

**WATER AUTHORITY OF WESTERN NASSAU COUNTY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED MAY 31, 2018 AND 2017
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**



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Water Authority of Western Nassau County, New York

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TABLE OF CONTENTS

	<u>Page</u>
Section A: Introductory Section	
Transmittal Letter	1
GFOA Certificate of Achievement for Excellence in Financial Reporting	26
Organizational Chart	27
List of Members of the Board of Directors	28
 Financial Section	
Independent Auditors' Report	29
Management's Discussion and Analysis	33
 Basic Financial Statements	
Statements of Net Position, May 31, 2018 and 2017	51
Statements of Revenues, Expenses and Changes in Net Position, for the Years Ended May 31, 2018 and 2017	53
Statements of Cash Flows, for the Years Ended May 31, 2018 and 2017	54
Notes to the Financial Statements	56
 Required Supplementary Information	
Schedule of Funding Progress for the Other Postemployment Benefit Plan	95
Schedule of the Water Authority's Proportionate Share of the Net Pension Liability - New York State Employees' Retirement System	96
Schedule of Contributions to the New York State Employees' Retirement System	97
 Section C: Statistical Section	
 Financial Trends	
Statements of Net Position, Last Ten Fiscal Years Ended May 31	99
Statements of Revenues, Expenses and Changes in Net Position, Last Ten Fiscal Years Ended May 31	101
Operating Revenue by Source, Last Ten Fiscal Years Ended May 31	102
Operating Expenses, Last Ten Fiscal Years Ended May 31	103
Non-Operating Revenues and Expenses, Last Ten Fiscal Years Ended May 31	104
Historical Collection Rates, Last Ten Fiscal Years Ended May 31	105
 Revenue Capacity	
Water Produced and Consumed, Last Ten Fiscal Years Ended May 31	107
Billed Water Sales – By Service Area, Last Ten Fiscal Years Ended May 31	108
Number of Water Customers, by Type, Last Ten Fiscal Years Ended May 31	109
Quarterly Billed Water Rates, Last Ten Fiscal Years Ended May 31	110
Annual Billings of Ten Largest Customers, Last Ten Fiscal Years Ended May 31	111

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FISCAL YEARS ENDED MAY 31, 2018 AND 2017
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

TABLE OF CONTENTS
(CONTINUED)

Section C (continued)

Debt Capacity

Amounts, Ratios and Per Capita Outstanding Debt, Last Ten Fiscal Years Ended May 31	113
Debt Maturity Schedule by Series, May 31, 2018	114
Outstanding Principal and Unamortized Premium by Bond Series, May 31	115
Schedule of Debt Service, May 31, 2018	116
Debt Service Coverage, Last Ten Fiscal Years Ended May 31	117
Water Authority Per Capita Indebtedness, Last Ten Fiscal Years Ended May 31	118

Demographic and Economic Information

Water Service Area Villages, Annual estimates of Population, July 1, 2010 to 2017	119
Service Area population, Median Age, Median Household Income and Occupied Housing Units	120
Nassau County, New York, Population, Total Personal Income, Per Capita Personal Income and Unemployment Rate, 2007-2016	121
Nassau County, New York, Annual Average Employment by Industry, Last Ten Years	122
County of Nassau, New York, Principal Employment by Industry, 2017 and 2008	124

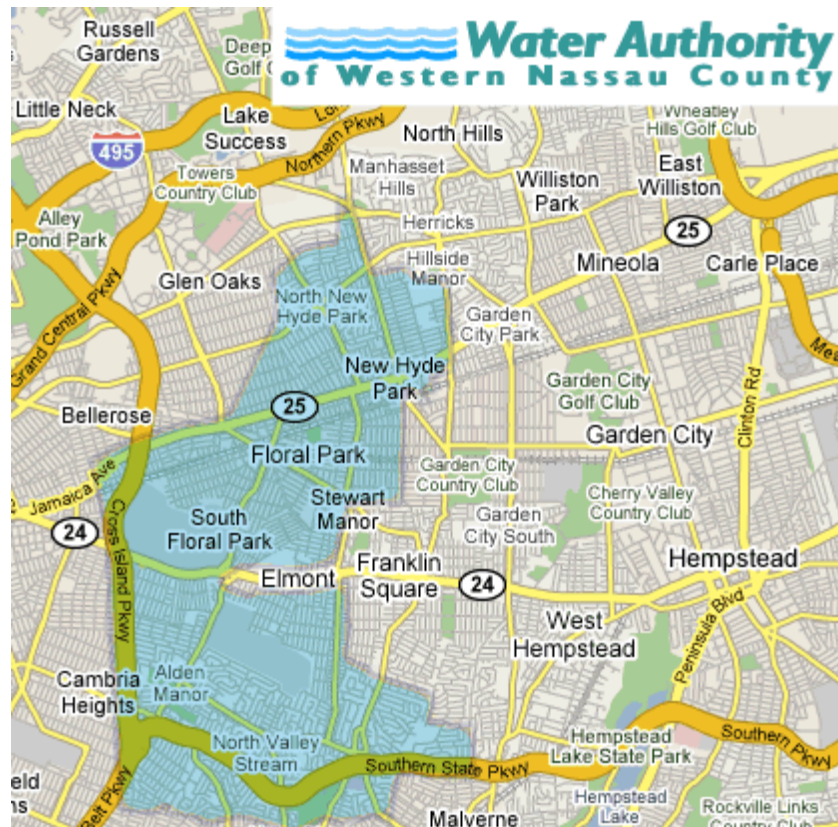
Operating Information

Statistical Summary and Flash Report, Last Ten Fiscal Years Ended May 31	125
Monthly Water Production (Gallons), Last Seven Fiscal Years Ended May 31 and Last Ten Fiscal Years Average	126
Annual Water Consumption (Gallons) Billed by Month, Last Ten Fiscal Years Ended May 31	127
Annual Water Consumption by Service Area (Thousand Gallons), Last Ten Fiscal Years Ended May 31	128
Active Meters by Size, Fiscal Year Ended May 31	129
Customer Bills by Service Area, Last Ten Fiscal Years Ended May 31	130
Completed Capital Projects, Last Eight Fiscal Years Ended May 31	131
Number of Employees by Function, Last Eight Fiscal Years Ended May 31	132
Operating Capacity, Last Ten Fiscal Years Ended May 31	133
Well Station Description, Fiscal Year Ended May 31	134
Schedule of Insurance in Force, Fiscal Year Ended May 31	135

Section D: Compliance Section

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	137
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SECTION A: INTRODUCTORY SECTION



Water Authority

of Western Nassau County

LETTER OF TRANSMITTAL

August 30, 2018

The Honorable Members of the Board of Directors and our Customers
Water Authority of Western Nassau County
1580 Union Turnpike,
New Hyde Park, NY 11040-1762

The Department of Accounting is pleased to transmit the Comprehensive Annual Financial Report ("CAFR") of the Water Authority of Western Nassau County, ("the Water Authority") for the fiscal year ended May 31, 2018. This letter of transmittal is designed to complement the Management's Discussion and Analysis ("MD&A") and should be read in conjunction with it. The Water Authority's MD&A can be found on pages 33-50, immediately following the report of the independent auditors.

INTRODUCTION

Management Representation

New York State Public Authorities Law requires that every public authority publish, within 90 days of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended May 31, 2018. This report was prepared by the Accounting Department of the Water Authority in conformance with the current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board ("GASB"), on a consistent basis. The presentation of data is designed to comply with the guidelines recommended by the Government Finance Officers Association of the United States and Canada ("GFOA").

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the information provided in the comprehensive annual financial report (CAFR) is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Water Authority. All disclosures necessary to enable the reader to gain an understanding of the Water Authority's financial and operational activities have been included.

Tabriztchi & Company, CPA, P.C., Independent Certified Public Accountants, have issued an unmodified ("clean") opinion on the financial statements of the Water Authority of Western Nassau County, for the year ended May 31, 2018. The independent auditors' report is located at the front of the financial section of this report, pages 29 to 31.

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Organization of Report

The CAFR is presented in four sections as follows:

1. The *Introductory Section (Section A)* includes this transmittal letter, excerpts from the charter, organization chart, and the list of principal officials, and is intended to familiarize the reader with the organizational structure of the Water Authority and the nature and scope of the services provided. This letter is designed to complement the MD&A and should be read in conjunction with it. The Introductory Section can be found on pages 1 through 28.
2. The *Financial Section B (Section B)* includes the independent auditors' report on the basic financial statements, the management's discussion and analysis (MD&A) of the Water Authority's overall financial position and results of operations, the audited financial statements, including the accompanying note disclosures and the required supplemental schedules. The Water Authority's MD&A, basic financial statements, including notes and the required supplemental schedules can be found on pages 29 through 94.
3. The *Statistical Section (Section C)* contains comprehensive statistical data on the Water Authority's financial trends, revenue capacity, debt capacity, demographic and economic environment and operating information for the past ten years. The Water Authority's Statistical Section can be found on pages 95 through 136.
4. The *Compliance Section (Section D)* contains the independent auditors' report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards. The report is presented on pages 137 and 138.

Organization's Profile

The Water Authority was established on July 25, 1990, pursuant to the "Water Authority of Western Nassau County Act" of the State of New York, as amended on July 31, 1992 and codified under Title 8-C of Article 5 of the Public Authorities Law. On May 28, 1996, the Water Authority, by exercise of the power of eminent domain, acquired the water supply and distribution system situated in the District previously owned by the Jamaica Water Supply Company. The Water Authority serves a population of approximately 120,000 within the Town of Hempstead and the Town of North Hempstead.

The Water Authority is neither required to pay taxes, special ad valorem levies or special assessments upon the real property owned by it, nor is required to pay any filing, recording or transfer fees or taxes in relation to instruments filed, recorded or transferred by or on its behalf. The Water Authority may pay or enter into agreements with any municipality to pay annual amounts for the real property located in that municipality that constitutes a part of the District. The drilling of wells and acquisition of water are subject to the Jurisdiction of the State of New York, Department of Environmental Conservation ("DEC"). The powers of DEC in this respect are statewide and extend on all water service providers.

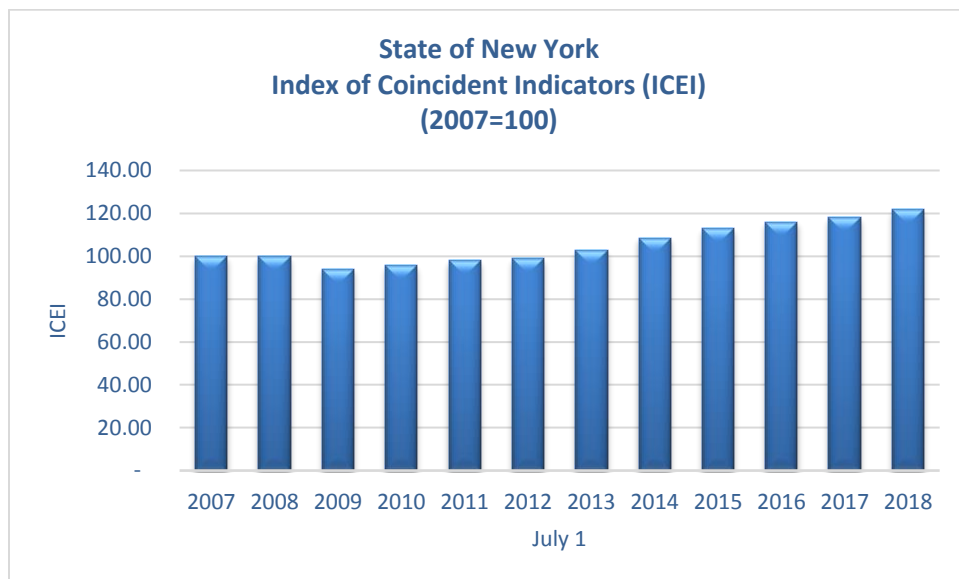
The mission of the Water Authority is as follows: *To satisfy customer expectations for high quality, reliable water service provided in a responsive and efficient manner at the lowest reasonable price.*

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

Economic Conditions

The New York State Department of Labor's Division of Research and Statistics calculates and publishes a monthly composite index of business cycle indicators. More formally known as the Index of Coincident Economic Indicators (ICEI), the index is designed to provide reliable and timely information about current economic conditions in New York State. The ICEI model combines and weights four key indicators of statewide economic activity, which have historically moved in conjunction with the state's business cycles: (1) private sector employment, (2) unemployment rate, (3) average weekly hours of manufacturing workers and (4) sales tax collections. The ICEI base value was set at 100, for July 1992.

The monthly, seasonally adjusted ICEI, with index value set at 100 in 2007, increased by 3.48 points (2.9%) from 118.22, in July 1, 2017, to 121.70, on July 1, 2018. The increase in previous year was 2.24 points (1.9%).



Source: Federal Reserve Bank of St. Louis

Since 1970, there have been seven distinct recessions in the U.S. and New York State. Recessions in New York have tended to be significantly longer than their national counterparts. This trend has become more pronounced over the past 30 years. The last four recessions in New York State (dating back to 1981) have averaged just under 2½ years in length, while the last four national recessions have averaged just over one year in duration.

During 2008 and 2009, the national recession impacted economic conditions in Long Island, but the effect was not as serious relative to other parts of the nation, in part, because of the relative stability of New York City. During this period, nonfarm payrolls in Long Island decreased by an average of 19,000 jobs, or 1.5 percent, annually. The rate of decline was higher than the 0.7-percent annual rate in New York City, but lower than the nationwide rate of 2.5 percent annually. Within Long Island losses were largest in the wholesale and retail trade and the professional and business services sectors, largely in response to a

decline in demand for consumer products because of elevated unemployment numbers. During the five-year period from 2009 to 2013, more than 20 percent of all working residents in Long Island held a job in one of the five boroughs of New York City.

Economic conditions in Long Island improved at a moderate pace from 2010 through 2016, but job growth was slower than the nation. During the 7-year period, nonfarm payrolls increased by an average of 14,200 jobs, or 1.1 percent, annually, compared with nationwide payroll growth of 1.4 percent annually. Job gains were largest in the education and health services, the leisure and hospitality, and the professional and business services sectors.

According to Moody's Analytics current economic forecast, Nassau's economy grew 2.6% in the fourth quarter 2017 compared to the fourth quarter 2016. Nassau County's fourth quarter 2017 economic growth was broad based, with positive annual growth recorded in nonfarm jobs, employed residents, consumer confidence, and average private worker weekly wages in New York State.

The economy of Nassau County is impacted by the rapid growth in the US economy. In the Second quarter of 2018, real US gross domestic product (GDP), increased at 4.1% annual growth rate; up from the 2.2% first quarter 2018 growth rate. The increases in exports, government expenditures, and consumer spending were the principal factor in economic growth. Based on Moody's Analytics Nassau County's economy grew 0.6% in the second quarter of 2018 compared to the first quarter and 2.2%, from second quarter level in 2017. Moody's forecasts of the major indices of Nassau County are presented in the following table:

TABLE 1
Nassau County
Forecast of Annual Growth Rates of Major Economic Indices
2018 to 2022

	2018	2019	2020	2021	2022
Gross County product (GCP)	2.2%	1.5%	0.2%	2.6%	2.7%
Total Personal income	3.8%	3.2%	2.8%	3.4%	3.7%
Employed	(0.3)%	0.8%	0.1%	0.1%	0.8%
Unemployed	(0.5)%	(8.6)%	4.7%	11.0%	3.4%
Annual average unemployment rate	4.1%	3.8%	3.9%	4.3%	4.5%
Non-farm Jobs	1.3%	1.0%	0.2%	0.2%	0.8%
New mortgages	3.2%	1.3%	(7.2)%	7.3%	5.8%
Mortgage refinances	(8.9)%	(9.2)%	5.6%	4.5%	(0.9)%
Retail sales	6.3%	4.1%	1.2%	3.5%	3.8%
Median home sale price	4.3%	3.3%	3.6%	5.5%	5.2%
Regional CPI	2.3%	3.2%	2.9%	3.0%	3.0%

Source: Moody's Economy.com

Moody's Analytics current forecast shows a continuation of the present trends from 2018 to 2022. The rates of growth of the GCP, total personal income, number of persons employed are positive and inter alia their annual changes reflect the impact of expected rise in regional CPI and interest rates.

Wages and Salaries in Nassau County

According to the US Bureau of Labor Statistics, in the first quarter of 2018, the average number of persons employed in Nassau County was 624,578. The average number of employed persons had increase by 8,362 (1.4%) from the first quarter of 2017. In the first quarter of 2018, Nassau County had average quarterly wages of \$15,529 which showed an increase of \$199 (1.3%), from the first quarter of 2017. The preliminary estimates of Nassau County annual average employment and wages , for 2017, are shown in the following table:

TABLE 2
Nassau County
Annual Reporting Units, Average Employment, Total Wages and Average Wages
By Industry Sectors
2017

Industry	Reporting Units	Average Employment	Total Wages	Average Wages
Total, all industries	53,555	628,993	\$38,295,508,441	\$60,884
Total, all private	52,823	551,469	32,244,416,496	58,470
Agriculture, forestry, fishing & hunting	37	194	7,681,970	39,598
Mining	5	11	692,155	62,923
Utilities	39	4,041	484,300,160	119,847
Construction	4,523	31,872	2,392,223,230	75,057
Manufacturing	1,099	17,591	1,196,994,682	68,046
Wholesale trade	3,305	25,709	2,225,424,640	86,562
Retail trade	6,103	81,619	2,825,301,788	34,616
Transportation and warehousing	1,178	15,764	861,627,913	54,658
Information	558	10,232	966,122,840	94,422
Finance and insurance	2,732	29,857	2,957,054,889	99,041
Real estate and rental and leasing	2,645	10,890	748,696,661	68,751
Professional and technical services	7,212	39,540	3,211,976,397	81,234
Management of companies & enterprises	242	7,461	904,835,075	121,275
Administrative and waste services	3,533	31,943	1,498,757,051	46,920
Educational services	737	20,762	942,935,666	45,416
Health care and social assistance	6,043	128,661	8,186,177,487	63,626
Arts, entertainment, and recreation	860	12,508	506,132,795	40,465
Accommodation and food services	3,705	50,907	1,226,203,046	24,087
Other services, ex. public administration	6,059	30,292	1,025,753,928	33,862
Total, all government	732	77,524	6,051,091,945	78,054
Unclassified	2,208	1,615	75,524,123	46,793

Source, New York State, Department of Labor, Quarterly Census of Employment and Wages

In 2017, the average annual employment for all industries was 628,993, as compared to 621,953, in 2016. In 2017, 551,469 (87.7%) of employees worked in private sector and 77,524 (12.3%) in government. The private sector accounted for \$32,244 million (84.2%) and government for \$6,051 million (15.8%) of the \$38,296 million total wages paid. The average salary for the private sector employees was \$58,470 as compared to \$78,054 for governmental workers. The healthcare, total all government, professional and

technical services and finance and insurance were the largest sectors with 21.4%, 15.8%, 8.4% and 7.7% of wages and 20.5%, 12.3%, 6.3% and 4.3% of employment, respectively.

From 2016 to 2017, the changes in average annual employment and wages for various industries are presented in the following Table:

TABLE 3
Nassau County
Change in Average Employment and Wages
By Industry Sectors
2016 To 2017

Industry	2016 to 2017 Change in			
	Average Employment		Average Wages	
	Number	Percent	Amount	Percent
Total, all industries	7,040	1.1%	942	1.6%
Total, all private	7,489	1.4%	787	1.4%
Agriculture, forestry, fishing and hunting	3	1.6%	441	1.1%
Mining	(1)	(8.3)%	(10,746)	(14.6)%
Utilities	158	4.1%	3,298	2.8%
Construction	1,714	5.7%	(99)	(0.1)%
Manufacturing	226	1.3%	700	1.0%
Wholesale trade	(1,125)	(4.2)%	1,251	1.5%
Retail trade	1,348	1.7%	689	2.0%
Transportation and warehousing	201	1.3%	1,613	3.0%
Information	(145)	(1.4)%	(62,372)	(39.8)%
Finance and insurance	(80)	(0.3)%	12,510	14.5%
Real estate and rental and leasing	214	2.0%	2,880	4.4%
Professional and technical services	881	2.3%	1,598	2.0%
Management of companies and enterprises	116	1.6%	14,131	13.2%
Administrative and waste services	(391)	(1.2)%	1,022	2.2%
Educational services	(51)	(0.2)%	951	2.1%
Health care and social assistance	3,282	2.6%	2,402	3.9%
Arts, entertainment, and recreation	801	6.8%	(206)	(0.5)%
Accommodation and food services	2,000	4.1%	949	4.1%
Other services including public administration	309	1.0%	769	2.3%
Government	(449)	(0.6)%	2,351	3.1%
Unclassified	(1,972)	(55.0)%	(941)	(2.0)%

Source, New York State, Department of Labor, Quarterly Census of Employment and Wages

In 2017, the net increase in average employment in all industries was 7,040 (1.1%) and the average rise in annual wages was \$942 (1.6%). The increased employment in private sector was 7,489 (1.4%) with largest rises in healthcare and social assistance of 3,282 (2.6%) and in accommodations and food services of 2000 (4.1%). Wholesale trade and administrative services experienced largest decrease in employment of 1,125 (4.2%) and 391 (1.2%), respectively. Also, the governmental sector employment decreased by 449 (0.6%).

Household, Per Capita and Personal Incomes

Income of Households -includes the income of the householder and all other persons 15 years old and over in the household, whether related to the householder or not. Because many households consist of only one person, average household income is usually less than average family income. According to the 2012-2016 survey of the US Census Bureau, Nassau County median household income was \$102,044 as compared to the State of New York median income of \$60,741 and national median income of \$55,322.

Per capita income- is the mean income computed for every man, woman, and child in Nassau County. It is derived by dividing the aggregate income of the County by the total population. This measure is rounded to the nearest whole dollar.

This per capita income is based on data collected in the American Community Survey (ACS) conducted annually by the U.S. Census Bureau. A sample of over 3.5 million housing unit addresses is interviewed each year over a 12 month period, in the United States. This estimate is based on five years of ACS sample data and describes the average value of person, household and housing unit characteristics over this period of collection.

According to the 2012-2016 survey, the annual per capita income in the Nassau County was \$44,548 as compared to the New York State amount of \$34,212 and the national average of \$29,829.

Personal income - is the sum of wages and salaries, supplements to wages and salaries, proprietors' income, personal interest income, and personal current transfer receipts, less contributions for government social insurance, plus the adjustment for residence. Personal income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars.

Personal income statistics provide a framework for analyzing current economic conditions. They are used in estimating the demand for the Water Authority services and to determine whether the service area has sufficient income to enable the Water Authority to undertake and support major capital improvement projects.

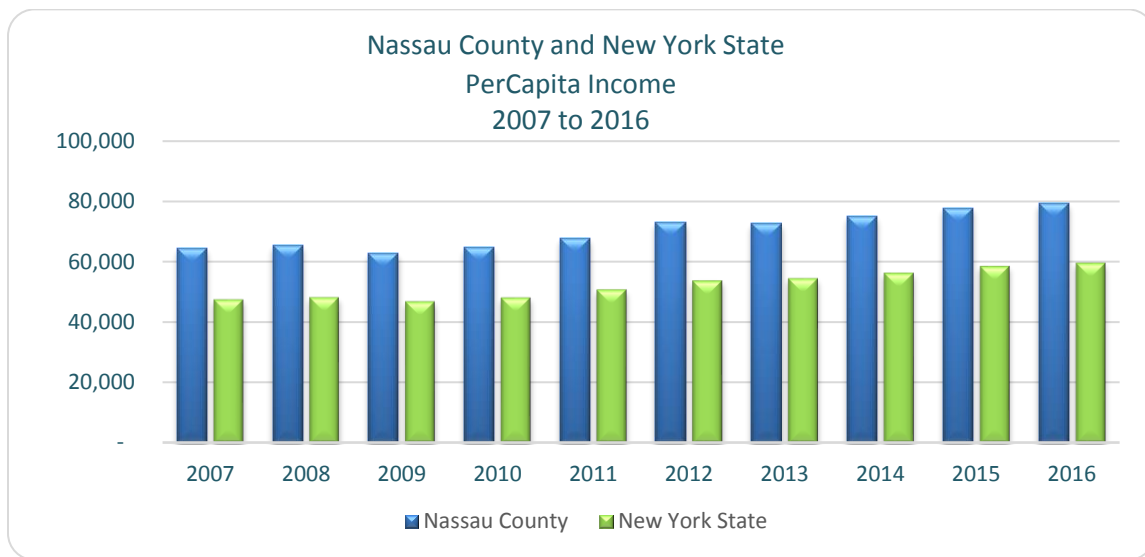
Per capita personal income is calculated as the total personal income of the residents of Nassau County divided by the resident population of the County. The Nassau County 2016 PCPI reflected an increase of \$1,460 (1.9%) from 2015 as compared to \$1,026 (1.8%) increase in New York State PCPI, over the same period.

For the period 2007 to 2016, the Nassau County population, total and per capita personal income and comparative per capita income for New York State are shown in the following table:

TABLE 4
Nassau County Total Population, Total and Per Capita Personal Income
And New York State Per Capita Personal Income
2007 to 2016

Year	Nassau County Total		Per Capita Personal Income	
	Population	Personal Income (In millions)	Nassau County	New York State
2016	1,361,500	\$107,986	\$79,314	\$59,563
2015	1,359,702	105,858	77,854	58,537
2014	1,357,799	101,767	74,950	56,268
2013	1,354,258	98,275	72,567	54,496
2012	1,350,748	98,755	73,111	53,751
2011	1,346,815	91,050	67,604	50,788
2010	1,341,879	86,937	64,788	48,152
2009	1,332,088	83,402	62,610	46,916
2008	1,325,129	86,710	65,435	48,296
2007	1,322,048	85,316	64,533	47,467

Source: US Department of Commerce, Bureau of Economic Analysis



Employment Conditions in Nassau County

Although, the size of Nassau labor force decreased by 2,300 (0.3%) and the number of employed increased by 2,500 (0.4%), from July 2017 to July 2018. Although, all Nassau County's Villages and Towns experienced increases in employment, the largest increases were in the Towns of Hempstead and Oyster Bay for July 2018 and 2017, the levels of labor force and employment and the unemployment rate for Nassau, Suffolk, New York City and New York State are presented in the following table:

TABLE 5
Nassau County, Suffolk County, New York City and New York State
Labor Force, Employment and Unemployment Rate
July 2018 and July 2017

	July 2018			July 2017		
	Labor Force	Employed	Unemployment Rate (%)	Labor Force	Employed	Unemployment Rate (%)
Nassau-Suffolk	1,528,000	1,468,700	3.9	1,533,300	1,463,400	4.6
Nassau County	725,900	699,000	3.7	728,200	696,500	4.4
Freeport Village	23,400	22,400	4.3	23,600	22,300	5.3
Glen Cove City	14,500	14,000	3.6	14,500	14,000	4.0
Hempstead Town	413,500	397,300	3.9	415,000	395,900	4.6
Hempstead Village	28,400	27,100	4.6	28,600	27,000	5.5
Long Beach City	20,400	19,700	3.2	20,400	19,600	3.7
North Hempstead Town	117,200	113,200	3.4	117,500	112,800	4.0
Oyster Bay Town	160,300	154,700	3.5	160,800	154,200	4.1
Rockville Centre Village	12,700	12,300	3.5	12,800	12,200	4.1
Valley Stream Village	20,300	19,400	4.1	20,400	19,400	5.0
Suffolk County	802,000	769,700	4.0	805,000	766,900	4.7
New York City	4,257,500	4,070,100	4.4	4,263,600	4,049,000	5.0
New York State	9,834,700	9,416,900	4.2	9,858,500	9,372,700	4.9

Source, New York State, Department of Labor, Quarterly Census of Employment and Wages

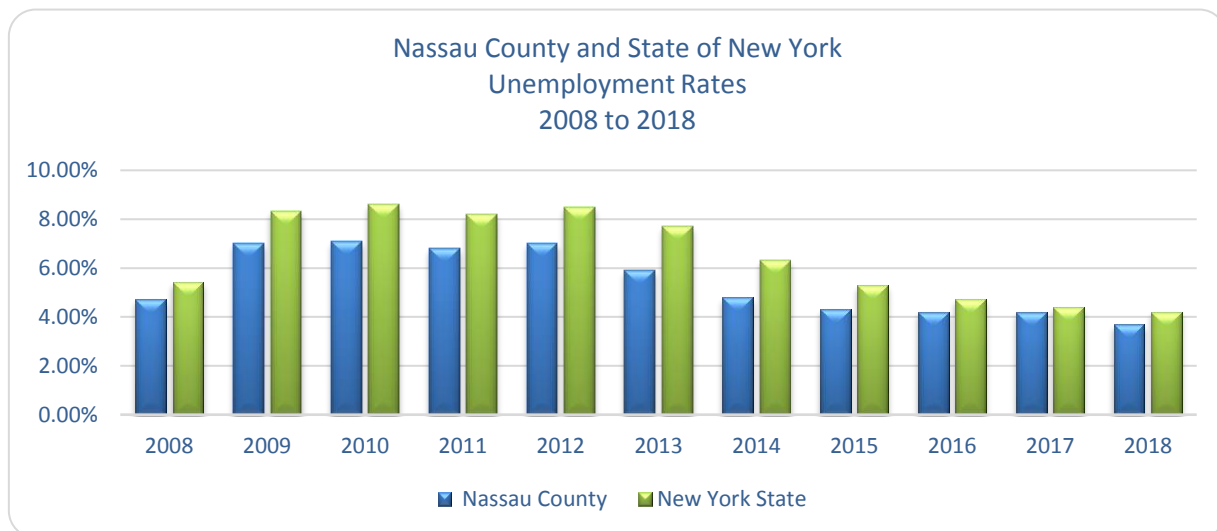
The unemployment rates in Nassau County compared favorably with Suffolk County, New York City and State of New York. For the period December 2008 to 2018, the unemployment rates for Nassau County and the State of New York were as follows:

TABLE 6
Nassau County
Annual Average Unemployment Rates
2008 to 2018

Year	Nassau County	New York State
2018*	3.70%	4.20%
2017	4.20%	4.40%
2016	4.20%	4.70%
2015	4.30%	5.30%
2014	4.80%	6.30%
2013	5.90%	7.70%
2012	7.00%	8.50%
2011	6.80%	8.20%
2010	7.10%	8.60%
2009	7.00%	8.30%
2008	4.70%	5.40%

* 2018 rates are for twelve months ended July 2018.

Source: The United States Department of Labor, Bureau of Labor Statistic



Source: The United States Department of Labor, Bureau of Labor Statistic

The impact of 2008-2009 recessions on increased unemployment in the State of New York and Nassau County continued until 2012, at which time the unemployment rate was at 8.5 and 7.0%, respectively. Since then, the rate of unemployment has substantially decreased to 4.2% in 2017. In July, Nassau County, N.Y., had the lowest unemployment rate in the New York-Newark-Jersey City, N.Y.-N.J.-Pa. Metropolitan Statistical Area at 3.7 percent

Consumer Prices in the New York Region

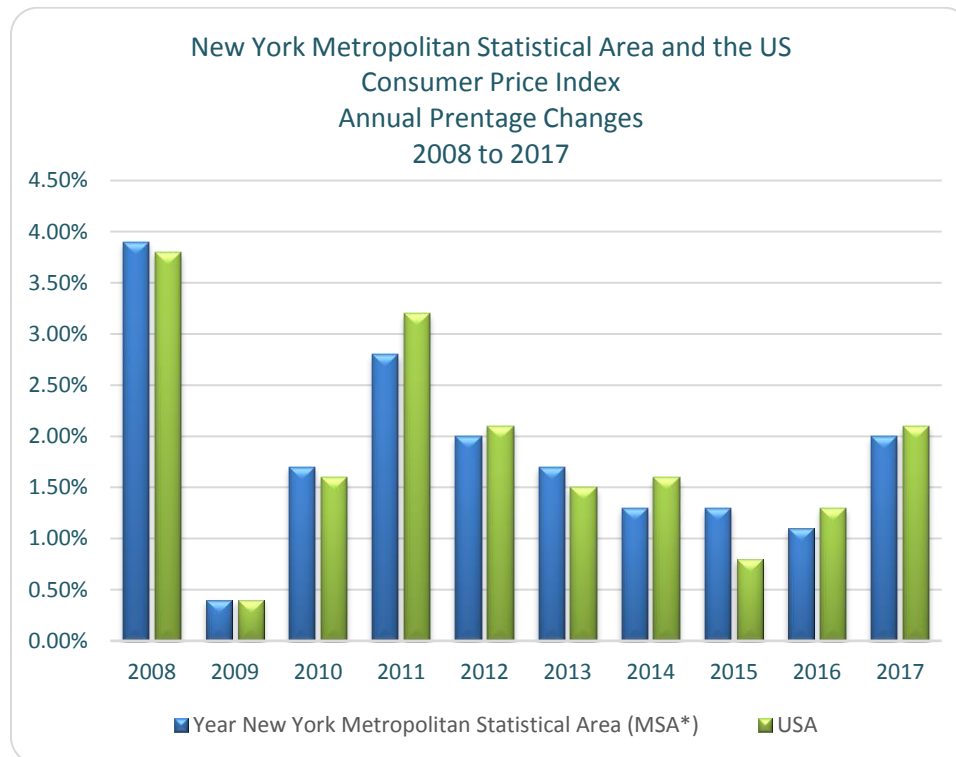
Consumer price rises in the New York Region have historically been somewhat different from the national inflation rates, principally because of the region's disproportionate dependence on imported oil. The rates of increase in average Annual All Urban Consumer Price Index (CPI-U), in New York-Northern New Jersey-Long Island Area, for the period 2008 to 2017 are presented in the following table:

TABLE 7
CPI-All Urban Consumers- Annual Percentage Change
(1982 to 1984 =1100)

Year	New York Metropolitan Statistical Area (MSA*)	USA
2017	2.0%	2.1%
2016	1.1%	1.3%
2015	1.3%	0.8%
2014	1.3%	1.6%
2013	1.7%	1.5%
2012	2.0%	2.1%
2011	2.8%	3.2%
2010	1.7%	1.6%
2009	0.4%	0.4%
2008	3.9%	3.8%

*MSA Includes: New York-Northern NJ-Long Island, NY-NJ-CT-PA. This region includes 11 counties in New York, 13 counties in New Jersey, Fairfield and parts of Litchfield, Middlesex and New Haven counties in Connecticut and Pike County in Pennsylvania.

Source: The United States Department of Labor, Bureau of Labor statistics



For the year ended in July 2018, prices in the New York-Newark-Jersey City area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), increased 2.2%. The index for all items less food and energy rose by 1.4 percent. The food index rose 2.4%, with prices 3.4% higher for food away from home and 1.6% higher for food at home. The energy index rose 13.6%. Gasoline price climbed 23.3%. Prices for household energy rose 7.5%, with higher prices recorded for natural gas (10.8%) and for electricity (1.6%).

Over the year ended July 2018, the index for all items less food and energy rose 1.4%. Shelter prices increased 2.1%, including a 2.6% rise in owners' equivalent rent and a 1.9% increase in residential rent. Other goods and services rose 2.0% and medical care, 1.7% percent. In contrast, there were decreases in prices of apparel by 2.9%, household furnishings and operations by 0.8%, education and communication 0.4% and recreation 0.3%.

Real Estate and Housing in Nassau County

According to the US Census Bureau, the number of housing units in Nassau County slightly increased from 468,346 units, on April 1, 2010, to 472,291 units, on July 1, 2017. Over the period 2012-2016, 80.30% of the Nassau County housing units were owner-occupied and the median value of their homes was \$451,700. The median selected monthly costs of the home owners, including mortgage, was \$3,077 and without a mortgage was \$1,296. The median gross monthly rent for 2012-2016 was \$1,603.

The number of sales and median sales prices of houses in Nassau County are presented in the following Table:

TABLE 8
Nassau County
The Number of Sales and Median Sales Prices

<u>Years</u>	<u>Sales</u>	<u>Median Price</u>
2017	3,609	\$500,000
2016	2,237	477,500
2015	4,509	445,000
2014	10,876	435,000
2013	11,196	422,500
2012	8,905	415,000
2011	7,597	430,000
2010	7,626	445,000
2009	7,472	435,000
2008	7,410	455,000

Source: State of New York Office of Real Property Tax Services

The median sale price of homes in Nassau County increased by \$22,500 (4.7%) in 2017 as compared to \$32,500 (7.3%) increase in 2016. The number of sales increased by 1,372 (61.3%), in 2017, as compared to the previous year decline of 2,272 (50.4%).

Annually, the Fair Market Monthly Rentals (FMR) in Long Island are estimated by the U.S. Department of Housing and Urban Development ("HUD"). The FMRs set limits on the subsidy provided to the households and is the 40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in Nassau County housing market. The 40th percentile is that point in a distribution of rentals at which 40 percent of the rentals are less than or equal to it and 60 percent of the rentals are greater than or equal to it. Gross rent is the sum of the rent paid to the owner plus any utility costs incurred by the tenant.

The 2018 FMRs were \$1,221 for a studio apartment, \$1,527 for one bedroom, \$1,878 for two-bedrooms, \$2,428 for three-bedrooms and \$2,726 for a four-bedroom apartment. For 2019, the FMRs for various size apartments were estimated to increase from 1.1% to 1.6%, with larger rental increases for smaller apartments. In 2018, the FMRs for various size apartments had essentially remained the same as the previous year.

The housing permits issued in the Nassau County, over the last ten calendar years are presented in the following table:

TABLE 9
Nassau County
Number of Housing Units Authorized by Building Permit
by Size Category

Years	Single Family	Two Family	Three and Four Family	Five or More Family	Total
2017	943	8	8	528	1,487
2016	609	6	8	118	741
2015	608	4	-	474	1,086
2014	640	4	4	257	905
2013	630	10	-	154	794
2012	343	-	-	274	619
2011	311	2	-	540	853
2010	400	28	63	32	523
2009	367	8	-	5	380
2008	815	8	-	992	1,815
2007	734	18	4	68	824

(a) Estimates with Imputation - includes reported data for monthly and annual respondents and imputed data for monthly and annual nonrespondents.

Source: U.S. Census Bureau (<https://socds.huduser.gov/permits/>)

The preceding table provides building permit statistics on new privately-owned residential construction.

According to the available data from the US Census Bureau, the value of the new construction, related to the permits, was \$321,252 million in 2016 as compared to \$393,115, in 2015, showing a decrease of \$71,863 million. The construction expenditures in Nassau County has been mostly for the single-family homes. The estimated construction expenditures for the single family houses was \$292,908 million (91.2% of total), in 2016.

SYSTEM FACILITIES AND WATER SUPPLY

The Water Authority operations are conducted from its headquarters building at 1580 Union Turnpike, New Hyde Park. Operations staff maintains 24-hour coverage of the Water System facilities through a Supervisory Control and Data Acquisition (SCADA) system that is connected to all of the Water Authority's year-round well stations and other facilities. The SCADA system monitors system pressures, well flow rates, storage tank levels and plant alarms, and controls well and booster pumps and motor operated valves. The ability to monitor and automatically control well and booster pumps throughout the distribution system allows for greater operational flexibility.

Description of Existing Facilities

The Water System is comprised of the following existing types of facilities: supply, storage, treatment, pumping, transmission and distribution, and interconnection. Each System element has been designed and equipped for redundancy to assure reliable operations under a wide variety of contingency events.

Water Supply. The Water Authority draws groundwater for treatment and distribution from the Lloyd, Magothy and Upper Glacial aquifers. Access to multiple aquifers allows the Authority to modify its water sources.

The Authority operates 15 well stations, with 24 individual wells (seven of which are currently out of service), located throughout the Service Area. Nine of the stations are automated and can be monitored and controlled through the SCADA system located at the Authority's offices in New Hyde Park, New York. Five of the well stations have strategically placed emergency power supplies.

Treatment Facilities. The Water Authority treats water at well stations to comply with applicable drinking water standards prior to distribution. Chlorination and pH adjustment are provided at all wells. Zinc metaphosphate is added for iron removal at two wells and zinc orthophosphate is added to the remaining wells to control corrosion. Air stripping towers and a Granular Activated Carbon ("GAC") unit are used to remove volatile organic compounds ("VOCs") from some wells. Iron treatment facilities are in service at two stations to remove high levels of iron and manganese. Wells are tested daily for chlorine residual, pH, and orthophosphate. Biweekly testing is taken for lead and copper water quality parameters. Monthly testing is done for VOCs and bacteria at locations with VOC facilities. Quarterly testing is performed for principal organic compounds and bacteria at stations without VOC facilities. All wells are tested annually for nitrates, perchlorate and inorganic compounds. Quarterly testing is performed for the disinfection by-products rule. Every eighteen months, tests are taken for synthetic organic compounds and pesticides.

A number of Water Authority wells experience low levels of VOCs, including industrial solvents trichloroethene ("TCE") and tetrachloroethene ("PCE"). Levels remain below minimum contaminant levels established by the New York State Department of Health. Where these compounds have been detected, the Authority analyzes samples on a monthly basis. Eleven of the Authority's wells located at five various stations are equipped with air stripping towers to remove VOCs. One well is currently being equipped with a GAC unit to remove VOCs. The Authority continues to monitor and evaluate the feasibility of VOC treatment at other well stations.

All of the Water Authority's wells currently comply with all applicable drinking water standards.

Storage Facilities. Storage tanks help satisfy peak demands beyond pump capacity and to assure an adequate supply of water during emergencies. At seven well stations, the Authority maintains steel or concrete water storage tanks of varying capacities. The tanks are located in both high and low-pressure zones for system redundancy. Total storage capacity is 11.9 million gallons.

Transmission and Distribution Facilities. The existing water distribution system is comprised of approximately 1,238,000 linear feet of 2 to 16-inch diameter water mains and piping, valves and appurtenances. The majority (90%) of the water mains are of unlined cast iron, with the remainder being mostly cement lined ductile iron pipe. The mains are located below public streets or under private property pursuant to easements.

Portions of the original distribution system are unlined cast iron pipe over 90 years old. In addition, approximately 800 linear feet is comprised of 4-inch or smaller diameter cast and wrought iron pipe. The Authority's practice is to remove and replace, when identified, those mains that do not comply with current best practices, including unlined cast iron pipe and 4-inch or smaller diameter pipe.

There are 2,433 fire hydrants in the Authority's service area.

Interconnection Facilities. The Water System is connected to adjacent public water supplies at eleven Nassau County locations. The Water System interconnects with the Garden City Park Water District at two metered locations, one of which permits two-way flow and one which flows only to the Garden City Park system. There are four metered, two-way flow interconnections with the Franklin Square Water District, two metered two-way flow interconnections with the New York American Water Company, one unmetered two-way flow interconnection with the Manhasset/Lakeville Water District and two metered two-way flow interconnections with the Village of Garden City. There are also 6 interconnections between the Water System and the NYC Department of Environmental Protection system.

The Water System operates independently of adjacent systems. The Authority strives to provide a high level of service to its customers and to fully maintain Water System assets. Authority programs include a flushing program performed twice annually to clear sediment from older, undersized distribution mains; valve, hydrant and interconnection maintenance; a water conservation program; equipment preventive maintenance schedules; summer time grounds keeping and maintenance programs; cross training among Authority staff to improve emergency response; and hydrant painting. The Authority routinely evaluates the cost-effective use of outside service contractors for certain of these programs.

FINANCIAL INFORMATION

Internal Control Environment

Management of the Water Authority is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the water utility are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the accurate presentation of financial statements in conformity with generally accepted accounting principles ("GAAP"). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not outweigh their benefit.

Budget Formulation and Control

The Water Authority considers budget preparation and implementation as an important tool in planning operations and maintaining its fiscal responsibility and accountability. Annual operating and capital budgets are prepared by management and approved by the Board of Directors. The purpose of the budget process is to authorize and control expenditures, evaluate projected revenue to determine the Water Authority's ability to meet its obligations under various bond covenants and to provide analysis for planning purposes.

Financial Reporting

Financial statements, consisting of a statement of net position, a statement of revenues and expenses and changes in net position and a report of cash balances and investments are prepared monthly, usually within two weeks of the last day of the month. A monthly presentation is made to the Board of Directors, comparing actual results of operations with the approved budget as well as prior year results. If unforeseen circumstances arise which alter the projections used in the budget process, a revision may be prepared by the Director of Finance, Accounting and Customer Service at the request of the Water Authority Superintendent for consideration and approval by the Board of Directors.

The New York State Public Authorities Accountability Act (PAAA) of 2005 imposed increased reporting and auditing requirements on public authorities, called for board member training and the disclosure of executive compensation rates, required each public authority to adopt a code of ethics, directed them to make their annual reports and required documentation available online, and restricted their power to dispose of real property for less than fair market value or without public bidding. The PAAA was followed in 2009 by enactment of the Public Authorities Reform Act, which gave the Authorities Budget Office the power to promulgate regulations, to initiate formal investigations, and to publicly warn and censure noncompliant authorities. Significantly, the act also clarified that board members operate as fiduciaries and are responsible for carrying out their duties with a reasonable degree of diligence, care, skill, and independence. The Water Authority has implemented the necessary changes to meet its obligations in a timely manner.

The Water Authority's procurement policy , disposition of property Policy and the code of ethics, adopted by the Board of Directors, are presented in its website.

MAJOR ACCOMPLISHMENTS

Operational Efficiencies

The Water Authority completed its twenty-second full year of operation on May 31, 2018. During this year, the Water Authority has continued its practice of searching for operational efficiencies to control operation and maintenance expenses, supplying clean and reliable water and providing excellent service to its customers.

The Water Authority has instituted an aggressive program to encourage customers' payments for past due accounts by placing a direct phone call to the customer with the delinquency just prior to sending crews out to shut off the service due to non payment. This policy helps the Water Authority avoid having to incur the cost of sending a crew out to shut off service and then upon remittance of the receivable to turn the service back on. Due to the efficiency of the collection department, accounts receivable write-offs for the Water Authority have been as follows:

TABLE 10
Accounts Receivable Write-Offs
Fiscal Years Ended May 31, 2008 To 2017

Fiscal Year	Amount
2018	\$ 38,909
2017	26,243
2016	25,188
2015	18,707
2014	18,086
2013	11,260
2012	15,508
2011	15,342
2010	18,763
2009	17,553
2008	17,595

Sources: Accounting Department

The Water Authority has made available new methods of paying water bills, including recurring automatic payment via customer checking accounts and online via credit card or check.

Water Conservation

The Water Authority has submitted a water conservation program to New York State Department of Environmental Conservation (“the DEC”) in accordance with the regulations of the DEC. This program includes universal metering, public education, outdoor water use restrictions, water conservation kits, residential and commercial water use audits, proactive bill audits and customer service line replacements. A program was established using seasonal employees who patrol the service territory during peak demand periods to assure water usage regulation compliance. According to the Board adopted terms, the first recorded violation is assigned a written warning; the second, third, fourth and fifth and any further violation is assessed a \$50, \$75, \$150 and \$300 service charge, respectively. This program has proven to be effective in raising the awareness of customers to the water usage restrictions at a low operating cost to the Water Authority

Water Quality Report

In accordance with New York State Public Health Law and Federal regulations, the Water Authority issued its 2017 Annual Water Quality Report. This report provides information about the quality of the drinking water, including a summary of the laboratory results for all testing performed by an independent laboratory, during 2017. The report informs that the Water Authority was in compliance with applicable State requirements regarding drinking water quality and operating, reporting and notification procedures. During the 2017 calendar year, the Water Authority conducted more than 30,800 tests for over 150 drinking water contaminants. In 2017, as in years past, the tap water met all United States Environmental Protection Agency (“EPA”) and State of New York drinking water health standards.

MAJOR INITIATIVES

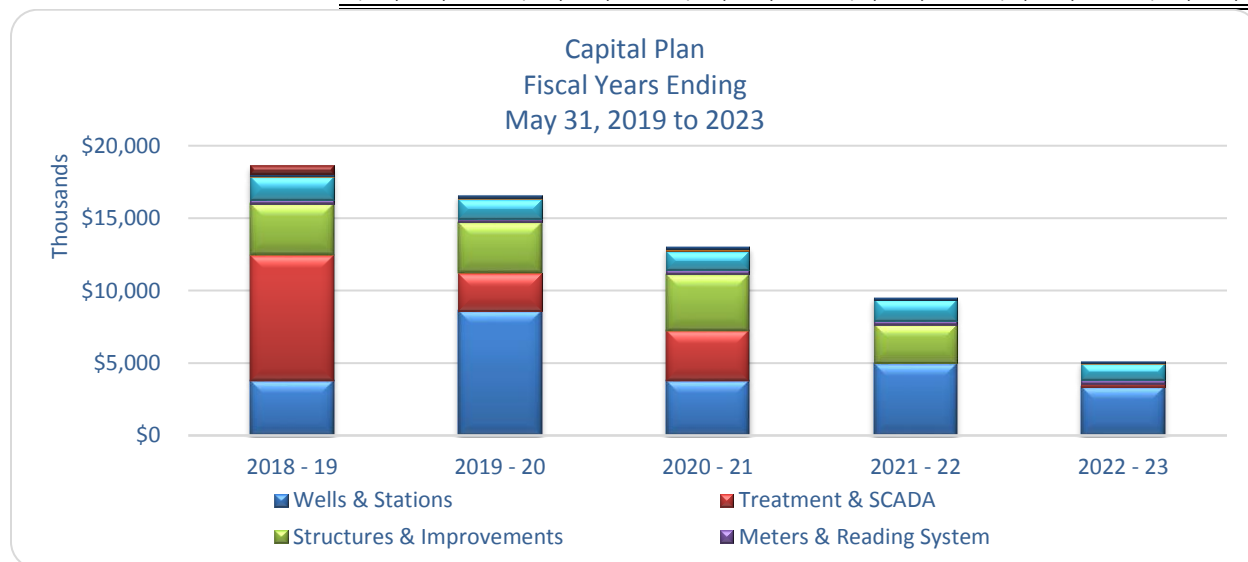
Capital Program

Capital projects have continued to require a large share of the Water Authority's budget, staff time and focus. The Water Authority has implemented a comprehensive capital improvement program with the goal of improving the water system's aging infrastructure through increased system capacity and dependability. Specifically, target areas include upgrading storage and delivery, enhancing water quality, identifying and complying with pending regulatory requirements, protecting the water source and its watershed, and reducing unaccounted-for water. Security improvements to protect its assets base are underway and will continue through subsequent years.

The Water Authority prepares and updates annually its Capital Improvement Plan ("CIP"), which establishes programmatic goals for the Water System and reviews the present condition and forecasted needs of the Water System facilities over the next five fiscal years. Individual projects are researched and prioritized. The updated CIP with detailed assumptions and considerations is submitted to the Board of Directors for approval. For the fiscal years ending May 31, 2018 to 2022, the Capital Improvement Plan is summarized in the following table:

TABLE 11
Water Authority Western Nassau County
Capital Plan
2018-2023

Construction	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	TOTAL
Wells & Stations	\$3,777,750	\$8,634,460	\$3,806,370	\$4,998,080	\$3,381,130	\$24,597,790
Treatment & SCADA	8,660,060	2,574,570	3,430,870	-	194,790	14,860,290
Structures & Improvements	3,557,500	3,531,650	3,909,770	2,685,110	-	13,684,030
Meters & Reading System	262,900	200,950	273,640	238,880	246,580	1,222,950
Transmission & Distribution	1,605,450	1,390,310	1,319,690	1,468,420	1,137,070	6,920,940
Computer Equipment	42,950	43,510	138,240	8,180	35,640	268,520
Vehicles & Tools	117,900	223,700	170,950	158,000	135,000	805,550
Structures & Land	605,910	-	-	-	-	605,910
Subtotal Construction	\$18,630,420	\$16,599,150	\$13,049,530	\$9,556,670	\$5,130,210	\$62,965,980



The planned projects to be addressed over the ensuing four year period include water storage tank improvements, well pump screen and pump bowl replacements, booster pumps, motor control center replacements, water treatment equipment upgrades, telemetry upgrades, generator backup capacity, structures and improvements at various stations, radio read meter installations, distribution mains, services and hydrant replacements, upgrades in office technology, site security equipment, vehicle replacement and purchases of tools and work equipment.

System Improvements

The Water Authority expended \$35,376,590 on capital projects over the most recent five-year period. Included in those expenditures were a Headquarters Project, three iron removal facilities, construction of new VOC removal facilities, installation of approximately 2,600 feet of a new 12-inch transmission water main, radio read and meter replacement program, compliance with New York State Department of Health regulations, increased level of capital main, service and hydrant replacement programs, other projects for well screen replacements, station repair, technology improvements, security system at all sites, vehicle, tools and work equipment replacements, meter and booster upgrades. The major capital replacement program expenditures were funded from the Series 2010 A, Series 2010 B and Series 2015 bond proceeds.

The Water Authority completed the construction of its new headquarters located at 1580 Union Turnpike, New Hyde Park, New York. This two-story facility was built on existing Water Authority owned property which also contains two active wells and a Volatile Organic Compound Treatment facility, as well as a separate garage and generator. The Water Authority saves approximately \$400,000 per year by eliminating the rental cost, property taxes and maintenance costs previously incurred at its prior headquarters in New Hyde Park.

Both Iron Removal Plant Projects were completed and put into operation. Annually, over 675 million gallons of water is treated and supplied to the customers in those distribution areas.

The Water Authority completed the rehabilitation of its elevated water storage Tank No. 19, located in New Hyde Park. The tank has a capacity of approximately 1,265,000 gallons of water and serves the Water Authority's customers in New Hyde Park, Bellerose and the northern portion of Floral Park. The project included physical changes necessary to comply with current Department of Health standards, repairs to the tank and power washing and sandblasting to remove dirt and old coatings. After the repairs and cleaning were completed, the interior and exterior surfaces of the tank were painted. The paint that was used is approved for use on water storage tanks by the New York State Department of Health.

Also, completed was a comprehensive water rate study conducted by D&B Engineers and Architects, P.C., the company retained by the Water Authority to perform the study. The broad objective of the study was to develop a rate structure based on meter size and usage to adequately fund all water operations, capital and debt service costs while promoting water conservation. The study also included a review of miscellaneous rate charges including such items as frozen meters, no-access fees, turn-on/off charges, etc. The Water Authority plans on holding an open public session prior to taking action on the rate study findings.

The Water Authority's other ongoing projects are:

- Construction of a new storage facility at Well Station No. 44 in Elmont;
- Construction of a pilot program for a new treatment facility at Station No. 57 in New Hyde Park for the removal of 1,4-Dioxane from the water and other modifications;
- Well pump bowl replacements;
- Service and hydrant replacements;
- Computer upgrades and replacements;
- Meter replacements;
- Vehicle and large equipment replacements.

Planned Improvements

The Water Authority's planned improvements include:

- Inspection, design and rehabilitation of Tank No. 10.
- Inspection, design and rehabilitation of Tank No. 20.
- Design and installation of iron removal treatment plant for Well No. 34.
- Rehabilitation of four wells located at Station 44 in Elmont
- Meter changes and acquisition of additional radio equipment.
- In house and contractual installation of mains, hydrants and services.
- Upgrading computerized information system hardware, network server and security.
- Completion of the construction of a pilot program for a new treatment facility at Station No. 57 in New Hyde Park.
- Acquisition of equipment and vehicles for transmission and distribution.
- Replace 500 water hydrants.
- Construct storage garage at station 44 in Elmont.

Financial Stability

Water Rates

The Water Authority has the sole authority to fix the water rates and collect charges that are necessary for the payment of its operating expenses and principal and interest on its bonds. No governmental board, agency, corporation, or officer of the State has jurisdiction or control over the water rates or charges. Section 1198-d (9) of the Act expressly declares that neither the New York State Public Service Commission nor any other control board or commission of like character has jurisdiction over the Water Authority in the management and control of its properties and operations or any power over rates fixed or charges collected by the Water Authority. The Act requires that the rates or charges to be changed only following a public hearing session.

All customers are subject to basic service charge of \$46.63, which represents the minimum charge billed whether or not the customer uses any water. The basic service charge entitles a customer to use up to 9,000 gallons each 90 day (100 gallons per day). This charge includes the cost of maintaining and reading meters, along with certain other costs of services provided by the Water Authority.

Both residential and commercial customers are billed quarterly for the preceding three-month period. All bills are due upon receipt and become delinquent if payment is not received within 30 days of the bill date indicated on the front of the bill. Customers are subject to an additional charge of 1% per month for any unpaid balance if payment is not received within 30 days of the bill date indicated on the front of the bill.

If the Water Authority fails to bill the customer for usage or service, it has six months from the time the error is discovered to issue a back bill. The back-billing period will be limited to a maximum of 24 months unless there is evidence that the customer caused or contributed to the error. If there is such evidence, the back-billing period will be limited to a maximum of six years.

The Water Authority's average annual bill charged to customers were as follows:

TABLE 12
Water Authority Western Nassau County
Average Annual Water Bill

Year Ended	Residential	Commercial	Minimum	Per Hydrant
5/31/2018	\$471	\$2,358	\$184	\$960
5/31/2017	459	1,850	180	936
5/31/2016	440	1,832	166	936
5/31/2015	402	1,638	155	936
5/31/2014	378	1,582	145	875
5/31/2013	357	1,576	137	825
5/31/2012	346	1,434	131	787
5/31/2011	331	1,352	123	751
5/31/2010	312	1,269	115	700
5/31/2009	290	1,182	107	645

Source: Accounting Department

The Water Authority has covenanted that it will not furnish any free service by the Water System to any person, firm or corporation, public or private. The Water Authority's rate schedules applicable to residential, commercial, industrial and certain public users are uniform for its service area.

In its May 21, 2018 public rate meeting, the Board of Directors of the Water Authority approved an overall 2.5% increase in water rates.

The Board of Directors and Water Authority staff completed its review of the comprehensive rate study conducted by D&B Engineers and Architects, P.C. (D&B). D&B was hired to independently assess and evaluate the Water Authority's existing water rate structure as distributed to its four customer classes while ensuring adequate funding of all water operations as well as all capital and debt service costs.

TABLE 13
Water Authority Western Nassau County
Quarterly Rate Schedule
June 1, 2018

Residential

Minimum charge up to 9,000 gallons	\$46.63
Block 1 charge (9,000 – 144,000 gallons)- per 1,000 gallons	\$4.266
Block 2 charge (greater than 144,000 gallons) - per 1,000 gallons	\$4.371

Public Fire Protection Service

Public fire hydrants - each hydrant	\$246.00
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Private Sprinkler-Fire Protection Service

1" Meter	\$20.07
1 ½ Meter	\$30.82
2" Meter	\$46.21
2 ½" Meter	\$54.08
3" Meter	\$80.24
4" Meter	\$145.08
6" Meter	\$296.42
8" Meter	\$592.71
10" Meter	\$814.30

Commercial

	Minimum Usage (Gallons)	Minimum Charge	Block 1 Usage Up to (Gallons)	Block 2 Usage Above (Gallons)
5/8" Meter	9,000	\$46.63	135,000	144,000
3/4" Meter	13,500	66.57	130,500	144,000
1" Meter	22,500	116.57	121,500	144,000
1.5" Meter	45,000	233.14	99,000	144,000
2" Meter	72,000	373.01	153,000	225,000
3" Meter	144,000	746.02	306,000	450,000
4" Meter	225,000	1,165.68	495,000	720,000
6" Meter	450,000	2,331.33	270,000	720,000
8" Meter	720,000	3,730.14	315,000	1,035,000

Source: Accounting Department

The quarterly bill for the minimum use customer increased from \$45.49 to \$46.63. Average annual residential charges (based on average usage of 104,600 gallons per year) increased from \$471 to \$481. The average annual commercial charges (based on average usage of 490,000 gallons per year) increased from \$2,358 to \$2,418.

The public water hydrant quarterly rate increased from \$240 to \$246.

Debt Management

At May 31, 2018 bonds totaling \$105.5 million were outstanding. The Bonds are limited obligations of the Water Authority and are not a debt of the State of New York or of Nassau County or of any municipality therein and none of the State of New York, Nassau County or any municipality therein is liable for the

bonds. The Water Authority has no taxing power. The Bonds are payable as to both interest and principal solely from the net revenues of the Water System.

Fitch Ratings assigned an 'AA-' and Moody's Rating an A1 rate to the Water Authority's \$54.2 million water system revenue bonds, Series 2015A and \$19.4 million water system revenue refunding bonds, Series 2015B, issued in fiscal year ended May 31, 2016. In addition, Fitch had affirmed the AA- rating: for \$64.5 million in outstanding water system Series 2010A and 2010B Bonds, in the year ended May 31, 2015. The rating outlook was determined as stable based on several factors including: satisfactory financial profile, affordable water rates, manageable capital program, ample treatment capacity and stable service area.

The Water Authority's projected amounts of total funds available for coverage, total debt service payments and debt service coverage ratios, for the five-year ending May 31, 2022, presented in the following table:

TABLE 14
Water Authority Western Nassau County
Projected Available Funds for Coverage, Debt Service Payments and Debt Service Coverage Ratio

	2019	2020	2021	2022	2023
Total available funds for coverage	9,639,550	10,292,800	10,288,900	10,290,600	10,291,300
Total debt service payments	7,336,900	7,352,000	7,349,200	7,350,400	7,350,900
Debt service coverage ratio	1.31	1.40	1.40	1.40	1.40

Are these numbers updated?

Source: Accounting Department

The projected debt coverage ratios are expected to increase and exceeds the 1.20 required under the bond covenants.

Under requirements stipulated in the bond resolutions, a trustee has been assigned to hold proceeds from the related bond issues. In addition, the trustee is required to hold funds deposited from time to time to pay registered owners (bondholders). The trustee is required to invest and reinvest funds as instructed by an authorized representative of the Water Authority.

Additional information on long-term debt is included in Management Discussion and Analysis, page 44 and note 5 to the financial statements, pages 74 to 78.

Cash Management

The New York State investment statutes govern the Water Authority's cash investment policies. The Water Authority is authorized to use demand deposits accounts, certificates of deposit, and the US Treasury Bills and Notes. The Water Authority investment policy is to match the maturity of the investment in the US Treasury obligations with its capital expenditure needs.

Under the Bond Covenants and policies of the Board, the Water Authority maintains Rate Stabilization and Bond reserve Funds to ensure the stability of revenues and debt service payments. At May 31, 2017, the balances of Rate Stabilization and Bond Reserve Funds were \$1.52 million and \$9.0 million, respectively.

Risk Management

The Water Authority maintains comprehensive liability and workers' compensation insurance in accordance with the levels required in our Bond Resolution. All insurance coverage is obtained through commercial insurance companies. In addition to its insurance coverage, the Water Authority is very proactive in safety training and follows all OSHA safety requirements to preserve a safe operating environment for its employees. The Water Authority has elected to self-insure itself for state unemployment insurance.

Independent Audit

The Water Authority is required to have an annual audit by independent auditors. Tabriztchi & Co., CPA, P.C., Certified Public Accountants, Astoria, New York has conducted an annual audit of the Water Authority's financial statements for the year ended May 31, 2018. The independent auditor's report relating to the audit of the Water Authority's general-purpose financial statements is included in Section B of this report, pages 29 to 31. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards is also included in section D, pages 137 and 138.

SEC REQUIREMENT

Securities and Exchange Commission (SEC) Rule 15c2-12 requires dealers, when underwriting certain types of municipal securities, to ensure that the governmental unit issuing the bonds enters into an agreement to provide certain important information to the Municipal Securities Rulemaking Board ("MSRB") about the securities on an ongoing basis. This information generally reflects the financial health or operating condition of the state or local government as it changes over time, or the occurrence of specific events that can have an impact on key features of the bonds.

The continuing disclosure agreements for new issues, normally require providing Annual Financial Information and the Event Information. Annual Financial Information comprises of operating data and the audited financial statements. The Event Information includes items such as: principal and interest payment delinquencies, non-payment related defaults, unscheduled draws on debt service reserves reflecting financial difficulties, adverse tax opinions or events affecting the tax-exempt status of the security, bond calls and tender offers, defeasances, rating changes and bankruptcy, insolvency or receivership.

The events, listed in the rule, should be disclosed in a timely manner, not more than 10 business days after the event. Certain information is being provided by the Water Authority in order that participating underwriters may comply with Rule 12c2-12 promulgated by the Securities and Exchange Commission. These disclosures made by the Water Authority can be found on the financial and statistical sections of this Comprehensive Annual Financial Report for the year ended May 31, 2017.

AWARD AND ACKNOWLEDGMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the Water Authority of Western Nassau County for its comprehensive annual financial report (CAFR) for the fiscal year ended May 31, 2017. This was the eight consecutive year that the Water Authority has received this prestigious award. In order to be awarded a Certificate of

Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the effort and dedication of the staff of the Accounting department of the Water Authority. I wish to thank all of the Water Authority Departments for their assistance in providing the data necessary to prepare this report. I would also like to express my appreciation to our independent auditors, Tabriztchi & Co., CPA, P.C. for their assistance and dedication in the preparation of this report.

Respectfully submitted,

Allan M. Kolakowski

Director of Finance, Accounting & Customer Service
New Hyde Park, New York



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Water Authority of Western
Nassau County, New York**

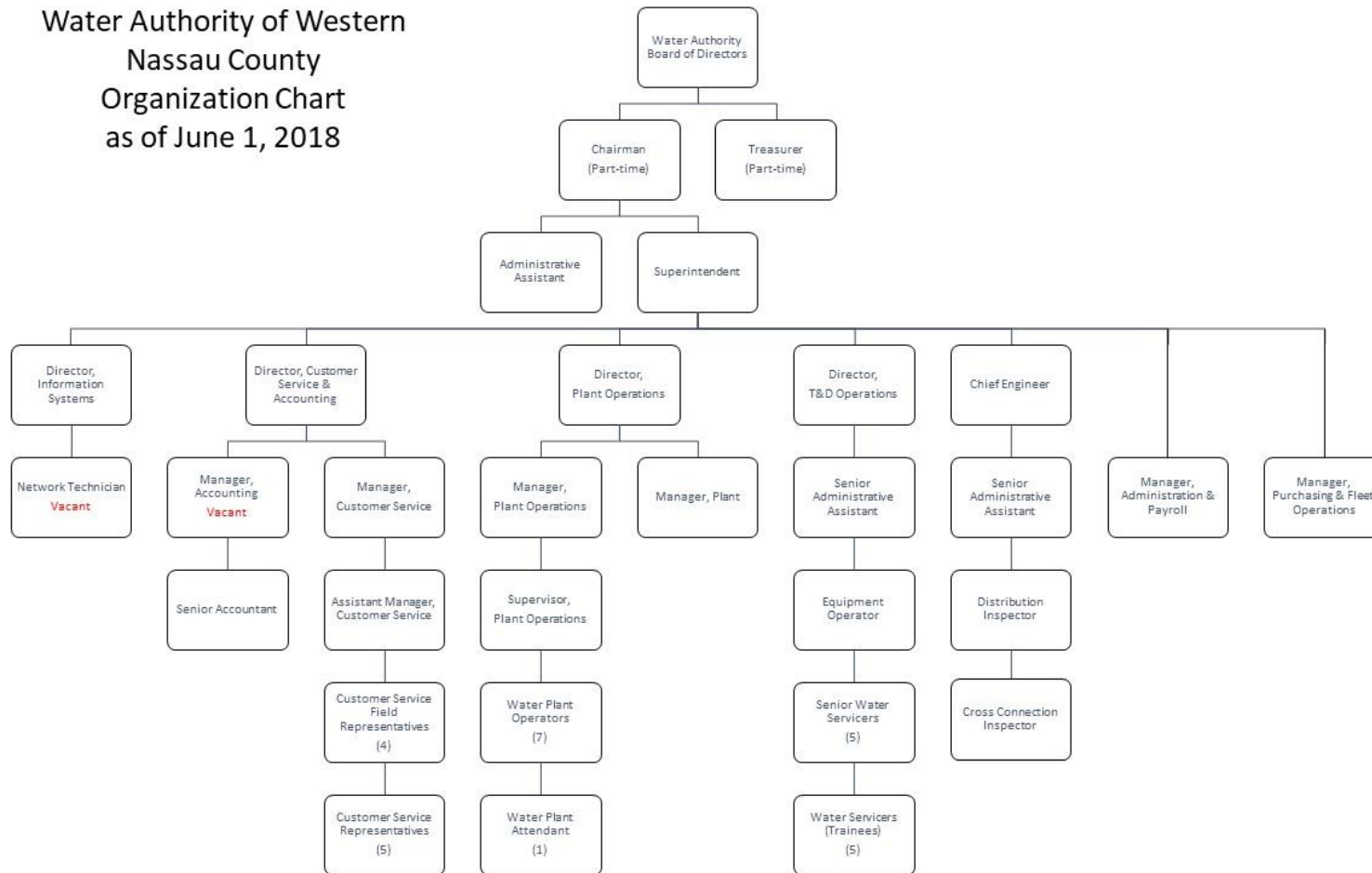
For its Comprehensive Annual Financial Report
for the Fiscal Year Ended

May 31, 2017

A handwritten signature in black ink, reading "Jeffrey R. Enser". The signature is fluid and cursive.

Executive Director/CEO

Water Authority of Western
Nassau County
Organization Chart
as of June 1, 2018



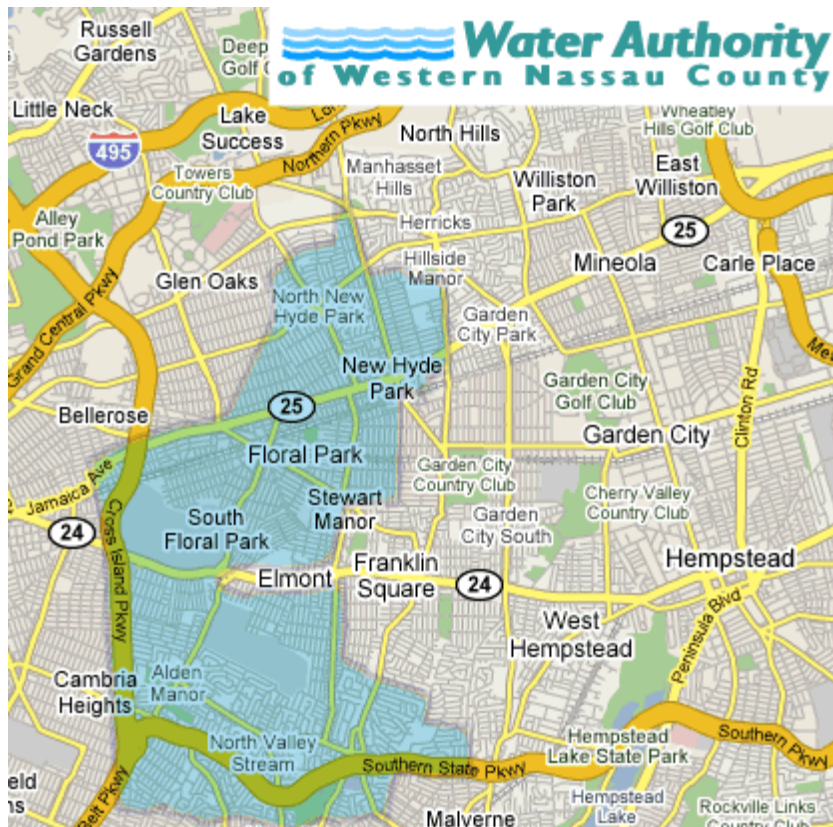
**COMPREHENSIVE ANNUAL REPORT
FISCAL YEAR ENDED MAY 31, 2017**

BOARD OF DIRECTORS/VOTES

John E. Ryan Chairman

		Voting Percentage
George Bakich	Town of Hempstead	26.2%
Cherie Zacker	Town of Hempstead	26.2%
Dominick Longobardi	Village of South Floral Park	17.7%
Marianna Wohlgemuth	Town of North Hempstead	12.3%
Rainer Burger	Village of New Hyde Park	11.1%
Chris Gorman	Village of Stewart Manor	2.3%
Susan Powderly	Village of Bellerose	1.5%
Greg Ifill	Village of South Floral Park	1.4%
David Osborn	Village of Garden City	1.3%
Total		<u>100.0%</u>

SECTION B: FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Water Authority of Western Nassau County
New Hyde Park, New York

We have audited the accompanying financial statements of the of the Water Authority of Western Nassau County, State of New York, as of and for the years ended May 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Water Authority of Western Nassau County'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 the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well 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 Water Authority of Western Nassau County, as of May 31, 2018 and 2017 and the respective changes in financial position and, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

EMPHASIS OF A MATTER

As discussed in Note 2 to the financial statements, in the year ended May 31, 2016, the Water Authority of Western Nassau County adopted Governmental Accounting Standards Board ("GASB") Statements No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement 27* and Statement 71, *pension Transition for Contributions made Subsequent to Measurement Date - an Amendment of GASB Statement No. 68*. As a result of adopting this standard, the Water Authority of Western Nassau County has elected to restate its May 31, 2015 financial statements to reflect the adoption of this standard. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 33 through 48, the Schedule of Funding Progress - Other Postemployment Benefit Plan on page 85, the schedule of the Water Authority of Western Nassau County's proportionate share of the net pension liability on page 86, and the schedule of the Water Authority of Western Nassau County's pension contributions on page 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combining financial statements, and other knowledge we obtained during our audit of the basic combining 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 Water Authority of Nassau County's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018, on our consideration of the Water Authority of Western Nassau County'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 Water Authority of Western Nassau County's internal control over financial reporting and compliance.

 FABRIZIO & Co., CPA, P.C.

Garden City, New York
August 30, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS



THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Water Authority of Western Nassau County (the "Water Authority") was established to provide potable water to portions of western Nassau County that encompass the Incorporated Villages of Bellerose, Floral Park, New Hyde Park, South Floral Park, Stewart Manor and portions of Garden City and Valley Stream. The service area also includes the unincorporated areas of Bellerose Terrace, Elmont, Floral Park, Floral Park Centre, New Hyde Park and portions of Franklin Square and North Valley Stream.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four sections: (1) Management's Discussion and Analysis (this section); (2) the Financial Statements; (3) Notes to the Financial Statements that explain in more detail some of the information in the Financial Statements and (4) required supplementary information.

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and provides supplementary information. The MD&A represents management's examination and analysis of the Water Authority's financial condition and performance. Summary financial statements data, key financial and operational indicators used in the Water Authority's strategic plan, operating plan, bond covenants and other management tools were used for this analysis. The information contained in this analysis should be used by the reader in conjunction with the information contained in the audited financial statements and the notes to those financial statements.

The financial statements report information about the Water Authority. The Water Authority applied full accrual accounting methods as used by similar business activities in the private sector. The statements offer short and long-term financial information. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The financial statements include the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows, and the Notes to the Financial Statements.

The *Statement of Net Position* of the Water Authority reports all assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position. The Statement of Net Position represents the difference between all other elements in a statement of financial position in three components: net investment in capital assets; restricted (distinguishing between major categories or restrictions) and unrestricted. The Statement of Net Position provides information about the nature and amount of investment in resources (assets) and obligations to the Water Authority's creditors (liabilities) at year-end. It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Water Authority. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents the results of the activities of the Water Authority and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides information about whether the Water Authority has successfully recovered its costs through its user fees and other charges, its profitability and credit worthiness.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Cash Flows* presents the changes in cash and cash equivalents resulting from operating, investing, and capital financing and non-capital financing activities. The statements present cash receipts and cash disbursements information, without consideration of the earning events, when an obligation arises or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Water Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

This section presents management's analysis of the Water Authority's financial conditions and activities for the fiscal years ended May 31, 2018 and May 31, 2017. Please read this information in conjunction with the financial statements, notes to the financial statements and the supplementary required information which follow this section.

FINANCIAL HIGHLIGHTS

Management believes the Water Authority's financial condition is strong and improving. The Water Authority is well within its debt covenants and the more stringent financial policies and guidelines set by its Board. The following are financial highlights:

- Total assets as of May 31, 2018 were \$149.8 million, deferred outflows were \$1.5 million and exceeded total liabilities of \$123.4 million and deferred inflows of \$0.2 million by \$27.7 million (i.e. net position). Of the total net position, \$24.7 million was invested in capital assets, \$1.5 in restricted net position and \$1.5 million was the unrestricted net position.
- Total assets decreased by \$2.1 million (1.4%) between May 31, 2017 and May 31, 2018. Net position increased by \$2.4 million (9.5%) over the same period last year and the economic and financial position of the Water Authority improved.
- Operating revenues were \$18.0 million, showing a decrease of \$0.7 million (3.5%), as compared to \$1.7 million (10.3%) rise in the previous year. The decreased revenues from residential water sales of \$0.6 million (4.7%) and commercial and fire protection revenues of \$.06 million (1.0%) were affected by the rate increases of 2.5% offset by 4.89% lower consumption.
- Total operating expenses increased by \$0.2 million (1.5%), from \$11.4 million to \$11.6 million, for the fiscal years ended May 31, 2017 and May 31, 2018. The rise in operating expenses was the net result of \$0.2 million (2.8%) increase in operations expenses and \$0.1 million (5.5%) decrease in maintenance expenses and \$0.1 million (5.8%) increase in depreciation expenses. The total operating expenses had increased \$0.8 million (7.5%) in the previous year, principally due to higher maintenance expenses.
- Operating income for the fiscal years ended May 31, 2018 and 2017 were \$6.4 and \$7.2 million. The decrease in operating income of \$.08 million (11.4%), in the current year, follows the increases of \$1.0 million (15.1%), in the previous year.
- The total principal payment and premium amortization of the Water Authority's long-term bonded debt was \$2.8 million (2.4%). On May 31, 2018, the outstanding principal balance and unamortized premium of the Water Authority's bonds payable were \$105,535,000 and \$8,364,326, respectively.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE WATER AUTHORITY

One of the most important objectives of the financial analysis is to determine if the Water Authority as a whole is better or worse off as a result of the year's activities. The Statement of Net Position and the statements of revenues, expenses and changes in net position provide useful information in this regard. The amount of net position, the difference between total assets and deferred outflows and liabilities and deferred inflows, is a significant measure of the financial health or financial position. Over time, increases or decreases in the Water Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and zoning and new or changed government legislation should be considered in evaluating the financial conditions of the Water Authority.

The following comparative condensed financial statements and other selected information serve as the financial data and indicators for management's monitoring and planning.

NET POSITION

A summary of the Water Authority's balance sheets is presented in the following table:

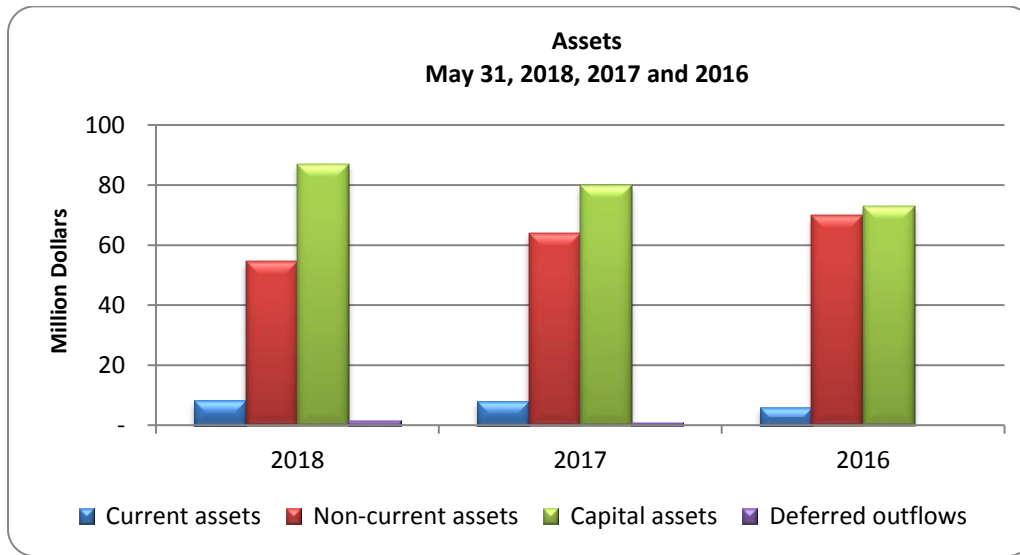
CONDENSED STATEMENT OF NET POSITION (BALANCE SHEETS)

	May 31,			2017 to 2018 Increase (Decrease)		2016 to 2017 Increase (Decrease)	
	2018	2017	2016	Amount	%	Amount	%
Current assets	\$ 8,137,839	\$ 8,006,705	\$ 5,873,845	\$ 131,134	1.6	\$ 2,132,860	36.3
Noncurrent assets							
Other noncurrent assets	54,539,654	63,955,181	69,823,436	(9,415,527)	(14.7)	(5,868,255)	(8.4)
Capital assets	87,136,943	79,908,512	72,887,677	7,228,431	9.0	7,020,835	9.6
Total assets	149,814,436	151,870,398	148,584,958	(2,055,962)	(1.4)	3,285,440	2.2
Deferred outflows	1,495,054	2,667,820	838,353	(1,172,766)	(44.0)	1,829,467	218.2
Current liabilities	5,087,783	7,203,308	5,127,665	(2,115,525)	(29.4)	2,075,643	40.5
Noncurrent liabilities	6,875,072	7,462,205	5,248,728	(587,133)	(7.9)	2,213,477	42.2
Long-term debt—bonds, net	111,409,326	114,275,418	117,030,506	(2,866,092)	(2.5)	(2,755,088)	(2.4)
Total liabilities	123,372,181	128,940,931	127,406,899	(5,568,750)	(4.3)	1,534,032	1.2
Deferred inflows	208,189	265,600	-	(57,411)	(21.6)	265,600	-
Net position							
Invested in capital,	24,676,970	24,508,287	20,874,337	168,683	0.7	3,633,950	17.4
Restricted for rate stabilization	1,522,000	1,070,000	1,070,000	452,000	42.2	-	-
Unrestricted	1,530,150	(246,600)	72,075	1,776,750	720.5	(318,675)	(442.1)
Total Net Position	\$ 27,729,120	\$ 25,331,687	\$ 22,016,412	\$ 2,397,433	9.5	\$ 3,315,275	15.1

The table above and Chart 1 show that the total assets decreased by \$2,055,962 (1.4%) and the total liabilities decreased by \$5,568,750 (4.3%), in the current year. The total assets had increased by \$3,285,440 (2.2%) and the total liabilities increased by \$1,534,032 (1.2%), in the previous year. The increases expenditures to improve capital assets has continued. The capital assets increased by \$7,228,431 (9%) in the current years and \$7,020,835 (9.6%) in the previous year. The other non-current assets, which includes the restricted cash and cash equivalents and investment of bond proceeds, decreased by \$9,415,527 (14.7%) and \$5,868,255 (8.4%), in the current and previous year, respectively. The decreases in other noncurrent assets were related to the expenditure of restricted funds for construction and purchase of capital assets.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CHART 1



Current assets increased by \$131,134 (1.6%), from \$8,006,705 in previous year to \$8,137,839, in the current year, primarily as a result of increases of \$143,897 (4.3%) in unrestricted cash and \$116,833 (2.9%) in billed and unbilled receivables. Current assets had increased by \$2,132,860 (36.3%), from \$5,873,845, in the year ended May 31, 2017 to \$8,006,705, primarily as a result of growth in revenues and related increases of \$894,186 (36.1%) in unrestricted cash and \$1,103,592 (37.9%) in billed and unbilled receivables.

During the current year, the current liabilities decreased by \$2,115,525 (29.4%), from \$7,203,308, on May 31, 2017 to \$5,087,783, on May 31, 2018. The principal reason for decrease in current liabilities was the decrease in accounts payable of \$2,200,635 (58.6%). In the previous year the current liabilities had increased by \$2,075,643 (40.5%), from \$5,127,665, on May 31, 2016 to \$7,203,308, on May 31, 2017. The principal reason for increase in current liabilities was the additional accounts payable of \$2,211,150 (143.2%), which was related to capital asset construction. The net working capital of the Water Authority was \$3,050,056, on May 31, 2018 as compared to \$803,397 on previous fiscal year end.

The long-term debt including the current portion and premium decreased by \$2,756,092 (2.4%) from \$116,655,418, in the year ended May 31, 2017, to \$113,899,326 in the year ended May 31, 2018. The decrease was because of the principal payment of \$2,380,000 and amortization of \$376,092 in premium (Chart 2).

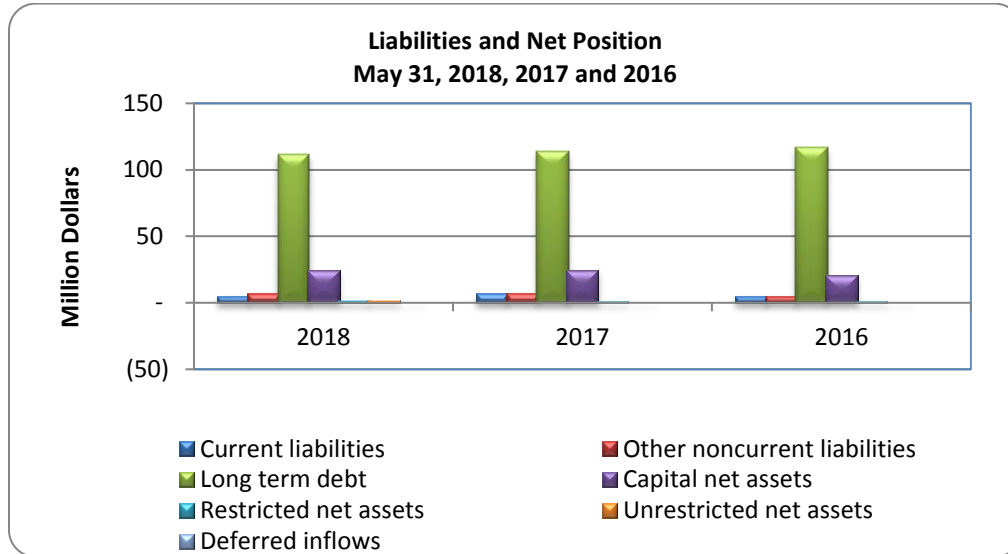
The long-term debt including the current portion and premium decreased by \$2,655,088 (2.2%) from \$119,310,506, in the year ended May 31, 2016, to \$116,655,418 in the year ended May 31, 2017. The decrease was because of the principal payment of \$2,280,000 and amortization of \$375,088 in premium (Chart 2).

The total principal payments made during the fiscal years ended May 31, 2018 and 2017 were \$2,380,000 and \$2,395,000 respectively.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

The net position of the Water Authority increased by \$2,397,433 (9.5%) and \$3,315,275 (15.1%), in the current and previous year, respectively. The changes in net position reflect the excess of operating incomes of \$6,411,407 and \$7,238,768 over the net non-operating expenses of \$4,013,974 and \$3,923,493, during the fiscal years ended May 31, 2018 and 2017, respectively

CHART 2



In the current year, the unrestricted net position increased by \$1,776,750 (720.5%), as compared to a decrease of \$318,675 (442.1%), in the fiscal year ended May 31, 2017. The net position restricted for rate stabilization was \$1,522,000, on May 31, 2018 as compared to \$1,070,000, on May 31, 2017. The increase of \$452,000 (42.2%) was to comply with the Bond covenants regarding maintaining Rate Stabilization restricted cash and cash equivalents. The net position invested in capital increased by \$168,683 (0.7%) and \$3,633,950 (17.4%), during the fiscal years ended May 31, 2018 and 2017, respectively.

OPERATING RESULTS

As of May 31, 2018, the Water Authority provided water to 26,387 residential customers, 1,372 commercial customers, 206 private fire customers and 2,432 municipal fire hydrants. The corresponding figures for May 31, 2017 were 26,352 residential customers, 1,390 commercial customers, 201 private fire customers and 2,432 municipal fire hydrants.

The Water Authority's condensed statements of revenues, expenses and changes in net position are as follows:

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

				2017 to 2018 Increase (Decrease)		2016 to 2017 Increase (Decrease)	
	2018	May 31, 2017	2016	Amount	%	Amount	%
Water sales:							
Residential	\$ 12,239,206	\$ 12,837,135	\$ 12,143,943	\$ (597,929)	(4.7)	\$ 693,192	5.7
Commercial, municipal and other	5,755,538	5,811,329	4,761,144	(55,791)	(1.0)	1,050,185	22.1
Total operating revenues	17,994,744	18,648,464	16,905,087	(653,720)	(3.5)	1,743,377	10.3
Operating expenses							
Operations	6,911,418	6,721,012	6,541,974	190,406	2.8	179,038	2.7
Maintenance	2,419,097	2,559,011	2,086,055	(139,914)	(5.5)	472,956	22.7
Depreciation	2,252,822	2,129,673	1,988,943	123,149	5.8	140,730	7.1
Total operating expenses	11,583,337	11,409,696	10,616,972	173,641	1.5	792,724	7.5
Operating income	6,411,407	7,238,768	6,288,115	(827,361)	(11.4)	950,653	15.1
Non-operating revenue (expense)							
Interest income	154,611	330,035	379,001	(175,424)	(53.2)	(48,966)	(12.9)
Miscellaneous income	291,647	316,216	332,936	(24,569)	(7.8)	(16,720)	(5.0)
Interest on long-term debt	(4,435,696)	(4,545,208)	(5,046,242)	109,512	(2.4)	501,034	(9.9)
Other amortization, net	(24,536)	(24,536)	(24,536)	-	-	-	-
Net non-operating expenses	(4,013,974)	(3,923,493)	(4,358,841)	(90,481)	2.3	435,348	(10.0)
Change in total net Position	2,397,433	3,315,275	1,929,274	(917,842)	(27.7)	1,386,001	71.8
Net position, beginning	25,331,687	22,016,412	20,087,138	3,315,275	15.1	1,929,274	9.6
Net position, ending	\$ 27,729,120	\$ 25,331,687	\$ 22,016,412	\$ 2,397,433	9.5	\$ 3,315,275	15.1

OPERATING REVENUES AND EXPENSES

The Water Authority provides water treatment and distribution to an estimated population of 120,000, approximately equal to 10% of Nassau County's total population. The Authority's customer base is diverse with no significant customer concentration. It benefits economically from its proximity to New York City. Limited growth is expected because the towns served have little free area for new development and are not expected to undergo significant zoning changes.

The Water Authority's total operating revenues decreased by \$653,720 (3.5%) in fiscal years ended May 31, 2018, as compared to a \$1,743,377 (10.3%) increase in 2017. The residential water sales revenue decreased by \$597,929 (4.7%) and increased by \$693,192 (5.7%) and commercial and fire protection water sales revenues decreased by \$55,791 (1.0%) and increased \$1,050,185 (22.1%), during the current and previous years, respectively (Chart 3).

The Water Authority of Western Nassau County on May 26, 2016 had approved a 9.4 percent rate increase for in accordance with a Board approved cost of service study.

At its May 23, 2017 public rate meeting, the Board of Directors of the Water Authority approved a 2.5% across the Board increase in water rates to all service classes. The quarterly bill for the minimum use customer increased from approximately \$44.38 to \$45.39. Average annual residential charges (based on approximately average usage of 105,300 gallons per year) increased from \$460 to \$471. The average annual commercial charges (based on approximately average usage of 489,700 gallons per year) increased from \$1,850 to \$1,896.

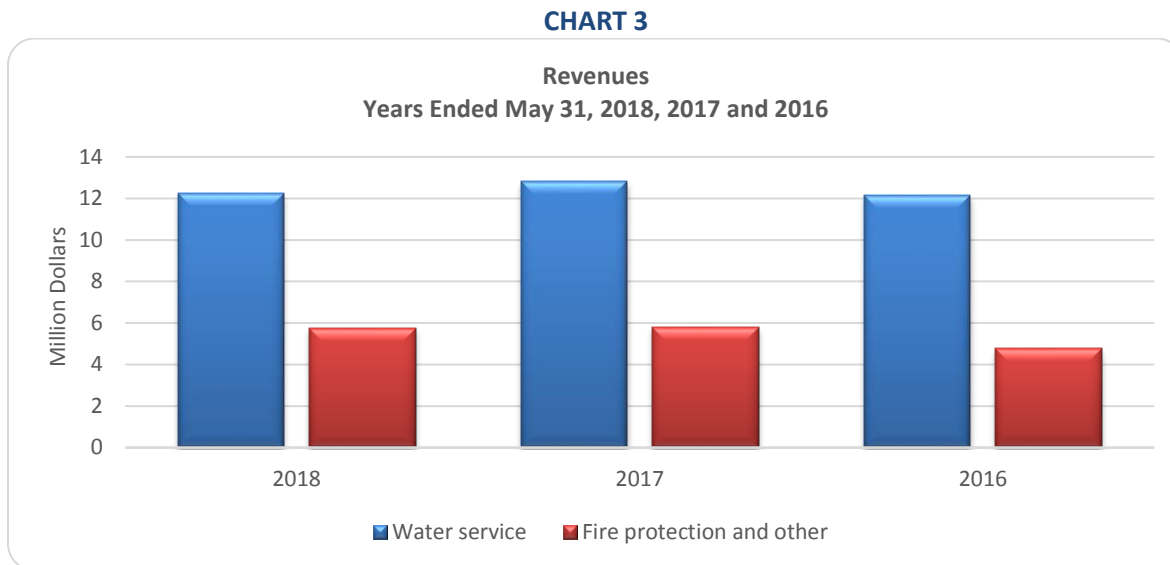
THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

The 2.5% increase in rates was determined to be the amount necessary to meet the Water Authority's operations and financing requirements.

In the year ended May 31, 2018, the total amount of pumpage was down by 206 million gallons (4.89%) and average gallons for residential and commercial customers had decreased by 5.69% and 5.61%, respectively.

In the year ended May 31, 2017, the total amount of pumpage was down by 120 million gallons (2.78%) and average gallons for residential and commercial customers had decreased by 1.13% and 0.63%, respectively.

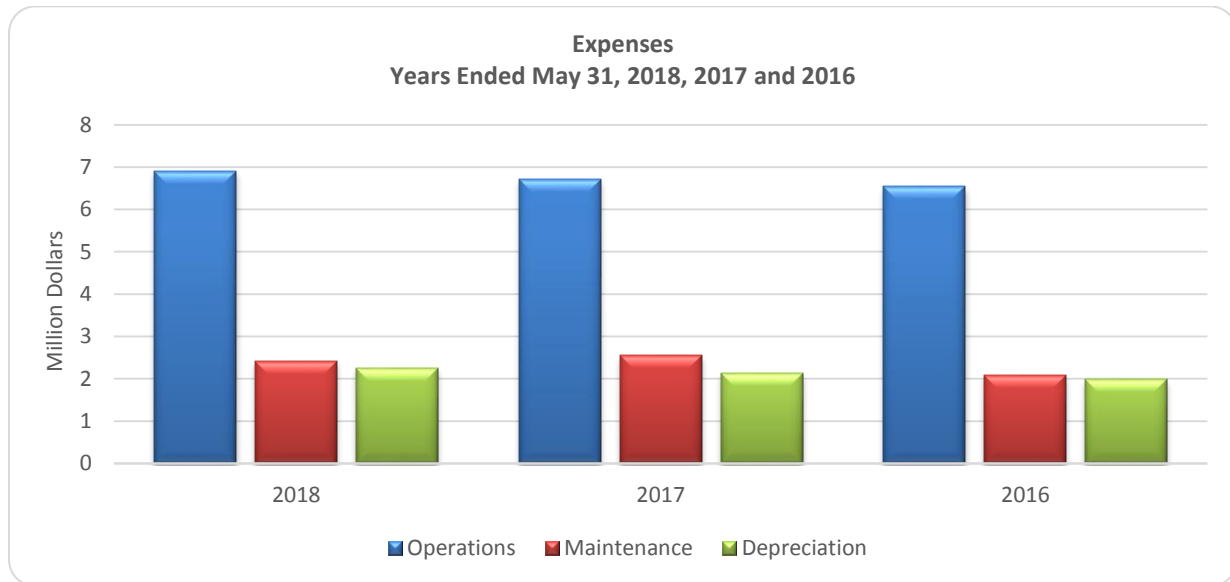
The Lloyd, Magothy and Upper Glacial aquifers provide the Water Authority with a high-quality water supply that requires minimal treatment. Storage facilities along with existing well fields provide ample pumping capacity (46 million gallons per day) in relation to actual demand. The water system is compliant with all applicable permits and regulatory standards.



The increase in total operating expenses during the current year was \$173,641 (1.5%) as compared to an increase of \$792,724 (7.5%), in previous year (Chart 4). The current year increase was the net result of \$139,914 (5.5%) decrease in maintenance expense, \$190,406 (2.8%) additional operations expenses and \$123,149 (5.8%) more depreciation expense. The previous year increase included \$472,956 (22.7%) additional maintenance expense, \$179,038 (2.7%) more operations expenses and \$140,730 (7.1%) additional depreciation expense. The rise in maintenance expense and operations expense of \$50,492 in the year ended May 31, 2018 was due to the increase in payroll and employee benefits. The depreciation expenses increased by \$123,149 (5.8%) and \$140,730 (7.1%), during the years ended May 31, 2018 and 2017, respectively, because of the increase in capital assets.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

CHART 4



Changes in operating revenues and expenses, caused the operating incomes to decrease by \$827,361 (11.4%), during the years ended May 31, 2018 and increase by \$950,653 (15.1%) in the previous year.

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenue includes interest earnings on cash equivalents and investment, realized and unrealized gain or losses on investments and miscellaneous income. Net interest incomes and gain or losses were \$154,611 and \$330,035, in the years ended May 31, 2018 and 2017 respectively. The interest income and gain or losses on investment are mainly earned on the unexpended proceeds of Series 2015 Bonds.

Miscellaneous income remained relatively the same. The miscellaneous income was \$291,647 and \$316,216, in the year ended May 31, 2018 and 2017, respectively. This miscellaneous income involves the rental income realized from the lease of space atop water towers to cellular phone companies.

For the fiscal years ended May 31, 2018 and 2017, the interest expenses of \$4,435,696 and \$4,545,208, are presented net of \$144,200 and \$133,700 interest capitalized during the construction of capital assets, respectively.

For the year ending May 31, 2019, the Water Authority has opted for the early adoption and application of the GASB 89, which requires the prospective application of its provision.

CAPITAL ASSETS

The Water Authority owns and maintains a broad range of infrastructure items including water plants, water lines, well-stations, administrative facilities, vehicles and equipment necessary for the treatment and distribution of potable water to its customers. The Water Authority has \$87,136,943 in net capital

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

assets, showing an increase of \$7,228,431 (9.0%) from the prior year. The increase in net capital assets in prior year was \$7,020,835 (9.6%).

Capital assets consisted of the following for the years ended May 31:

Capital Assets	CAPITAL ASSETS		
	MAY 31,		
	2018	2017	2016
Land	\$ 599,074	\$ 599,074	\$ 167,708
Construction in progress	14,186,868	7,151,780	2,080,762
Wells and standpipes	6,086,412	5,894,055	5,350,037
Pumping and purification	23,041,043	22,845,201	21,739,020
Distribution system	43,652,693	41,937,015	40,644,775
Building, vehicles and equipment	20,054,593	19,996,311	19,708,008
Total capital assets	107,620,683	98,423,436	89,690,310
Accumulated depreciation	(20,483,740)	(18,514,924)	(16,802,633)
Net capital assets	\$ 87,136,943	\$ 79,908,512	\$ 72,887,677

For more detailed information on capital assets activity, please refer to the financial statements Note 4 – Property, Plant and Equipment.

MAJOR INCREASES IN CAPITAL ASSETS

During the years ended May 31, 2018 and 2017, the major capital assets improvement involved the wellhead treatment for VOC removal for well numbers 15A, 15B, 15C, 15D and 15E. The well head treatment project is progressing in the following three phases:

1. Phase 1 involved completing the work at station numbers 15A and 15C/E including the startup and testing of all equipment and acceptance by the NCDH. This phase has been completed and the stations are currently in operation.
2. Phase 2 has begun and comprehends the completion of the work designated at station 15B including the startup and testing of all equipment and acceptance by the NCDH. The work on this phase has been undertaken and is in progress,
3. Phase 3 will commence after completing the phase 2 and involves the completion of the work designated at station 15 including the startup and testing of all equipment and acceptance by the NCDH.

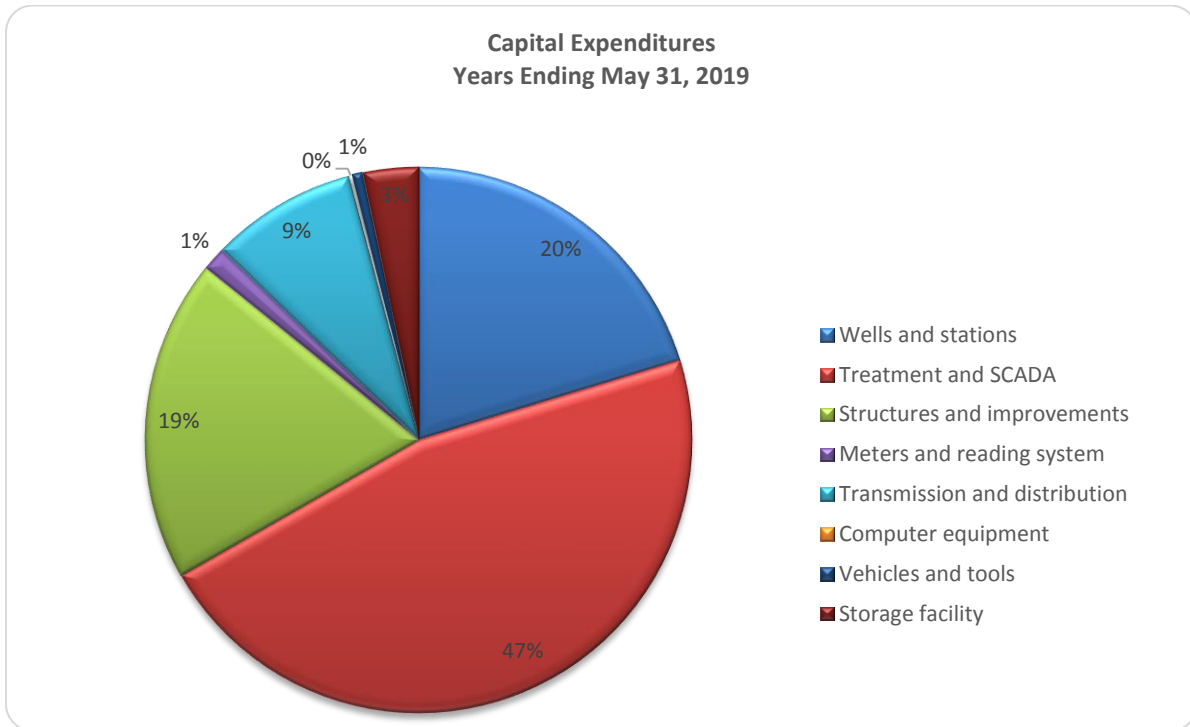
The new capital plan covers the anticipated projects for the fiscal years ending May 31, 2019 to 2023. The total plan amount is \$62,965,980 which is financed by the balance of the 2015 Series A funds. The planned spending is aimed primarily at improvements to the treatment system, structure and improvements and repair and replacement of transmission and distribution lines. The planned capital expenditures for the year ending May 31, 2018 and five years ending May 31, 2023 are as follows:

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Planned capital expenditures
Year Ending May 31, 2019 and Total for Years ending 2019 to 2023
(Unaudited)**

	Year Ending May 31, 2019		Years Ending May 31, 2019 to 2023	
	Amount	Percentage	Amount	Percentage
Wells and stations	\$ 3,777,750	20.3%	\$ 24,597,790	39.1%
Treatment and SCADA	8,660,060	46.5%	14,860,290	23.6%
Structures and improvements	3,557,500	19.1 %	13,684,03	21.7%
Meters and reading system	262,900	1.4%	1,222,950	1.9%
Transmission and distribution	1,605,450	8.6%	6,920,940	11.0%
Computer equipment	42,950	0.2%	268,520	0.4%
Vehicles and tools	117,900	0.6%	805,550	1.3%
Storage Facility	605,910	3.3%	605,910	1.0%
Total projected capital expenditures	<u>\$ 18,630,420</u>	<u>100.0%</u>	<u>\$ 62,965,980</u>	<u>100.0%</u>

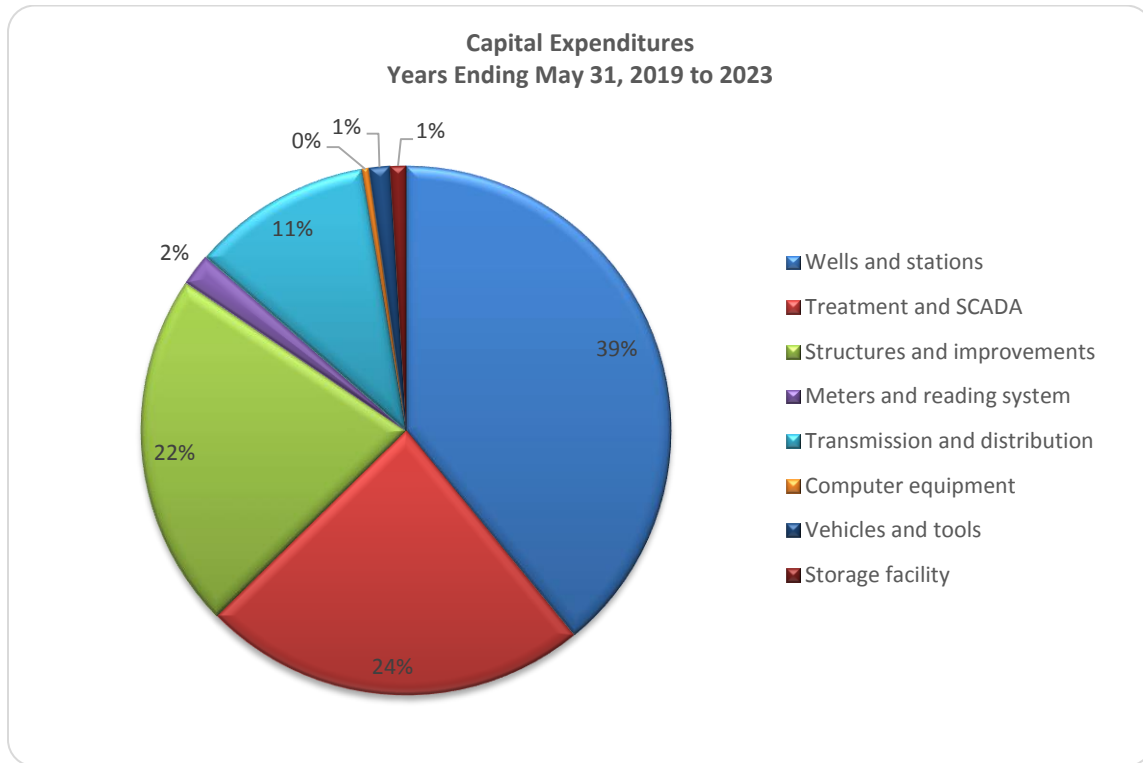
CHART 5



Of the total planned capital expenditures of \$18,630,420, the major planned capital expenditures for the year ending May 31, 2019 include \$8,660,060 (46.5%) for Treatment and SCADA, \$3,777,750 (20.3%) for Wells and Stations, \$3,557,500 (19.1%) for Structures and Improvements and \$1,605,450 (8.6%) for Transmission and Distribution (Chart 5). The capital expenditures for the year ending May 31, 2019, represents 29.6% of total \$62,965,980 planned capital capital expenditures, over the next five years.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CHART 6



The planned five-year expenditures of \$62,965,980 includes \$24,597,790 (39.1%) for Wells and Stations, \$14,860,290 (23.6%) for Water Treatment and SCADA, \$13,684,030 (21.7%) for Structures and Improvements and \$6,920,940 (11.0%) for Transmission and Distribution. (Chart 6).

MAJOR ADDITIONS AND COMPLETED PROJECTS

The major additions of completed projects put into service to the capital assets in the fiscal years ended May 31, 2018, 2017 and 2016 are presented in the following table and Chart 7:

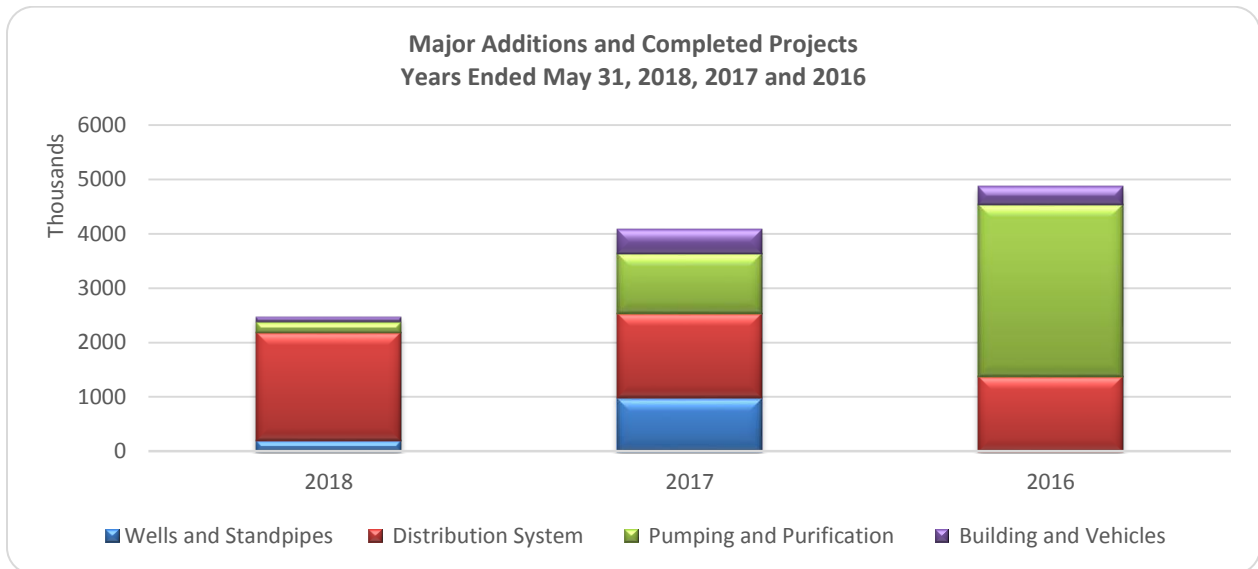
The expenditures for completed projects were \$2,455,390, \$4,088,722 and \$4,872,771, in the years ended May 31, 2018, 2017 and 2016, respectively. In the year ended May 31, 2018, the total amount \$1,991,846 (81.1%) was expended for improving the distribution system. The major components of the capital expenditures for distribution system were \$946,817 for mains and \$545,947 for meters and meter equipment. The most significant capital improvement expenditures were \$1,555,368 (38.0%) for distribution system, in the years ended May 31, 2017 and \$3,165,339 (65.0) for pumping and purification in the year ended May 31, 2016 (Chart 7)

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

MAJOR ADDITIONS AND COMPLETED PROJECTS

	Years Ended, May 31,		
	2018	2017	2016
Wells and Standpipes			
Wells and standpipes	\$ 192,356	\$ 975,383	\$ -
Distribution System			
Mains	946,817	445,125	290,893
Services	324,042	308,497	380,295
Meters and meter equipment	545,947	563,482	509,061
Hydrants	175,040	238,264	199,062
Pumping and Purification			
Electric pumping equipment	111,808	715,810	169,745
Water treatment equipment	84,034	390,372	2,995,594
Building and Vehicles			
Building	747	6,030	20,815
Office equipment	13,953	7,774	191,452
Vehicles	33,438	434,501	101,720
Miscellaneous equipment	27,208	3,484	14,134
Total additions	\$ 2,455,390	\$ 4,088,722	\$ 4,872,771

CHART 7



LONG-TERM DEBT

REVENUE SERIES 2005 BONDS

On May 28, 1996, the Water Authority issued \$34,460,000 Water System Revenue Bonds, Series 1996 to finance the cost of acquisition and certain construction expenditures of the water system, including initial working capital of the Water Authority and the costs of the utility assets and additional improvements to the water system.

The \$33,875,000 Water System Revenue Bonds, Series 2005 (the "Series 2005 Bonds") were applied to advance refund Water Authority's outstanding Water System Revenue Bonds, Series 1996 and to finance

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

the cost of acquisition and construction of improvements to the Water System, fund a deposit to the Reserve Account and pay certain costs of issuance relating to the Series 2005 Bonds.

REVENUE SERIES 2010 BONDS

The Water Revenue Bonds, Series 2010 were dated April 1, 2010 and issued on April 15, 2010, with accrued interest. The Series 2010 Revenue Bonds include the Water System Revenue Bonds, Series 2010A, with aggregate principal balance of \$6,925,000, and, Series 2010B, federally taxable, Build America Bonds, with aggregate principal balance of \$33,965,000.

The Series 2010A Bonds were issued to finance costs of acquisition, improvements and additions to the water system, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010A Bonds. The Series 2010B Bonds were issued to finance the cost of acquisition, improvements and additions to the water system, including the construction of the Water Authority's headquarters, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010B Bonds.

Moody's and Fitch Ratings affirmed the "A1" and 'AA-' rating of the Water Authority's Series 2015 Bonds.

All proceeds of Series 2010 A bonds were expended for construction of capital assets, as of May 31, 2017.

REVENUE SERIES 2015 BONDS

During the year ended May 31, 2015, the Water Authority completed new financing to fund future construction plans and to refund the 2005 Series A and B Bonds. Water System Series 2015A Revenue (Construction) Bonds and Water System Series 2015B Revenue (Refunding) Bonds were issued on April 22, 2015. The 2015A Bonds consist of \$21,660,000 (4.563 % average interest) Serial Bonds, \$17,640,000 (5% interest) Term Bonds due April 1, 2040, \$10,000,000 (5 % interest) Term Bonds due April 1, 2045 and \$4,900,000 (4% interest) Term Bonds due April 1, 2045. The 2015B Bonds consist of \$19,400,000 (4.506% average interest) Serial Bonds. A portion of the proceeds of the Bonds, along with funds transferred from amounts on deposit in the debt service funds, debt service reserve funds were deposited as cash and held in an irrevocable trust (the "Escrow Fund") and were used solely to refund the \$23,885,000 outstanding balance of the Series 2005 Bonds.

The net present value of the economic gain from refunding the 2005 Series A and B Bonds was \$4,023,167 (16.84%) of refunded Bonds and deferred inflows from refunding gain was \$1,028,663.

CASH AND INVESTMENTS

The total amounts of unrestricted and restricted cash, cash equivalents and investment in the US Treasury Securities were \$57,630,609, \$66,815,093 and \$71,911,655, on May 31, 2018, 2017 and 2016, respectively. In the years ended May 31, 2018 and 2017, the reductions of \$9,184,425 (13.7%) and \$5,096,562 (7.1%) in cash and investment of were mainly the result of increase in capital assets.

On May 31, 2018, the amount of restricted cash and cash equivalents held in the Construction Fund was \$16,547,772, in view of the planned capital expenditures of \$18,630,420 for the year ending May 31, 2019

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

and potential risks of increased interest rate. The amount of cash, cash equivalents in Bond reserve Funds was \$1,977,505.

On May 31, 2018, of the total cash and cash equivalents of \$25,931,472 the amount of \$22,419,171 (86.5%) was restricted and the amount of \$3,512,301 (13.3%) was unrestricted. On May 31, 2017, of the total cash and cash equivalents of \$38,373,606 the amount of \$35,005,202 (91.2%) was restricted and the amount of \$3,368,404 (8.8%) was unrestricted. In the years ended May 31, 2018 and 2017, cash equivalents were invested in money market accounts and Dreyfus Government Securities Fund. Dreyfus money market funds invest only in the securities of the US government or US government agencies and enterprises.

The Water Authority's investment strategy is designed to eliminate the default risk and to maximize interest income by matching the maturities of the investments with the cash requirements of construction activities. The strategy minimizes the risk of having to liquidate the investment to pay construction under unfavorable market interest conditions. All of the Water Authority's investments are in the US Treasury Notes and Bonds with maturities of less than three years. All deposits were with a major national bank and were insured by FDIC or collateralized over 102% by the securities held by the Bank of New York Mellon under a tri-party collateral agreement.

Debt Service Coverage:

The Water Authority had \$6,721,240 net cash provided by operations, \$16,060,275 net cash used for capital expenditures, and \$3,103,099 cash used in investing during the year ended May 31, 2018. The Water Authority's debt coverage ratio was as follows:

<u>Cash Available and Debt Service Requirement</u>	<u>Amount</u>
Operating income	\$ 6,411,407
Add: Depreciation and amortization	2,252,822
Noncash expenses	488,533
Interest and other income	446,258
Total cash available for coverage	9,599,020
Debt service requirements:	
Interest payments	4,949,291
Principal payments	2,380,000
Total debt service requirements	\$ 7,329,291
Coverage Ratio	1.31
Coverage requirement as per Water System Revenue Bonds, Series 2010 and 2005	1.20

For more detailed information on long-term debt activity, please refer to the financial statements Note 5 – Revenue Bonds Payable.

ECONOMIC FACTORS AND NEXT YEAR'S PLAN AND RATES

The Water Authority's Board of Directors and Management considered many factors when setting the fiscal year ended May 31, 2018 plan, user fees and charges. Population Changes, unemployment rates in Nassau County and changes in the consumer price index for the New York – Northern New Jersey – Long Island area are among these factors.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Employment

The unemployment rate in Nassau County has continued to be lower than the State of New York averages. The average unemployment rate in the County of Nassau was 3.4%, in May 2018 as compared to 3.8% in May 2017. The unemployment rate for the State of New York was 4.5% and 4.2%, in May 2018 and 2017, respectively.

Population changes

The Water Authority's service area population is approximately 120,000. The Water Authority presently has over 28,000 accounts in western Nassau County, of which about 94% are residential. Commercial and fire protection constitute most of the remainder. The Water Authority's customer base has mirrored Nassau County's population. According to the US Census Bureau estimates, in July 1, 2017 Nassau County's population was 1,369,514 and had increased by 1.6% from 1,339,532 in 2010. The population breakdown by towns within Nassau County for 2010 and 2000 is as follows:

NASSAU COUNTY	2010 (a)	2000 (b)
Town of North Hempstead	221,315	220,491
Town of Hempstead	759,185	756,360
City of Long Beach	35,615	35,482
Town of Oyster Bay	296,680	295,576
City of Glen Cove	26,737	26,637
TOTAL NASSAU COUNTY	1,339,532	1,334,546

- a. Source: 2010 United States Census
b. Source: 2000 United States Census

Changes in Prices

Over the year, prices in the New York-Newark-Jersey City area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), increased 2.2 percent. The index for all items less food and energy rose 1.5 percent. Price increases for shelter drove the 12-month change in both indexes (Chart 8).

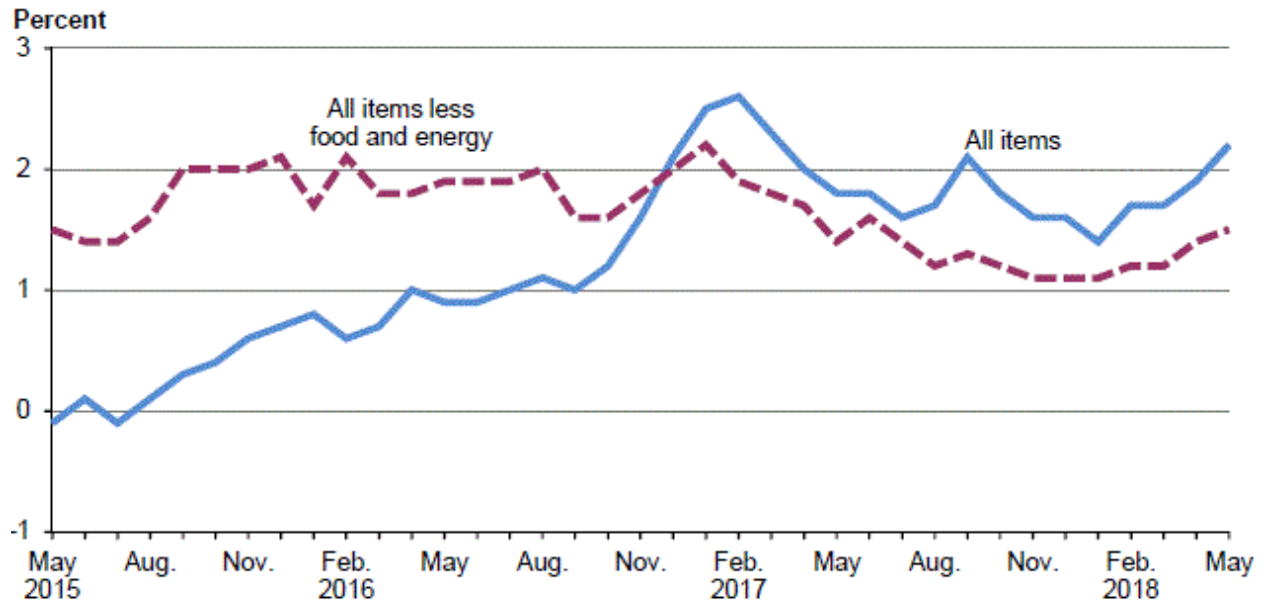
From May 2017 to May 2018, the food index increased 2.3 percent, with prices 3.5 percent higher for food away from home and 1.4 percent higher for food at home. Over the year, the energy index rose 11.0 percent. Gasoline prices in May were 20.4 percent higher than one year earlier, and prices for household energy were 4.9 percent higher. A 9.5 percent rise in natural gas prices contributed the most to the increase in the household energy component. For the year ended in May 2018, the index for all items less food and energy rose 1.5 percent. Shelter prices increased 2.4 percent, which included a 2.5 percent rise in owners' equivalent rent and a 2.0 percent increase in residential rent. Prices for other goods and services rose 2.4 percent. Additional categories with price increases included medical care (2.2 percent) and apparel (1.1 percent).

In May 2018, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) was 268.986, up 0.4 percent over the month. The CPI-W rose 2.3 percent over the year.

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CHART 8

**Over-the Year Percent Change in CPI-U,
New York-Newark-Jersey City,
May 2015-May 2018**



Source: U.S. Bureau of Labor Statistics.

Forecast of Revenues and Expenses

The Water Authority has prepared and published an operating plan and forecast of revenues, expenses and changes in net position, for the five years ending May 31, 2023. For the year ending May 31, 2019, the total operating revenues, net of \$500,000 contribution to the rate stabilization fund, is estimated at \$18,293,700. Total operating expenses and operating income are estimated to be, \$12,763,250 and \$5,530,450, respectively. Non-operating expenses and revenues are estimated to be \$4,846,900 and \$1,065,000, respectively, resulting in net nonoperating expense of \$3,781,900. The increase in net position is estimated to be \$1,748,550. The revenues for the year ending May 31, 2019 are forecasted to remain approximately the same as the plan adopted for the year ended May 31, 2018. The estimate is based on a 2.5% rate increase. Based on the detail estimates of the functional expenses, the total operation and maintenance expenses are estimated to increase by \$845,410 (9.1%), in the year ending May 31, 2019 as compared to the plan adopted for the year ended May 31, 2018. For the year ending May 31, 2019, the forecasted revenues, expenses and changes in net position are as follows:

**THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Forecasted Revenues, Expenses and Changes in Net Position
Year Ending May 31, 2019
(Unaudited)**

	<u>Amount</u>
Operating Revenues	
Residential	\$ 12,520,930
Commercial	3,404,670
Fire hydrants	2,393,020
Private fire	187,880
Total water sales	18,506,500
Other Revenues	
Late payment charges	52,200
Other fees and charges	235,000
Total other revenues	<u>287,200</u>
Total revenues from customers	18,793,700
Rate Stabilization Fund Contribution	<u>(500,000)</u>
Total revenues, net of contribution	18,293,700
Operating Expenses	
Operation and maintenance	10,135,050
Depreciation	2,628,200
Total operating expenses	<u>12,763,250</u>
Total utility operating income	5,530,450
Interest Charges and Other	
Interest on long-term debt, net	4,846,900
Amortization of debt expense	(344,100)
Interest and other income	<u>(720,900)</u>
Total interest charges and other	3,781,900
Increase in net position	<u><u>\$ 1,748,550</u></u>

In planning the future revenues, the key considerations have been the forecast of water consumption and adjustment of the water rates to meet the debt service requirements, expected rises in capital and operating costs.

CONTACTING THE WATER AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, creditors and public with a general overview of the Water Authority's finances and to demonstrate the Water Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Water Authority's Superintendent at 1580 Union Turnpike, New Hyde Park, NY 11040.

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BASIC FINANCIAL STATEMENTS



THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF NET POSITION
MAY 31,

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,512,301	\$ 3,368,404
Accounts receivable:		
Billed, net of \$25,000 allowance for doubtful accounts	746,158	985,325
Unbilled	3,386,000	3,030,000
Prepayments and other current assets	229,748	407,920
Materials and supplies, at weighted average cost	<u>263,632</u>	<u>215,056</u>
Total current assets	8,137,839	8,006,705
Noncurrent assets:		
Restricted cash and cash equivalents		
Rate stabilization fund	1,522,000	1,070,000
Bond construction fund	16,547,772	22,967,668
Bond reserve fund	1,977,505	9,028,940
Bond arbitrage rebate		
Bond payment fund	1,176,692	772,211
Customer deposits	1,195,202	1,166,383
Restricted investments held by trustees		
Bond construction fund	24,676,259	28,441,487
Bond reserve fund	7,022,938	-
Capital assets		
Non-depreciable	14,785,942	7,750,854
Depreciable	72,351,001	72,157,658
Other assets		
Unamortized bond issue costs	10,984	16,080
Other assets	<u>410,302</u>	<u>492,412</u>
Total noncurrent assets	<u>141,676,597</u>	<u>143,863,693</u>
Total assets	149,814,436	151,870,398
Deferred Outflows of Resources		
Post-measurement date contributions	624,506	595,561
Changes in Retirement System assumptions	843,343	2,043,454
Deferred charges on refinancing	<u>27,205</u>	<u>28,805</u>
Total deferred outflow of resources	1,495,054	2,667,820

The accompanying notes to the financial statements are an integral part of these statements.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF NET POSITION
MAY 31,

	<u>2018</u>	<u>2017</u>
Liabilities and Net position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,555,110	\$ 3,755,745
Unearned revenue	105,411	88,886
Accrued interest payable	806,460	820,114
Customer advance on construction	90,802	118,563
Water revenue bond payable	2,490,000	2,380,000
Accrued vacation and sick leave	<u>40,000</u>	<u>40,000</u>
Total current liabilities	5,087,783	7,203,308
Noncurrent liabilities:		
Water revenue bonds payable (net of premium)	111,409,326	114,275,418
Customer deposits	1,239,050	1,209,885
Due to employee retirement system	1,265,663	2,240,809
Other post-employment benefits	3,460,859	3,100,611
Accrued vacation and sick leave	<u>909,500</u>	<u>910,900</u>
Total noncurrent liabilities	<u>118,284,398</u>	<u>121,737,623</u>
Total liabilities	123,372,181	128,940,931
Deferred inflows		
Changes in Retirement System assumptions	<u>208,189</u>	<u>265,600</u>
Total deferred inflows	<u>208,189</u>	<u>265,600</u>
Net Position		
Net investment in capital assets	24,676,970	24,508,287
Restricted for rate stabilization	1,522,000	1,070,000
Unrestricted	<u>1,530,150</u>	<u>(246,600)</u>
Total net position	<u>\$ 27,729,120</u>	<u>\$ 25,331,687</u>

The accompanying notes to the financial statements are an integral part of these statements.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
MAY 31,

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Residential	\$ 12,239,206	\$ 12,837,135
Commercial	2,941,243	3,280,019
Fire protection	2,517,923	2,446,154
Other water revenues	<u>296,372</u>	<u>85,156</u>
Total operating revenues	17,994,744	18,648,464
Operating expenses:		
Operations	6,911,418	6,721,012
Maintenance	2,419,097	2,559,011
Depreciation	<u>2,252,822</u>	<u>2,129,673</u>
Total operating expenses	<u>11,583,337</u>	<u>11,409,696</u>
Operating income	6,411,407	7,238,768
Non-operating revenues (expenses):		
Interest income	154,611	330,035
Miscellaneous income, net	291,647	316,216
Interest on long-term debt, net	(4,435,696)	(4,545,208)
Other amortization, net	<u>(24,536)</u>	<u>(24,536)</u>
Net non-operating expenses	<u>(4,013,974)</u>	<u>(3,923,493)</u>
Change in net position	2,397,433	3,315,275
Net position - beginning	<u>25,331,687</u>	<u>22,016,412</u>
Total net position - ending	<u>\$ 27,729,120</u>	<u>\$ 25,331,687</u>

The accompanying notes to the financial statements are an integral part of these statements.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 17,877,911	\$ 17,544,871
Rental property revenues	291,647	316,216
Payments to suppliers for goods or services	(4,550,346)	(2,551,105)
Payments for employee services	<u>(4,321,577)</u>	<u>(4,233,869)</u>
Net cash provided by operating activities	9,297,635	11,076,113
Cash flows from capital and related financing activities:		
Repayment of water revenue bonds	(2,380,000)	(2,280,000)
Acquisition of capital assets	(11,293,726)	(9,292,154)
Interest paid on water revenue bonds	<u>(4,962,944)</u>	<u>(4,930,556)</u>
Net cash used by Capital and related financing activities	(18,636,670)	(16,502,710)
Cash flows from non-capital financing activities:		
Cash flows from investing activities:		
Redemption of treasury bonds/notes	26,138,671	19,335,128
Purchase of treasury bonds/notes	(29,962,341)	-
Interest and dividends received	<u>720,571</u>	<u>330,035</u>
Net cash (used) provided by investing activities	<u>(3,103,099)</u>	<u>19,665,163</u>
Net(decrease) increase in cash and cash equivalents	(12,442,134)	14,238,566
Cash and equivalents, beginning of year	<u>38,373,606</u>	<u>24,135,040</u>
Cash and equivalents, end of year	<u>\$ 25,931,472</u>	<u>\$ 38,373,606</u>

The accompanying notes to the financial statements are an integral part of these statements.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31,

	<u>2018</u>	<u>2017</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 6,411,407	\$ 7,238,768
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,252,821	2,129,673
Rental Income	291,647	316,216
Changes in operating assets and liabilities:		
Accounts receivable	239,167	(253,592)
Accrued unbilled revenue	(356,000)	(850,000)
Prepaid items and other assets	178,172	(226,146)
Inventory of materials and supplies	(48,576)	91,064
Other assets	4,261	(11,749)
Deferred outflows	1,172,766	(1,829,467)
Accounts payable and accrued expenses	(220,011)	2,174,690
Unearned revenues	16,525	(182,421)
Net Pension liability	(975,146)	1,770,064
Customer deposits	29,165	28,438
Other post-employment benefits	360,248	362,575
Compensated absences	(1,400)	52,400
Deferred inflows	(57,411)	265,600
Net cash provided by operating activities	<u>\$ 9,297,635</u>	<u>\$ 11,076,113</u>

Non-cash transactions: The fully depreciated capital assets of \$284,005 were written off.

The accompanying notes to the financial statements are an integral part of these statements.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

NOTE 1 – ORGANIZATION

The Water Authority of Western Nassau County (“the Water Authority”) was established on July 25, 1990, pursuant to the “Water Authority of Western Nassau County Act,” of the State of New York, as amended on July 31, 1992 and codified under Title 8-C of Article 5 of the Public Authorities Law. As a governmental agency constituting a public benefit corporation, the Water Authority was created for the purpose of acquiring, constructing, maintaining and operating a water supply and distribution system within the territorial boundaries of the Water Authority of Western Nassau County District (“the District”).

On May 28, 1996, the Water Authority, by exercise of the power of eminent domain, acquired the water supply and distribution system situated in the District previously owned by Jamaica Water Supply Company. The District serves a population of approximately 120,000 within the Town of Hempstead and the Town of North Hempstead. The Town of Hempstead component includes the incorporated villages of Bellerose, Floral Park, New Hyde Park, South Floral Park, Stewart Manor and portions of Garden City and Valley Stream. The area within the Town of Hempstead also includes the unincorporated areas of Bellerose Terrace, Elmont and portions of Franklin Square and North Valley Stream. The area within the Town of North Hempstead includes the unincorporated areas of Floral Park, Floral Park Centre and New Hyde Park.

The Water Authority is governed by a Board of Directors consisting of nine members. The town board of the Town of Hempstead appoints two members and the town board of the Town of North Hempstead appoints one member to the Board. The village boards of the Villages of Bellerose, Floral Park, Garden City, New Hyde Park, South Floral Park and Stewart Manor each appoint a single member to the Board. Each member serves for a period of two years. The number of votes of each Board member is proportional to the number of water customers in the town or village that appoints them.

Under the Government Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an Amendment of GASB Statement No. 14* and Statement No. 61, *The Financial Reporting Entity: Omnibus* the Water Authority is classified as a primary government agency with no component units. The classification is based on the following criteria: (1) it has a separately appointed governing body; (2) pursuant to its charter, the Water Authority is a legally separate and distinct entity from the State of New York, the County of Nassau and the Towns and Villages that appoint its Board of Directors and (3) neither the State of New York, nor any of its municipal entities, are financially accountable or liable for the indebtedness of the Water Authority. The Water Authority determines its operating plan, sets rates and issues bonded debt without approval by another government entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Water Authority have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Water Authority applies all applicable pronouncements of GASB.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

The activities of the Water Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. The flow of economic resources refers to the reporting of all the net position available to the Water Authority for the purposes of providing related water services. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) and associated activities are reported, and equity is reported as net position.

Basis of accounting refers to when revenues, expenses, transfers and the related assets and liabilities are recognized and reported in the financial statements. Specifically, it relates to the timing of the measurements made regardless of the nature of the measurement.

The Water Authority uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. Proprietary-type accounting also distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing water services and producing potable water for the service area in connection with the Water Authority's principal ongoing operations. The principal operating revenues of the Water Authority are charges to customers to provide potable water service. Other ancillary fees and services related to providing water are also recognized as operating revenues. Operating expenses include the cost of service, administration and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The Water Authority has adopted the provisions of Government Accounting Standard Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements established reporting standards for all state and local governments, which include Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows and inclusion of Management's Discussion and Analysis.

The Statement of Net Position of the Water Authority reports all assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position. The Statement of Net Position represents the difference between all other elements in a statement of financial position in three components: net investment in capital assets; restricted (distinguishing between major categories or restrictions) and unrestricted. The Statement of Net Position provides information about the nature and amount of investment in resources (assets) and obligations to the Water Authority's creditors (liabilities) at year-end. It also provides the basis for computing rate of return, evaluating the capital structure of the Water Authority and assessing the liquidity and financial flexibility of the Water Authority. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

The Statement of Net Position requires the classification of net position into three components as follows:

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

1. *Net investment in capital assets*— This component of net position consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets. Deferred outflows of resources and deferred inflow of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the period, the portion of the debt or deferred inflow of resources attributable to unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. *Restricted* – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets. Generally, a liability relates to the restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted asset reported. This component of net position consists of restrictions placed on net position as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net position* – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Water Authority considers all highly liquid investments with maturity of three months or less, when purchased, to be cash equivalents. The Statement of Cash Flows presented uses the direct method of reporting cash flows.

Under the Bonds Covenants, the Water Authority maintains its cash and cash equivalents in the Water Revenue Fund, General Fund and Operating Fund. The Water Authority pays into the Water Revenue Fund all of the revenues and all other moneys required to be paid into the fund other than the revenues and other amounts expressly required or permitted to be credited to, or deposited in, any other fund account. Cash in the General Fund may be used for any lawful purpose of the Water Authority. All reasonable and necessary operations and maintenance expenses are paid from the Operating Fund.

Restricted Cash, Cash Equivalents and Investments held by Trustee

Restricted cash, cash equivalents and investments are held in the following funds:

Rate Stabilization Fund – This is a fund maintained by the Water Authority. Money deposited into the Rate Stabilization Fund is used in the following order:

1. To the extent provided in the current operating plan, money should be credited to or transferred to any other fund or account created under resolution.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

2. Transferred to the bond fund trustee for deposit in the Bond Fund to ensure that there are no deficiencies in payments to the Bond Fund.
3. Transferred to the bond fund trustee for deposit in the Secondary Bond Fund to ensure that there are no deficiencies in payments to the Secondary Bond Fund.
4. Transferred to Unrestricted – Operating.

The amount of Rate Stabilization Fund cash and cash equivalents were \$1,522,000 and \$1,070,000 as of May 31, 2018 and May 31, 2017, respectively.

Bond Construction Fund – In accordance with the bond resolution, money deposited in the Bond Construction Fund from the proceeds of the Water System Revenue Bonds, Series 2015 and Series 2010 are restricted to the cost of improvements or the replacement of the water system. The Bond Construction Fund is to be maintained in trust and held by the fund trustee. The total amounts in the Bond Construction Funds at May 31, 2018 and May 31, 2017 were \$41,224,031 and \$51,409,155, respectively. As of May 31, 2018, the balances of Construction Funds are from 2015 Bond Series.

Bond Reserve Funds – Under the Series 2015A and 2010 Resolutions, the Water Authority is required to deposit into the Reserve Accounts, the lesser of (i) 10% of the proceeds of the Series 2015A, Series 2010A and Series 2010B Bonds, (ii) the maximum principal and interest payments due on the Series 2015A, 2010A and Series 2010B Bonds in any Fiscal Year, (iii) 125% of the average of the annual installments of Debt Service with respect to all Series 2015A, Series 2010A and Series 2010B Bonds for the current and all future Fiscal Years.

The Bond Reserve Funds are to be maintained in trust and held by the fund trustee. Amounts in the Reserve Accounts are available to pay debt service when insufficient funds for that purpose are available in the Bond Fund.

As of May 31, 2018, and May 31, 2017, the total amounts of Bond Reserve Funds were \$9,000,443 and \$9,028,940, respectively. The Water Authority considers the expected changes in treasury yield curve in determining the optimal allocation of its debt reserve funds between cash and cash equivalents and investments.

Bond Payment Fund – The Water Authority's bond resolution authorizing the Water System Revenue Bonds, Series 2015, and Series 2010 bond issues has established the Bond Payment Fund. The Bond Fund is to be maintained in trust and held by the fund trustee. The Bond Fund is comprised of two separate fund accounts including the Bond Principal and Interest Fund. All money deposited in the Bond Fund is used solely for the purpose of paying the principal and interest on the bonds. On May 31, 2018 and May 31, 2017, the amounts in the Bond Fund cash and cash equivalents were \$1,176,692 and \$772,211, respectively.

Investment Securities — Investments are reported at fair value in the financial statements. Fair value is the amount in which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an investment, the fair value is the total number of trading units of the instrument times the market price per unit. All investment income, including changes in fair value of investments is recognized as non-operating revenue in the operating statement.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Accrued Unbilled Revenues

Accrued unbilled revenues represent revenue earned in the current year but not yet billed to customers until future days, usually within three months, based on the estimated billings occurring in the three months of the succeeding year. Historical trend is used to estimate accrued unbilled revenues.

Accounts Receivable

Accounts receivable is net of an allowance for doubtful accounts of \$25,000 at May 31, 2018 and May 31, 2017. The allowance is estimated based on trends in historical collection rates and write-offs.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statement of Net Position.

Materials and Supplies

Materials and supplies inventory is valued at weighted average cost, which approximates market.

Capital Assets

Capital assets are defined by the Water Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are carried at cost to the Water Authority. Improvements, renewals purchased or contributed property, replacements of retired units of property and significant repairs inclusive of materials, labor and certain overhead that extend the life of the asset are capitalized while minor repairs and maintenance costs are expensed as incurred.

Depreciation is provided on the straight-line basis using the following estimated useful lives for each asset type:

<u>Capital Asset</u>	<u>Useful Life Years</u>
Distribution system	35 - 105
Wells and standpipes	40 - 60
Pumping and purification	20 - 50
Other property and equipment	5 - 10

When assets are retired or otherwise disposed of, the related assets and accumulated depreciation is written off and any related gains or losses are recorded.

Capitalization of Interest during Construction

The Water Authority capitalizes the interest cost during the construction of capital assets according to Financial Accounting Standards Board's Accounting Standards Codification Paragraph 835-20-30-10 through 835-20-30-12.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

The amount of interest cost capitalized for qualifying assets is that portion of the interest cost incurred during the assets' acquisition periods that theoretically could have been avoided if expenditures for the assets had not been made. The amount capitalized in an accounting period is determined by applying the capitalization rate to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period is based on the rates applicable to borrowings outstanding during the period. If the Water Authority's financing plans associate a specific new borrowing with a qualifying asset, the Water Authority uses the rate on that borrowing as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that borrowing.

Interest earned is not to be offset against interest cost in determining either capitalization rates or limitations on the amount of interest cost to be capitalized except in situations involving acquisition of qualifying assets financed with the proceeds of tax-exempt borrowings if those funds are externally restricted to finance acquisition of specified qualifying assets or to service the related debt.

The amount of interest cost capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings that are externally restricted as specified in the preceding paragraph shall be the interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use. The interest cost and interest earned on any portion of the proceeds of the tax-exempt borrowings that are not designated for the acquisition of specified qualifying assets and servicing the related debt are excluded.

The Water Authority has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued in December 2010, has fully incorporated the interest capitalization rules of ASC 835. The adoption of GASB Statement No. 62 did not have any effect on the financial statements.

The interest expenses are shown net of the capitalized portions of \$144,200 and 133,700, in the financial statements for the years ended May 31, 2018 and May 31, 2017, respectively.

Long-term Obligations

In the financial statements, long-term debt is reported as a liability in the Statement of Net Position. Long-term debt is reported at face value less any loss on defeasance and plus or minus applicable premium or discount, respectively.

Bond premiums and bond discounts are deferred and amortized over the life of the bonds in relation to principal payment over the life of the issue. The costs related to the insurance on long-term debt and the loss on the early retirement of refunded debt is amortized in relation to principal repayment over the life of the issue.

The amortizations of bond premiums were \$376,092 and \$375,088, in years ended May 31, 2018 and May 31, 2017. The amortization of Series 2015 deferred refunding loss was \$51,433 and the amortization of Series 2005 refunding gain was \$53,035, for both years ended May 31, 2018 and May 31, 2017.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Unearned Revenues

The Unearned revenues include advance payments by customers and charges for future repairs. The Water Authority recognizes the amounts charged as liabilities and credits them to revenue only when associated costs are incurred.

Other Postemployment Benefits

In addition to providing pension benefits, the Water Authority provides health insurance coverage for eligible retired employees. Substantially all the Water Authority's employees may become eligible for these benefits provided the employee has a minimum of ten years of full time employment with the Water Authority, has obtained 55 years of age and has terminated employment with the Water Authority within five years from the date on which entitled to a retirement allowance from the New York State and Local Employees Retirement System.

The Water Authority's Board of Directors adopted a resolution dated September 17, 2002, as amended November 9, 2009, that provides eligible enrollees with post-retirement medical insurance coverage, limited to the health insurance programs offered by the Water Authority to its then full-time employees, as modified from time to time by the Board of Directors of the Water Authority.

The Water Authority recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. The liability for these other postemployment benefits is recorded as a long-term liability in the Statement of Net Position and is estimated based on the most recent actuarial valuation in accordance with the parameters of GASB Statement No. 45.

In June 2015, Government Accounting Standards Board (GASB) issued the Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees. This Statement requires the liability of employers to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The Statement requires governments to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2017. The Water authority is evaluating the effects of adopting this statement on its financial statements.

Accrued Vacation and Sick Leave

In the event of termination or upon retirement, employees are entitled to receive accumulated but unused vacation and sick leave at various rates subject to certain maximum limitations pursuant to policies adopted by the Board of Directors.

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent obligations on the Statement of Net Position. The current portion of this liability

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

is estimated based on historical trends. In the Statements of Revenues, Expenses and Changes in Net Position only the compensated absence liability payable from available financial resources is incurred.

Net Pension Obligation and Deferred Outflows

The Water Authority provides retirement benefits for substantially all of its regular, full-time employees through contributions to the New York State and Local Employees' Retirement System. The system provides various plans and options, and all full-time employees are required to join the plan.

The Water Authority recognizes a net pension liability, which represents the Water Authority's proportional share of excess total pension liability over the pension plan assets, actuarially calculated, of New York Employees Retirement System, a cost-sharing multiple-employer plan, measured as of the pension plan's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred.

Revenue Recognition

Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings. Billings for water service are generally rendered on a quarterly basis except for one consumer, which is billed monthly due to the requirements of a legal settlement. The Water Authority's Board of Directors has the power to set rates and charges, which are sufficient to meet its obligations, independently and is not subject to the regulation of any department or commission, including the New York State Public Service Commission.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses are related to operating transactions. The operating transactions are those other than capital and related financing activities, noncapital financing activities and investing activities. Operating revenues generally result from sales of water, grants for production and delivery of water, and reimbursement of operating expenses. Operating expenses include depreciation on all fixed assets. Non-operating revenue includes interest earnings on investment assets and miscellaneous income. Non-operating expenditures include interest expense on long-term debt.

Taxes

As a Public Benefit Corporation, the Water Authority is exempt from federal and state income taxes, as well as state and local property taxes.

Deferred Inflows of Resources/Deferred Outflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating and Capital Plans

The Water Authority adopts annual operating and capital plans. Plans are adopted on a basis consistent with generally accepted accounting principles. The current operating plan details the Water Authority's plans to earn and expend funds for charges incurred for operations, maintenance, certain interest and other charges for the fiscal year. The capital plan details the Water Authority's plan to receive and expend capital contribution fees and revenues for improving and expanding capital facilities.

All unexpended or encumbered appropriations in the operating plan remaining at the end of the fiscal year lapse. No appropriations for capital projects in the capital plan lapse until the purpose for which the appropriation was made, has been accomplished or changed.

Management submits a proposed plan to the Water Authority's Board of Directors prior to the commencement of the next fiscal year. A plan is adopted by resolution prior to June 1. During the year, the Board of Directors has to authorize the transfer of planned amounts between line items.

Fair Value Measurements

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. Fair Value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. It gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques use should maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for investments measured at fair value:

Cash and Cash Equivalents - The fair value of cash and cash equivalents, consisting primarily of deposits and government money market funds, is classified as Level 1.

Treasury notes and bonds- Valued at the closing price reported on the active market on which the individual securities are listed, valued at Level 1.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Water Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Recent Accounting Pronouncements

The following are discussions of the standards requiring implementation in the current year and standards that may impact the Water Authority in future years.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). GASB 75 establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to employees of state and local governmental employers. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Water Authority adopted will implement this statement, beginning fiscal year ending May 31, 2019. The water Authority is currently evaluating this statement and expects that GASB 75 will have an impact on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, ("GASB 83"). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The requirements of GASB 83 are effective for fiscal years beginning after June 15, 2018. The Water Authority has not completed the process of evaluating GASB 83. The Water Authority does not expect that GASB 83 will have an impact on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, ("GASB 84"). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

effective for fiscal years beginning after December 15, 2018. The Water Authority does not expect this statement to have an impact on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, ("GASB 85"). The objective of GASB 85 is to address practice issues that have been identified during implementation and application of certain GASB statements. The requirements of GASB 85 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 85 did not have an impact on the Water Authority's financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, ("GASB 86"). The primary objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are acquired with only existing resources—resources other than the proceeds of refunding debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of GASB 86 are effective for fiscal years beginning after June 15, 2017. The Water Authority is evaluating GASB 86 but does not expect it to have an impact on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. The Water Authority is evaluating GASB 87. The Water Authority expects that GASB 87 will have an impact on its financial statements.

In March 2018, GASB issued Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Effective Date and Transition the requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The adoption of this statement is not expected to have material effect on the Water Authority's financial statements.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. For financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied prospectively. For construction-in-progress, interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized. The Water Authority has adopted and will implement this guidance, beginning with the fiscal year ending May 31, 2019.

NOTE 3 –CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash includes petty cash on hand, demand deposits and deposits in other kinds of accounts that have the general characteristics of demand deposit accounts, in that the Water Authority may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. Cash equivalents include short-term, highly liquid investments that are both

- a. Readily convertible to known amounts of cash.
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

In accordance with the bond resolutions the Water Authority has deposited cash and made investment in various restricted accounts with the Bond Trustee. Also, the Water Authority holds customer deposits in a restricted bank account.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

The restricted cash and investment are as follows:

Restricted for bond payment. This cash account is established to meet the debt service requirements on the outstanding water revenue bonds as they become due and payable.

Restricted for bond reserve. The restricted cash and investment bond reserve accounts are established to hold sufficient amount of money that remains outstanding through final bond maturity to ensure debt service payments.

Restricted for construction. The restricted cash and investment bond construction accounts are committed for capital expenditures.

Restricted for rate stabilization. The restricted cash rate stabilization account is established to buffer the impacts of occasional revenue shortfalls.

Restricted for customer deposits. This restricted cash account is established to keep deposits received from customers to secure the payment of their water bills.

Fair Value

On May 31, 2018 and 2017, the Water Authority's composition of cash, cash equivalents and investment, by level in the fair value hierarchy, were as follows:

May 31, 2018	Level 1	Level 2	Level 3
Unrestricted cash:			
Bank deposits	\$ 3,511,601	\$ -	\$ -
Restricted cash:			
Customer deposits			
Bank deposits	1,195,202	-	-
Rate stabilization fund			
Bank deposits	1,522,000	-	-
Bond payment			
Bank deposits	840,482	-	-
Government money market funds	336,210	-	-
Bond Reserve			
Bank deposits	90,918	-	-
Government money market funds	1,886,587	-	-
Bond Construction fund			
Bank deposits	769,556	-	-
Government money market funds	15,778,216	-	-
Restricted investments:			
Bond Construction Fund:			
US Treasury Notes/Bonds	24,676,259	-	-
Bond Reserve Funds			
US Treasury Notes/Bonds	7,022,938	-	-
	\$ <u>57,629,969</u>	\$ <u>-</u>	\$ <u>-</u>

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

<u>May 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Unrestricted cash:			
Bank deposits	\$ 3,367,704	\$ -	\$ -
Restricted cash:			
Customer deposits			
Bank deposits	1,166,383	-	-
Rate stabilization Fund			
Bank deposits	1,070,000	-	-
Bond payment			
Bank deposits	446,174	-	-
Government money market funds	326,037	-	-
Bond Reserve			
Bank deposits	9,028,940	-	-
Bond Construction fund			
Bank deposits	22,967,668	-	-
Restricted investments:			
Bond Construction Fund:			
US Treasury Notes/Bonds	28,441,487	-	-
	<u>\$ 66,814,393</u>	<u>\$ -</u>	<u>\$ -</u>

All cash equivalents and investments classified and included in the Level 1 of the fair value hierarchy, as of May 31, 2018 and 2017, respectively, are valued using quoted prices in active markets.

Custodial Credit Risk – All cash deposits of the Water Authority are required to be insured by the Federal Deposit Insurance Corporation (“FDIC”) or to be secured by obligations of, or guaranteed by, the United States of America or of the State of New York of a market value equal at all times to the amount on deposit and all banks and trust companies are authorized to give such security for such deposits.

The Water Authority’s cash accounts are secured by the appropriate amount from the FDIC with all remaining amounts covered by fully pledged collateral securities, at over 102% of the amounts on deposit. All pledged collateral is classified in the highest category by being held by the Bank of New York Mellon under a tri-party collateral agreement in the Water Authority’s name. All time and savings deposits and demand deposits of the Water Authority are held in insured depository institution within the State of New York and are separately insured up to \$250,000.

Investments

Investments Authorized by the State of New York and Bond Resolutions. Pursuant to the Bond Resolution, the Water Authority may only invest moneys on deposit in various funds established under the resolution in certain investment securities. In addition, and in accordance with the requirements of the State of New York Public Authorities Law, the Water Authority has adopted comprehensive investment guidelines which govern the investment of all moneys of the Water Authority. These guidelines provide that moneys on deposit with the Water Authority may only be invested in:

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

1. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America ("USA").
2. Bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by any agency or instrumentality of the USA or any other corporation wholly owned by the USA.
3. Public housing bonds or preliminary, temporary or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions, under an annual contributions contract, or contracts with the USA or any federal agency.
4. Direct and general obligations of any State or political subdivision of State, as to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged and at the time of their purchase, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies.
5. Bank time deposits evidenced by certificates of deposit and bankers' acceptances issued by any bank or trust company, which is a member of the FDIC.
6. Obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the USA or any state thereof, provided that such investments shall be rated in the two highest rating categories established by at least two nationally recognized bond rating agencies.
7. Certificates or other obligations of the USA or any state, political subdivision, agency or instrumentality of the USA or any state or political subdivision. It is required that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Bond Fund Trustee under the Bond Resolution. Certificates or other obligations of a state or political subdivision, the payments of all principal of, and interest on such certificates or such obligations, shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, L.P. ("Moody's") and either Standard & Poor's Corporation ("S&P") or Fitch Investors Service, Inc. ("Fitch"), or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's and either S&P or Fitch.
8. Written investment agreements rated or the issuer of which is rated, in one of the two highest rating categories by at least two nationally recognized rating agencies, and if rated by Moody's, S&P or Fitch, such investment agreements or the long-term unsecured debt obligations of the insurer thereof must be rated in one of the two highest rating categories by the respective agency rating such investment agreements.
9. Money market funds registered under the Investment Company Act of 1940, as amended, the investment portfolios of which are comprised solely of investments in obligations described in items 1, 2 and 3 above, and which money market funds are rated in one of the two highest rating categories by the respective agency rating such money market funds.

Disclosures Relating to Credit Risk – There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Any moneys of the Water Authority not required for immediate use or disbursement may, at the discretion of the Water Authority, be invested in those obligations specified

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

pursuant to the provisions of Section 98(a) of the State Finance Law and the Bond Resolution with respect to the Water Authority's Water System Revenue Bonds, Series 2010 and 2005 Bonds.

In addition, there is the risk of loss attributed to the magnitude of the Water Authority's investment in a single issuer. Given the relative safety of those investment instruments that the Water Authority can purchase, the policies of the Water Authority do not place a limit on the amount that may be invested in any one issuer. As of May 31, 2018, and May 31, 2017, the Water Authority's investment, including the investment in cash equivalents was as follows.

	May 31, 2018			May 31, 2017		
	Level 1	S&P-AAAm	US	Level 1	S&P-AAAm	US Treasury
	Fair Value	Moody's- Aaa-mf NAIC-Class 1	Treasury Securities	Fair Value	Moody's- Aaa-mf NAIC-Class 1	Securities
Dreyfus Government Securities Funds	\$18,001,013	\$18,001,013	\$ -	\$ 326,036	\$ 326,036	\$ -
US Treasury Bonds	31,699,197	-	31,699,197	28,441,487	-	28,441,487
Total	<u>\$49,700,210</u>	<u>\$17,842,834</u>	<u>\$31,699,197</u>	<u>\$28,767,523</u>	<u>\$326,036</u>	<u>\$28,441,487</u>

At May 31, 2018 and 2017, all Water Authority funds were invested in credit risk free US Treasury Securities and money market funds with highest credit rating. The money market funds are managed by Dreyfus Corporation, a BNY Mellon Company. Dreyfus Government Securities Fund invests in securities issued or guaranteed as to the timely payment of principal and interest by the U.S. Government, or its agencies or instrumentalities. The investment in the money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

Interest Rate Risk – When investing idle funds, there is the risk that changes in interest rates will adversely affect the fair value of that investment. The Water Authority currently has an investment policy that limits its exposure to fair value losses by establishing maturity timeframes that meet the cash flow requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

On May 31, 2018 and May 31, 2017, the maturity dates of the Water Authority's investment securities were as follows:

May 31, 2018	Fair Value	12 Months or Less
Dreyfus Government Securities Funds	\$ 18,001,013	\$ 18,001,013
May 31, 2017		
Dreyfus Government Securities Funds	\$ 326,036	\$ 326,036

The Weighted Average Maturity of Dreyfus Government Securities has been very short, less than 60 days. The yields from money market funds may vary, although they have not in the past year, and is not fixed for a specific period. A sharp and unexpected rise in interest rates could cause the share price to drop below a dollar. However, the extremely short maturities of the securities held in the portfolio reduce the potential for price fluctuation. Also, the yields of US Treasury securities' and money market funds will

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

fluctuate as the short-term securities in the Water Authority portfolio mature and the proceeds are reinvested in securities with different interest rates.

As of May 31, 2018, and 2017, the maturities of investment in the Water Authority's US treasury securities were as follows:

Restricted Investments Held by the Trustee
By Maturity Dates

May 31, 2018				Average Term
Maturity Date- on or before	Investment	Fair value	Percent	(Days)
5/31/2019	US Treasury Notes/ Bonds	7,720,565	24.40%	243
5/31/2020	US Treasury Notes/ Bonds	19,468,969	61.50%	592
5/31/2021	US Treasury Notes/ Bonds	2,709,156	8.60%	988
5/31/2022	US Treasury Notes/ Bonds	1,733,477	5.50%	1,461
		<u>\$ 31,632,167</u>	<u>100.00%</u>	<u>588</u>
May 31, 2017				Average Term
Maturity Date- on or before	Investment	Fair value	Percent	(Days)
5/31/2018	US Treasury Notes/ Bonds	21,320,581	75.20%	164
5/31/2019	US Treasury Notes/ Bonds	4,993,235	17.60%	559
4/30/2020	US Treasury Notes/ Bonds	2,044,983	7.20%	910
		<u>\$ 28,358,799</u>	<u>100.00%</u>	<u>287</u>

The accrued interest on the investment accounts were \$67,030 and \$82,724 as of May 31, 2018 and May 31, 2017, respectively. The accrued interests are added to the market value of the investments in the statement of net position.

Custodial Risk of Investments

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. The Bank of New York Mellon as the trustee and custodian holds the Water Authority's investments.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

The changes in the cost of capital assets and accumulated depreciation during the years ended May 31, 2018 and May 31, 2017 are reflected in the following table:

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Year Ended May 31,	2017	Increase	Reclassification and Retirement	2018
Capital assets not subject to depreciation:				
Land and land rights	\$ 599,074	\$ -	\$ -	\$ 599,074
Construction in progress	7,151,780	9,490,478	(2,455,390)	14,186,868
Total capital assets not being depreciated	7,750,854	9,490,478	(2,455,390)	14,785,942
Capital assets being depreciated:				
Wells and standpipes	5,894,055	192,357	-	6,086,412
Pumping and purification	22,845,201	195,842	-	23,041,043
Distribution system	41,937,015	1,991,843	(276,165)	43,652,693
Building, vehicles and equipment	19,996,311	75,348	(17,066)	20,054,593
Total capital assets being depreciated	90,672,582	2,455,390	(293,231)	92,834,741
Less accumulated depreciation:				
Wells and standpipes	(1,354,339)	(122,821)	-	(1,477,160)
Pumping and purification	(6,286,996)	(554,760)	-	(6,841,756)
Distribution system	(6,855,644)	(868,252)	266,939	(7,456,957)
Building, vehicles and equipment	(4,017,945)	(706,988)	17,066	(4,707,867)
Total accumulated depreciation	(18,514,924)	(2,252,821)	284,005	(20,483,740)
Total net capital assets being depreciated	72,157,658	202,569	(9,226)	72,351,001
Total net capital assets	\$ 79,908,512	\$ 9,693,047	\$ (2,464,616)	\$ 87,136,943
Year Ended May 31,	2016	Increase	Reclassification and Retirement	2017
Capital assets not subject to depreciation:				
Land and land rights	\$ 167,708	\$ 431,366	\$ -	\$ 599,074
Construction in progress	2,080,762	9,159,740	(4,088,722)	7,151,780
Total capital assets not being depreciated	2,248,470	9,591,106	(4,088,722)	7,750,854
Capital assets being depreciated:				
Wells and standpipes	5,350,037	544,018	-	5,894,055
Pumping and purification	21,739,020	1,106,181	-	22,845,201
Distribution system	40,644,775	1,516,270	(224,030)	41,937,015
Building, vehicles and equipment	19,708,008	481,656	(193,353)	19,996,311
Total capital assets being depreciated	87,441,840	3,648,125	(417,383)	90,672,582
Less accumulated depreciation:				
Wells and standpipes	(1,241,419)	(112,920)	-	(1,354,339)
Pumping and purification	(5,751,687)	(535,309)	-	(6,286,996)
Distribution system	(6,262,550)	(817,124)	224,030	(6,855,644)
Building, vehicles and equipment	(3,546,977)	(664,321)	193,353	(4,017,945)
Total accumulated depreciation	(16,802,633)	(2,129,674)	417,383	(18,514,924)
Total net capital assets being depreciated	70,639,207	1,518,451	-	72,157,658
Total net capital assets	\$ 72,887,677	\$ 11,109,557	\$ (4,088,722)	\$ 79,908,512

As of May 31, 2018, and May 31, 2017, the amounts of capitalized interest included in construction in progress were \$144,200 and \$133,700, respectively.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

NOTE 5 – REVENUE BONDS PAYABLE

The changes in Revenue Bonds Payable in the year ended May 31, 2018 and May 31, 2017 were as follows:

	<u>May 31, 2017</u>	<u>Decreased</u>	<u>Increased</u>	<u>May 31, 2018</u>
Water System Revenue Bonds payable	\$ 107,915,000	\$ (2,380,000)	\$ -	\$ 105,535,000
Adjustment for deferred amounts:				
Unamortized premium	8,740,418	(376,092)	-	8,364,326
Total Revenue Bonds	<u>\$ 116,655,418</u>	<u>\$ (2,756,092)</u>	<u>\$ -</u>	<u>\$ 113,899,326</u>
	<u>May 31, 2016</u>	<u>Decreases</u>	<u>Increases</u>	<u>May 31, 2017</u>
Water System Revenue Bonds payable	\$ 110,195,000	\$ (2,280,000)	\$ -	\$ 107,915,000
Adjustment for deferred amounts:				
Unamortized premium	9,115,506	(375,088)	-	8,740,418
Total Revenue Bonds	<u>\$ 119,310,506</u>	<u>\$ (2,655,088)</u>	<u>\$ -</u>	<u>\$ 116,655,418</u>

SERIES 2005 REVENUE BONDS PAYABLE

On August 4, 2005, the Water Authority issued \$33,065,000 Water System Revenue Bonds, Series 2005 in part to provide sufficient funds to affect the advanced refunding of 1996 Series bonds, to finance the cost of acquisition and construction of improvements to the Water System and pay certain costs of issuance relating to the Series 2005 Bonds.

The interest on the refunding bonds ranged from 2.84% to 5.30% (average interest of 3.7%) and the bonds were issued at a premium of \$1,642,140. The \$28,155,000 remaining balance of the Water Authority's outstanding Series 1996A bonds had interest rates ranging from 5.65% to 6.43% (average interest of 5.6%). Simultaneously with the issuance of the Series 2005 Bonds, \$28,758,320, the amount of \$27,900,000 from the proceeds of the sale of the Series 2005 Bonds together with other available moneys, were used to purchase non-callable direct obligations of the USA. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the May 1, 2006, redemption of the bonds, at a redemption price of 102% plus accrued interest. As a result, \$28,225,000 of Series 1996A bonds are considered defeased and the liability for those bonds were removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$2,230,412. The Water Authority completed the refunding to reduce its total debt service payments over the next 30 years to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,314,315.

SERIES 2010 REVENUE BONDS PAYABLE

On April 15, 2010, the Water Authority issued its Series 2010 Revenue Bonds. The Series 2010 Revenue Bonds include the Water System Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), with aggregate principal balance of \$6,925,000, and Water System Revenue Bonds, Series 2010B (the "Series 2010B Bonds"), federally taxable, Build America Bonds, with aggregate principal balance of \$33,965,000. The

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Bonds were issued pursuant to the water system revenue bonds General Resolution adopted by the Water Authority on May 13, 1996 and the supplemental Series 2010 Resolution adopted on January 25, 2010. The Series 2010 Bonds are the third and fourth Series of Bonds (as that term is defined herein) to be issued under the General Resolution.

The Series 2010A Bonds were issued to finance costs of acquisition, improvements and additions to the water system, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010A Bonds. The Series 2010B Bonds were issued to finance the cost of acquisition, improvements and additions to the water system, including the construction of the Water Authority's headquarters, to fund a deposit to the Reserve Account, and to pay certain costs of issuance relating to the Series 2010B Bonds. The Series 2010 Bonds, which are issued as Senior Lien Bonds, are the third and fourth Series of Bonds issued under the General Resolution. The Series 2010 Bonds are payable as to both interest and principal solely from the net revenues on parity with other outstanding Bonds.

The Water Authority has elected to treat the Series 2010B Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") and to receive a cash subsidy from the US Treasury in connection therewith. Pursuant to the Recovery Act, the Water Authority is entitled to receive cash subsidy payments rebating a portion of the interest on the Build America Bonds from the US Treasury equal to 35% of the interest payable on the Series 2010B Bonds. The Water Authority will use this subsidy exclusively to pay interest on the Series 2010B Bonds.

The Series 2010A Bonds are not subject to redemption prior to maturity. The Series 2010B Bonds are subject to Make-Whole and Extraordinary Redemption at the option of the Water Authority.

SERIES 2015 REVENUE BONDS PAYABLE

On April 22, 2015, the Water Authority issued the \$54,200,000 Water System Revenue Bonds Series 2015A and \$19,400,000 Water Revenue Refunding Series 2015B. The Series 2015A proceeds are used to finance the cost of construction of improvements to water system, to fund a portion of reserve account and to pay certain issuance costs. The proceeds of Series 2015B Bond together with Series 2005 Bond Debt Reserve Fund balances were applied to refund the \$23,885,000 outstanding balance of the Series 2005 Bonds, to pay \$666,789 of interest and fund a portion of reserve account and to pay certain issuance costs. The sources and uses of the Series 2015 Bonds are as follows:

Sources:	Total	Uses:	
Bond Proceeds:		Escrow Fund	\$ 24,551,790
Par Amount	\$ 73,600,000	Construction Fund	55,822,774
Net Premium	9,410,647	Reserve account, Series 2015	4,780,500
		Deposit to Capitalized	
Released Bond Funds	<u>3,715,130</u>	Interest Account Series 2015	1,128,088
		Costs of Issuance	<u>442,625</u>
Total sources	<u>\$ 86,725,777</u>	Total Uses	<u>\$ 86,725,777</u>

Series 2005A and 2005B Bonds are considered to be defeased and the liability for those bonds were removed from the financial statements.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$1,028,663. The Water Authority completed the refunding to reduce its total debt service payments over the next 30 years to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,023,167. The economic gain represents 16.84% of the outstanding balance of the refunded bonds.

The Series 2015 Bonds are subject to redemption at the option of the Water Authority on or after April 1, 2025, in whole or in part, at a price of par, plus accrued interest.

The Series 2015A Bonds maturing on April 1, 2040 (\$17,640,000), April 1, 2045 (\$10,000,00 at 4% interest) and April 1, 2045 (\$4,900,000 at 5% interest) are subject to mandatory redemption, at a price equal 100% of the principal plus accrued interest, over five-year periods, commencing on 2036, 2041 and 2041, respectively.

The average life and duration of the Series 2015 Bonds are 17.84 and 12.19, respectively. The average annual debt service is \$4,530,667 and the maximum annual debt service is \$4,780,500. The yield of the component bonds ranges from 0.31% to 3.79%, depending on the term of the bonds.

Make-whole Redemption

The Series 2010B Bonds are subject to redemption, in whole or in part, prior to their stated maturities, on any date. The redemption price is equal to the greater of:

- (i) 100% of the principal amount of such Series 2010B Bonds to be redeemed, plus accrued and unpaid interest, or
- (ii) The sum of the present values of the remaining scheduled payments of principal and interest discounted to the date of redemption at the Treasury Rate plus 30 basis points. "Treasury Rate" is the yield to maturity of the Treasury Issue, with equivalent maturity.

Extraordinary Redemption

The Series 2010B Bonds are subject to redemption prior to maturity at the option of the Water Authority, in whole or in part, on any date following the occurrence of an "Extraordinary Event", at redemption price equal to the greater of:

- (i) 100% of the principal amount of such Series 2010B Bonds to be redeemed, plus accrued and unpaid interest, or
- (ii) The sum of the present values of the remaining scheduled payments of principal and interest on such Series 2010B Bonds to be redeemed discounted to the date of redemption on a semiannual basis at the Treasury Rate plus 100 basis points.

An "Extraordinary Event" occurs if the 35% cash subsidy payment from the US Treasury to the Water Authority is reduced or eliminated as a result of change in provisions of Internal Revenue Code of 1986 pertaining to Build America Bonds or determination by the Internal Revenue Service or the US Treasury that the Bonds do not qualify to receive the subsidy.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

The Series 2010B Bonds maturing on April 1, 2025, 2030 and 2040 are subject to mandatory redemption prior to their stated maturity in part on each April 1 on and after April 1, 2021, 2026 and 2031, respectively. The Bonds will be redeemed from moneys required to be credited to the Bond Retirement Account in the Bond Fund at a redemption price equal to the principal amount to be redeemed, together with interest accrued on such principal amount to the date fixed for redemption.

The General Resolution requires the Water Authority to establish rates and other charges for the water that will be sufficient in each fiscal year to produce revenues (with deposits from Rate Stabilization Fund) that will be at least equal to: (i) the fiscal year's debt service and reserve fund replenishment obligations, operation and maintenance expenses (including amounts to be deposited to the Rate Stabilization Fund), and any other charges or liens; (ii) 1.20 times the debt service for such Fiscal Year.

OUTSTANDING REVENUE BONDS PAYABLE

The outstanding Water System Revenue Bonds at May 31, 2018 and 2017 consist of the following:

Revenue Bonds	Date	Interest Rate	Average Interest Rate	Principal Balance	Principal Matured	Principal Balance	Principal Balance	
				May 31, 2017		May 31, 2018	May 31, 2018	Current
Series 2010:								
Series A Bond								
Uninsured Serial Bond	2011-2012	2-3%	2.64%	-				
Serial Bond	2013-2020	3-4%	3.80%	\$3,125,000	\$(1,000,000)	\$ 2,125,000	\$1,040,000	\$1,085,000
Total Series A Bonds				3,125,000	(1,000,000)	2,125,000	1,040,000	1,085,000
Series B Bond								
Term Bond	2025	6.01%	6.01%	6,090,000		6,090,000		6,090,000
Term Bond	2030	6.45%	6.45%	7,420,000		7,420,000		7,420,000
Term Bond	2040	6.70%	6.70%	20,455,000		20,455,000		20,455,000
Total Series B				33,965,000		33,965,000		33,965,000
Total Series 2010 Bonds				37,090,000	(1,000,000)	36,090,000	1,040,000	35,050,000
Series 2015:								
Serial Bonds - (2015B)	2035	3%-5%	4.51%	16,905,000	(1,310,000)	15,595,000	1,375,000	14,220,000
Serial Bonds - (2015A)	2035	4%-5%	4.56%	21,380,000	(70,000)	21,310,000	75,000	21,235,000
Term Bond 2040 - (2015A)	2040	5%	5.00%	17,640,000		17,640,000		17,640,000
Term Bond 2045 - (2015A)	2045	5%	5.00%	10,000,000		10,000,000		10,000,000
Term Bond 2045 - (2015A)	2045	4%	4.00%	4,900,000		4,900,000		4,900,000
Total Series 2015A				53,920,000	(70,000)	53,850,000	75,000	53,775,000
Total Series 2015				70,825,000	(1,380,000)	69,445,000	1,450,000	67,995,000
Total				\$107,915,000	\$(2,380,000)	\$105,535,000	\$2,490,000	\$103,045,000

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

FUTURE DEBT SERVICE REQUIREMENTS

At May 31, 2018, debt service requirements to maturity for the Bond Series 2010 and 2015 were as follows:

SERIES 2010A BONDS

Date	Principal	Interest	Total
2019	\$ 1,040,000	\$ 85,000	\$ 1,125,000
2020	1,085,000	43,400	1,128,400
Total	\$ <u>2,125,000</u>	\$ <u>128,400</u>	\$ <u>2,253,400</u>

SERIES 2010B BONDS

Date	Principal	Interest	Subsidy	Net Interest	Total Gross	Total Net
2019	\$ -	\$ 2,215,180	\$ (775,313)	\$ 1,439,867	\$ 2,215,180	\$ 1,439,867
2020	-	2,215,180	(775,313)	1,439,867	2,215,180	1,439,867
2021	1,125,000	2,215,180	(775,313)	1,439,867	3,340,180	2,564,867
2022	1,170,000	2,147,601	(751,660)	1,395,941	3,317,601	2,565,941
2023-2027	6,580,000	9,620,651	(3,367,228)	6,253,423	16,200,651	12,833,423
2028-2032	8,060,000	7,347,600	(2,571,660)	4,775,940	15,407,600	12,835,940
2033-2037	9,955,000	4,428,691	(1,550,042)	2,878,649	14,383,691	12,833,649
2038-2040	7,075,000	961,594	(336,558)	625,036	8,036,594	7,700,036
Total	\$ <u>33,965,000</u>	\$ <u>31,151,677</u>	\$ <u>(10,903,087)</u>	\$ <u>20,248,590</u>	\$ <u>65,116,677</u>	\$ <u>54,213,590</u>

SERIES 2015A BONDS

Date	Principal	Interest	Total
2019	\$ 75,000	\$ 2,543,663	\$ 2,618,663
2020	80,000	2,541,413	2,621,413
2021	80,000	2,539,013	2,619,013
2022	85,000	2,536,613	2,621,613
2023-2027	2,280,000	12,642,113	14,922,113
2028-2032	10,890,000	11,223,263	22,113,263
2033-2037	14,350,000	8,480,163	22,830,163
2038-2042	16,660,000	4,481,100	21,141,100
2043-2045	9,350,000	879,400	10,229,400
Total	\$ <u>53,850,000</u>	\$ <u>47,866,741</u>	\$ <u>101,716,741</u>

SERIES 2015B BONDS

Date	Principal	Interest	Total
2019	\$ 1,375,000	\$ 734,481	\$ 2,109,481
2020	1,440,000	665,731	2,105,731
2021	1,515,000	593,731	2,108,731
2022	1,590,000	517,981	2,107,981
2023-2027	7,435,000	1,315,406	8,750,406
2028-2032	1,330,000	280,050	1,610,050
2033-2035	910,000	61,563	971,563
Total	\$ <u>15,595,000</u>	\$ <u>4,168,943</u>	\$ <u>19,763,943</u>

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

NOTE 6 – OTHER LONG-TERM LIABILITIES

Changes in long-term liabilities, other than the Bonds, were as follows:

	<u>May 31, 2017</u>	<u>Addition</u>	<u>Reduction</u>	<u>May 31, 2018</u>	<u>Due in 1- year</u>	<u>Noncurrent Liability</u>
Accrued vacation and sick leave	\$950,900	\$38,600	\$40,000	\$949,500	\$40,000	\$909,500

NOTE 7 – EMPLOYEE BENEFITS

Retirement Plan Description

The Water Authority participates in the New York State and Local Employees' Retirement System (ERS) which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System.

The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Water Authority 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.

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

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

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 for ERS members and 62 for PFRS members.

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.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

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

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) 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 NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Year Ended May 31,	Contribution
2018	\$624,506
2017	595,561
2016	688,041

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

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

At May 31, 2018 and May 31, 2017, the Water Authority's reported a liability of \$1,265,663 and \$2,240,809, respectively, for its proportionate share of the net pension liability. The net pension liability used by the Water Authority was measured as of March 31, 2017 and March 31, 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016 and April 1, 2015, respectively. The Water Authority's proportion of the net pension liability was based on a projection of the Water Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At May 31, 2018 and May 31, 2017, the Water Authority's proportion was 0.0134700% and 0.0139611%, respectively.

For the year ended May 31, 2018 and May 31, 2017, the Water Authority recognized pension expense of \$763,124 and \$830,137, respectively. At May 31, 2018 and 2017, the Water Authority's reported deferred outflows of resources related to pensions from the following sources:

	<u>May 31, 2018</u>		<u>May 31, 2017</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 31,717	\$ 192,200	\$ 11,323	\$ 265,609
Changes in assumptions	432,400		597,554	-
Net difference between expected and actual investment earnings on pension assets	252,806		1,329,366	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	126,420		105,211	-
Authority contributions subsequent to the measurement date	624,506	15,989	595,561	-
Total deferred outflows and inflows of resources	<u>\$ 1,467,849</u>	<u>\$ 208,189</u>	<u>\$ 2,639,015</u>	<u>\$ 265,609</u>

The amounts of \$624,506 the contributions made after the measurement date of the net pension liability/collective net pension liability but before the end of the Water Authority's reporting year ended May 31, 2018 will be recognized as a reduction of the net pension liability/collective net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources related to pensions are recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 277,684
2019	277,684
2020	241,020
2021	(161,234)

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Actuarial Assumptions.

The total pension asset/(liability) at March 31, 2017 and 2016 was determined by using an actuarial valuation as of April 1, 2016 and 2015, with update procedures used to roll forward the total pension asset/(liability) to March 31, 2017 and 2016, measurement date, respectively.

Actuarial cost method	Aggregate cost
Investment rate of return, including inflation	7.0% compounded annually, net of investment
Salary Scale	3.8% indexed by service
Decrement tables	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Inflation	2.50%
Cost of living adjustment	1.3% annually
Mortality improvement	Society of Actuaries Scale MP-2014

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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of April 1, 2016 and 2015, for the years ended May 31, 2018 and 2017, are summarized as follows:

Asset Class	May 31, 2018		May 31, 2017	
	Target Allocation	Long-term Expected Real Rate	Asset Allocation	Long-term Expected Real rate
Domestic equity	36.00%	4.55%	38.00%	7.30%
International equity	14.00%	6.35%	13.00%	8.55%
Private equity	10.00%	7.75%	10.00%	11.00%
Real estate	10.00%	5.80%	8.00%	8.25%
Absolute return strategies	2.00%	4.00%	3.00%	6.75%
Opportunistic portfolio	3.00%	5.89%	3.00%	8.60%
Real assets	3.00%	5.54%	3.00%	8.65%
Bonds and mortgages	17.00%	1.31%	18.00%	4.00%
Cash	1.00%	0.25%	2.00%	2.25%
Inflation-indexed bonds	4.00%	1.50%	2.00%	4.00%
	<u>100.00%</u>		<u>100.00%</u>	

Discount-Rate. The discount rate used to calculate the total pension liability as of was 7% as of April 1, 2016 and 2015. 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 the statutorily required rates, actuarially. Based upon the assumptions, the State Plan's fiduciary net position was projected to be available to make all projected future benefit

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

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 Water Authority's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the Water Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6%) or one-percentage point higher (8%) than the current rate:

	Discount Rate		
	1% Decrease 6%	Current Discount 7 %	1% increase 8%
Employer's proportionate share of the net pension liability/(asset)	\$4,042,307	\$1,265,672	\$ (1,081,967)

Collective Net Position Liability of Participating Employers and Actuarial Information

The components of the net pension liability of the employers as of March 31, 2017 and 2016 were as follows:

(In Thousands)	2017	2016
Employers' total pension liability	\$177,400,586	\$172,303,544
Plan net position	(168,004,363)	(156,253,265)
Employers' net pension liability	<u>9,396,223</u>	<u>16,050,279</u>
Fiduciary net position as a percentage of total pension liability	94.7%	90.7%

Accrued Vacation and Sick Leave

The Water Authority employees earn vacation leave each month at a scheduled rate in accordance with the years of service and sick leave at the rate of one day per month. The maximum accumulated sick leave is 60 days. Accumulated unpaid vacation and sick leave amounts are accrued as earned. On May 31, 2018 and May 31, 2017, the liabilities for accrued vacation were 357,500 and \$375,200 and for the sick leave were 592,000 and \$575,700, respectively.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Postemployment health insurance coverage is afforded under single employer defined benefit plan to the Water Authority's retired employees and their dependents in accordance with the provisions of a resolution adopted by the Water Authority's Board of Directors on September 17, 2002 and as amended November 9, 2009. The Board adopted resolution and amended resolution provides eligible enrollees with postretirement medical insurance coverage, limited to the health insurance programs offered by the Water Authority to its then full-time employees, as modified from time-to-time by the Board. These benefits continue for the lifetime of the retiree.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

The summary of the retiree medical benefits and life insurance used in the valuation were as follows:

Retiree Medical Benefit

Eligibility

Tier 1 - Hired prior to July 25, 2011: age 55 with 10 years of service.

Tier 2 - Hired on or after July 25, 2011: age 55 with 20 years of service.

Contribution

Tier 1 - retiree pays 40% of the cost of individual retiree medical coverage, and 60% of the cost of spousal coverage.

Tier 2 - retiree pays 50% of the cost of individual retiree medical coverage, and 65% of the cost of spousal coverage.

Plans: NYSHIP pre-65. Medicare Supplement post-65.

Medicare Part B - Reimbursement of the Part B premium for employee and or spouse.

Retiree Life Insurance

Date of Hire prior to June 1, 1996, \$20,000 for hourly employees and \$40,000 for salaried employees, at no cost to the retiree.

Participant Count and Average Age

The number of participants and their average ages as of June 1, 2017 and June 1, 2015, and the effective dates of the annual OPEB valuation, were as follows:

Participants	June 1, 2017		June 1, 2015	
	Number	Average Age	Number	Average Age
Active employees	46	49.9	44	48.0
Retired employees	8	69.4	7	68.0
Total	54		51	

Funding Policy

The Water Authority currently pays for postemployment health care benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit Cost

From an accrual accounting perspective, the cost of postemployment healthcare benefits, similar to the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. Since adopting the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended May 31, 2009, the Water Authority recognized the cost of postemployment healthcare in the year when the employee services were received, reported the accumulated liability from prior years, and provided information useful in assessing potential demands on the Water Authority's

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

future cash flows. Recognition of the liability accumulated from prior periods was phased in over 30 years, commencing with the 2009 liability.

The Water Authority's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The annual OPEB cost, the amount of annual OPEB cost contributed to the Plan and Net OPEB obligation for fiscal year 2018 and 2017 were as follows:

Annual OPEB Cost and Net OPEB Obligation

Fiscal year ending May 31,	2018	2017
Annual required contribution (ARC)	\$ 470,646	\$ 462,161
Interest on NOO at 4.5%	124,024	109,521
Adjustment to ARC (NOO)	(172,448)	(152,282)
Annual OPEB cost (AOC)	422,222	419,400
Less: amount contributed	(61,974)	(56,825)
Change in net OPEB obligation	360,248	362,575
Net OPEB obligation (NOO), beginning balance	3,100,611	2,738,036
Net OPEB obligation, ending balance	\$ 3,460,859	\$ 3,100,611

The actual contribution of \$61,974 and \$56,825, during the years ended May 31, 2018 and 2017 were the determined as follows:

		Year Ended May 31,	
		2018	2017
Medical premium paid	\$	75,226	\$ 75,136
Part B premium paid		11,688	10,932
Life premium paid		630	623
Implicit subsidy		12,326	7,786
Retiree contributions		(37,895)	(37,652)
Actual contribution	\$	61,974	56,825

For the three years ended May 31, 2018, the Water Authority's schedule of required and actual annual contributions is presented below:

Year Ended May 31,		Annual Required Contribution		Actual Contribution	Percentage Contributed
2018	\$	470,646	\$	61,974	13%
2017		462,161		56,825	12%
2016		454,002		57,653	13%

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

The Water Authority's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the three years ended May 31, 2018 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contribution Amount	Percentage	Net OPEB Obligation
May 31, 2018	\$ 422,222	\$ 61,974	15%	\$ 3,460,859
May 31, 2017	419,400	56,825	14%	3,100,611
May 31, 2016	416,851	57,663	14%	2,738,036

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Water Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For the twenty fiscal years beginning June 1, the projected benefit payments of the Water Authority are presented in the following Table:

Fiscal Year Beginning June 1,	Projected Benefit Payments		
	Currently Active Employees	Currently Retired Employees	Total
2018	\$ 23,304	\$ 84,079	\$ 107,383
2019	39,934	77,454	117,388
2020	66,497	83,612	150,109
2021	94,229	78,868	173,097
2022	118,048	84,127	202,175
2023	128,846	70,873	199,719
2024	154,351	73,386	227,737
2025	161,163	62,152	223,315
2026	178,269	62,736	241,005
2027	205,953	63,171	269,124
2028	236,660	63,443	300,103
2029	257,030	63,544	320,574
2030	279,787	63,465	343,252
2031	291,665	63,205	354,870
2032	313,232	62,767	375,999
2033	334,248	62,154	396,402
2034	336,426	61,356	397,782
2035	357,889	60,382	418,271
2036	386,429	59,208	445,637
2037	392,263	57,833	450,096

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Methodologies

Actuarial Cost Method:

Changes in Actuarial Cost Method: Prior: Projected Unit Credit

Description of Current Actuarial Cost Method: Entry Age Normal level percentage of salary)

Normal Cost: Under this method, the total normal cost is the sum of amounts necessary to fund each active member's normal retirement benefit if paid annually from entry age to assumed retirement age. Entry age is the age at which the employee would have been first eligible for the plan, if it had always been in effect. The cost for the plan is the difference between the total normal cost for the year and the anticipated member contributions for that year.

Past Service Liability: The present value of future benefits that relates to service before the valuation date is the total past service liability. The unfunded past service liability is the difference between the total past service liability and the assets (including accumulated member contributions).

Amortization Method

The Unfunded Accrued Liability is amortized each year over a constant 30-year period, as a level dollar amount.

Changes in Actuarial Assumptions as of June 1, 2017

The valuation reflects changes in the actuarial assumptions regarding interest, mortality, inflation, healthcare cost trend Rates and morbidity. The assumptions were changed to represent the Enrolled Actuary's current best estimate of anticipated experience of the plan.

Interest

3.90% (Prior: 4.00%)

Since the OPEB plan is not funded, the selection of the discount rate is consistent with the GASB 74/75 standards linking the discount rate to the 20- year AA municipal bond index for unfunded OPEB plans. The discount rate used for this valuation is equal to the published Bond Buyer GO 20-Bond Municipal

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Index effective as of May 31, 2018.

Rate of compensation increase (including inflation)

2.60%.

The assumption is based on historical national wage increases and input from the plan sponsor regarding future expectations.

Inflation:

2.60%. (Prior: 3.00%)

This assumption is consistent with the Social Security Administration's current best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust (OASDI).

Mortality

RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017. (Prior: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for non-annuitants and annuitants, projected to the valuation date with Scale BB.)

Mortality Improvement

Projected to date of decrement using Scale MP-2017 (generational).

(Prior: Projected to date of decrement using Scale BB (generational).

We have selected this mortality assumption because it is based on the latest published pension mortality study released by the Society of Actuaries.

Retirement Age

Percentage of Employees Retiring Prior to End of Year:

<u>Age</u>	<u>Rate</u>
Less than 62	0%
62-64	9%
65-69	20%
70+	100%

Termination Prior to Retirement

Sample Age-Based Withdrawal Rates (until eligible to retire).

Vaughn Ultimate Table multiplied by 0.5, Percentage of Employees Terminating prior to End of Year:

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

<u>Age</u>	<u>Rate</u>
25	6.80%
30	5.05%
35	3.95%
40	3.25%
45	2.75%
50	2.25%
55+	0.00%

The actuarial assumption regarding the withdrawal rates are based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor.

Utilization

100% of current active members will elect medical coverage at retirement.

Spousal Coverage

50% of active members are assumed to be married and elect spousal benefits at retirement with wives 3 years younger than husbands.

Healthcare Cost Trend Rates

The rate of increase is 7.50% in 2017, decreasing by 0.5% each year to an ultimate rate of 4.60% per year e for 2023 and later. (Prior: 7.00% in 2017, reducing by 0.5% each year to a final 5.00% per year rate for 2021 and later.)

Medicare Part B is assumed to increase by 2.60% per year. (Prior: 3.00% per year.)

Healthcare cost trend rates reflect both the current and long-term outlook for increases in healthcare costs. The short-term rates are based on recent industry surveys, plan experience and near-term expectations. The long-term trend rate is based on our general inflation assumption plus an adjustment to reflect expectations for long-term medical inflation.

The trend rates were changed to align with the inflation assumption change.

Annual Medical Premium Rates

	<u>2018</u>	<u>2017</u>
Pre-65 - Employee Only	\$ 12,180	\$ 11,333
Pre-65 – Family	28,178	25,928
Post 65 – Employee Only	5,333	5,057
Post 65 – Two Person	14,483	13,376
Medicare Part B	1,608	1,608

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

For the valuation, we used seven months at 2017 rate and 5 months at 2018 premium rate. Premiums were used as the basis for per capita costs.

<u>Sample Age</u>	<u>Expected Claim Costs</u>	
	<u>(Male)</u>	<u>(Female)</u>
45	\$ 8,077	\$ 11,259
50	10,548	13,118
55	13,842	15,282
60	17,831	17,825
64	21,776	20,867

The sample per capita claim for plans not integrated with Medicare was developed as follows: Using the total count of active participants eligible for post-retirement medical benefits and retirees currently electing medical coverage in a non-Medicare supplement plan, we calculate the total projected claims by multiplying the total count by the average annual premium. Using the cost increases derived from a study sponsored by the Society of Actuaries prepared by Dale H. Yamamoto from May 2013: *“Health Care Costs from Birth to Death”*, we allocate the total projected claims by age and gender.

(Prior: The sample per capita claim for plans not integrated with Medicare was developed as follows: Using the total count of active participants eligible for post-retirement medical benefits and retirees currently electing medical coverage in a non-Medicare supplement plan, we calculate the total projected claims by multiplying the total count by the average annual premium. Using the cost increases derived from a study sponsored by the Society of Actuaries prepared by J.P. Petertil from August 1, 2003: *“Aging Curves for Health Care Costs in Retirement”*, we allocate the total projected claims by age.)

For plans integrated with Medicare, the post Medicare eligible premium is assumed to be unaffected by age.

The per capita claims method was changed to reflect the most recent study (and better reflect actual experience).

Patient Protection and Affordable Care Act (PPACA)

High Cost Plan Excise Tax (“Cadillac Tax”): Effective in 2022, there will be a 40% excise tax on per capita medical benefit costs in excess of certain thresholds, which (in 2018) are \$10,200 for single coverage and \$27,500 for family coverage for Medicare eligible retirees. Thresholds (in 2018) for retirees who are between ages 55 and 65 are \$11,850 and \$30,950 for single and family coverage respectively. After 2018, the thresholds are indexed by CPI (CPI +1% in 2018 only). CPI is assumed to equal the inflation assumption. The impact of this future excise tax has been reflected in plan liabilities.

Other Requirements of PPACA:

For purposes of this valuation, extended coverage for adult children and 100% coverage of preventive care are assumed to be reflected in per capita costs.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

For purposes of this valuation, elimination of lifetime maximum benefits and removal of the limits on essential healthcare are assumed to have no impact on plan liabilities.

NOTE 9 – NET POSITION

Net position represents the difference between assets and liabilities. The net asset amounts were:

	<u>May 31, 2018</u>	<u>May 31, 2017</u>
Invested in capital assets net of related debt:		
Capital assets, net of accumulated depreciation	\$ 87,136,941	\$ 79,908,512
Less: related debt		
Revenue bonds payable	(105,535,000)	(107,915,000)
Bond premium	(8,364,326)	(8,740,416)
Deferred outflows	27,205	28,805
Unspent debt proceeds in construction and reserve funds	51,401,166	61,210,306
Bond issue costs	<u>10,984</u>	<u>16,080</u>
Total invested in capital assets, net of related debt	24,676,970	24,508,287
Restricted for Rate Stabilization and Customer Deposits:		
Restricted cash and equivalents	2,717,202	2,236,383
Less: customer deposits	<u>(1,195,202)</u>	<u>(1,166,383)</u>
Total restricted for capital activity, rate stabilization and debt service	1,522,000	1,070,000
GASB 68 and 71 implementations		-
Unrestricted	<u>1,530,150</u>	<u>(246,600)</u>
Total net assets	<u>\$ 27,729,120</u>	<u>\$ 25,331,687</u>

On May 31, 2017, the unrestricted net position deficit is primarily related to the long-term obligations of \$3,100,611 for other postemployment benefits and \$2,240,809 net pension obligation.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation

The Water Authority is subject to lawsuits in the ordinary conduct of its affairs. The Water Authority does not believe, however, that any such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Water Authority.

Risk Management

The Water Authority 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.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2018 AND 2017

Insurance

The Water Authority's commercial insurance coverage provides for virtually all risks of loss including property, liability, automobile accidents and public official's coverage. The Water Authority also carries umbrella liability insurance coverage. This coverage is comparable to that of the prior fiscal year.

Compliance

The Water Authority is subject to various laws and regulations, which establish uniform minimum national water quality standards. The Water Authority has set up procedures for the continued evaluation of its operations to identify potential exposures and assure compliance with these standards.

NOTE 11 – LEASE REVENUE AGREEMENTS

The Water Authority has several lease agreements in place with various cell phone providers for the leasing of Water Authority property to install and maintain cell phone transmission towers. These lease agreements range for a period of one year to five years and are renewable at the discretion of the cell phone providers for periods that coincide with the initial lease period. The minimum amount of lease income expected to be recognized by the Water Authority over the next remaining lease periods is summarized in the following table:

	<u>Amount</u>
Year ending May 31, 2018	<u>\$ 313,000</u>

NOTE 12 – RATE CHANGES

Under the Water Authority Charter, the Board is empowered to set rates for all its customers. The rates are to be sufficient to pay for operations, maintenance, reserves, debt service, additions, extensions and betterment of the facilities. The Board has approved 2.5% increase in water rates effective on June 1, 2017 and June 1, 2018.

NOTE 13 – SUBSEQUENT EVENTS

The Water Authority evaluated subsequent events from May 31, 2018 through August 30, 2018, the date on which the financial statements were available to be issued and determined that there were no material subsequent events.

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SECTION C: REQUIRED SUPPLEMENTARY INFORMATION



THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE OTHER POST EMPLOYMENT BENEFIT PLAN
JUNE 1, 2017, 2015, 2012 AND 2011

Actuarial Valuation Date June 1,		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2017	\$	-	\$ 5,701,475	\$ 5,701,475		3,874,122	147%
2015		-	4,408,394	4,408,394	-	3,924,590	112%
2012		-	3,335,117	3,335,117	-	3,715,880	90%
2011		-	2,470,292	2,470,292	-	3,708,940	67%

This schedule is intended to show information for 10 years, additional years' information will be displayed as it becomes available.

THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF THE WATER AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM
YEARS ENDED MAY 31 2018, 2017 AND 2016

	2018	Year Ended May 31, 2017	2016
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015
Water Authority's Proportion share of net pension liability (asset)	0.0134700%	0.0139611%	0.0139346%
Water Authority's Proportionate share of net pension liability (asset)	\$ 1,265,672	\$ 2,240,800	\$470,745
Water Authority's covered-employee payroll	\$ 4,279,714	\$ 4,181,783	\$3,914,860
Water Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.6%	53.6%	12.0%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%

This schedule is intended to show information for 10 years. Additional years information will be displayed as they become available.

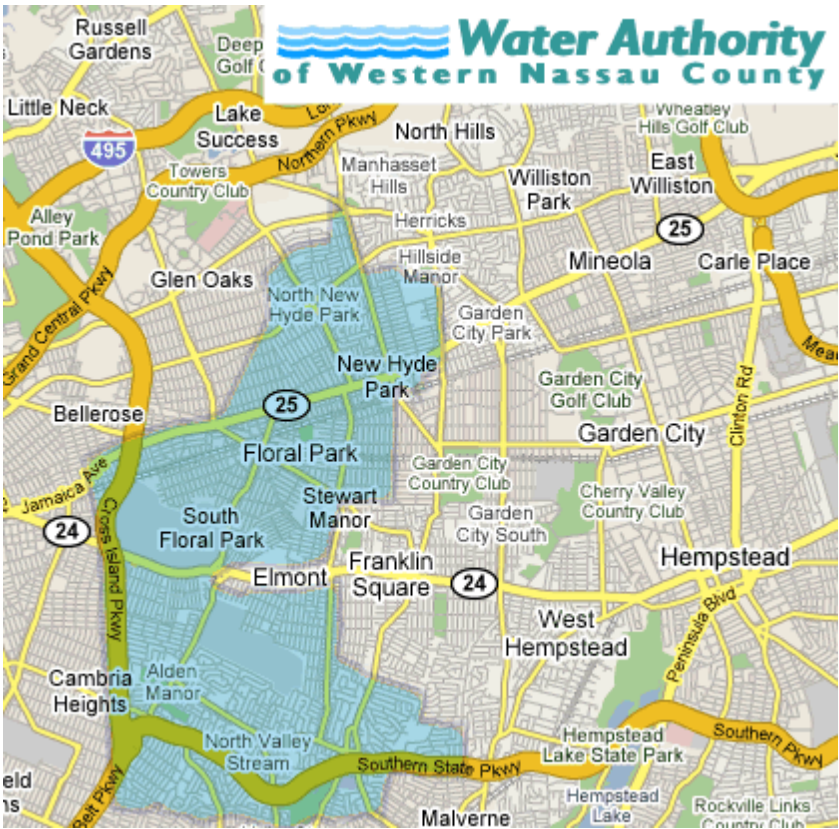
THE WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF CONTRIBUTIONS TO NEW YORK STATE EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

Year Ended May 31,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$624,506	\$595,561	\$688,041	\$748,116	\$724,700	\$696,900	\$595,700	\$452,300	\$306,700	\$354,260
Contributions in relation to required contribution	\$624,506	\$595,561	\$688,041	\$748,116	\$724,700	\$696,900	\$595,700	\$452,300	\$306,700	\$354,260
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$4,279,714	\$4,181,783	\$3,914,860	\$3,924,590	\$3,776,376	\$3,589,958	\$3,715,880	\$3,708,940	\$3,544,464	\$3,446,623
Contributions as percentage of covered payroll	15.4%	14.2%	17.6%	19.2%	19.1%	19.4%	16.0%	12.2%	8.7%	10.3%

This schedule is intended to show information for 10 years. Additional years information will be displayed as they become available.

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SECTION C: STATISTICAL SECTION



WATER AUTHORITY OF WESTERN NASSAU COUNTY

STATISTICAL SECTION (UNAUDITED)

This section of the Water Authority of Western Nassau County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Water Authority's overall financial health.

Contents Page

	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Water Authority's financial performance has changed over time.</i>	99
Revenue Capacity <i>These schedules contain information to help the reader assess the Water Authority's most significant revenue source – water sales.</i>	107
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Water Authority's current levels of outstanding debt and the Water Authority's ability to issue additional debt in the future</i>	113
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Water Authority's financial activities take place</i>	119
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Water Authority's financial report relates to services the Water Authority provides and the activities it performs.</i>	125

SECTION C: STATISTICAL SECTION

Financial Trends



WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF NET POSITION
LAST TEN FISCAL YEARS ENDED MAY 31,

ASSETS	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Current assets										
Cash and cash equivalents	\$3,512,301	\$3,368,404	\$2,474,218	\$3,916,529	\$4,059,739	\$4,318,014	\$ 3,730,917	\$ 2,411,292	\$ 2,798,391	\$ 3,131,838
Accounts receivable, net	746,158	985,325	731,733	1,224,755	678,043	535,186	405,653	414,560	466,695	392,124
Unbilled	3,386,000	3,030,000	2,180,000	1,850,000	1,810,000	2,241,000	1,950,000	1,797,000	1,640,000	1,451,000
Prepayments & other current assets	229,748	407,920	181,774	190,725	205,946	137,527	205,510	212,774	150,335	138,522
Materials and supplies,	263,632	215,056	306,120	286,575	235,586	253,955	218,512	224,152	247,821	267,422
Total current assets	8,137,839	8,006,705	5,873,845	7,468,584	6,989,314	7,485,682	6,510,592	5,059,778	5,303,242	5,380,906
Restricted cash & cash equivalents										
Customer deposits	1,195,202	1,166,383	1,121,523	1,077,947	1,029,887	990,612	949,312	911,551	881,758	848,853
Rate stabilization fund	1,522,000	1,070,000	1,070,000	1,070,000	570,000	560,000	560,000	460,000	445,000	445,000
Bond construction and reserve fund	18,525,277	31,996,608	18,306,030	14,335,018	10,783,178	11,272,406	11,752,270	15,756,126	3,080,296	-
Bond interest and payment fund	1,176,692	772,211	1,163,269	529,904	232,945	234,875	234,874	237,995	3,113	-
Total restricted cash and cash equivalents	22,419,171	35,005,202	21,660,822	17,012,869	12,616,010	13,057,893	13,496,456	17,365,672	4,410,167	1,293,853
Restricted investments										
Construction fund	24,676,259	28,441,487	47,776,615	54,553,311	309,970	3,811,774	9,956,005	16,668,826	32,165,352	212,391
Bond reserve fund	7,022,938	-	-	-	628,997	1,519,860	4,852,095	3,250,664	4,065,959	2,367,434
Bond payment fund	-	-	-	-	-	-	-	-	-	280,735
Total restricted investments	31,699,197	28,441,487	47,776,615	54,553,311	938,967	5,331,634	14,808,100	19,919,490	36,231,311	2,860,560
Capital and other assets										
Property, plant and equipment, net	87,136,943	79,908,512	72,887,677	69,888,539	68,063,563	63,873,372	52,433,616	44,800,607	40,236,512	35,818,270
Other assets	421,286	508,492	385,999	431,116	566,327	687,485	675,114	703,897	658,191	739,471
Total capital and other assets	87,558,229	80,417,004	73,273,676	70,319,655	68,629,890	64,560,857	53,108,730	45,504,504	40,894,703	36,557,741
Total non-current assets	141,676,597	143,863,693	142,711,113	141,885,835	82,184,867	82,950,384	81,413,286	82,789,666	81,536,181	40,712,154
Total assets	149,814,436	151,870,398	148,584,958	149,354,419	89,174,181	90,436,066	87,923,878	87,849,444	86,839,423	46,093,060
Deferred outflows										
Post measurement date contributions	624,506	595,561	688,041	748,116	-	-	-	-	-	-
Change in retirement system assumptions	843,343	2,043,454	119,907	-	-	-	-	-	-	-
Loss of refunding	27,205	28,805	30,405	32,006	1,132,345	1,201,753	1,268,612	1,333,206	1,395,813	1,456,438
Total deferred outflows	1,495,054	2,667,820	838,353	780,122	1,132,345	1,201,753	1,268,612	1,333,206	1,395,813	1,456,438

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF NET POSITION
LAST TEN FISCAL YEARS ENDED MAY 31,
(Continued)

LIABILITIES AND NET ASSETS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Current liabilities										
Accounts payable and accrued expenses	\$1,555,110	\$3,874,308	\$1,699,618	\$2,187,360	\$1,458,447	\$3,401,530	\$1,672,924	\$2,005,436	\$1,884,050	\$2,668,135
Unearned revenue	105,411	88,886	271,307	360,818	466,723	568,843	662,014	769,251	858,985	817,387
Accrued interest payable	806,460	820,114	836,740	271,896	377,905	383,460	388,747	393,897	332,935	120,281
Non-current liabilities due within one year										
Water revenue bonds payable	2,580,802	2,380,000	2,280,000	2,395,000	1,640,000	1,595,000	1,550,000	1,505,000	1,525,000	1,070,000
Due to employees' retirement system			-	114,194	48,840	124,500	104,600	148,475	71,200	42,612
Accrued vacation and sick leave	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	37,005
Total current liabilities	5,087,783	7,203,308	5,127,665	5,369,268	4,031,915	6,113,333	4,418,285	4,862,059	4,712,170	4,755,420
Non-current liabilities										
Revenue bonds payable, net of premium	111,409,326	114,275,418	117,030,506	119,683,201	64,215,818	65,924,806	67,578,373	69,189,683	70,755,330	31,335,554
Customer deposits payable	1,239,050	1,209,885	1,181,447	1,137,911	1,089,817	1,050,528	1,009,232	972,116	942,205	957,889
Due to employee retirement system	1,265,663	2,240,809	470,745	629,685	-	-	-	-	-	-
Post-employment benefits payable	3,460,859	3,100,611	2,738,036	2,378,838	2,059,485	1,734,981	1,408,447	1,152,955	945,547	747,110
Accrued vacation and sick leave	909,500	910,900	858,500	848,500	820,100	788,100	778,900	771,900	950,600	703,095
Total non-current liabilities	118,284,398	121,737,623	122,279,234	124,678,135	68,185,220	69,498,415	70,774,952	72,086,654	73,593,682	33,743,648
Total liabilities	123,372,181	128,940,931	127,406,899	130,047,403	72,217,135	75,611,748	75,193,237	76,948,713	78,305,852	38,499,068
Deferred inflows										
Changes in retirement system assumptions	208,189	265,600	-	-	-	-	-	-	-	-
Net position										
Invested in capital assets, net	24,676,970	24,508,287	20,874,337	17,286,185	15,436,386	14,543,793	11,525,474	11,521,029	8,841,891	7,588,516
Restricted	1,522,000	1,070,000	1,070,000	1,070,000	570,000	560,000	560,000	460,000	445,000	445,000
Unrestricted	1,530,150	(246,600)	72,075	1,730,953	2,083,005	922,278	1,913,779	252,908	642,493	1,016,914
Total net assets	\$27,729,120	\$25,331,687	\$22,016,412	\$20,087,138	\$18,089,391	\$16,026,071	\$13,999,253	\$12,233,937	\$9,929,384	\$9,050,430

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
LAST TEN FISCAL YEARS ENDED MAY 31,

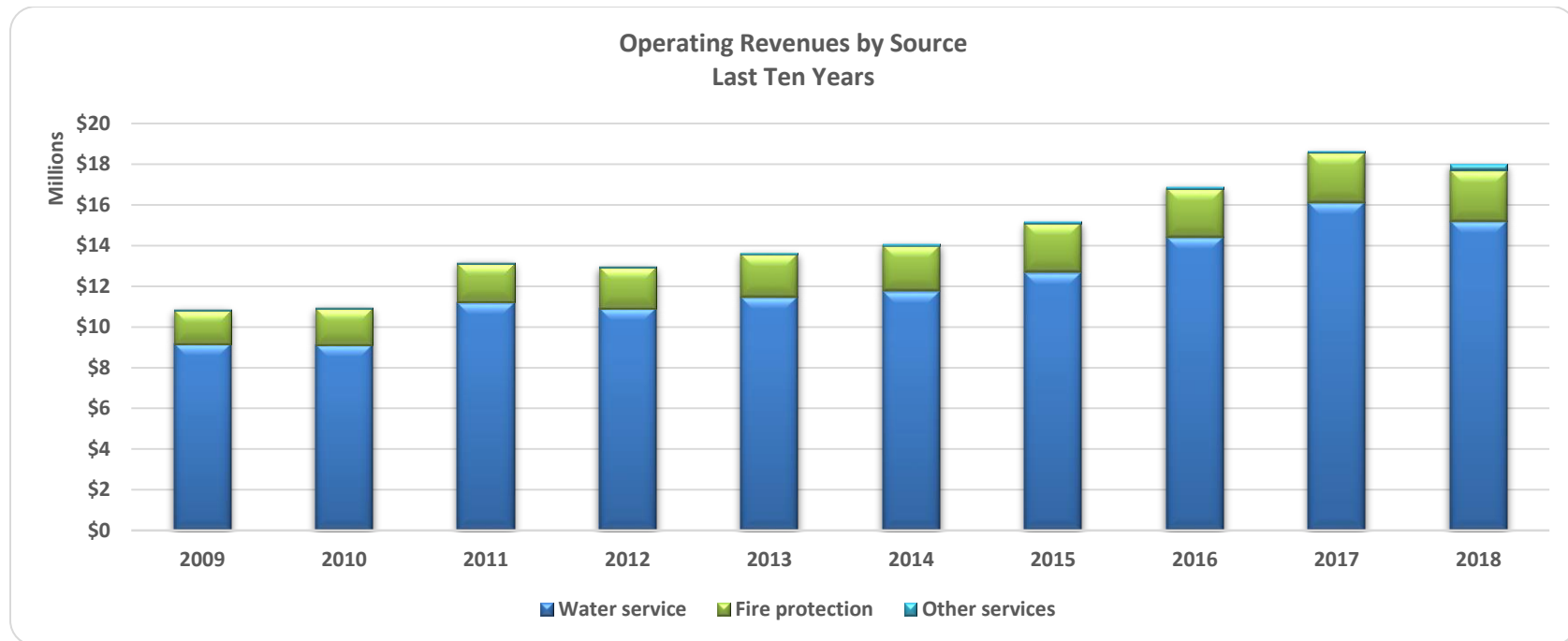
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Water service	\$15,180,449	\$16,117,154	\$14,407,227	\$12,701,608	\$11,772,296	\$11,475,847	\$10,909,705	\$11,217,605	\$9,133,347	\$9,182,718
Fire protection	2,517,923	2,446,154	2,405,433	2,396,619	2,239,254	2,109,979	2,019,112	1,920,169	1,786,241	1,648,961
Other	296,372	85,156	92,427	82,597	66,316	71,021	59,650	63,305	52,994	50,270
Total operating revenues	17,994,744	18,648,464	16,905,087	15,180,824	14,077,866	13,656,847	12,988,467	13,201,079	10,972,582	10,881,949
Operating expenses:										
Operations	6,911,418	6,721,012	6,541,974	6,840,640	7,155,325	6,682,648	6,154,917	5,972,061	5,920,498	6,076,842
Maintenance	2,419,097	2,559,011	2,086,055	2,131,416	1,913,099	1,924,246	1,845,803	1,871,302	1,869,872	1,915,638
Operating expenses before depreciation	9,330,515	9,280,023	8,628,029	8,972,056	9,068,424	8,606,894	8,000,720	7,843,363	7,790,370	7,992,480
Depreciation	2,252,822	2,129,673	1,988,943	1,806,744	1,546,468	1,271,165	1,168,265	1,051,110	953,313	847,340
Total operating expenses	11,583,337	11,409,696	10,616,972	10,778,800	10,614,892	9,878,059	9,168,985	8,894,473	8,743,683	8,839,820
Operating income	6,411,407	7,238,768	6,288,115	4,402,024	3,462,974	3,778,788	3,819,482	4,306,606	2,228,899	2,042,129
Non-operating revenue (expense):										
Interest income	154,611	330,035	379,001	302,646	74,188	122,817	247,852	536,218	247,009	154,080
Miscellaneous income	291,647	316,216	332,936	346,696	375,941	375,320	357,310	349,509	346,336	241,664
Interest on long term debt	(4,435,696)	(4,545,208)	(5,046,242)	(3,261,740)	(1,825,291)	(2,226,107)	(2,624,800)	(2,853,926)	(1,656,025)	(1,471,971)
Other amortization, net	(24,536)	(24,536)	(24,536)	(24,504)	(24,492)	(24,000)	(34,528)	(45,320)	(501,643)	(37,617)
Total non-operating expenses	(4,013,974)	(3,923,493)	(4,358,841)	(2,636,902)	(1,399,654)	(1,751,970)	(2,054,166)	(2,013,519)	(1,564,323)	(1,113,844)
Income before extraordinary items	2,397,433	3,315,275	1,929,274	1,765,122	2,063,320	2,026,818	1,765,316	2,293,087	664,576	928,285
Extraordinary item - litigation settlement	-	-	-	-	-	-	-	11,466	214,378	116,135
Change in net position	2,397,433	3,315,275	1,929,274	1,765,122	2,063,320	2,026,818	1,765,316	2,304,553	878,954	1,044,420
Less: board approved customer subsidies	-	-	-	-	-	-	-	-	-	(55,000)
Net change in total net position	2,397,433	3,315,275	1,929,274	1,765,122	2,063,320	2,026,818	1,765,316	2,304,553	878,954	989,420
GASB Statement Nos. 68 & 71 implementation	-	-	-	232,625	-	-	-	-	-	-
Net position beginning	25,331,687	22,016,412	20,087,138	18,089,391	16,026,071	13,999,253	12,233,937	9,929,384	9,050,430	8,061,010
Net position ending	\$27,729,120	\$25,331,687	\$22,016,412	\$20,087,138	\$18,089,391	\$16,026,071	\$13,999,253	\$12,233,937	\$9,929,384	\$9,050,430

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
OPERATING REVENUE BY SOURCE
LAST TEN FISCAL YEARS ENDED MAY 31,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Water service	\$15,180,449	\$16,117,154	\$14,407,227	\$12,701,608	\$11,772,296	\$11,475,847	\$10,909,705	\$11,217,605	\$9,133,347	\$9,182,718
Fire protection	2,517,923	2,446,154	2,405,433	2,396,619	2,239,254	2,109,979	2,019,112	1,920,169	1,786,241	1,648,961
Other services	296,372	85,156	92,427	82,597	66,316	71,021	59,650	63,305	52,994	50,270
Total	\$17,994,744	\$18,648,464	\$16,905,087	\$15,180,824	\$14,077,866	\$13,656,847	\$12,988,467	\$13,201,079	\$10,972,582	\$10,881,949

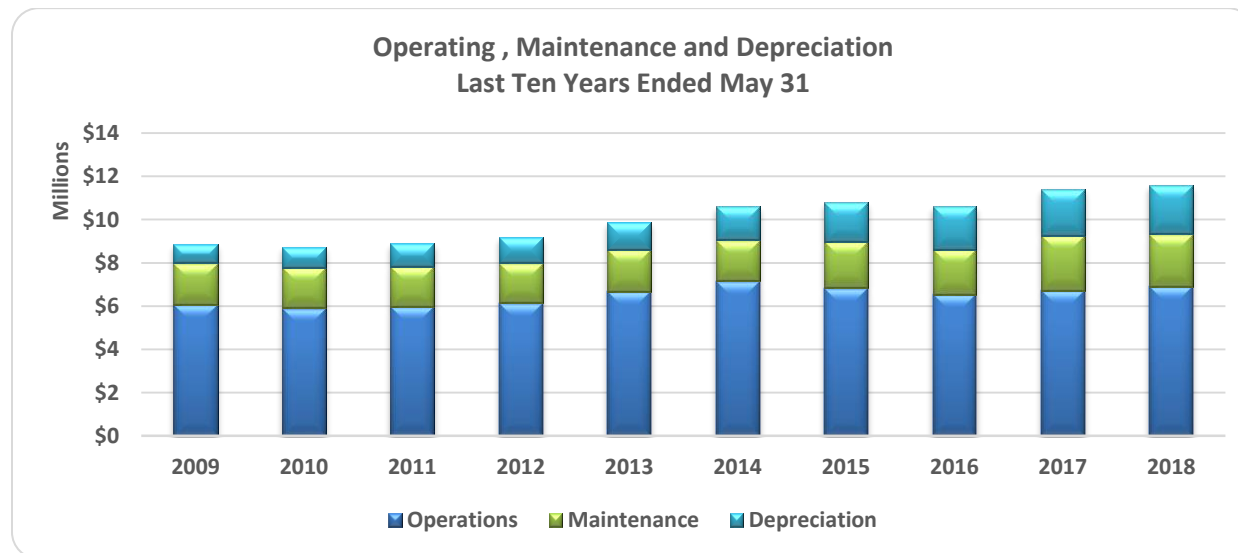
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
OPERATING EXPENSES
LAST TEN FISCAL YEARS ENDED MAY 31,

	<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>	<u>2009</u>
Operations	\$ 6,911,418	\$ 6,721,012	\$ 6,541,974	\$ 6,840,640	\$ 7,155,325	\$ 6,682,648	\$ 6,154,917	\$ 5,972,061	\$ 5,920,498	\$ 6,076,842
Maintenance	2,419,097	2,559,011	2,086,055	2,131,416	1,913,099	1,924,246	1,845,803	1,871,302	1,869,872	1,915,638
Depreciation	<u>2,252,822</u>	<u>2,129,673</u>	<u>1,988,943</u>	<u>1,806,744</u>	<u>1,546,468</u>	<u>1,271,165</u>	<u>1,168,265</u>	<u>1,051,110</u>	<u>953,313</u>	<u>847,340</u>
Total operating expenses	<u>\$ 11,583,337</u>	<u>\$ 11,409,696</u>	<u>\$ 10,616,972</u>	<u>\$ 10,778,800</u>	<u>\$ 10,614,892</u>	<u>\$ 9,878,059</u>	<u>\$ 9,168,985</u>	<u>\$ 8,894,473</u>	<u>\$ 8,743,683</u>	<u>\$ 8,839,820</u>

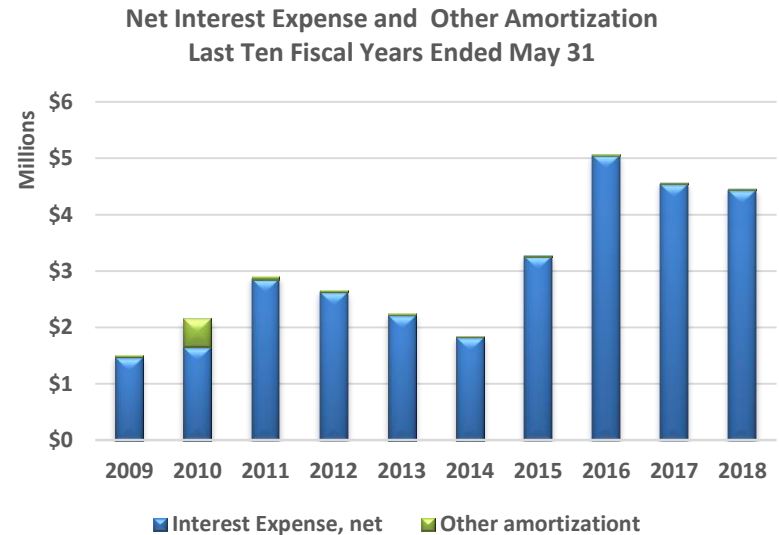
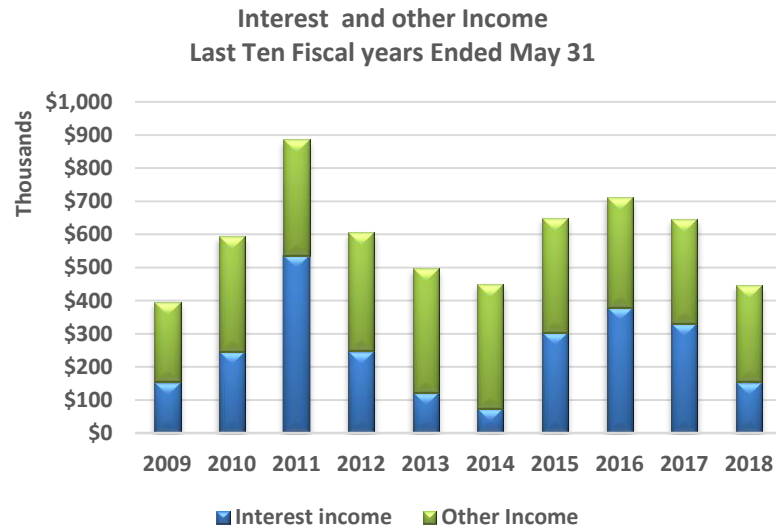
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
NON-OPERATING REVENUES AND EXPENSES
LAST TEN FISCAL YEARS ENDED MAY 31,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Interest income	\$ 154,611	\$ 330,035	\$ 379,001	\$ 302,646	\$ 74,188	\$ 122,817	\$ 247,852	\$ 536,218	\$ 247,009	\$ 154,080
Miscellaneous income, net	291,647	316,216	332,936	346,696	375,941	375,320	357,310	349,509	346,336	241,664
Interest on long- term debt, net	(4,435,696)	(4,545,208)	(5,046,242)	(3,261,740)	(1,825,291)	(2,226,107)	(2,624,800)	(2,853,926)	(1,656,025)	(1,471,971)
Other amortization, net	(24,536)	(24,536)	(24,536)	(24,504)	(24,492)	(24,000)	(34,528)	(45,320)	(501,643)	(37,617)
Total non-operating expenses	<u>\$(4,013,974)</u>	<u>\$(3,923,493)</u>	<u>\$(4,358,841)</u>	<u>\$(2,636,902)</u>	<u>\$(1,399,654)</u>	<u>\$(1,751,970)</u>	<u>\$(2,054,166)</u>	<u>\$(2,013,519)</u>	<u>\$(1,564,323)</u>	<u>\$(1,113,844)</u>

Source: Accounting Department

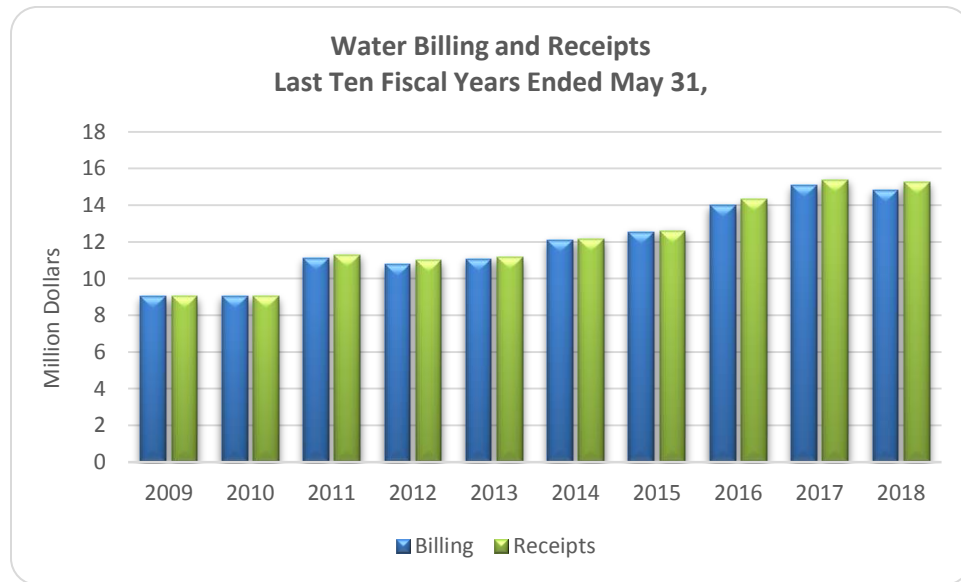


**WATER AUTHORITY OF WESTERN NASSAU COUNTY
HISTORICAL COLLECTION RATES
LAST TEN FISCAL YEARS ENDED MAY 31,**

Fiscal Year	Total Billing	Total Receipts	Percent Collected
2018	\$ 14,829,884	\$ 15,240,689	102.77%
2017	15,075,774	15,355,416	101.85%
2016	13,980,919	14,307,894	102.34%
2015	12,553,754	12,595,730	100.33%
2014	12,105,577	12,144,396	100.32%
2013	11,082,651	11,152,059	100.63%
2012	10,764,804	10,977,814	101.98%
2011	11,092,105	11,293,152	101.81%
2010	9,031,708	9,027,978	99.96%
2009	9,023,097	9,021,270	99.98%

Excludes fire hydrants billings and receipts

Source: Accounting Department



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SECTION C: STATISTICAL SECTION

Revenue Capacity

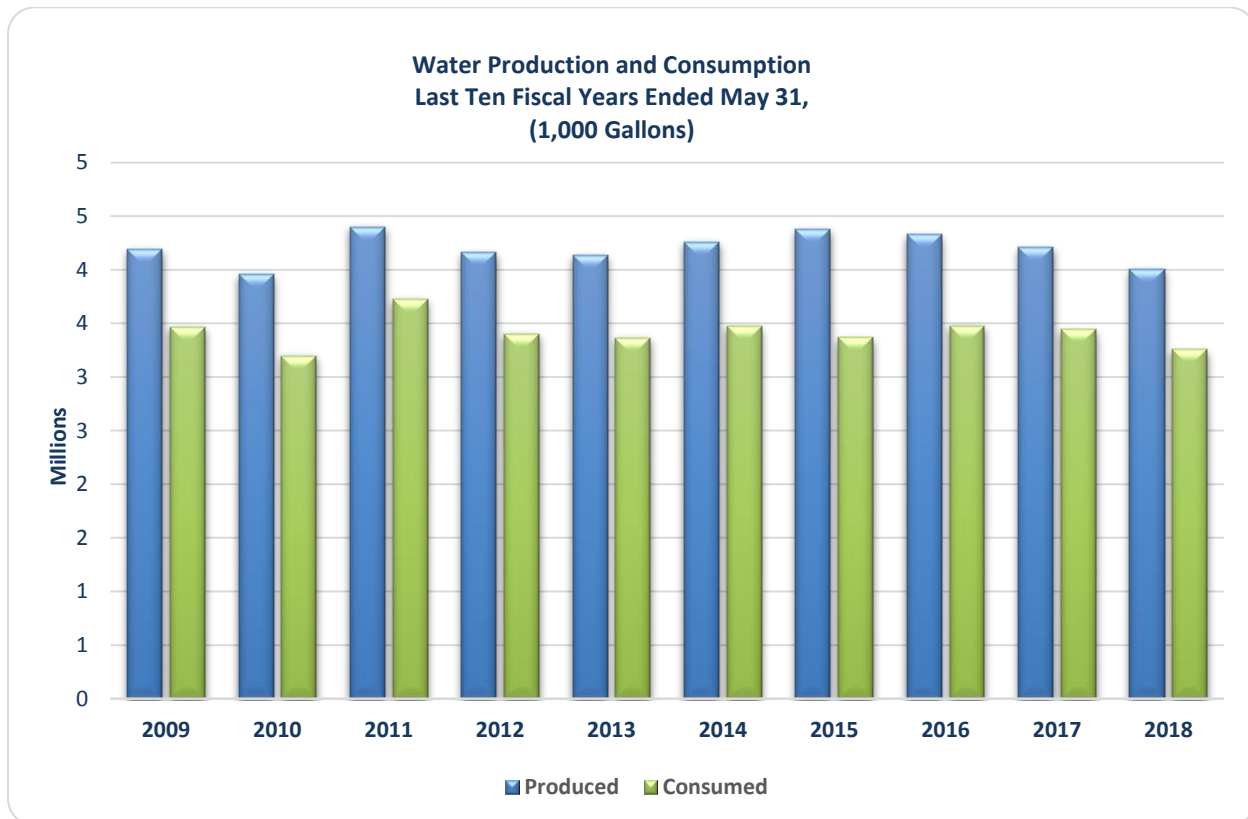


WATER AUTHORITY OF WESTERN NASSAU COUNTY
WATER PRODUCED AND CONSUMED
(in Thousands of Gallons)
LAST TEN FISCAL YEARS ENDED MAY 31,

Fiscal Year	Water Produced	Water Consumed	Unbilled Potable Water	Percent Unbilled (a)	Average Quarterly Charge Per Customer		Average Annual Charge
					Minimum Charge	Consumption Charge	
2018	4,002,000	3,254,000	748,000	18.69%	\$46.12	\$85.50	\$526.50
2017	4,208,000	3,441,000	767,000	18.23%	44.38	89.65	536.12
2016	4,328,000	3,476,000	852,000	19.69%	41.51	82.54	496.18
2015	4,378,000	3,367,000	1,011,000	23.1%	38.29	73.48	447.07
2014	4,258,000	3,470,000	788,000	18.5%	35.78	72.02	437.22
2013	4,137,000	3,363,000	774,000	18.7%	33.75	64.80	394.22
2012	4,159,000	3,401,000	758,000	18.2%	32.20	62.52	378.86
2011	4,401,000	3,728,000	673,000	15.3%	30.71	66.61	389.29
2010	3,961,000	3,199,000	762,000	19.2%	30.51	48.19	314.81
2009	4,190,000	3,463,000	727,000	17.4%	28.46	50.23	314.77

(a) Included in the water produced figures are planned programs including the annual main flushing and well and pump maintenance which results in higher percentages of unbilled water.

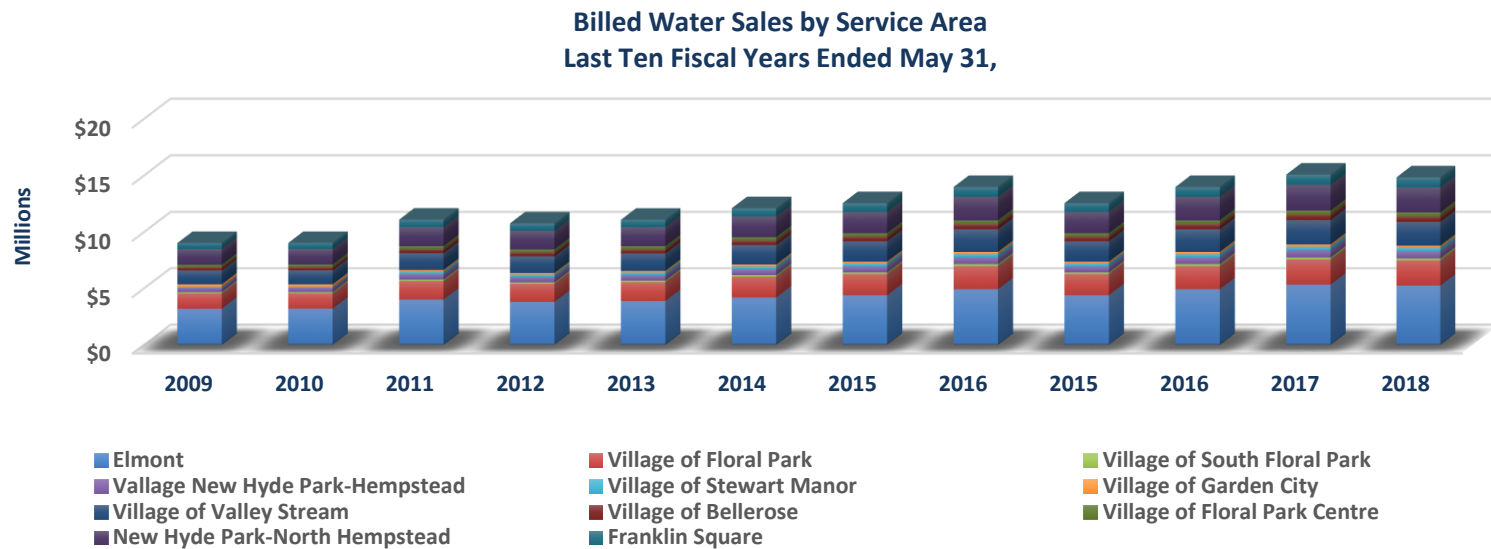
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
BILLED WATER SALES BY SERVICE AREA
LAST TEN FISCAL YEARS ENDED MAY 31,

Service Area	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elmont	\$5,244,789	\$5,326,861	\$ 4,919,907	\$ 4,384,296	\$ 4,190,560	\$ 3,874,622	\$ 3,790,032	\$ 3,999,662	\$ 3,202,566	\$ 3,195,249
Village of Floral Park	2,220,867	2,225,536	2,039,630	1,861,490	1,828,007	1,658,847	1,603,562	1,639,218	1,346,999	1,346,646
Village of South Floral Park	181,538	185,519	183,830	165,273	154,414	145,064	133,361	138,094	112,003	115,846
Village of New Hyde Park - Hempstead	618,646	628,522	579,847	511,696	497,942	469,049	460,808	460,322	387,656	385,664
Village of Stewart Manor	325,532	331,748	315,836	277,859	274,910	247,190	231,316	243,989	63,460	66,497
Village of Garden City	189,539	198,364	186,277	164,393	168,303	148,798	139,437	143,302	243,090	245,857
Village of Valley Stream	2,114,969	2,164,807	2,019,127	1,817,399	1,731,468	1,551,599	1,480,146	1,501,441	1,242,830	1,236,732
Village of Bellerose	484,114	487,400	453,713	415,129	398,272	365,199	352,349	352,404	289,162	280,430
Village of Floral Park Centre	346,035	343,966	323,938	293,575	294,433	269,043	256,324	256,414	214,414	214,929
New Hyde Park North Hempstead	2,215,976	2,270,598	2,097,012	1,885,243	1,836,022	1,698,090	1,663,522	1,701,295	1,389,572	1,397,417
Franklin Square	887,878	912,453	861,802	777,401	731,246	655,150	653,947	655,964	539,956	537,830
Total	\$14,829,883	\$15,075,774	\$ 13,980,919	\$ 12,553,754	\$ 12,105,577	\$ 11,082,651	\$ 10,764,804	\$ 11,092,105	\$ 9,031,708	\$ 9,023,097

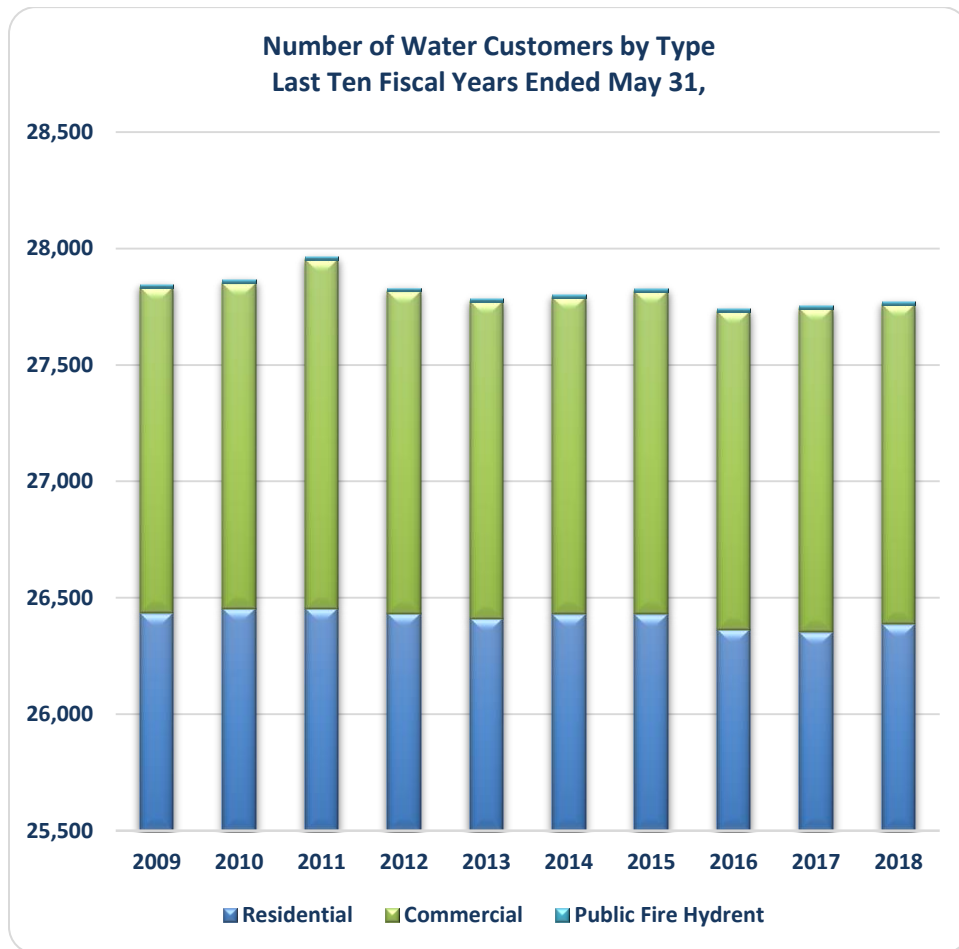
Source: Accounting Department (Excludes fire hydrant billing; Customers rezoned in 2011)



**WATER AUTHORITY OF WESTERN NASSAU COUNTY
NUMBER OF WATER CUSTOMERS BY TYPE
LAST TEN FISCAL YEARS ENDED MAY 31,**

Fiscal Year	Residential Customers	Public Fire Hydrant Customers	Commercial Customers	Total Customers
2018	26,387	13	1,372	27,772
2017	26,352	13	1,390	27,755
2016	26,363	13	1,366	27,742
2015	26,430	13	1,385	27,828
2014	26,430	13	1,359	27,802
2013	26,412	13	1,360	27,785
2012	26,432	13	1,385	27,830
2011	26,453	13	1,499	27,965
2010	26,453	13	1,399	27,865
2009	26,435	13	1,397	27,845

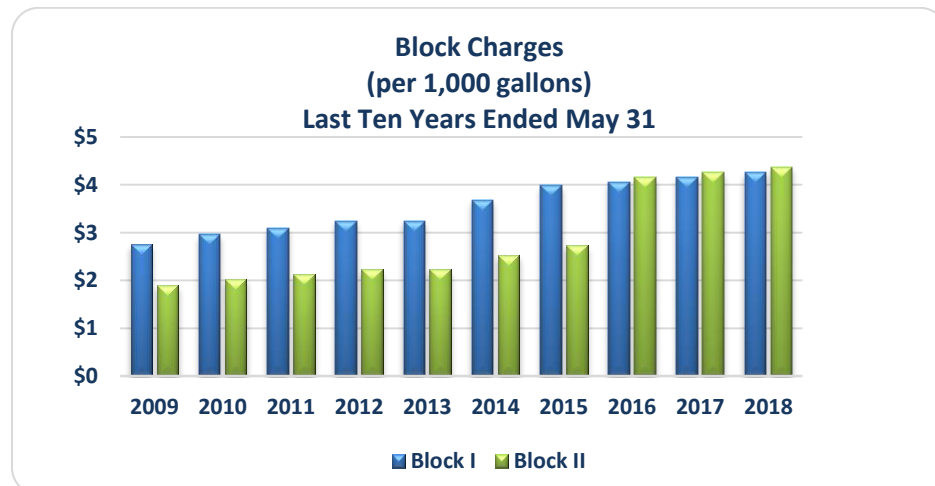
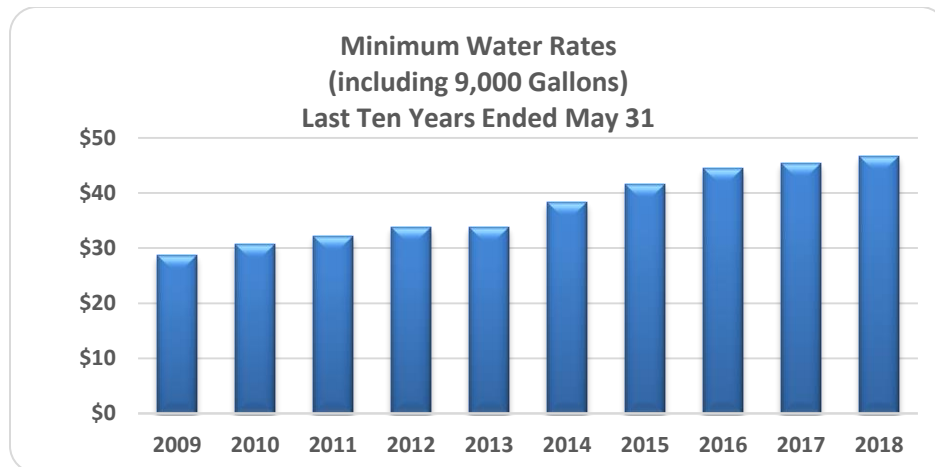
Source: Accounting Department



**WATER AUTHORITY OF WESTERN NASSAU COUNTY
QUARTERLY BILLED WATER RATES
LAST TEN FISCAL YEARS ENDED MAY 31,**

Year	Water Rates Minimum	Per 1,000 Gallons	
		Block I	Block II
2018	\$46.63	\$4.266	\$4.371
2017	45.39	4.162	4.264
2016	44.38	4.060	4.160
2015	41.51	3.993	2.739
2014	38.29	3.683	2.527
2013	33.75	3.246	2.228
2012	33.75	3.246	2.228
2011	32.20	3.097	2.125
2010	30.71	2.954	2.027
2009	28.64	2.755	1.890

Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
ANNUAL BILLINGS OF TEN LARGEST CUSTOMERS
LAST TEN FISCAL YEARS ENDED MAY 31,

Customer Name	2018			2017		2016		2015		2014	
	Rank	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
NY Racing Association	1	\$817,096	5.51%	\$811,731	5.38%	\$600,397	4.30%	\$484,418	3.86%	\$413,824	3.42%
Franklin Hospital Medical Center	2	106,108	0.72%	104,685	0.69%	71,152	0.51%	62,679	0.50%	58,106	0.48%
Valley Park Owners Co	3	98,291	0.66%	100,568	0.67%	78,548	0.56%	74,009	0.59%	65,713	0.54%
Broadval LLC/Dutchcon LLC	4	77,507	0.52%	69,779	0.46%	39,465	0.28%	33,936	0.27%	25,210	0.21%
Village of Floral Park	5	64,912	0.44%	63,185	0.42%	39,918	0.29%	38,677	0.31%	40,298	0.33%
Flower View Gardens	6	57,280	0.39%	45,807	0.30%	40,069	0.29%	36,703	0.29%	31,825	0.26%
Central High School District 2	7	39,600	0.27%	47,927	0.32%	22,199	0.16%	30,499	0.24%	36,672	0.30%
Elmont School District	8	30,562	0.21%	41,762	0.28%	28,858	0.21%	19,854	0.16%	17,477	0.14%
YS FRANKLIN INC	9	28,065	0.19%	26,312	0.18%	18,716	0.13%	17,514	0.14%	16,629	0.14%
Central High School District 1	10	27,537	0.19%	37,476	0.25%	9,862	0.07%-	6,218	0.05%	12,340	0.10%

Customer Name	2013		2012		2011		2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
NY Racing Association	\$411,911	3.71%	\$436,303	4.09%	\$576,146	5.24%	\$344,764	3.86%	\$368,435	4.12%
Franklin Hospital Medical Center	57,711	0.52%	55,821	0.52%	57,834	0.53%	61,944	0.69%	51,691	0.58%
Valley Park Owners Co	59,974	0.54%	59,042	0.55%	55,647	0.51%	47,262	0.53%	46,886	0.52%
Broadval LLC/Dutchcon LLC	22,141	0.20%	14,536	0.14%	8,704	0.08%	2,831	0.03%	-	-%
Village of Floral Park	45,559	0.41%	27,026	0.25%	35,662	0.32%	30,774	0.34%	25,660	0.29%
Flower View Gardens	29,974	0.27%	38,397	0.36%	27,483	0.25%	22,649	0.25%	23,170	0.26%
Central High School District 2	31,130	0.28%	15,971	0.15%	28,792	0.26%	14,793	0.17%	21,601	0.24%
Elmont School District	16,007	0.14%	12,834	0.12%	26,389	0.24%	16,925	0.19%	23,010	0.26%
YS FRANKLIN INC	13,875	0.13%	13,058	0.12%	13,673	0.12%	13,590	0.15%	5,233	0.06%
Central High School District 1	6,420	0.06%-	6,923	0.06%	7,064	0.06%	3,037	0.03%	2,688	0.03%

Source: Accounting Department

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SECTION C: STATISTICAL SECTION

Debt Capacity



WATER AUTHORITY OF WESTERN NASSAU COUNTY
AMOUNTS, RATIOS AND PER CAPITA AMOUNTS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS ENDED MAY 31,
(In Thousands)

Debt by Type	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Water Revenue Bonds, Series 2005										
Serial Bonds 3.00% - 5.00%, due through 2026	\$ -	\$ -	\$ -	\$ -	\$ 19,985	\$ 21,210	\$ 22,390	\$ 23,530	\$ 24,635	\$ 25,705
Term Bonds 5.00%, due 2030	-	-	-	-	2,015	2,015	2,015	2,015	2,015	2,015
Term Bonds 5.00%, due 2035	-	-	-	-	3,150	3,150	3,150	3,150	3,150	3,150
Subtotal Series 2005	-	-	-	-	25,150	26,375	27,555	28,695	29,800	30,870
Premium on Series 2005	-	-	-	-	1,258	1,317	1,375	1,430	1,484	1,536
Subtotal Series 2005 and premium	-	-	-	-	26,408	27,692	28,930	30,125	31,284	32,406
Water Revenue Bonds Series 2010										
Serial Bonds A 2.00% - 4.00%, due through 2020	2,125	3,125	4,090	5,025	5,400	5,770	6,140	6,505	6,925	-
Term Bonds B 6.00% - 6.70%, due through 2040	33,965	33,965	33,965	33,965	33,965	33,965	33,965	33,965	33,965	-
Subtotal Series 2010	36,090	37,090	38,055	38,990	39,365	39,735	40,105	40,470	40,890	-
Premium on series 2010	35	51	66	78	83	93	94	100	-	-
Subtotal Series 2010 and premium	36,125	37,141	38,121	39,068	39,448	39,828	40,199	40,570	40,890	-
Water Revenue Bonds Series 2015										
Serial & Term Bonds A 4.00% - 5.00%, due through 2045	53,850	53,920	53,990	54,200	-	-	-	-	-	-
Serial Bonds B 3.00% - 5.00%, due through 2035	15,595	16,905	18,150	19,400	-	-	-	-	-	-
Subtotal Series 2015	69,445	70,825	72,140	73,600	-	-	-	-	-	-
Premium on series 2015	8,329	8,689	9,050	9,411	-	-	-	-	-	-
Subtotal Series 2015 and premium	77,774	79,514	81,190	83,011	-	-	-	-	-	-
Total long-term debt and premium	\$113,899	\$116,655	\$119,311	\$122,079	\$65,856	\$67,520	\$69,129	\$70,695	\$72,174	\$32,406
Percentage Series 2005	-	-	-	-	40%	41%	42%	43%	43%	100%
Percentage Series 2010	32%	32%	32%	32%	60%	59%	58%	57%	57%	0%
Percentage Series 2015	68%	68%	68%	68%	-	-	-	-	-	-
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Per Capita Debt (dollars)										
Service area population	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Per capita debt (In Dollars)	\$949.16	\$972.13	\$994.25	\$1,017.32	\$548.80	\$562.67	\$576.07	\$589.12	\$601.45	\$270.05

WATER AUTHORITY OF WESTERN NASSAU COUNTY
DEBT MATURITY SCHEDULE BY SERIES
May 31, 2018

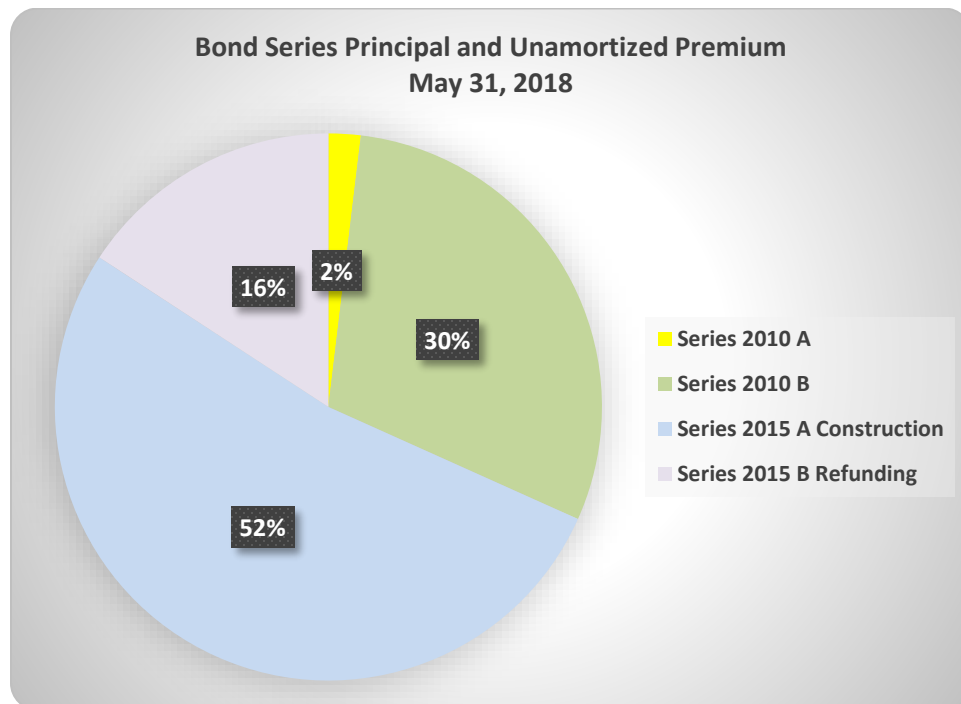
Year	Series 2010 A	Series 2010 B	Series 2015 A	Series 2015 B	Total
2019	\$ 1,040,000	\$ -	\$ 75,000	\$ 1,375,000	\$ 2,490,000
2020	1,085,000	-	80,000	1,440,000	2,605,000
2021	-	1,125,000	80,000	1,515,000	2,720,000
2022	-	1,170,000	85,000	1,590,000	2,845,000
2023	-	1,215,000	90,000	1,670,000	2,975,000
2024	-	1,265,000	95,000	1,750,000	3,110,000
2025	-	1,315,000	95,000	1,840,000	3,250,000
2026	-	1,365,000	105,000	1,930,000	3,400,000
2027	-	1,420,000	1,895,000	245,000	3,560,000
2028	-	1,480,000	1,990,000	250,000	3,720,000
2029	-	1,545,000	2,095,000	255,000	3,895,000
2030	-	1,610,000	2,155,000	265,000	4,030,000
2031	-	1,675,000	2,270,000	275,000	4,220,000
2032	-	1,750,000	2,380,000	285,000	4,415,000
2033	-	1,825,000	2,505,000	295,000	4,625,000
2034	-	1,905,000	2,585,000	305,000	4,795,000
2035	-	1,985,000	2,730,000	310,000	5,025,000
2036	-	2,075,000	3,185,000	-	5,260,000
2037	-	2,165,000	3,345,000	-	5,510,000
2038	-	2,260,000	3,520,000	-	5,780,000
2039	-	2,355,000	3,700,000	-	6,055,000
2040	-	2,460,000	3,890,000	-	6,350,000
2041	-	-	2,710,000	-	2,710,000
2042	-	-	2,840,000	-	2,840,000
2043	-	-	2,975,000	-	2,975,000
2044	-	-	3,115,000	-	3,115,000
2045	-	-	3,260,000	-	3,260,000
Total	\$ 2,125,000	\$ 33,965,000	\$ 53,850,000	\$ 15,595,000	\$ 105,535,000

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
OUTSTANDING PRINCIPAL AND UNAMORTIZED PREMIUM BY BOND SERIES
May 31, 2018

Series	Principal Amount	Unamortized Premium	Total
Series 2010 A	\$ 2,125,000	\$ 35,654	\$ 2,160,654
Series 2010 B	33,965,000	-	33,965,000
Series 2015 A Construction	53,850,000	5,933,196	59,783,196
Series 2015 B Refunding	15,595,000	2,395,476	17,990,476
Total	\$ 105,535,000	\$ 8,364,326	\$ 113,899,326

Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF DEBT SERVICE
MAY 31, 2018

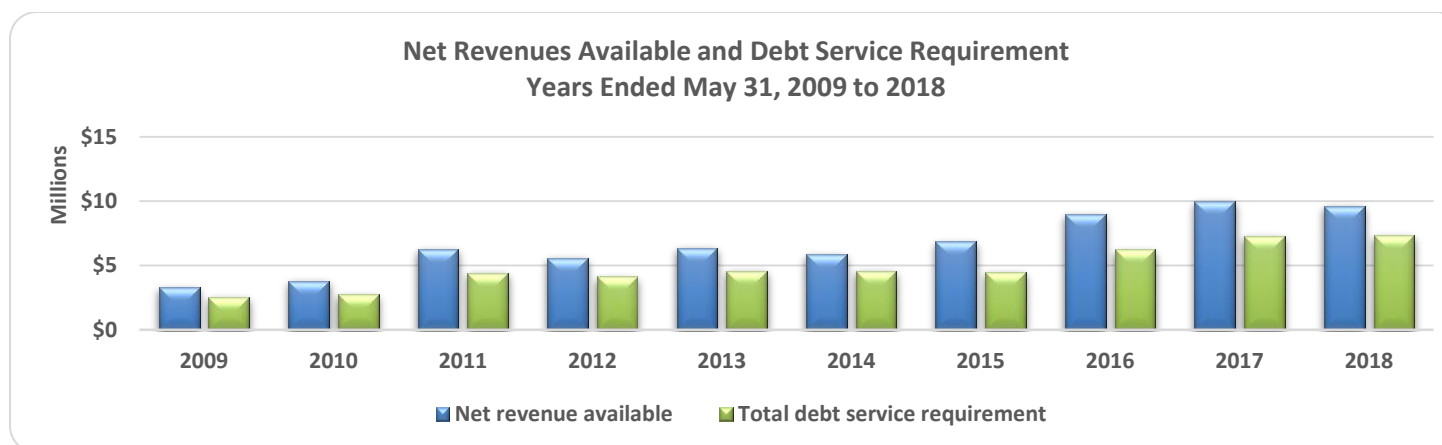
	Series 2010 A		Series 2010 B		Build America Bond Subsidy 2010 B	Series 2015A Construction		Series 2015 B Refunding		
Year	Redemption	Interest	Redemption	Interest		Redemption	Interest	Redemption	Interest	Total
2019	\$1,040,000	\$ 85,000	\$ -	\$ 2,215,180	\$ (775,313)	\$ 75,000	\$ 2,543,663	\$1,375,000	\$ 734,481	\$7,293,011
2020	1,085,000	43,400	-	2,215,180	(775,313)	80,000	2,541,413	1,440,000	665,731	7,295,411
2021	-	-	1,125,000	2,215,180	(775,313)	80,000	2,539,013	1,515,000	593,731	7,292,611
2022	-	-	1,170,000	2,147,601	(751,660)	85,000	2,536,613	1,590,000	517,981	7,295,535
2023	-	-	1,215,000	2,077,319	(727,062)	90,000	2,534,063	1,670,000	438,481	7,297,801
2024	-	-	1,265,000	2,004,334	(701,517)	95,000	2,531,362	1,750,000	354,981	7,299,160
2025	-	-	1,315,000	1,928,346	(674,921)	95,000	2,528,512	1,840,000	267,482	7,299,419
2026	-	-	1,365,000	1,849,354	(647,274)	105,000	2,525,663	1,930,000	175,481	7,303,224
2027	-	-	1,420,000	1,761,298	(616,454)	1,895,000	2,522,513	245,000	78,981	7,306,338
2028	-	-	1,480,000	1,669,693	(584,393)	1,990,000	2,427,763	250,000	71,631	7,304,694
2029	-	-	1,545,000	1,574,219	(550,976)	2,095,000	2,328,262	255,000	64,131	7,310,636
2030	-	-	1,610,000	1,474,551	(516,093)	2,155,000	2,265,412	265,000	56,482	7,310,352
2031	-	-	1,675,000	1,370,690	(479,741)	2,270,000	2,157,662	275,000	48,200	7,316,811
2032	-	-	1,750,000	1,258,448	(440,457)	2,380,000	2,044,163	285,000	39,606	7,316,760
2033	-	-	1,825,000	1,141,180	(399,413)	2,505,000	1,925,163	295,000	30,344	7,322,274
2034	-	-	1,905,000	1,018,887	(356,610)	2,585,000	1,843,750	305,000	20,756	7,321,783
2035	-	-	1,985,000	891,233	(311,932)	2,730,000	1,714,500	310,000	10,463	7,329,264
2036	-	-	2,075,000	758,218	(265,376)	3,185,000	1,578,000	-	-	7,330,842
2037	-	-	2,165,000	619,172	(216,710)	3,345,000	1,418,750	-	-	7,331,212
2038	-	-	2,260,000	474,096	(165,934)	3,520,000	1,251,500	-	-	7,339,662
2039	-	-	2,355,000	322,653	(112,928)	3,700,000	1,075,500	-	-	7,340,225
2040	-	-	2,460,000	164,845	(57,696)	3,890,000	890,500	-	-	7,347,649
2041	-	-	-	-	-	2,710,000	696,000	-	-	3,406,000
2042	-	-	-	-	-	2,840,000	567,600	-	-	3,407,600
2043	-	-	-	-	-	2,975,000	434,000	-	-	3,409,000
2044	-	-	-	-	-	3,115,000	295,000	-	-	3,410,000
2045	-	-	-	-	-	3,260,000	150,400	-	-	3,410,400
Total	\$2,125,000	\$128,400	\$33,965,000	\$31,151,677	\$ (10,903,086)	\$53,850,000	\$ 47,866,740	\$15,595,000	\$4,168,943	\$177,947,674

Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total operating revenues	\$17,994,744	\$18,648,464	\$16,905,087	\$15,180,824	\$14,077,866	\$13,656,848	\$12,988,467	\$13,201,079	\$10,972,582	\$10,881,949
Total operating expenses	11,583,337	11,409,696	10,616,972	10,778,800	10,614,892	9,878,059	9,168,985	8,894,473	8,743,683	8,839,820
Operating income	6,411,407	7,238,768	6,288,115	4,402,024	3,462,974	3,778,789	3,819,482	4,306,606	2,228,899	2,042,129
Interest & other income	446,258	646,251	711,937	649,342	450,129	1,281,037	605,162	885,727	593,345	395,744
Add: Depreciation & amortization	2,741,355	2,129,673	1,988,943	1,806,744	1,936,732	1,271,165	1,168,265	1,051,110	953,313	847,340
Net revenue available	9,599,020	10,014,692	8,988,996	6,858,110	5,849,835	6,330,991	5,592,909	6,243,443	3,775,557	3,285,213
Interest payments	4,949,291	5,011,149	3,824,539	2,840,080	2,945,386	2,992,499	2,624,800	2,853,926	1,656,025	1,471,971
Principal repayment	2,380,000	2,280,000	2,395,000	1,640,000	1,595,000	1,550,000	1,505,000	1,525,000	1,070,000	1,040,000
Total debt service requirement	\$7,329,291	\$7,291,149	\$6,219,593	\$4,480,080	\$4,540,386	\$4,542,499	\$4,129,800	\$4,378,926	\$2,726,025	\$2,511,971
Debt coverage ratio	1.31	1.38	1.45	1.53	1.29	1.39	1.35	1.43	1.38	1.33

Source: Accounting Department.

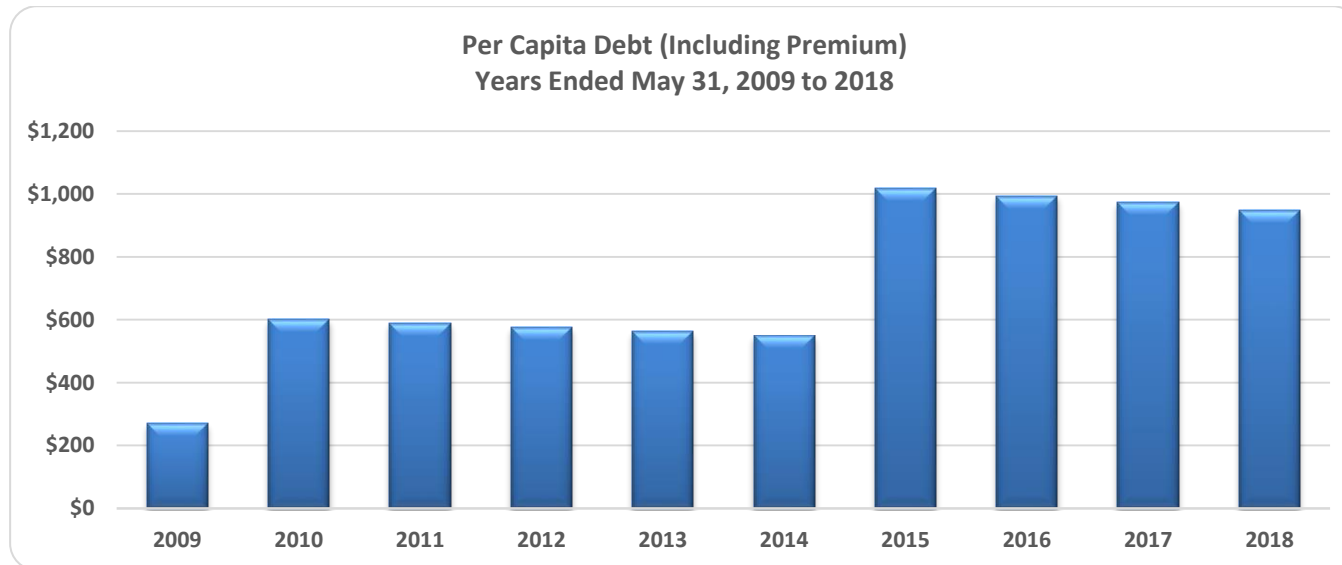


WATER AUTHORITY OF WESTERN NASSAU COUNTY
WATER AUTHORITY PER CAPITA INDEBTEDNESS
LAST TEN FISCAL YEARS ENDED MAY 31,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total outstanding indebtedness	\$105,535,000	\$107,915,000	\$110,195,000	\$112,590,000	\$64,515,000	\$66,110,000	\$67,660,000	\$69,165,000	\$70,690,000	\$30,870,000
Unamortized premium on revenue bonds	8,364,326	8,740,418	9,115,506	9,488,201	1,340,818	1,409,806	1,468,373	1,529,683	1,483,588	1,535,549
Total outstanding debt & unamortized premium	\$113,899,326	\$116,655,418	\$119,310,506	\$122,078,201	\$65,855,818	\$67,519,806	\$69,128,373	\$70,694,683	\$72,173,588	\$32,405,549
Population served (estimated)	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Per capita debt (including premium)	\$949.16	\$972.13	\$994.25	\$1,017.32	\$548.80	\$562.67	\$576.07	\$589.12	\$601.45	\$270.05

Source: Accounting Department

Source: Accounting Department.



SECTION C: STATISTICAL SECTION

Demographic and Economic Information

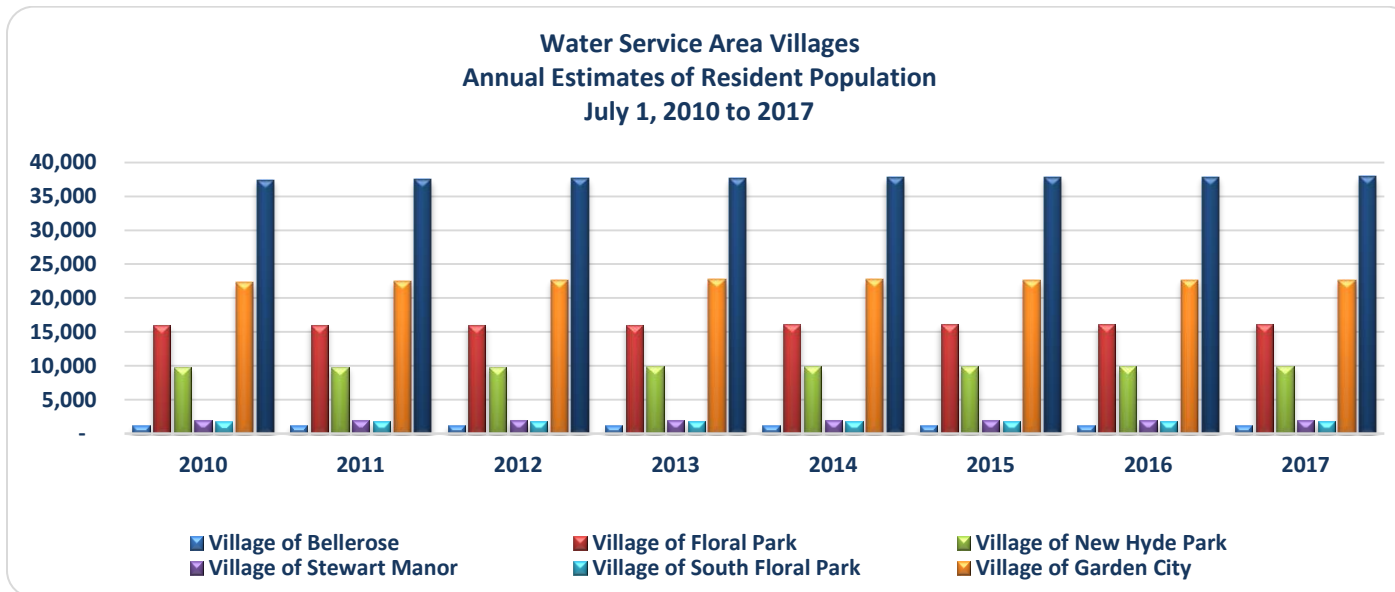


WATER AUTHORITY OF WESTERN NASSAU COUNTY
WATER SERVICE AREA VILLAGES
ANNUAL ESTIMATES OF THE RESIDENT POPULATION

JULY 1, 2010 TO 2017

Areas	2017	2016	2015	2014	2013	2012	2011	2010
Village of Bellerose	1,180	1,178	1,178	1,177	1,174	1,175	1,172	1,168
Village of Floral Park	16,103	16,066	16,064	16,059	16,021	15,989	15,959	15,907
Village of New Hyde Park	9,953	9,910	9,897	9,890	9,870	9,849	9,825	9,790
Village of Stewart Manor	1,986	1,985	1,984	1,982	1,981	1,976	1,974	1,967
Village of South Floral Park	1,803	1,800	1,793	1,788	1,784	1,780	1,779	1,773
Village of Garden City	22,698	22,669	22,635	22,744	22,728	22,695	22,504	22,347
Village of Valley Stream	37,935	37,884	37,875	37,753	37,681	37,609	37,534	37,411

Source: U.S. Census Bureau, Population Division, May 2018



WATER AUTHORITY OF WESTERN NASSAU COUNTY
SERVICE AREA POPULATION, MEDIAN AGE, MEDIAN HOUSEHOLD INCOME
AND OCCUPIED HOUSING UNITS

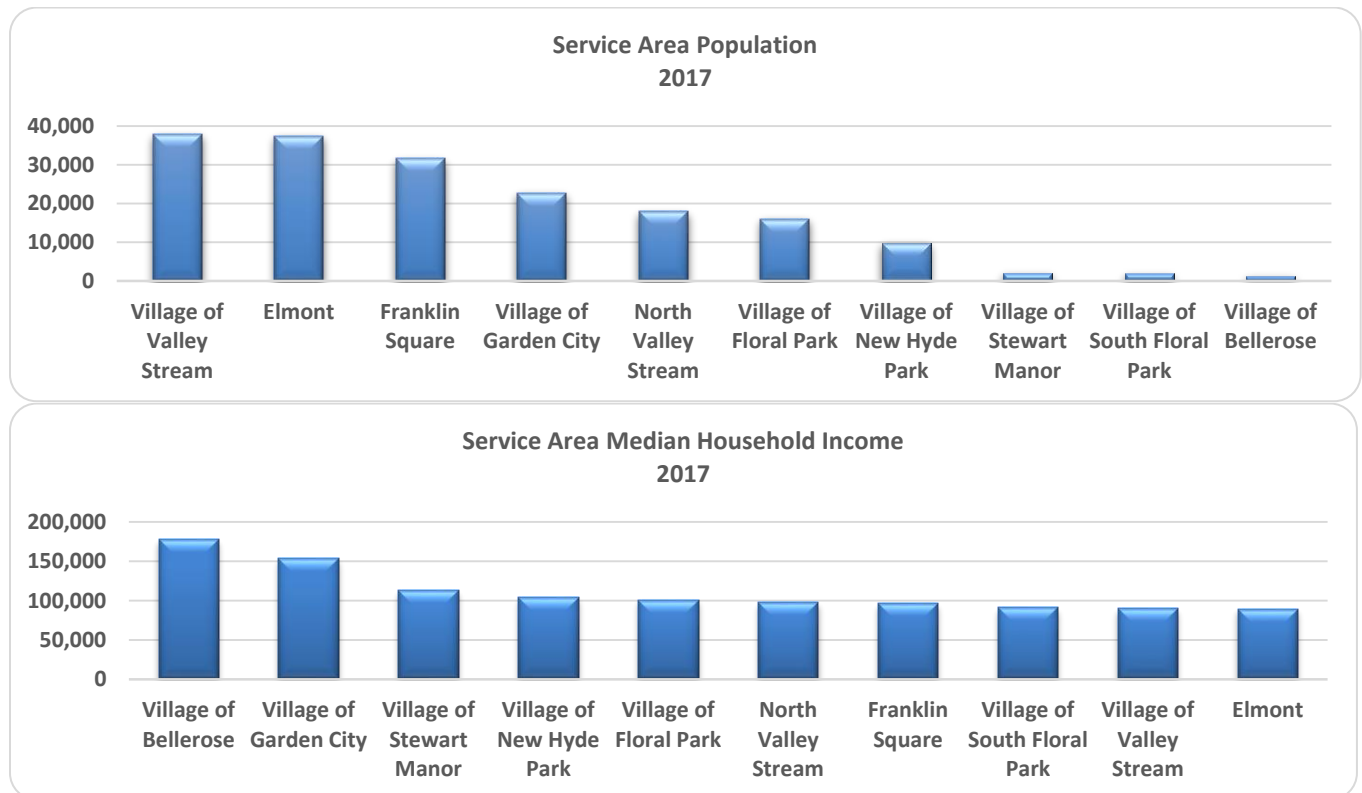
	Population		Median Age		Median Household	Occupied Housing Units	
	2017	2010	2012-2016	2010	Income 2012-2016	2012-2016	2010
Village of Bellerose	1,180	1,193	42.9	37.7	171,250	446	399
Village of Floral Park	16,103	15,863	41.8	41.0	103,644	5,896	5,630
Village of New Hyde Park	9,953	9,712	41.8	44.2	108,313	2,945	3,240
Village of Stewart Manor	1,986	1,896	44.8	40.4	115,513	772	723
Village of South Floral Park	1,803	1,764	35.2	43.2	88,636	555	497
Village of Garden City	22,698	22,371	42.6	40.8	157,366	7,536	7,087
Village of Valley Stream	37,935	37,511	39.3	38.2	94,681	12,132	11,626
Elmont*	37,057	33,198	35.2	36.9	91,902	10,379	9,777
Franklin Square*	31,601	29,320	41.2	42.5	95,656	10,134	9,992
North Valley Stream*	18,597	16,628	41.8	38.8	101,888	5,548	5,101

The Water Authority serves a population of approximately 120,000 within the Town of Hempstead and the Town of North Hempstead. The Town of Hempstead component includes the incorporated villages of Bellerose, Floral Park, New Hyde Park, South Floral Park, Stewart Manor and portions of Garden City and Valley Stream. The area within the Town of Hempstead also includes the unincorporated areas of Bellerose Terrace, Elmont and portions of Franklin Square and North Valley Stream. The area within the Town of North Hempstead includes the unincorporated areas of Floral Park, Floral Park Centre and New Hyde Park.

NA- Not available.

*Population estimate is based on 2012-2016 American Community Survey.

Sources: U.S. Census Bureau's 2010 Census and American Community Survey of 2012-2016 and July 1, 2017 Estimate.

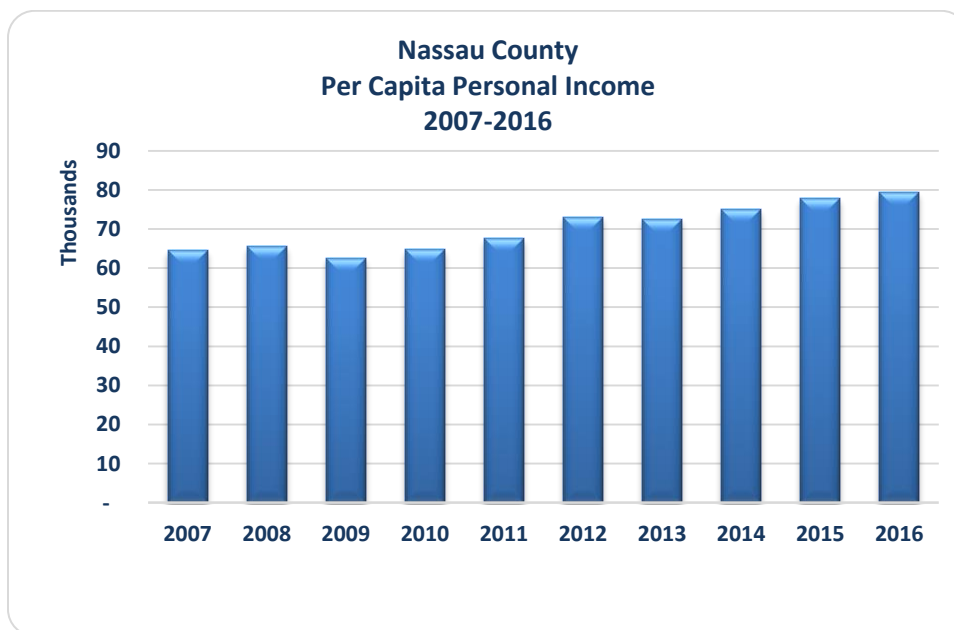


**WATER AUTHORITY OF WESTERN NASSAU COUNTY
NASSAU COUNTY, NEW YORK, POPULATION, TOTAL PERSONAL INCOME
AND PER CAPITA PERSONAL INCOME AND UNEMPLOYMENT RATE
2007-2016**

Year	Total Personal Income (In Thousands) (a)	Population (b)	Per Capita Income (c)	Unemployment Rate (d)
2016	\$ 107,985,845	1,361,500	\$ 79,314	3.9%
2015	105,860,697	1,361,350	77,762	4.3%
2014	100,046,324	1,358,673	73,618	4.8%
2013	98,311,077	1,354,842	72,549	5.9%
2012	97,887,881	1,350,924	72,460	7.1%
2011	92,904,849	1,347,270	68,979	6.7%
2010	88,218,382	1,341,882	65,761	7.1%
2009	89,901,328	1,325,129	66,210	6.9%
2008	92,453,438	1,322,578	68,303	4.7%
2007	90,092,214	1,353,061	66,584	3.6%

Source: US Department of Commerce, Bureau of Economic Analysis

- a. All dollar estimates are in current dollars (not adjusted for inflation).
- b. Last updated: November 17, 2016 - new estimates for 2015; revised estimates for 1998-2014. Census Bureau midyear population estimates. Estimates for 2010-2015 reflect county population estimates available as of March 2016.
- c. Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2015 reflect county population estimates available as of March 2016.
- d. New York State Department of Labor
NA – Not available



WATER AUTHORITY OF WESTERN NASSAU COUNTY
NASSAU COUNTY, NEW YORK, ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
LAST TEN YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total, all industries	628,993	621,953	612,815	604,709	596,302	588,790	586,165	582,551	581,614	600,942
Total, all private	551,469	543,980	534,792	526,876	519,169	510,770	504,936	499,299	498,048	517,164
Agriculture, forestry, fishing and hunting	194	191	173	175	173	205	207	209	217	255
Crop production	34	26	26	25	24	56	65	67	74	74
Animal production	-	68	65	66	6	-	-	59	54	52
Fishing, hunting and trapping	11	3	4	7	84	8	8	6	8	11
Agriculture & forestry support activity	90	95	77	77		84	74	77	81	119
Mining	11	12	-	2	3	6	8	6	7	7
Utilities	4,041	3,883	3,757	3,637	2,465			2,631	2,654	2,692
Construction	31,872	30,158	29,275	28,557	27,360	25,207	24,614	25,309	27,649	30,843
Construction of buildings	7,922	7,474	7,201	6,948	6,832	6,205	6,218	6,865	7,512	8,438
Heavy and civil engineering construction	2,340	2,257	2,205	1,923	1,828	1,768	1,699	1,729	1,830	1,677
Specialty trade contractors	21,611	20,427	19,869	19,685	18,701	17,234	16,697	16,715	18,308	20,729
Manufacturing	17,591	17,365	17,568	17,793	18,684	18,932	19,002	19,497	20,998	23,417
Food manufacturing	3,344	2,958	2,942	2,844	2,784	2,784	2,627	2,560	2,539	2,543
Beverage & tobacco product manufacturing	94	91	88	75	84	71	65	51	28	41
Textile mills	39	33	39	47	69	72	96	109	116	120
Textile product mills	220	240	223	199	183	195	182	190	254	280
Apparel manufacturing	195	213	250	253	251	285	326	313	338	375
Leather and allied product manufacturing	-	-	-	34	-	38	43	34	34	
Wood product manufacturing	156	166	195	160	236	210	233	254	294	337
Paper manufacturing	151	159	182	195	188	205	210	215	302	404
Printing and related support activities	1,039	1,105	1,079	1,110	1,196	1,170	1,228	1,456	1,870	2,102
Petroleum & coal product manufacturing	-	-	-	14	-	-	29	30	32	31
Chemical manufacturing	998	979	992	1030	1179	1253	891	922	1091	1239
Plastics & rubber products manufacturing	896	898	869	831	886	793	831	954	1028	996
Nonmetallic mineral product manufacturing	489	483	450	435	372	388	262	291	306	319
Primary metal manufacturing	93	94	112	110	116	90	92	99	100	164
Fabricated metal product manufacturing	2,204	2,123	2,141	2,104	2,100	2,149	2,205	2,326	2,349	2,518
Machinery manufacturing	1,868	1,967	2,176	2,197	2,387	2,484	2,843	2,778	2,954	3,290
Computer and electronic product manufacturing	2,057	2,131	2,137	2,180	2,231	2,286	2,279	2,257	2,231	2,626
Electrical equipment and appliances	551	489	450	361	366	358	357	361	440	593
Transportation equipment manufacturing	1,055	1,072	1,166	1,600	1,981	2,151	2,233	2,201	2,372	2,407
Furniture and related product manufacturing	790	803	803	781	788	705	692	738	812	958
Miscellaneous manufacturing	1,332	1,332	1,233	1,234	1,239	1,232	1,278	1,358	1,511	2,030
Wholesale trade	25,709	26,834	27,689	27,320	27,484	26,904	26,873	26,707	26,964	29,102
Merchant wholesalers, durable goods	11,932	13,621	14,120	13,788	13,781	13,228	13,387	13,649	13,832	15,025
Merchant wholesalers, nondurable goods	11,297	10,610	10,956	10,928	10,749	10,709	10,578	10,252	10,256	10,987
Electronic markets and agents/brokers	2,481	2,604	2,613	2,604	2,955	2,967	2,909	2,806	2,877	3,090
Retail trade	81,619	80,271	80,002	79,775	78,730	77,619	76,741	75,889	75,800	81,073
Motor vehicle and parts dealers	7,259	7,211	7,140	6,935	6,732	6,589	6,354	6,121	6,060	6,887
Furniture and home furnishings stores	3,300	3,016	3,049	3,026	3,040	3,445	3,280	3,226	3,412	4,175
Electronics and appliance stores	3,274	3,292	3,541	3,355	3,230	3,401	3,474	3,295	3,148	3,372
Building material & garden supply stores	5,522	5,541	5,472	5,531	5,486	4,587	4,718	4,716	4,725	5,218
Food and beverage stores	18,912	17,988	17,862	17,617	16,954	16,825	16,676	16,181	16,071	15,899
Health and personal care stores	6,906	6,808	6,704	6,794	6,965	6,907	6,638	7,021	7,069	7,358
Gasoline stations	1,619	1,561	1,511	1,465	1,456	1,541	1,560	1,493	1,488	1,473
Clothing and clothing accessories stores	9,928	10,082	9,914	9,923	10,100	10,259	9,974	10,836	10,701	13,635
Sporting goods/hobby/book/music stores	3,780	3,862	3,775	3,619	3,394	3,394	3,294	3,393	3,283	3,522
General merchandise stores	13,737	13,722	14,008	14,540	14,450	13,932	14,009	12,746	12,745	11,986
Miscellaneous store retailers	3892	3,670	3,526	3,625	3,572	3,830	3,673	3,704	3,976	4,286
Non-store retailers	3,492	3,519	3,500	3,347	3,352	2,909	3,092	3,158	3,123	3,264

WATER AUTHORITY OF WESTERN NASSAU COUNTY
NASSAU COUNTY, NEW YORK ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
LAST TEN YEARS
(CONTINUED)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Transportation and warehousing	15,764	15,563	15,264	15,184	15,515	15,202	14,815	14,888	14,917	15,146
Air transportation	351	428	401	451	460	485	504	496	415	432
Water transportation	402	418	450	468	485	608	642	693	604	662
Truck transportation	2,432	2,359	2,245	2,239	2,168	2,054	1,944	1,907	1,867	2,161
Transit and ground passenger transport	4,768	4,992	5,094	5,187	5,636	5,464	4,502	4,670	4,736	4,777
Scenic and sightseeing transportation	79	63	66	75	48	58	48	33	58	64
Support activities for transportation	3,639	3,717	3,575	3,470	3,379	3,315	3,247	2,974	2,995	3,366
Couriers, messengers and other	3,224	2,856	2,684	2,620	2,587	2,572	3,307	3,414	3,526	2,769
Warehousing and storage	863	725	745	675	695	595	569	652	655	865
Information	10,232	10,377	10,989	11,907	13,424	13,607	13,663	14,163	13,907	14,319
Publishing industries	1,654	1,570	1,575	1,913	2,083	2,238	2,327	2,442	2,262	2,522
Motion picture & sound recording	697	822	797	831	1593	1877	1784	1824	1664	1689
Broadcasting (except internet)	641	631	624	650				4769	4821	4655
Telecommunications	5,643	5,832	6,426	6,761	2,984	2,980	3,203	3,296	3,242	3,539
Search portals, & data processing	1,118	1,030	1,034	1,027	1,101	1,089	1,067	1,104	1,275	1,328
Other information services	480	492	533	724	743	674	687	729	644	587
Finance and insurance	29,857	29,937	31,127	31,253	31,070	30,943	30,451	30,103	31,382	33,603
Credit intermediation & related activity	8,980	9,464	10,491	10,709	10,801	10,773	10,377	9,711	10,077	11,495
Financial investment & related activity	3,850	3,488	3,580	3,477	3,458	3,680	3,910	4,086	4,141	4,359
Insurance carriers & related activities	16,891	16,867	16,948	17,017	16,763	15,945	15,628	15,771	16,624	17,260
Funds, trusts & other financial vehicles	135	117	109	45	46	547	536	535	541	489
Real estate and rental and leasing	10,890	10,676	10,390	10,316	9,747	9,895	9,628	9,489	9,748	10,224
Real estate	9,453	9,178	8,988	8,643	8,259	8,418	8,317	8,171	8,387	8,640
Rental and leasing services	1,395	1,428	1,351	1,540	1,362	1,341	1,191	1,211	1,255	1,470
Lessors, nonfinancial intangible assets	42	70	52	134	127	136	119	107	106	114
Professional and technical services	39,540	38,659	38,448	37,771	36,605	35,200	34,173	34,098	34,757	36,513
Management of companies and enterprises	7,461	7,345	6,716	6,604	6,462	6,981	6,501	6,776	6,891	7,059
Administrative and waste services	31,943	32,334	30,509	30,086	29,443	29,243	28,819	27,421	29,300	31,691
Administrative and support services	30,403	30,730	29,093	28,747	28,126	27,988	27,538	26,109	28,240	30,651
Waste management and remediation service	1,540	1,604	1,415	1,339	1,317	1,255	1,281	1,312	1,060	1,041
Educational services	20,762	20,813	20,305	19,864	19,900	20,167	19,678	19,651	19,437	19,411
Health care and social assistance	128,661	125,379	120,248	115,383	114,014	113,402	114,455	111,494	104,277	101,880
Ambulatory health care services	48,035	47,593	46,675	44,813	43,828	43,025	42,156	41,984	40,866	39,830
Hospitals	44,872	42,253	39,271	36,749	37,333	37,268	38,761	36,727	31,716	30,394
Nursing and residential care facilities	13,767	13,738	13,472	13,484	13,435	14,388	14,706	14,854	14,746	14,962
Social assistance	21,987	21,794	20,830	20,337	19,418	18,722	18,832	17,929	16,948	16,694
Arts, entertainment, and recreation	12,508	11,707	11,910	11,911	11,842	11,303	11,199	11,358	11,617	12,077
Performing arts and spectator sports	3,351	3,368	3,715	4,026	4,070	3,932	3,910	4,057	3,959	4,239
Museums, parks and historical sites	362	335	319	324	326	309	317	309	426	425
Amusement, gambling & recreation	8,796	8,004	7,876	7,561	7,446	7,062	6,972	6,991	7,231	7,413
Accommodation and food services	50,907	48,907	48,221	47,179	45,983	43,818	41,661	40,230	38,591	38,946
Accommodation	2,639	2,379	2,359	2,380	2,472	2,466	2,340	2,341	2,176	2,272
Food services and drinking places	48,268	46,527	45,861	44,799	43,511	41,352	39,321	37,890	36,415	36,674
Other services, ex. Public administration	30,292	29,983	29,202	28,912	27,984	27,544	27,459	27,169	26,761	27,061
Repair and maintenance	6,665	6,681	6,660	6,595	6,398	6,443	6,581	6,610	6,229	6,287
Personal and laundry services	13,528	12,953	12,309	11,885	11,187	10,824	10,812	10,566	10,408	10,317
Membership organizations & associations	8,282	8,555	8,467	8,572	8,596	8,411	8,224	8,197	8,334	8,590
Private households	1,818	1,794	1,765	1,859	1,804	1,866	1,843	1,796	1,790	1,867
Government	77,524	77,973	78,023	77,833	77,133	78,020	81,229	83,252	83,566	83,778
Federal government	5,227	5,258	5,201	5,155	5,218	5,264	5,468	6,174	6,122	6,256
State government	3,277	3,162	3,143	3,107	2,220	2,557	3,644	3,770	3,825	3,802
Local government	69,020	69,553	69,679	69,571	69,695	70,199	72,117	73,308	73,619	73,720
Unclassified	1,614	3,586	2,997	3,249	2,281	2,106	2,445	2,211	2,177	1,845

*Employment data and subtotals are as presented by the US Department of Labor. The 2017 numbers are preliminary estimates.

Source: Quarterly Census of Employment and Wages, developed through a cooperative program between the State of New York and the Bureau of Labor Statistics.

**WATER AUTHORITY OF WESTERN NASSAU COUNTY
COUNTY OF NASSAU, NEW YORK
PRINCIPAL EMPLOYMENT BY INDUSTRY
2017 AND 2008**

Employment Sector	2017			2008		
	Average Annual Employment	Rank	Percentage of Total	Average Annual Employment	Rank	Percentage of Total
Health care and social assistance	128,661	1	20.5%	101,880	1	17.0%
Retail trade	81,619	2	13.0%	81,073	3	13.5%
Government	77,524	3	12.3%	83,778	2	13.9%
Accommodation and food services	50,907	4	8.1%	38,946	4	6.5%
Professional and technical services	39,540	5	6.3%	36,513	5	6.1%
Administrative and waste services	31,943	6	5.1%	31,691	7	5.3%
Construction	31,872	7	5.1%	30,843	8	5.1%
Other services, ex. Public administration	30,292	8	4.8%	27,061	10	4.5%
Finance and insurance	29,857	9	4.7%	33,603	6	5.6%
Wholesale trade	25,709	10	4.1%	29,102	9	4.8%
Educational services	20,762	11	3.3%	19,411	12	3.2%
Manufacturing	17,591	12	2.8%	23,417	11	3.9%
Transportation and warehousing	15,764	13	2.5%	15,146	13	2.5%
Arts, entertainment, and recreation	12,508	14	2.0%	12,077	15	2.0%
Real estate and rental and leasing	10,890	15	1.7%	10,224	16	1.7%
Information	10,232	16	1.6%	14,319	14	2.4%
Management of companies and enterprises	7,461	17	1.2%	7,059	17	1.2%
Utilities	4,041	18	0.6%	2,692	18	0.4%
Other	1,820	19	0.3%	2,107	19	0.4%
Total, all industries	628,993		100.0%	600,942		100.0%

Source: Quarterly Census of Employment and Wages developed through a cooperative program between the State of New York and the U.S. Bureau of Labor Statistics.

SECTION C: STATISTICAL SECTION

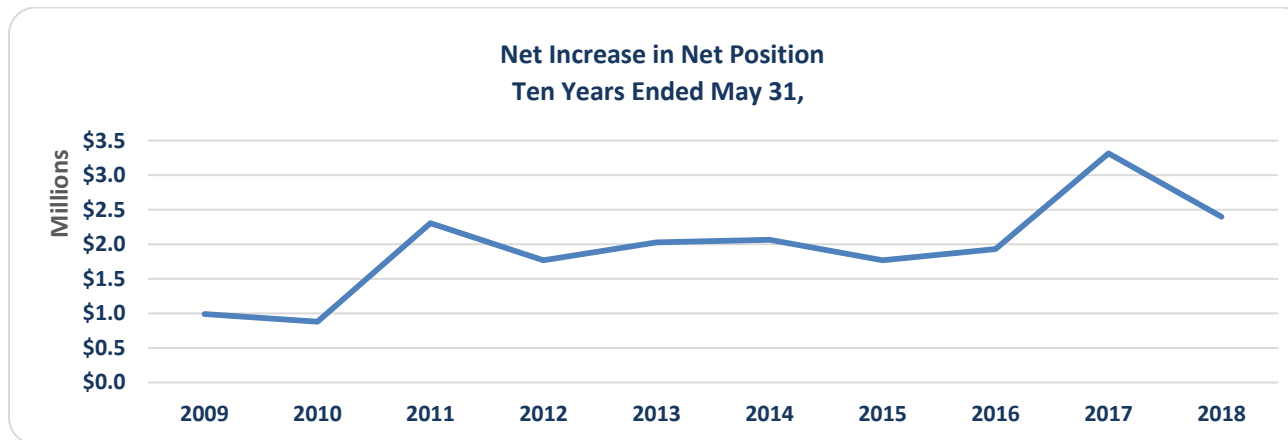
Operating Information



WATER AUTHORITY OF WESTERN NASSAU COUNTY
STATISTICAL SUMMARY AND FLASH REPORT
LAST TEN FISCAL YEARS ENDED MAY 31,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Estimated population served	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Employees head count	48	48	50	47	49	51	50	51	52	52
Billed consumption (million gallons)	3,254	3,441	3,976	3,367	3,470	3,401	3,401	3,728	3,199	3,463
Average daily consumption (million gallons)	8.92	9.43	9.52	9.23	9.51	9.31	9.31	10.21	8.77	9.49
Average daily peak consumption (million gallons)	18.9	18.3	20.2	19.3	20.2	22.1	22.1	24.3	17.4	21.7
OPERATING INFORMATION										
Treated water reservoir capacity	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Fire hydrants operated and maintained	2,433	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432
FINANCIAL INFORMATION										
Net property, plant & equipment	\$87,136,943	\$79,908,512	\$72,887,677	\$69,888,539	\$68,063,563	\$63,874,772	\$52,433,616	\$44,800,607	\$40,236,512	\$35,818,270
Rate stabilization cash and cash equivalent	\$1,522,000	\$1,070,000	\$1,070,000	\$1,070,000	\$570,000	\$560,000	\$560,000	\$460,000	\$445,000	\$445,000
Total long-term debt	\$105,535,000	\$107,915,000	\$110,195,000	\$112,590,000	\$64,515,000	\$66,110,000	\$67,660,000	\$69,165,000	\$70,690,000	\$30,870,000
Rate increases	2.50%	2.50%	9.40%	8.41%	7.00%	6.02%	4.80%	4.80%	7.20%	7.40%
Operating revenues	\$17,994,744	\$18,648,464	\$16,905,087	\$15,180,824	\$14,077,866	\$13,656,848	\$12,988,468	\$13,201,079	\$10,972,582	\$10,881,949
Operating expenses	\$11,583,337	\$11,409,696	\$10,616,972	\$10,778,800	\$10,614,892	\$9,878,059	\$9,168,985	\$8,894,473	\$8,743,683	\$8,839,820
Operating income	\$6,411,407	\$7,238,768	\$6,288,115	\$4,402,024	\$3,462,974	\$3,778,789	\$3,819,483	\$4,306,606	\$2,228,899	\$2,042,129
Debt service	\$7,329,291	\$7,291,149	\$6,219,539	\$4,480,080	\$4,540,386	\$4,547,786	\$4,129,800	\$4,428,783	\$2,726,025	\$2,512,000
Depreciation and amortization	\$2,252,822	\$2,129,673	\$1,988,943	\$1,806,744	\$1,936,732	\$1,310,273	\$1,202,793	\$1,096,432	\$1,454,956	\$884,957
GASB Statement Nos 68 and 71 implementations	-	-	-	232,625	-	-	-	-	-	-
Net increase in net position	\$2,397,433	\$3,315,275	\$1,929,274	\$1,765,122	\$2,063,320	\$2,026,818	\$1,765,317	\$2,304,551	\$878,954	\$989,420

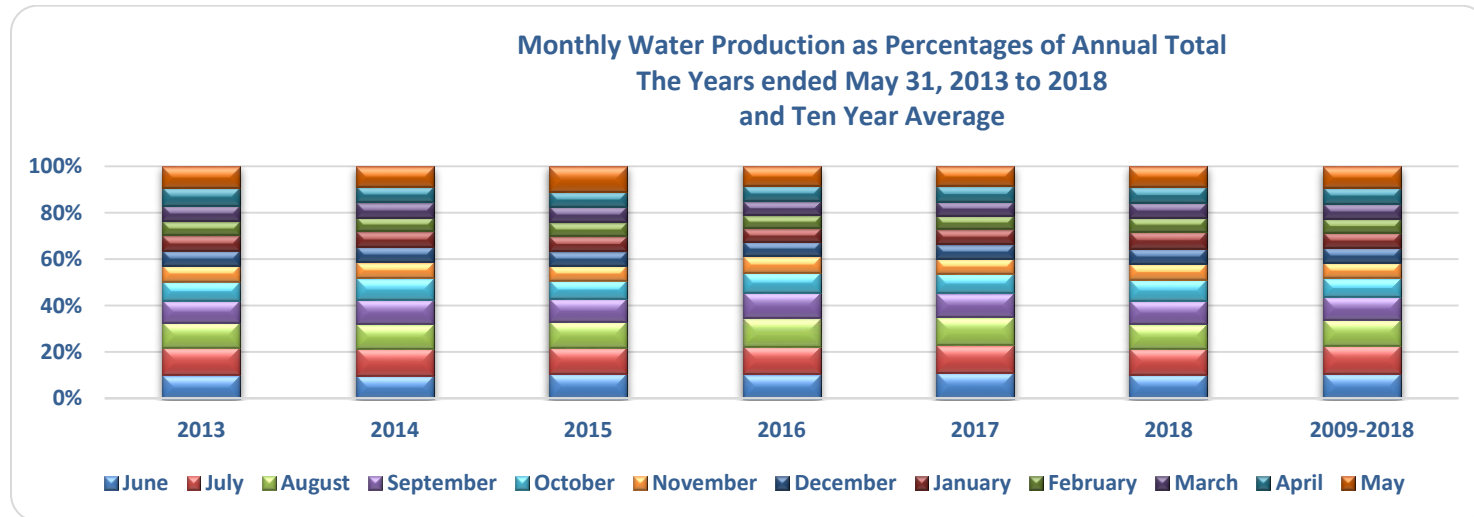
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
MONTHLY WATER PRODUCTION (GALLONS)
LAST SIX FISCAL YEARS ENDED MAY 31, AND
LAST TEN FISCAL YEARS AVERAGE

	2018	2017	2016	2015	2014	2013	Ten-Year Average 2009-2018
June	410,759,040	468,505,512	451,895,352	468,927,660	413,476,668	415,920,744	450,458,010
July	449,884,176	499,834,194	522,179,940	494,058,606	500,476,506	490,898,166	504,907,100
August	426,534,450	509,743,866	528,555,198	485,088,174	452,281,272	447,850,242	469,674,822
September	398,368,338	437,057,460	477,790,212	431,253,348	447,688,476	396,395,910	416,777,638
October	364,489,140	351,037,894	368,361,132	349,110,516	393,596,754	332,347,356	343,552,355
November	270,846,180	272,569,974	307,161,090	279,347,682	294,783,900	287,086,254	278,433,107
December	264,713,754	265,565,196	268,037,064	276,014,592	280,999,356	271,980,438	271,637,456
January	286,852,566	266,223,354	255,909,846	283,432,278	284,563,734	270,144,930	275,803,543
February	242,541,600	239,321,826	241,954,314	259,273,926	254,241,018	245,128,584	248,729,658
March	268,326,678	266,026,380	262,654,920	287,733,204	280,909,686	279,318,678	275,309,672
April	267,784,986	283,944,036	284,911,374	292,221,828	286,489,632	323,435,292	296,195,654
May	351,113,688	348,114,654	358,831,620	471,478,446	368,398,014	376,549,128	375,676,381
	4,002,214,596	4,207,944,346	4,328,242,062	4,377,940,260	4,257,905,016	4,137,055,722	4,207,155,396

Source: Accounting Department.

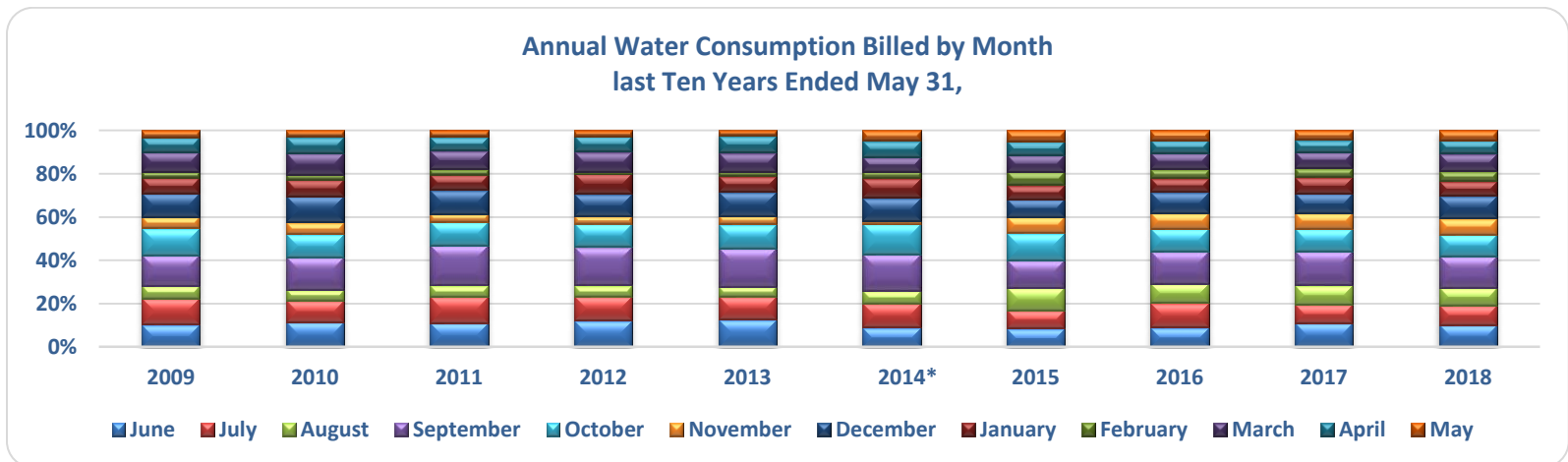


WATER AUTHORITY OF WESTERN NASSAU COUNTY
ANNUAL WATER CONSUMPTION BILLED BY MONTH (GALLONS)
LAST TEN FISCAL YEARS ENDED MAY 31,

Month	2018	2017	2016	2015	2014*	2013	2012	2011	2010	2009
June	330,853,500	378,644,250	310,895,250	285,524,250	309,621,750	425,337,750	413,437,500	417,933,000	364,995,750	354,737,250
July	295,309,500	296,893,500	392,601,750	283,273,500	385,202,250	356,779,500	382,331,250	445,953,750	321,195,000	424,296,000
August	261,288,000	307,693,500	318,147,750	353,835,750	210,009,750	154,800,000	171,570,750	202,803,000	160,192,500	203,133,750
September	477,389,250	542,663,250	511,770,000	428,210,250	582,278,250	597,716,250	604,166,250	683,575,500	478,103,250	487,212,000
October	328,427,250	353,409,000	363,897,000	422,100,000	486,779,250	368,883,750	361,052,250	405,327,750	345,252,000	434,728,500
November	238,140,750	253,351,500	257,098,500	245,076,750	49,267,500	129,597,750	121,548,000	141,743,250	171,511,500	180,569,250
December	344,887,500	308,926,500	342,065,250	282,745,500	373,030,500	381,285,772	350,163,000	412,925,250	389,115,000	377,025,750
January	220,294,500	266,373,750	218,660,250	218,567,250	313,923,000	243,748,500	321,443,250	258,597,750	246,305,250	244,586,250
February	148,310,250	136,882,500	140,912,250	204,788,250	105,366,750	69,076,500	33,393,750	91,151,250	75,555,750	96,087,750
March	262,459,500	256,349,250	262,326,000	265,101,750	231,380,250	292,157,257	309,940,500	327,708,000	315,026,250	319,692,750
April	198,279,750	195,435,750	206,359,500	211,508,250	264,096,750	261,793,500	241,111,500	235,841,250	242,871,750	231,180,750
May	148,282,500	144,825,000	151,575,750	166,416,000	159,300,750	81,789,000	90,583,500	104,868,000	89,511,750	109,857,750
Total	3,253,922,250	3,441,447,750	3,476,309,250	3,367,147,500	3,470,256,750	3,362,965,529	3,400,741,500	3,728,427,750	3,199,635,750	3,463,107,750

* In fiscal year 2014 the Water Authority adjusted its billing schedule.

Source: Accounting Department

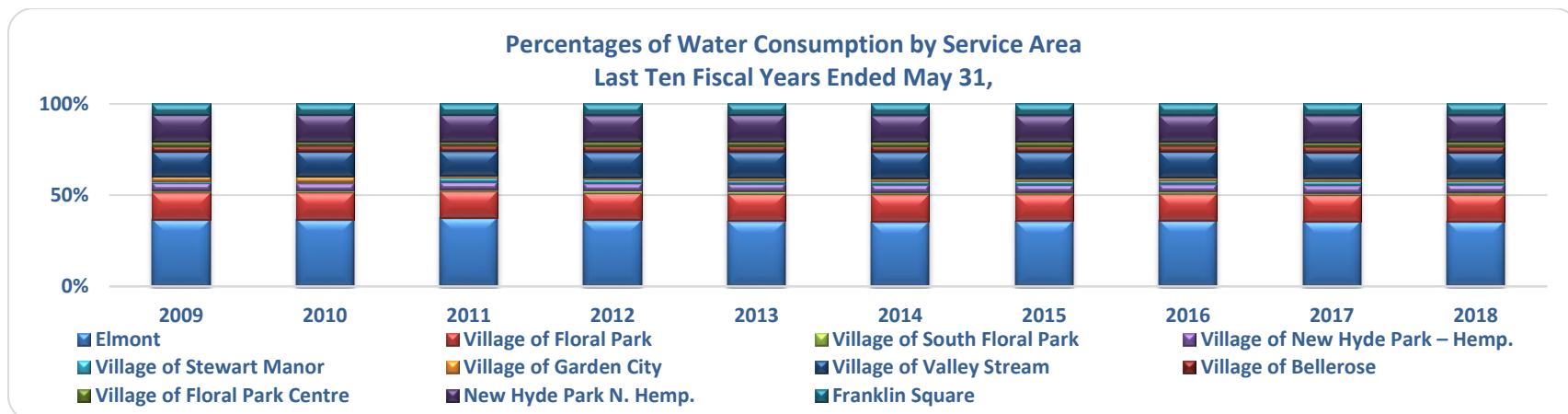


WATER AUTHORITY OF WESTERN NASSAU COUNTY
ANNUAL WATER CONSUMPTION BY SERVICE AREA(a)
LAST TEN FISCAL YEARS ENDED MAY 31,
(IN THOUSANDS OF GALLONS)

Service Area	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elmont	1,156,308	1,222,858	1,261,769	1,206,584	1,229,779	1,208,479	1,242,617	1,403,907	1,173,992	1,270,621
Village of Floral Park	485,165	506,127	500,831	496,190	522,931	501,113	502,937	543,707	474,230	514,696
Village of South Floral Park	39,407	41,492	44,241	42,360	42,291	42,278	40,872	45,186	38,409	43,372
Village of New Hyde Park – Hemp.	132,877	140,729	140,143	133,865	139,271	140,057	136,763	144,898	129,122	139,825
Village of Stewart Manor	71,269	75,370	77,225	72,930	77,449	73,814	72,030	81,342	22,705	26,025
Village of Garden City	42,010	45,724	45,042	42,822	46,995	43,924	42,935	46,775	85,090	92,795
Village of Valley Stream	468,785	499,399	503,633	490,068	498,735	472,111	468,658	502,992	443,548	475,214
Village of Bellerose	105,854	110,723	111,092	110,240	112,558	108,968	109,921	115,688	100,603	104,524
Village of Floral Park Centre	74,741	76,561	76,067	74,438	80,408	77,501	76,892	80,853	72,382	78,381
New Hyde Park N. Hemp.	480,663	512,062	503,198	490,290	511,231	497,118	502,727	545,851	469,862	513,266
Franklin Square	196,843	210,403	213,066	207,361	208,609	197,603	204,390	217,229	189,841	204,678
Total	3,253,922	3,441,448	3,476,309	3,367,148	3,470,257	3,362,966	3,400,742	3,728,428	3,199,784	3,463,397

(a) Includes consumption for Fire Sprinkler Customers

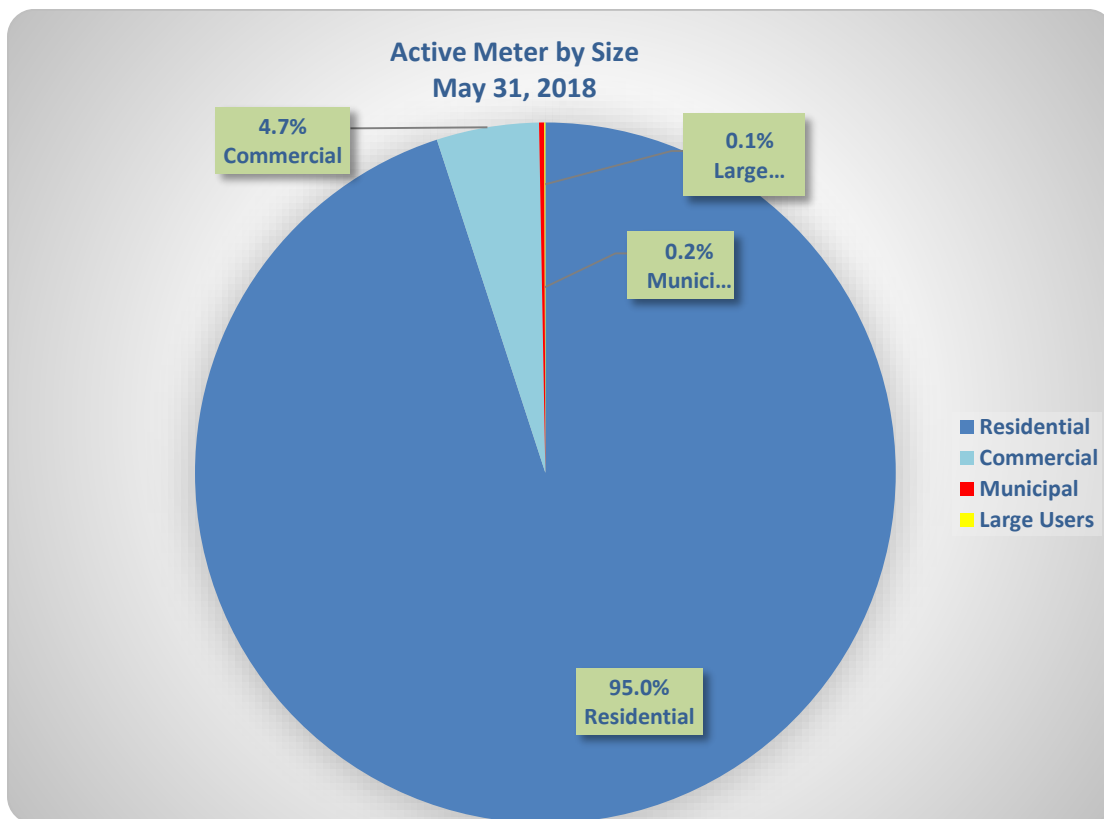
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
ACTIVE METERS BY SIZE
MAY 31, 2018

Size	Total	Residential	Commercial	Municipal	Large Users
5/8inch	24,433	23,899	526	8	-
3/4inch	2,466	2,084	375	6	1
1inch	602	404	184	13	1
1 1/2inch	137	-	128	7	2
2inch	96	-	71	22	3
3inch	9	-	4	4	1
4inch	5	-	2	2	1
6inch	8	-	5	-	3
8inch	3	-	-	-	3
Total	27,759	26,387	1,295	62	15

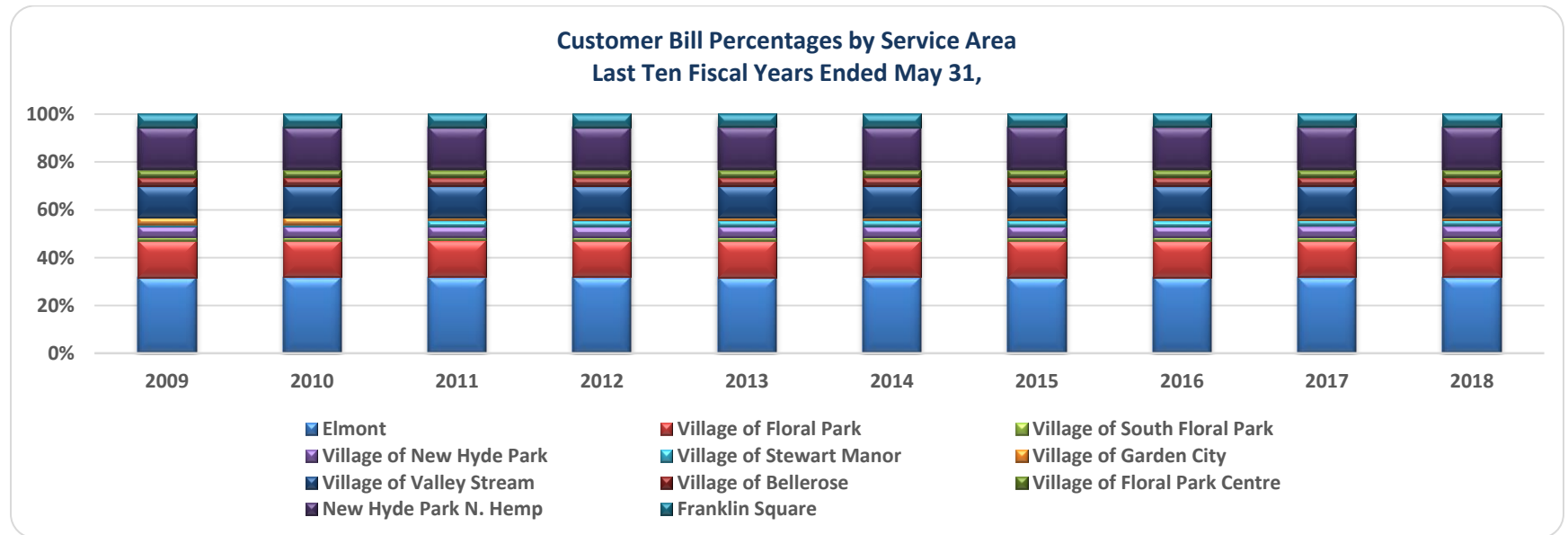
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
CUSTOMER BILLS BY SERVICE AREA
LAST TEN FISCAL YEARS ENDED MAY 31,

Service Area	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elmont	8,987	8,972	8,959	8,926	8,928	8,940	8,971	9,022	9,048	9,025
Village of Floral Park	4,329	4,319	4,328	4,308	4,315	4,317	4,328	4,341	4,384	4,380
Village of South Floral Park	411	411	408	407	407	405	400	404	404	406
Village of New Hyde Park	1,316	1,312	1,311	1,290	1,284	1,288	1,268	1,265	1,313	1,314
Village of Stewart Manor	667	664	663	664	662	664	661	657	205	205
Village of Garden City	358	357	354	356	356	358	357	359	816	824
Village of Valley Stream	3,647	3,644	3,702	3,695	3,699	3,704	3,717	3,732	3,731	3,725
Village of Bellerose	1,034	1,033	1,032	1,026	1,025	1,029	1,028	1,031	1,039	1,038
Village of Floral Park Centre	835	832	833	830	825	828	825	829	826	832
New Hyde Park N. Hemp	5,061	5,051	5,061	5,057	5,049	5,056	5,067	5,066	5,111	5,118
Franklin Square	1,522	1,525	1,526	1,521	1,523	1,524	1,531	1,534	1,545	1,542
Total	28,167	28,120	28,177	28,080	28,073	28,113	28,153	28,240	28,422	28,409

Source: Accounting Department.

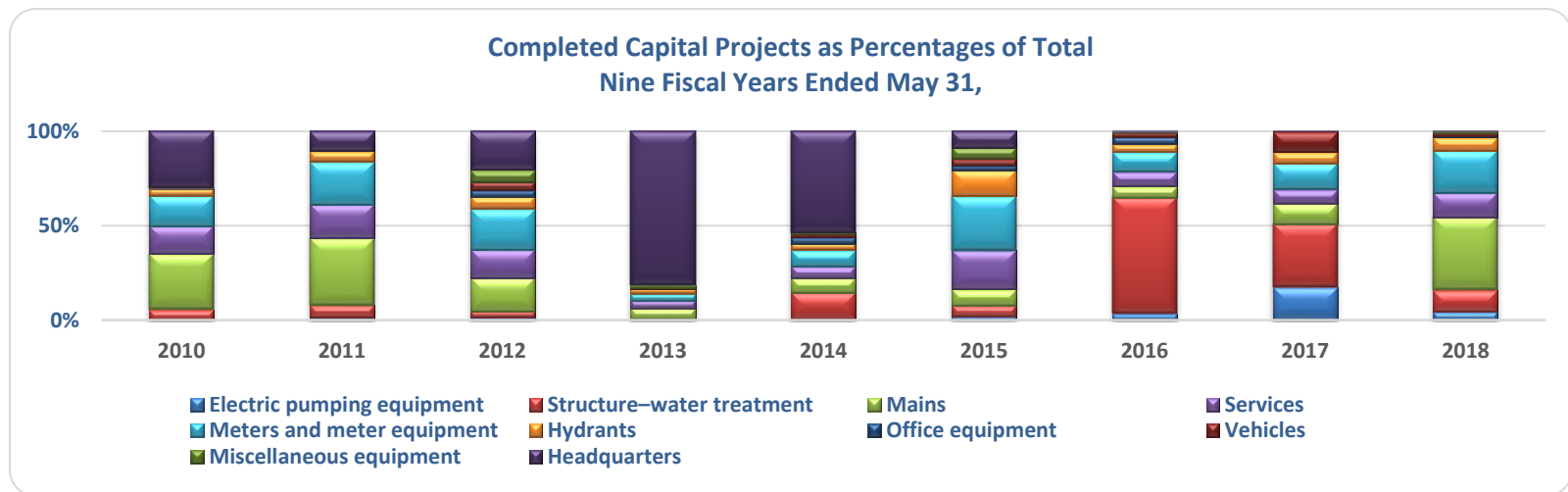


WATER AUTHORITY OF WESTERN NASSAU COUNTY
COMPLETED CAPITAL PROJECTS
LAST NINE FISCAL YEARS ENDED MAY 31,

Description	2018	2017	2016	2015	2014	2013	2012	2011	2010
Electric pumping equipment	\$ 111,808	\$ 715,810	\$ 169,745	\$ 44,898	\$ 44,072	\$ 705	\$ 45,655	\$ 54,560	\$ 4,120
Structure–water treatment	276,390	1,365,755	2,995,594	107,218	967,269	51,158	106,720	297,465	358,909
Mains	946,817	445,125	290,893	164,493	531,361	533,633	581,324	1,632,282	1,895,264
Services	324,042	308,497	380,295	398,334	419,587	405,336	483,645	821,815	949,382
Meters and meter equipment	545,947	563,482	509,061	555,573	594,671	344,052	703,616	1,037,351	1,035,500
Hydrants	175,040	238,264	199,062	265,416	236,956	218,381	206,745	243,462	234,412
Office equipment	13,953	7,774	191,452	49,496	235,288	15,620	113,063	7,084	18,305
Vehicles	33,438	434,501	101,720	68,496	101,451	43,411	146,640	-	2,039
Miscellaneous equipment	27,208	3,484	14,134	115,012	63,390	126,062	207,079	6,681	795
Headquarters	747	6,030	20,815	167,229	3,700,094	7,665,384	662,933	473,030	1,939,587
Total additions	\$ 2,455,390	\$ 4,088,722	\$ 4,872,771	\$ 1,936,165	\$ 6,894,139	\$ 9,403,742	\$ 3,257,420	\$ 4,573,730	\$ 6,438,313

Data available for the fiscal years ended May 31, 2010 and later.

Source: Accounting Department.

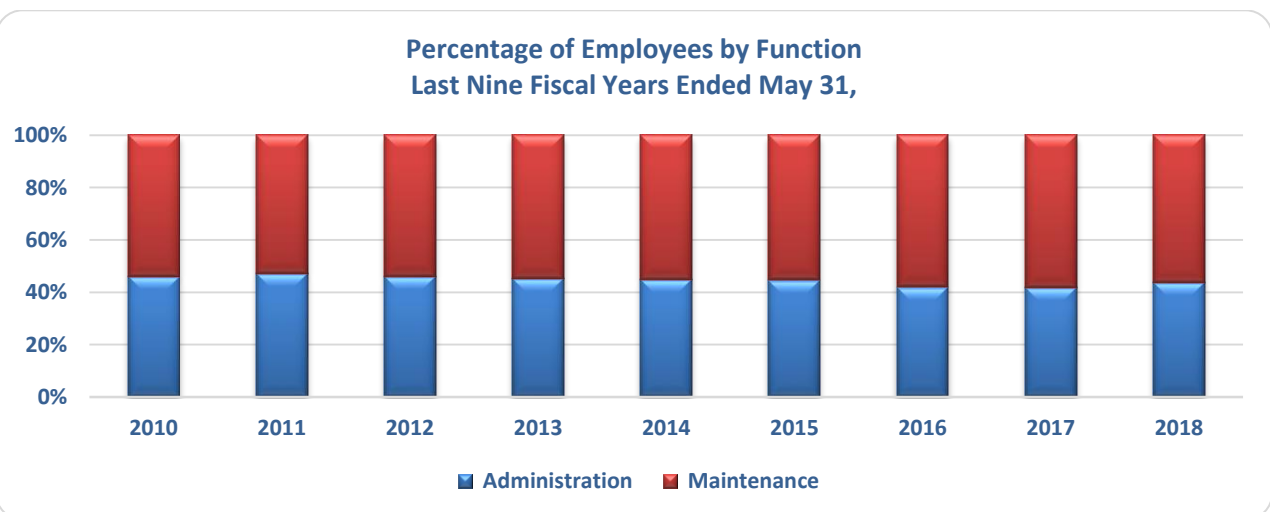


WATER AUTHORITY OF WESTERN NASSAU COUNTY
NUMBER OF EMPLOYEES BY FUNCTION
LAST NINE FISCAL YEARS ENDED MAY 31,

	<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>
Administration									
Chairman (P/T)	1	1	1	1	1	1	1	1	1
Executive Director	1	1	1	1	1	1	1	1	1
Treasurer (P/T)	1	-	1	1	1	1	1	1	1
Personnel Director	1	1	1	1	1	1	1	1	1
Customer Service	7	7	7	7	8	8	7	8	8
Meter Reading/Repairs	4	4	4	4	3	4	5	5	5
Information Technology	1	1	1	1	1	2	2	2	2
Accounting/Billing	3	3	3	3	3	3	3	3	3
Support Staff	2	2	2	2	3	2	2	2	2
Subtotal Administration	21	20	21	21	22	23	23	24	24
System Maintenance									
Water system maintenance	1	1	1	1	1	1	1	1	1
Inspectors	2	2	2	2	2	2	2	2	2
Water distribution	11	12	13	12	13	14	13	13	14
Water treatment	12	12	12	10	10	9	9	9	9
Maintenance Support	1	1	1	1	1	2	2	2	2
Subtotal Maintenance	27	28	29	26	27	28	27	27	28
Total Employees	<u>48</u>	<u>48</u>	<u>50</u>	<u>47</u>	<u>49</u>	<u>51</u>	<u>50</u>	<u>51</u>	<u>52</u>

Data available for fiscal years ended May 31, 2010 and later.

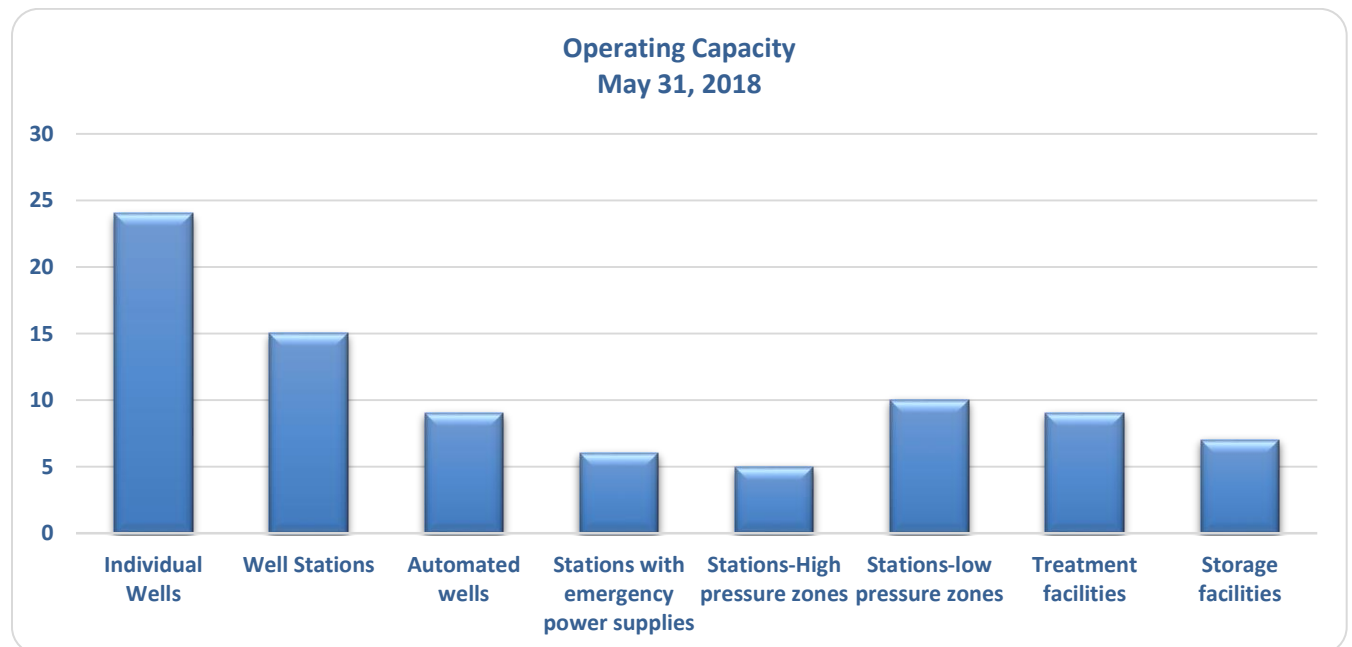
Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
OPERATING CAPACITY
LAST TEN FISCAL YEARS ENDED MAY 31,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Water Supply</u>										
Well Stations	15	15	15	15	15	15	15	15	15	15
Individual Wells	24	24	24	24	24	24	24	24	24	24
Automated wells	9	9	9	9	9	9	9	9	9	9
Stations with emergency power supplies	6	5	5	5	5	5	5	5	5	4
Stations-High pressure zones	5	5	5	5	5	5	5	5	5	5
Stations-low pressure zones	10	10	10	10	10	10	10	10	10	10
<u>Treatment</u>										
Treatment facilities	9	9	9	9	9	9	9	7	7	5
<u>Storage</u>										
Storage facilities	7	7	7	7	7	7	7	7	7	7
Storage capacity (Million Gallons)	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
<u>Transmission and Distribution</u>										
Water mains (2 to 16 inches diameter), Thousand linear feet	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235	1,235
Fire Hydrants	2,433	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432
<u>Interconnections</u>										
Interconnections to Nassau County	11	11	11	11	11	11	11	11	11	11
Interconnections to NYC system	6	6	6	13	13	13	13	13	13	13

Source: Accounting Department



WATER AUTHORITY OF WESTERN NASSAU COUNTY
WELL-STATION DESCRIPTION
FISCAL YEAR ENDED MAY 31, 2018

Well Station	Pressure Zone	Well No.	Storage Tank (Million Gallons)	Treatment Type	Emergency Power
Bryant Ave. W. of North 5 th Street, New Hyde Park	High	9		1,2	-
Hempstead Tpke. West of Plainfield Ave., Elmont	Low	15D	4.7	-	Yes
Elmont Rd., South of Atherton Ave, Elmont	Low	15A	—	1,2	-
Elmont Rd., South of Belpark Ave, Elmont	Low	15B	—	1,2,5	Yes
Elmont Rd., South of Joan Court, Elmont	Low	15C,15E	—	1,2,4	-
North 4 th St., South of Hillside Ave, North Hempstead (New Hyde Park)	High	16A	—	1,2	-
Evergreen Ave., West of Denton Ave., North Hempstead (New Hyde Park)	High	20	0.50	1,2,4	-
Elmont Rd. North of Oliver Ave, North Valley Stream	Low	25A	—	1,2	-
Miriam Pkwy. North of Stuyvesant St., Elmont	Low	28,28A,28B	1.50	1,2,3,6	Yes
Swale Rd. East of Park Lane South, Franklin Square	Low	30,30-1	0.60	1,2,3,6	-
Franklin Ave. North of Southern State Parkway, North Valley Stream	Low	34	—	1,2	-
Cisney Ave. West of Gilbert Ct, Floral Park	Low	35,35A	1.00	1,2,4	Yes
Union Tpke. West of N.H.P. Rd, North Hempstead (New Hyde Park)	High	40,40A 44,44A,44B,44	—	1,2,4	Yes
Makofske Ave. and Chelsea St. Elmont	Low	C	2.00	1,2,4	
2 nd Ave. & South 6 th St., New Hyde Park	High	57,57A	1.30	1,2,4	Yes

Treatment type are as follows:

1. Chlorination
2. Corrosion Control
3. Zinc Metaphosphate Sequestration (iron removal)
4. Air Stripper VOC Removal
5. GAC Treatment
6. Iron removal plant

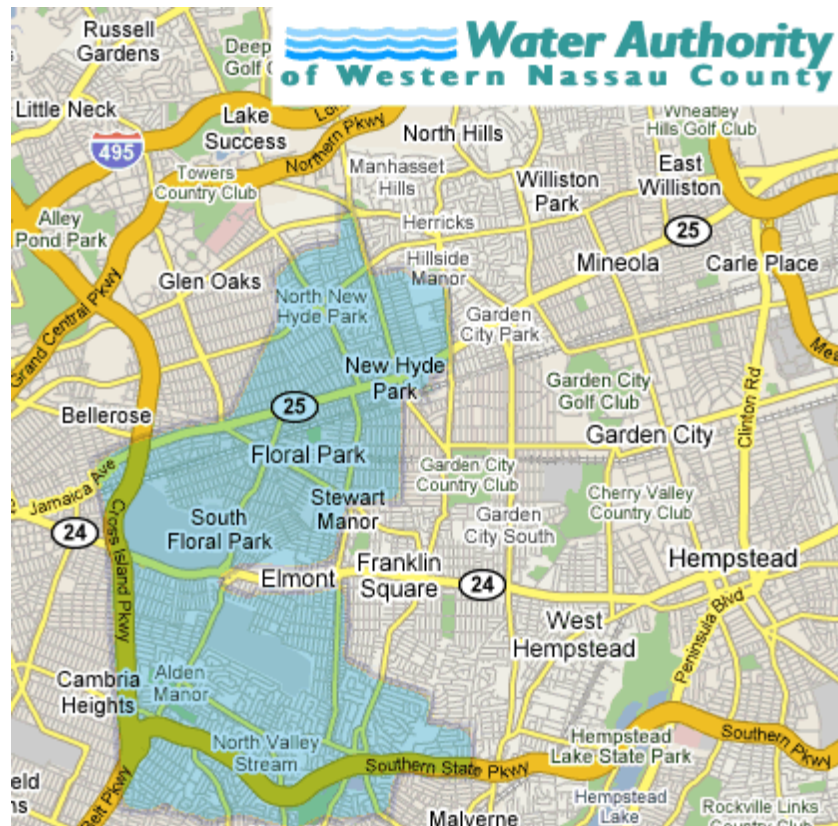
Source: Accounting Department

WATER AUTHORITY OF WESTERN NASSAU COUNTY
SCHEDULE OF INSURANCE IN FORCE
FOR FISCAL YEAR ENDED MAY 31, 2018

TYPE	PREMIUM	TERM	COVERAGE	COVERAGE LIMITS	DEDUCTIBLE
Property and Liability Protection					
General Liability					
St. Paul Travelers Insurance Co.	\$ 92,750	3/1/18-3/1/19	General Aggregate	\$2,000,000	
			Products	2,000,000	
			Personal Injury	1,000,000	
			Advertising Injury	1,000,000	
			Premises Damage	1,000,000	
			Medical Expense	Excluded	
			Sewer Back-up	Excluded	
			Failure to Supply	1,000,000	
Boiler & Machinery					
St. Paul Travelers Insurance Co.	\$6,500	3/1/18-3/1/19			
Inland Marine					
St. Paul Travelers Insurance Co.	\$12,500	3/1/18-3/1/19	Equipment Floater	Replacement cost	\$25,000
			Unscheduled Limit	\$112,000	2,500
Property					
St. Paul Travelers Insurance Co.	\$99,988	3/1/18-3/1/19	Blanket basis	\$51,187,550	
Casualty					
Automobile					
St. Paul Travelers Insurance Co.	\$45,907	3/1/18-3/1/19	Liability	\$1,000,000	
			PIP Deductible	Included	
			Additional PIP	175,000	
			Uninsured Motorist	1,000,000	
			Under insured Motorist	1,000,000	
			Physical Damage	Per vehicle schedule	
Excess Catastrophe					
(Umbrella)	\$31,605	3/1/18-3/1/19	Liability, each	\$10,000,000	
St. Paul Travelers Insurance Co.			Liability, aggregate	10,000,000	
			Retained Limit	10,000	
Crum and Foster	\$51,100	3/1/18-3/1/19	Liability, each	25,000,000	
			Liability, aggregate	25,000,000	
Travelers	\$13,500	3/1/18-3/1/19	Liability, each	5,000,000	
			Liability, aggregate	5,000,000	
Employee Protection					
Public Officials' Liability					
Scottsdale Indemnity Co,	\$22,192	3/1/18-3/1/19	Public Officials	\$10,000,000	\$15,000
			Employment Practices Liability	10,000,000	15,000
Crime					
Utica Mutual Insurance Co.	\$4,065	3/1/18-3/1/19	Forgery/Alteration	\$1,000,000	\$10,000
			Computer Fraud	1,000,000	10,000
Employee Benefit Plans Liability					
St. Paul Travelers Insurance Co.	\$192	3/1/18-3/1/19	Wrongful Act, each	\$1,000,000	\$1,000
			Wrongful Act, aggregate	1,000,000	1,000

Source: Accounting Department

SECTION D: COMPLIANCE SECTION



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Water Authority of Western Nassau County
New Hyde Park, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Water Authority of Western Nassau County as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Water Authority of Western Nassau County's basic financial statements, and have issued our report thereon dated August 30, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

A handwritten signature in blue ink that reads "TABRIZCHI & Co., CPA, P.C.".

Astoria, NY
August 30, 2018