u>\$ 35,838,998</u>	<u>\$ (148,742)</u>	(0.4)

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The future success of the District and its programs are generally dependent on the ability to collect water usage fees and real property taxes.
- New York State Law limits the increase in the property tax levy of municipalities to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Municipalities may override the tax levy limit by drafting a local law or resolution that overrides the tax levy limit and having it approved by 60% of the governing body. Based on the law, the District's tax levy cap was 1.84% in 2019. The District's tax levy increase of 1.99% exceeded the cap and was approved by the entire governing board.

**HICKSVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

- In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The extent of the impact of COVID-19 on the District's operational and financial performance, and cash flow needs will depend on certain developments, including the duration and spread of the outbreak, impact on revenues, employees and vendors, all of which are uncertain and cannot be predicted as of the date of these financial statements.
- New York State is in the process of passing a first-of-its-kind maximum contaminant level ("MCL") for 1,4-dioxane and the per- and poly-fluoroalkyl substances ("PFOA") and ("PFOS"). This mandate, while beneficial for public health, has created an unfunded mandate that will require the District to peruse additional bonding for capital improvement projects. It is projected that annual operations and maintenance costs will increase by at least an additional \$2 million every year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Hicksville Water District
Administrative Office
4 Dean Street
Hicksville, NY 11802
(516) 931-0184

**HICKSVILLE WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

ASSETS	
Cash and cash equivalents	\$ 6,337,417
Restricted cash	27,344,991
Receivables:	
Accounts receivable, net	958,119
Due from other governments	451,948
Due from fiduciary funds	16,336
Inventories	11,775
Prepaid expenses	56,072
Non-depreciable capital assets	5,563,612
Depreciable capital assets, net	<u>32,150,045</u>
 Total assets	 <u>72,890,315</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	349,180
OPEB related	<u>1,888,721</u>
 Total deferred outflows of resources	 <u>2,237,901</u>
LIABILITIES	
Current liabilities:	
Payables:	
Accounts payable	3,139,641
Accrued interest payable	165,650
Due to fiduciary funds	12,196
Long term liabilities, due within one year:	
Bonds payable, net	1,160,662
Compensated absences	104,003
Noncurrent liabilities:	
Long-term liabilities, due after one year:	
Bonds payable, net	21,033,185
Compensated absences	264,505
Net pension liability - proportionate share	224,428
Other post-employment benefits	<u>13,127,901</u>
 Total liabilities	 <u>39,232,171</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	121,364
OPEB related	<u>1,845,498</u>
 Total deferred inflows of resources	 <u>1,966,862</u>
NET POSITION	
Net investment in capital assets	28,832,863
Restricted:	
Employee benefit accrued liability	443,355
Retirement contributions	25,898
Capital improvements	11,342,901
Debt service	610,595
Unrestricted (Deficit)	<u>(7,326,429)</u>
 Total net position	 <u>\$ 33,929,183</u>

The accompanying notes are an integral
part of this statement.

**HICKSVILLE WATER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Expenses</u>	<u>Program Revenues Charges For Services</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
Functions and programs:			
Primary government -			
Water administration	\$ 3,283,286	\$ 1,030,474	\$ (2,252,812)
Source of supply, power and pumping	2,746,955	1,243,911	(1,503,044)
Transmission and distribution	2,998,084	876,697	(2,121,387)
Debt service - interest	784,216	-	(784,216)
Total primary government	<u>\$ 9,812,541</u>	<u>\$ 3,151,082</u>	<u>(6,661,459)</u>
General revenues:			
Taxes			5,438,995
Other tax items			465,541
Use of money and property			965,764
Sale of property and compensation for loss			3,633,330
Miscellaneous			26,563
Total general revenues			<u>10,530,193</u>
Change in net position			3,868,734
Total net position, beginning of the year			<u>30,060,449</u>
Total net position, end of year			<u>\$ 33,929,183</u>

The accompanying notes are an integral
part of this statement.

**HICKSVILLE WATER DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Major Funds		Total Governmental Funds
	General	Capital Projects	
ASSETS			
Cash and cash equivalents	\$ 5,241,415	\$ 1,096,002	\$ 6,337,417
Restricted cash	10,669,448	16,675,543	27,344,991
Receivables:			
Accounts receivable, net	958,119	-	958,119
Due from other governments	451,948	-	451,948
Due from other funds	873,544	6,562,063	7,435,607
Due from fiduciary funds	16,336	-	16,336
Inventories	11,775	-	11,775
Prepaid expenses	56,072	-	56,072
Total assets	\$ 18,278,657	\$ 24,333,608	\$ 42,612,265
LIABILITIES			
Payables:			
Accounts payable	\$ 434,449	\$ 2,705,192	\$ 3,139,641
Due to other funds	6,562,063	873,544	7,435,607
Due to fiduciary funds	12,196	-	12,196
Total liabilities	7,008,708	3,578,736	10,587,444
DEFERRED INFLOWS OF RESOURCES			
Water billings	125,685	-	125,685
Total deferred inflows of resources	125,685	-	125,685
FUND BALANCE			
Fund balance:			
Nonspendable	67,847	-	67,847
Restricted	4,980,930	20,754,872	25,735,802
Assigned	1,160,757	-	1,160,757
Unassigned	4,934,730	-	4,934,730
Total fund balance	11,144,264	20,754,872	31,899,136
Total liabilities, deferred inflows of resources and fund balance	\$ 18,278,657	\$ 24,333,608	\$ 42,612,265

The accompanying notes are an integral
part of this balance sheet.

**HICKSVILLE WATER DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total Fund Balance - Governmental Funds \$ 31,899,136

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

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

Capital assets:		
Non-depreciable	\$ 5,563,612	
Depreciable	63,203,944	
Accumulated depreciation	<u>(31,053,899)</u>	37,713,657

Other accrued receivables are not available to pay for current period expenditures and, therefore, are not recorded as revenues in the fund financial statements. 125,685

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable, net of premiums	(22,193,847)	
Compensated absences	(368,508)	
Other post-employment benefits	<u>(13,127,901)</u>	(35,690,256)

Proportionate share of long-term asset and liability, and deferred outflows and inflows of resources associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the fund financial statements:

Net pension liability - proportionate share	(224,428)	
Deferred outflows of resources - pension related	349,180	
Deferred inflows of resources - pension related	<u>(121,364)</u>	3,388

Amounts reported as deferred inflows and outflows of resources associated with the total OPEB liability are not current financial resources or obligations and are not reported in the fund financial statements. 43,223

Interest payable applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position. (165,650)

Total Net Position - Governmental Activities \$ 33,929,183

The accompanying notes are an integral part of this statement.

**HICKSVILLE WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Major Funds		Total Governmental Funds
	General	Capital Projects	
REVENUES			
Real property taxes	\$ 5,438,995	\$ -	\$ 5,438,995
Other real property tax items	465,541	-	465,541
Departmental income	3,348,883	-	3,348,883
Use of money and property	965,764	-	965,764
Sale of property and compensation for loss	88,754	3,544,576	3,633,330
Miscellaneous local sources	26,563	-	26,563
	<u>10,334,500</u>	<u>3,544,576</u>	<u>13,879,076</u>
EXPENDITURES			
Water administration	1,709,351	-	1,709,351
Source of supply, power and pumping	2,063,401	-	2,063,401
Transmission and distribution	1,454,266	-	1,454,266
Employee benefits	1,344,831	-	1,344,831
Debt service -			
Principal	1,195,000	-	1,195,000
Interest	995,639	-	995,639
Capital outlay	-	5,138,123	5,138,123
	<u>8,762,488</u>	<u>5,138,123</u>	<u>13,900,611</u>
Excess (deficiency) of revenues over expenditures	<u>1,572,012</u>	<u>(1,593,547)</u>	<u>(21,535)</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	3,587,487	3,587,487
Interfund transfers out	(3,587,487)	-	(3,587,487)
	<u>(3,587,487)</u>	<u>3,587,487</u>	<u>-</u>
Changes in fund balance	(2,015,475)	1,993,940	(21,535)
Fund balance, beginning of year	<u>13,159,739</u>	<u>18,760,932</u>	<u>31,920,671</u>
Fund balance, end of year	<u>\$ 11,144,264</u>	<u>\$ 20,754,872</u>	<u>\$ 31,899,136</u>

The accompanying notes are an integral
part of this statement.

**HICKSVILLE WATER DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net change in fund balance - governmental funds \$ (21,535)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation expense in the current period is:

Capital outlay	\$ 5,138,123	
Depreciation expense	<u>(2,052,639)</u>	3,085,484

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the State of Activities in prior years when they were earned. (197,801)

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

Repayment of bond principal 1,195,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Total OPEB liability	(1,039,436)	
Amortization of bond premiums	60,662	
Compensated absences	(67,484)	
Accrued interest	<u>150,761</u>	(895,497)

Changes in the amount of total OPEB liability deferred inflows and outflows of resources reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues in the governmental funds. 893,891

Increase in the proportionate share of net pension liability reported in the Statement of Activities does not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. (190,808)

Net change in net position - governmental activities \$ 3,868,734

The accompanying notes are an integral part of this statement.

**HICKSVILLE WATER DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 218,393
Due from governmental funds	<u>12,196</u>
Total assets	<u><u>\$ 230,589</u></u>
LIABILITIES	
Accounts payable	\$ 214,253
Due to governmental funds	<u>16,336</u>
Total liabilities	<u><u>\$ 230,589</u></u>

The accompanying notes are an integral
part of this statement.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

1. Summary of significant accounting policies

The financial statements of the Hicksville Water District (the "District") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units.

The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Financial reporting entity

The Hicksville Water District (the "District") is an independent governing body originated on August 30, 1921. The District's mission is to pump, treat, store and distribute potable water for commercial and domestic use and fire protection to businesses, schools, municipal agencies, apartment complexes and private homes in the communities of Hicksville, Bethpage, East Meadow, Jericho, Levittown, Syosset and Westbury. Responsibilities are to install new services as needed, and to maintain the District 24 hours, 365 days a year, with staff on call at all times for emergencies. The District maintains its fire hydrants in good working order and maintains and repairs the water mains and services of the District. The District maintains a constant level of water quality with regular, random water sampling from the community for testing by a private laboratory.

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

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

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

B. Basis of presentation

1. Government-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the District's activities. These financial statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State and Federal aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate financial statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District records its transactions in the fund types described below:

- a. Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (the sources, uses and balances of current financial resources). The following are the District's governmental fund types:

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

Capital Projects Fund - used to account for financial resources to be used for the acquisition, construction or resurfacing of major capital facilities and equipment.

- b. Fiduciary Funds - used to account for assets held by the local government in a trustee or custodial capacity:

Agency Funds - used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

C. Measurement focus and basis of accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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.

Modified accrual basis - the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Material revenues that are accrued include real property taxes, water charges, and fees for use of real property. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made and the resources are available.

Accrual basis - the District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Fixed assets and long-term liabilities related to these activities are recorded within the funds.

D. Real property tax

Real property taxes for the Towns of Oyster Bay and Hempstead are levied annually by the Town Boards. The taxes are due in two installments of 50% on January 1 and July 1 without penalty to February 10 and August 10, respectively. Late payments are subject to penalties. The taxes are collected by the Towns and subsequently forwarded to the District. Uncollected taxes are subsequently enforced by Nassau County.

E. Restricted resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

F. Interfund transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

Advances to/from other funds represent loans to other funds which are not expected to be repaid within the subsequent year. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

In the District-wide financial statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds Balance Sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 5 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets, the proportionate share of net pension assets and liabilities, and the total OPEB liability.

H. Cash and cash equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

I. Receivables

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

J. Inventories and prepaid items

Inventories consist of supply type items available for sale to contractors and are recorded at cost on a first in, first-out basis. These items are recorded as expenditures at the time of purchase in the general fund using the consumption method.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

K. Capital assets

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 500	Straight line	30-40 years
Improvements, other than buildings	\$ 500	Straight line	15-30 years
Infrastructure	\$ 500	Straight line	20-50 years
Vehicles, furniture, machinery and equipment	\$ 500	Straight line	5-20 years

L. Deferred outflows of resources

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item relates to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

M. Deferred inflows of resources

In addition to liabilities, the Statement of Net Position or the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability (NYSERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense. The second item is related to OPEB reported in the Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

N. Vested employee benefits - compensated absences

Compensated absences consist of unpaid accumulated annual sick leave and sabbatical time.

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

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

Consistent with GASB Pronouncements, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements only, the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expenses on a pay-as-you go basis.

O. Accrued liabilities and long-term obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Other post-employment benefits that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

P. Other benefits

Eligible District employees participate in the New York State and Local Employees' Retirement System.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure (see Note 9 for more information).

Q. Net position

In the District-wide financial statements, there are three classes of net position:

1. Net investment in capital assets: Consists of capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
2. Restricted: Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted: Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

Fund financial statements

In the fund financial statements, there can be five classifications of fund balance:

1. Nonspendable - includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. The District has a nonspendable fund balance of \$67,847 as of December 31, 2019.
2. Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

Capital

According to General Municipal Law §6-c, must be used to finance all or part of the cost of construction, reconstruction or acquisition of capital improvements or equipment.

Unspent Bond Proceeds

Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement.

Debt service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of property or capital improvement.

3. Committed - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, i.e., the Board. The District has no committed fund balances as of December 31, 2019.
4. Assigned - includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General Fund are classified as assigned fund balance as of December 31, 2018, based on the fact that there are no restricted resources on hand to liquidate them, and amounted to \$48,835. The remaining amount of assigned fund balance consisted of funds designated for subsequent year's expenditures in the General Fund of \$300,000 and bond payments of \$811,922.
5. Unassigned - includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the District.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Fund balances for all governmental funds as of December 31, 2019 were distributed as follows:

	General	Capital Projects	Total Governmental Funds
Nonspendable:			
Inventories	\$ 11,775	\$ -	\$ 11,775
Prepaid expenses	56,072	-	56,072
Total nonspendable	67,847	-	67,847
Restricted:			
Employee benefit accrued liability	443,355	-	443,355
Retirement contributions	25,898	-	25,898
Capital improvements	3,901,082	7,441,819	11,342,901
Unspent bond proceeds	-	13,313,053	13,313,053
Debt service	610,595	-	610,595
Total restricted	4,980,930	20,754,872	25,735,802
Assigned:			
Designated for bond payments	811,922	-	811,922
Encumbrances	48,835	-	48,835
Designated for subsequent year's expenditures	300,000	-	300,000
Total assigned	1,160,757	-	1,160,757
Unassigned	4,934,730	-	4,934,730
	\$ 11,144,264	\$ 20,754,872	\$ 31,899,136

Order of use of fund balance

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as either restricted or assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

2. Explanation of certain differences between fund financial statements and District-wide financial statements

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the District-wide financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with current financial resources focus of the governmental funds.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

A. Total fund balance of governmental funds vs. net position of governmental activities

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of the five broad categories. The categories are shown below:

1. Long-term revenue/expense differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund financial statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund financial statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position. In addition, differences also arise from the other post-employment benefit obligation representing the accumulated difference between the actuarial required contribution and the actual contribution recorded in the fund financial statements.

4. Pension differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension liability and differences between the District's contributions and its proportionate share of the total contributions to the pension system.

5. OPEB differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

3. Stewardship, compliance and accountability

A. Budgetary data

1. Budget policies

- a. The District Administration prepares a proposed budget for approval by the Board of Commissioners. No later than September 20, the Board of Commissioners submits a tentative budget to the Town of Hempstead and the Town of Oyster Bay for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than November 20, the Board adopts the budget.
- c. All modifications of the budget must be approved by the District Board of Commissioners.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the governmental funds. Appropriations for all governmental funds except the Capital Projects Fund lapse at year-end. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year. Encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget basis of accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

4. Cash and cash equivalents - custodial credit, concentration of credit, interest rate and foreign currency risks

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. District monies must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The District Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 102 percent of all deposits 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 the State and its municipalities.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 102 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Custodial credit risk - deposits/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

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:

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

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name. The District's deposits at year-end consisted of:

	Bank Balance	Carrying Amount	
General Fund	\$ 16,018,382	\$ 15,910,863	Insured (FDIC and Collateral)
Capital Projects Fund	17,771,546	17,771,545	Insured (FDIC and Collateral)
Agency Fund	231,634	218,393	Insured (FDIC and Collateral)
	<u>\$ 34,021,562</u>	<u>\$ 33,900,801</u>	

Credit risk: State law limits investments to those authorized by State statutes. The District has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent of more in securities of a single issuer.

As of December 31, 2019, the District did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

5. Interfund balances and activity

Interfund transfer balances as of December 31, 2019, represent transfers from the General Fund to the Capital Projects Fund. Balances at year end are stated as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 889,880	\$ 6,574,259	\$ -	\$ 3,587,487
Capital Projects Fund	6,562,063	873,544	3,587,487	-
Agency Fund	12,196	16,336	-	-
Totals	<u>\$ 7,464,139</u>	<u>\$ 7,464,139</u>	<u>\$ 3,587,487</u>	<u>\$ 3,587,487</u>

6. Capital assets

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 217,447	\$ -	\$ -	\$ 217,447
Construction-in-progress	2,728,813	2,617,352	-	5,346,165
Total nondepreciable capital assets	<u>2,946,260</u>	<u>2,617,352</u>	<u>-</u>	<u>5,563,612</u>
Capital assets that are depreciated:				
Buildings	27,821,279	-	-	27,821,279
Improvements, other than buildings	944,092	-	-	944,092
Infrastructure	18,178,444	545,933	-	18,724,377
Vehicles, furniture, machinery and equipment	13,841,760	1,974,838	(102,402)	15,714,196
Total depreciable capital assets	<u>60,785,575</u>	<u>2,520,771</u>	<u>(102,402)</u>	<u>63,203,944</u>
Less accumulated depreciation:				
Buildings	8,035,683	806,910	-	8,842,593
Improvements, other than buildings	805,433	18,243	-	823,676
Infrastructure	10,828,463	564,473	-	11,392,936
Vehicles, furniture, machinery and equipment	9,434,083	663,013	(102,402)	9,994,694
Total accumulated depreciation	<u>29,103,662</u>	<u>2,052,639</u>	<u>(102,402)</u>	<u>31,053,899</u>
Total capital assets, net	<u>\$ 34,628,173</u>	<u>\$ 3,085,484</u>	<u>\$ -</u>	<u>\$ 37,713,657</u>

Depreciation expense was charged to governmental functions as follows:

Water administration	\$ 849,897
Source of supply, power and pumping	369,107
Transmission and distribution	833,635
	<u>\$ 2,052,639</u>

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

7. Long-term debt

The following is a summary of the change in the long-term liability:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Serial bonds payable	\$ 22,670,000	\$ -	\$ 1,195,000	\$ 21,475,000	\$ 1,100,000
Unamortized bond premiums	779,509	-	60,662	718,847	60,662
Serial bonds payable, net	23,449,509	-	1,255,662	22,193,847	1,160,662
Other post-employment benefits	12,088,465	3,178,405	2,138,969	13,127,901	-
Compensated absences	301,024	88,117	20,633	368,508	104,003
Total long-term liabilities	<u>\$ 35,838,998</u>	<u>\$ 3,266,522</u>	<u>\$ 3,415,264</u>	<u>\$ 35,690,256</u>	<u>\$ 1,264,665</u>

Serial bonds - The District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government.

The following is a summary of maturity of long-term indebtedness:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 12/31/2019</u>
Refunding Serial Bond	10/02/18	12/15/30	3.00% - 5.00%	\$ 7,765,000
Serial Bond	03/20/18	03/01/38	3.125% - 4.00%	<u>13,710,000</u>
				<u>\$ 21,475,000</u>

The following is a summary of maturing debt service requirements pertaining to bonds payable:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,100,000	\$ 744,619	\$ 1,844,619
2021	1,135,000	706,069	1,841,069
2022	1,185,000	654,169	1,839,169
2023	1,230,000	600,119	1,830,119
2024	1,285,000	543,919	1,828,919
2025-2029	7,170,000	1,913,844	9,083,844
2030-2034	4,760,000	891,519	5,651,519
2035-2038	3,610,000	233,597	3,843,597
	<u>\$ 21,475,000</u>	<u>\$ 6,287,855</u>	<u>\$ 27,762,855</u>

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Interest on long-term debt for the year was comprised of:

Interest paid	\$ 995,639
Less amortization of premiums	(60,662)
Less interest accrued in the prior year	(316,411)
Plus interest accrued in the current year	<u>165,650</u>
Interest expense	<u>\$ 784,216</u>

Other long-term debt - in addition to the above long-term debt, the District had the following non-current liabilities:

Other post-employment benefits - represents the amortized portion of the annual required contribution for the District's cost of health benefits for retirees.

Compensated absences - represents the value of earned and unused portion of the liability for compensated absences.

Unissued debt - On November 28, 2017, the Board of Commissioners approved a bond issue in the amount of \$21,445,000 for the improvement of the facilities of the Water District. As of December 31, 2019, \$14,000,000 in bonds has been issued. Work has commenced and expenditures are recorded in the capital projects fund.

8. Pension plans

Plan description

The District participates in the New York State and Local Employees' Retirement System ("NYSERS") which is referred to as New York State and Local Retirement System (the "System"). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits provided

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

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Tiers 1 and 2

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

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

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

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

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

Tier 6

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

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Ordinary Disability Benefits

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

Accidental Disability Benefits

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

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. The District's share of the required contributions, based on covered payroll for the District's year ended December 31, 2019, was \$220,010.

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At December 31, 2019, the District reported a liability of \$224,428 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. Update procedures were used to roll forward the pension liability to March 31, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2019, the District reported the following liability for its proportionate share of the net pension liability for the System:

Actuarial valuation date	April 1, 2018
Net pension liability	\$ 224,428
District's portion of the Plans' total net position liability	0.0031675%
Change in proportion since the prior measurement date	(.0008%)

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

For the year ended December 31, 2019, the District recognized pension expense of \$255,503. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected experience and actual experience	\$ 44,195	\$ 15,065
Changes of assumptions	56,412	-
Net difference between projected and actual earnings on pension plan investments	-	57,601
Changes in proportion and differences between the District's contributions and proportionate share of contributions	248,573	48,698
Total	\$ 349,180	\$ 121,364

Deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the year ended:</u>	
2020	\$ 129,954
2021	13,308
2022	36,080
2023	48,474

Actuarial assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Interest rate	7.00%
Salary scale	4.20%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.50%

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return strategies	2.00%	3.75%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(0.25%)
Domestic equity	36.00%	4.55%
Inflation-indexed bonds	4.00%	1.25%
International equity	14.00%	6.35%
Opportunistic portfolio	3.00%	5.68%
Private equity	10.00%	7.50%
Real assets	3.00%	5.29%
Real estate	10.00%	5.55%
	100.00%	

Discount rate

The discount rate used to calculate the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to the discount rate assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

	1% Decrease (6.00%)	Current assumption (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability (asset)	\$ 981,236	\$ 224,428	\$ (411,344)

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	(Dollars in Thousands)
Employers' total pension liability	\$ 189,803,429
Plan net position	182,718,124
Employers' net pension liability	\$ (7,085,305)
Ratio of plan net position to the Employers' total pension liability	96.27%

9. Post-employment benefits

A. General information about the OPEB plan

Plan description

The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided

The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees covered by benefit terms

As of January 1, 2018, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	18
Active plan members	17
Total plan members	35

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

B. Total OPEB liability

The Districts total OPEB liability of \$13,127,901 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019.

Actuarial assumptions and other inputs

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.50% average, including inflation
Discount rate	2.74%
Healthcare cost trend rates	7.0% for 2019, decreasing 0.5% per year to an ultimate rate of 5.0% in 2023
Retirees' share of benefit-related costs	0% to 8% of projected health insurance premiums for retirees

The discount rate was based on the December 31, 2019 Bond Buyer's 20 Year Bond Index.

Mortality rates were based on the RP-2014 Total Dataset Mortality Table projected to fully generationally using projection scale MP-2019.

C. Changes in the total OPEB liability

Balance as of December 31, 2018	<u>\$ 12,088,465</u>
Service cost	320,934
Interest	430,652
Differences between expected and actual experience	(1,786,642)
Change in assumptions or other inputs	2,426,819
Benefit payments	<u>(352,327)</u>
Net changes	<u>1,039,436</u>
Balance as of December 31, 2019	<u><u>\$ 13,127,901</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.74%) or one percentage point higher (3.74%) than the current discount rate:

	<u>1% Decrease (1.74%)</u>	<u>Current assumption (2.74%)</u>	<u>1% Increase (3.74%)</u>
Total OPEB liability as of December 31, 2019	\$ 15,542,479	\$ 13,127,901	\$ 11,230,706

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current discount rate:

	1% Decrease (6.0% decreasing to 4.0%)	Current assumption (7.0% decreasing to 5.0%)	1% Increase (8.0% decreasing to 6.0%)
Total OPEB liability as of December 31, 2019	\$ 11,146,475	\$ 13,127,901	\$ 15,673,404

D. OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Difference between expected experience and actual experience	\$ -	\$ 1,390,490
Changes of assumptions	1,888,721	455,008
Total	\$ 1,888,721	\$ 1,845,498

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the year ended:</u>	
2020	\$ (253,714)
2021	82,598
2022	141,946
2023	72,393

10. Risk management

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

11. Contingencies and commitments

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. During the fiscal year ended December 31, 2019, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance	
General Fund -	
Source of supply, power and pumping	\$ 9,000
Transmission and distribution	39,835
	<u>\$ 48,835</u>
Capital Fund -	<u>\$ 8,695,919</u>

B. Leases

The District has various equipment operating leases which expire in 2023. Lease payments for fiscal year ended December 31, 2019 was \$6,822. Future minimum lease payments are as follows:

<u>Year ending December 31,</u>	
2020	\$ 6,822
2021	6,822
2022	6,523
2023	1,078
	<u>\$ 21,245</u>

C. Litigation

The District is not aware of any material pending or threatened litigation claims against the District. The District is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

12. Tax abatements

The County of Nassau and Town of Hempstead enter into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. The District received Payment in Lieu of Tax ("PILOT") payments totaling \$465,541, which is recorded in other tax items on the Statement of Revenues, Expenditures and Changes in Fund Balance. The amount of the abatement of the District's real property taxes is not available.

**HICKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

13. Future changes in accounting standards

The District will evaluate the impact each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 84	Fiduciary Activities	December 31, 2021
Statement No. 87	Leases	December 31, 2022
Statement No. 89	Accounting for Interest Cost Incurred Before the End of a Construction Period	December 31, 2022

14. Subsequent events

The District has evaluated subsequent events occurring after the Statement of Net Position through the date of May 12, 2020, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined the following subsequent event has occurred, which requires disclosure in the financial statements:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the impact of COVID-19 will continue for some time. Currently, there has been no material adverse effect on the District’s operations. Future potential considerations may include disruptions or restrictions on the District’s employees’ ability to work and disruptions to regularly services provided. The future effects of COVID-19 on the District’s operational and financial performance, and cash flow needs are uncertain and cannot be predicted as of the date of these financial statements.

New York State is in the process of passing a first-of-its-kind maximum contaminant level (“MCL”) for 1,4-dioxane and the per- and poly-fluoroalkyl substances (“PFOA”) and (“PFOS”). This mandate, while beneficial for public health, has created an unfunded mandate that will require the District to peruse additional bonding for capital improvement projects. It is projected that annual operations and maintenance costs will increase by at least an additional \$2 million every year.

HICKSVILLE WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Adopted Budget	Revised Budget	Actual	Encumbrances	Variance
REVENUES					
Real property taxes	\$ 5,439,035	\$ 5,439,035	\$ 5,438,995		\$ (40)
Other real property tax items:					
PILOT	200,000	200,000	465,541		265,541
Total other real property tax items	200,000	200,000	465,541		265,541
Departmental income:					
Water sales	3,020,565	3,020,565	3,074,663		54,098
Fees	169,500	169,500	171,260		1,760
Water service charges	20,000	20,000	61,781		41,781
Penalties	50,000	50,000	41,179		(8,821)
Total departmental income	3,260,065	3,260,065	3,348,883		88,818
Use of money and property:					
Interest	50,000	50,000	568,639		518,639
Cell tower rental	394,423	394,423	258,193		(136,230)
Cell plant	-	-	138,932		138,932
Total use of money and property	444,423	444,423	965,764		521,341
Sale of property and compensation for loss:					
Sale of scrap and metal	-	-	17,161		17,161
Insurance recovery	-	-	28,378		28,378
Sale of supplies	10,000	10,000	43,215		33,215
Total sale of property and compensation for loss	10,000	10,000	88,754		78,754
Miscellaneous local sources:					
Refund of prior year expense	-	-	22,040		22,040
Miscellaneous	25,000	25,000	4,523		(20,477)
Total miscellaneous local sources	25,000	25,000	26,563		1,563
Total revenues	9,378,523	9,378,523	10,334,500		955,977
OTHER FINANCING SOURCES					
Appropriated reserves and fund balance	577,321	3,594,808	-		
Total revenues and other financing sources	9,955,844	12,973,331	10,334,500		
EXPENDITURES					
Water administration:					
Commissioner fees	36,000	54,500	54,258	\$ -	242
Salaries	726,764	709,764	709,202	-	562
Dues and memberships	5,000	6,000	5,974	-	26
Office	129,700	157,200	154,391	-	2,809
Insurance	29,369	17,369	16,531	-	838
Repairs and maintenance	98,080	171,080	170,545	-	535
Records management	5,000	2,000	1,650	-	350
Advertising	9,500	2,500	2,332	-	168
Professional fees	120,276	104,776	103,704	-	1,072
Postage	55,000	70,000	69,423	-	577
Service contracts	252,410	418,410	415,790	-	2,620
MTA tax	6,333	4,333	3,351	-	982
Miscellaneous	5,000	3,000	2,200	-	800
Total water administration	1,478,432	1,720,932	1,709,351	-	11,581
Source of supply, power and pumping:					
Salaries	335,026	333,026	331,567	-	1,459
Uniforms	900	900	674	-	226
Utilities	1,200,000	1,145,000	1,144,865	-	135
Auto	9,000	6,000	5,663	-	337
Insurance	47,850	42,850	42,582	-	268
Repair and maintenance	166,000	220,692	211,692	9,000	-
Communications	25,900	33,400	33,353	-	47
Analysis	135,000	196,000	195,999	-	1
T-1 Lines	20,760	22,760	22,617	-	143
Water Conservation	90,400	75,400	74,389	-	1,011
Total source of supply, power and pumping	2,030,836	2,076,028	2,063,401	9,000	3,627

**HICKSVILLE WATER DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Adopted Budget	Revised Budget	Actual	Encumbrances	Variance
Transmission and distribution:					
Salaries	\$ 719,913	\$ 751,913	\$ 748,851	-	\$ 3,062
Uniforms	3,900	2,900	2,434	-	466
Equipment	145,000	72,553	35,218	37,335	-
Auto	27,000	40,000	39,477	-	523
Insurance	124,849	79,849	79,260	-	589
Repairs and maintenance	168,100	158,100	156,300	-	1,800
Consumer supplies	10,000	29,000	28,331	-	669
Chemicals	266,108	194,108	193,645	-	463
Engineering	100,000	171,000	170,069	-	931
Miscellaneous	10,000	3,181	681	2,500	-
Total transmission and distribution	<u>1,574,870</u>	<u>1,502,604</u>	<u>1,454,266</u>	<u>39,835</u>	<u>8,503</u>
Employee benefits:					
New York State retirement	265,082	233,082	232,911	-	171
Social security	142,497	133,497	133,195	-	302
Workers' compensation	100,000	73,000	72,219	-	781
Unemployment insurance	5,000	3,000	2,456	-	544
Health insurance	764,077	720,077	719,483	-	594
Optical insurance	18,000	500	-	-	500
Dental insurance	42,806	42,806	41,911	-	895
Disability insurance	16,118	15,118	14,176	-	942
Supplemental insurance	83,637	80,637	77,980	-	2,657
Tuition aid reimbursement	2,000	-	-	-	-
Flex plan reimbursement	30,000	51,000	50,500	-	500
Compensated absences	68,414	14,914	-	-	14,914
Total employee benefits	<u>1,537,631</u>	<u>1,367,631</u>	<u>1,344,831</u>	<u>-</u>	<u>22,800</u>
Debt service:					
Principal	1,220,000	1,220,000	1,195,000	-	25,000
Interest	1,049,652	1,004,226	995,639	-	8,587
Total debt service	<u>2,269,652</u>	<u>2,224,226</u>	<u>2,190,639</u>	<u>-</u>	<u>33,587</u>
Total expenditures	<u>8,891,421</u>	<u>8,891,421</u>	<u>8,762,488</u>	<u>48,835</u>	<u>80,098</u>
OTHER FINANCING USES					
Interfund transfers out	<u>(1,064,423)</u>	<u>(4,081,910)</u>	<u>(3,587,487)</u>	<u>-</u>	<u>494,423</u>
Total expenditures and other financing uses	<u>9,955,844</u>	<u>12,973,331</u>	<u>12,349,975</u>	<u>48,835</u>	<u>574,521</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(2,015,475)</u>	<u>\$ (48,835)</u>	<u>\$ 1,530,498</u>
Fund balance, beginning of year			<u>13,159,739</u>		
Fund balance, end of year			<u>\$ 11,144,264</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

**HICKSVILLE WATER DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS**

Measurement date	December 31, 2019	December 31, 2018
Total OPEB Liability:		
Service cost	\$ 320,934	\$ 418,996
Interest	430,652	449,678
Differences between expected and actual experience in the measurement of the total OPEB liability	(1,786,642)	-
Change in assumptions or other inputs	2,426,819	(1,246,328)
Benefit payments	(352,327)	(370,697)
Net change in total OPEB liability	1,039,436	(748,351)
Total OPEB liability - beginning of year	12,088,465	12,836,816
Total OPEB liability - end of year	\$ 13,127,901	\$ 12,088,465
Covered payroll	\$ 1,813,987	N/A
Total OPEB liability as a percentage of covered payroll	723.7%	N/A

Note to Required Supplementary Information

Ten years of historical information was not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year, subsequent to the year of implementation, until ten years of historical data is available.

The District has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow districts to establish this type of trust. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

The discount rate decreased from 4.10% in 2018 to 2.74% in 2019.

Healthcare trends were updated from 8.00% to 5.00% in 2018 to 7.00% to 5.00% by 2023 in 2019.

HICKSVILLE WATER DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>**2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>
District's proportionate share of the net pension liability	0.00317%	0.00397%	0.00228%	0.00237%	0.00240%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 224	\$ 128	\$ 402	\$ 721	\$ 145	N/A	N/A	N/A	N/A	N/A
District's covered payroll	\$ 1,545	\$ 1,673	\$ 1,807	\$ 1,668	\$ 1,632	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of covered payroll	14.50%	7.65%	22.25%	43.23%	8.88%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.15%	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31st.

Not Available = N/A

The discount rate decreased from 7.5% in 2015 to 7.00% in 2016.

****Note to Required Supplementary Information**

Ten years of historical information was not available upon implementation of GASB Statement No. 68. An additional year of historical information will be added each year, subsequent to the year of implementation, until ten years of historical data is available.

HICKSVILLE WATER DISTRICT
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS - NYSERS
LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 220,010	\$ 250,414	\$ 283,967	\$ 263,713	\$ 411,183	\$ 426,701	\$ 411,648	\$ 404,418	\$ 220,626	\$ 205,757
Contributions in relation to the contractually required contribution	<u>220,010</u>	<u>250,414</u>	<u>283,967</u>	<u>263,713</u>	<u>411,183</u>	<u>426,701</u>	<u>411,648</u>	<u>404,418</u>	<u>220,626</u>	<u>205,757</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	\$ 1,843,877	\$ 1,592,638	\$ 1,704,565	\$ 1,750,277	\$ 1,678,208	\$ 1,607,932	\$ 1,525,297	\$ 1,468,187	\$ 1,452,859	\$ 1,764,732
Contributions as a percentage of covered-employee payroll	11.93%	15.72%	16.66%	15.07%	24.50%	26.54%	26.99%	27.55%	15.19%	11.66%

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31st.

**OTHER
SUPPLEMENTARY
INFORMATION**

**HICKSVILLE WATER DISTRICT
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING SOURCES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

Project Title	Original Budget	Reallocation of Budget	Methods of Financing			Available Funding	Unavailable Funding	Expenditures	Fund Balance
			Settlements	Transfers	Total			Current Year	
General Meter Replacement	\$ 117,042	\$ (117,042)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
General R&M Pumphouse Exterior	68,787	(68,787)	-	-	-	-	-	-	
General Water Main Replacement Program	846,441	(846,441)	-	-	-	-	-	-	
Bond Plant 11	2,508,330	-	-	-	-	2,508,330	-	517,171	
General Plant 8 Caustic Tank Compliance	263,396	(263,396)	-	-	-	-	-	-	
Settlement Plant 5 Ground Storage Tank	302,219	(294,090)	-	-	-	8,129	-	8,129	
General Communication Conversion	183,359	91,000	-	-	-	274,359	-	27,157	
General Archival Upgrade	91,000	(91,000)	-	-	-	-	-	-	
Settlement Plant 5 Landscaping Improvements	5,000	(5,000)	-	-	-	-	-	-	
General Plant 8 Diesel Tank Removal	6,000	(6,000)	-	-	-	-	-	-	
General Plant 5 Well/Booster Replacement	29,100	(29,100)	-	-	-	-	-	-	
Settlement Plant 5 Generator	1,123,809	(140,996)	-	-	-	982,813	-	982,813	
Bond Plant 1 Booster Upgrade	191,562	(191,562)	-	-	-	-	-	-	
Bond Plant 4 Wellhead Treatment Upgrade	5,247,863	(5,247,863)	-	-	-	-	-	-	
Bond Plant 10 Wellhead Treatment Upgrade	1,490,107	(1,490,107)	-	-	-	-	-	-	
Bond Plant Water Main Replacement	2,859,078	846,440	-	195,000	195,000	3,900,518	-	8,400	
Bond Plant Water Meter Replacement	1,959,511	(914,171)	-	-	-	1,045,340	-	312,982	
Plant 8 Admin. Building Renovation	1,468,328	-	-	25,000	25,000	1,493,328	-	-	
Plant 1 Emerging Contaminates	-	191,562	-	-	-	191,562	6,876,000	761,074	
Plant 4 Emerging Contaminates	-	2,747,863	3,544,576	-	3,544,576	6,292,439	3,162,330	524,035	
Plant 5 Emerging Contaminates	-	469,186	-	3,017,487	3,017,487	3,486,673	-	362,244	
Plant 8 Emerging Contaminates	-	6,000	-	-	-	6,000	7,170,000	776,543	
Plant 9 Emerging Contaminates	-	3,600,000	-	350,000	350,000	3,950,000	-	-	
Plant 10 Emerging Contaminates	-	1,753,504	-	-	-	1,753,504	-	857,575	
Totals	\$ 18,760,932	\$ -	\$ 3,544,576	\$ 3,587,487	\$ 7,132,063	\$ 25,892,995	\$ 17,208,330	\$ 5,138,123	37,963,202
									Less: Unrealized Grant Revenue
									<u>(17,208,330)</u>
									<u>\$ 20,754,872</u>

See auditor's report on other supplementary information.



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of the
Hicksville Water District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Hicksville Water District (the "District"), as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 12, 2020.

Internal Control Over Financial Reporting

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

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

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

NawrockiSmith

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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.

May 12, 2020
Melville, New York



APPENDIX C

FORM OF ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING

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

On the date hereof, the Hicksville Water District in the Towns of Oyster Bay and Hempstead, Nassau County, New York (the "Issuer") is issuing its Bonds (as defined herein). To facilitate compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "SEC") promulgated under the Securities Exchange Act of 1934, as amended by the underwriter (as defined in the Rule), the Issuer hereby undertakes for the benefit of the record and beneficial owners from time to time of the Bonds (the "Holders") to provide:

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

"*Bonds*" means the Issuer's \$7,000,000 Water District (Serial) Bonds, 2020 Series A, dated July 22, 2020.

"*Financial Obligation*" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii); provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"*MSRB*" means the Municipal Securities Rulemaking Board.

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

"*SEC*" means the United States Securities and Exchange Commission.

"*Undertaking*" means this Annual and Continuing Disclosure Undertaking.

B. Annual Reports. With respect to the Bonds, the Issuer shall electronically file annually with the MSRB, (1) within six months after the end of each fiscal year ending after the date hereof, financial information and operating data with respect to the Issuer of the general type contained in or cross referenced in the Issuer's final Official Statement, dated June 10, 2020 under the headings "**THE WATER DISTRICT**", "**ECONOMIC AND DEMOGRAPHIC INFORMATION**", "**INDEBTEDNESS OF THE WATER DISTRICT**", "**FINANCES OF THE WATER DISTRICT**", "**REAL PROPERTY TAX INFORMATION**", and "**LITIGATION**", and in **APPENDIX A**, and (2) if not provided as part of such financial information and operating data, audited financial statements of the Issuer, when and if available. If audited financial statements are not available at that time the Water District will electronically file unaudited financial statements when available. Any financial statements so to be electronically filed shall be prepared in accordance with the accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and shall be audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided.

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

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

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

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

(15) Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

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

The Issuer shall electronically file with the MSRB, in a timely manner, notice of any failure by the Issuer to provide *financial* information or operating data in accordance with this Undertaking by the time required by this Undertaking.

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

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

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

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this _____, 2020.

Treasurer

APPENDIX D

FORM OF OPINION OF NORTON ROSE FULBRIGHT US LLP

July 22, 2020

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

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

Tel +1 212 318 3000
Fax +1 212 318 3400
nortonrosefulbright.com

Re: Hicksville Water District in the Towns of Oyster Bay and Hempstead
Nassau County, New York
\$7,000,000 Water District (Serial) Bonds, 2020 Series A

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$7,000,000 Water District (Serial) Bonds, 2020 (the "Obligation"), of the Hicksville Water District in the Towns of Oyster Bay and Hempstead, Nassau County, New York (the "Obligor"), dated July 22, 2020.

We have examined:

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

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

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

In our opinion:

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

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

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

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

Very truly yours,