

PRELIMINARY OFFICIAL STATEMENT DATED JULY 11, 2018

SERIAL BONDS

Rating: See “Rating” herein

In the opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, under existing statutes, regulations, rulings, and court decisions, and assuming continuing compliance with certain tax certifications described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 (the “Code”), as amended. Bond Counsel is also of the opinion that the interest on the Bonds is not treated as an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals. Furthermore, Bond Counsel is of the opinion that, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by New York State and any political subdivision thereof. See “TAX EXEMPTION” herein.

The Bonds will be deemed designated by the District and will be treated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.

**CHAUTAUQUA UTILITY DISTRICT
in the TOWN OF CHAUTAUQUA
CHAUTAUQUA COUNTY, NEW YORK
(the “District”)**

\$6,900,000

**PUBLIC IMPROVEMENT SERIAL BONDS, 2018
 (“the Bonds”)
(Designated/Bank Qualified)**

Date of Issue: August 1, 2018

Maturity Dates: August 1, 2019-48

The Bonds are general obligations of the District, and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Bonds and, unless paid from other sources or changes, the Bonds are payable from special *ad valorem* levies on taxes all real property within the District, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York [the “Tax Levy Limitation Law”]; see “TAX INFORMATION--Tax Levy Limitation Law,” herein).

The Bonds will be issued as registered bonds registered to the Depository Trust Company (“DTC” or the “Securities Depository”).

The Bonds will be issued through DTC and registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. Payments of principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds.

The Bonds are dated their date of delivery and will bear interest from that date at the annual rate or rates as specified by the purchaser of the Bonds, payable on August 1, 2019, and semi-annually thereafter on each February 1 and August 1 until maturity (or earlier redemption). The Bonds will mature on August 1 of each year until maturity, as shown on the inside cover page hereof. Certain of the Bonds are subject to optional redemption as described herein (See “THE BONDS – Optional Redemption”) herein.

The Bonds are offered when, as, and if issued by the District and accepted by the purchaser, subject to the final approving opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, and certain other conditions. Capital Markets Advisors, LLC has served as Municipal Advisor to the District in connection with the issuance of the Bonds. It is expected that delivery of the Bonds in book-entry form will be made on or about August 1, 2018 (the “Delivery Date”).

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE “RULE”), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE BONDS. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER AS MORE FULLY DESCRIBED IN THE NOTICE OF BOND SALE WITH RESPECT TO THE BONDS. FOR A DESCRIPTION OF THE DISTRICT’S AGREEMENT TO PROVIDE, UNDER CERTAIN CIRCUMSTANCES, CONTINUING DISCLOSURE PURSUANT TO THE RULE, SEE “LIMITED DISCLOSURE UNDERTAKING,” HEREIN.

Dated: July 11, 2018

This Preliminary Official Statement and the information contained in it are subject to completion and amendment in a final Official Statement. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there may not be any sale of the Bonds offered by this Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification of the Bonds under the securities laws of that jurisdiction.

The Bonds will mature on August 1 in each of the following years as set forth below.

<u>Year</u>	<u>Amount***</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>Year**</u>	<u>Amount***</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2019	\$145,000				2034**	\$220,000			
2020	150,000				2035**	230,000			
2021	150,000				2036**	240,000			
2022	160,000				2037**	245,000			
2023	165,000				2038**	250,000			
2024	165,000				2039**	265,000			
2025	170,000				2040**	270,000			
2026	175,000				2041**	280,000			
2027**	180,000				2042**	285,000			
2028**	185,000				2043**	300,000			
2029**	195,000				2044**	310,000			
2030**	200,000				2045**	315,000			
2031**	205,000				2046**	330,000			
2032**	210,000				2047**	340,000			
2033**	215,000				2048**	350,000			

* CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the holders of the Bonds. The District is not responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Bonds or as indicated above.

** The Bonds maturing in the year 2027 and thereafter will be subject to optional redemption prior to maturity, as described herein. See "THE BONDS-Optional Redemption" herein.

*** The principal maturities of the Bonds are subject to adjustment following their sale to achieve level debt compliance, pursuant to the terms of the accompanying Notice of Bond Sale.

**CHAUTAUQUA UTILITY DISTRICT
IN THE TOWN OF CHAUTAUQUA
CHAUTAUQUA COUNTY, NEW YORK**

Board of Commissioners

Robert McClure.....Chairman
Jack D. BaileyVice Chairman
Shirley LaMancuso.....Secretary
Sylvia Faust.....Treasurer
Elizabeth Archibald.....Commissioner

Jami Koresko Administrative Assistant
Michael Starks..... Operations Superintendent
William L. Wright, Jr., Esq. District's Attorney

AUDITORS

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.
Jamestown, New York

BOND COUNSEL

HODGSON RUSS LLP
Buffalo, New York

MUNICIPAL ADVISOR



Capital Markets Advisors, LLC
Hudson Valley * Long Island * Southern Tier * Western New York
(716) 662-3910

No dealer, broker, salesman or other person has been authorized by the District or the Municipal Advisor to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District from sources which are believed to be reliable, but it is not to be guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

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**OFFICIAL STATEMENT
RELATING TO THE ISSUANCE OF
CHAUTAUQUA UTILITY DISTRICT
in the TOWN OF CHAUTAUQUA
CHAUTAUQUA COUNTY, NEW YORK**

**\$6,900,000
PUBLIC IMPROVEMENT SERIAL BONDS, 2018
(the "Bonds")**

This Official Statement (the "Official Statement"), which includes the cover page and appendices hereto, presents certain information relating to the Chautauqua Utility District, in the Town of Chautauqua, in the County of Chautauqua, State of New York (the "District," "County" and "State," respectively), in connection with the sale of the District's \$6,900,000 Public Improvement Serial Bonds, 2018 (the "Bonds").

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

THE BONDS

Description of the Bonds

The Bonds will be issued as registered bonds registered to the Depository Trust Company ("DTC" or the "Securities Depository").

The Bonds will be issued through DTC and registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. Payments of principal of and interest on the Bonds will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds.

The Bonds are dated their date of delivery and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Bonds, payable on August 1, 2019, and semi-annually thereafter on each February 1 and August 1 until maturity (or earlier redemption). The Bonds will mature annually on August 1, as shown on the inside cover page hereof.

The record date of the Bonds will be the fifteenth day of the calendar month preceding each respective interest payment date.

Authority for and Purpose of the Bonds

The Bonds are authorized to be issued pursuant to the Constitution and laws of the State and Local Finance Law.

The District is a special district corporation, an assessable improvement district, created by a special act of the State Legislature in 1934. On August 12, 2014 the qualified voters of the District approved a proposition for reconstruction, rehabilitation and renovation, and the construction of improvements and

upgrades to the existing sanitary sewer treatment plant of up to \$8,000,000 which will be financed with the issuance of serial bonds or notes. Following approval of the propositions, pursuant to Section 102 of Local Finance Law the District petitioned the Town Board of the Town of Chautauqua for their permission to contract such indebtedness. A public hearing was held, and the Town Board granted its consent.

The Notes are being issued pursuant to a bond resolution that was duly adopted by the Board of Commissioners of the District on July 1, 2016 authorizing the issuance of serial bonds to finance the District's share of improvements. The proceeds from the sale of the Bonds, along with \$1,100,000 of budgetary appropriations, will be used to redeem and retire a bond anticipation note of the District that was issued on August 2, 2017.

Optional Redemption

The Bonds maturing on or before August 1, 2026 will not be subject to redemption prior to maturity.

The Bonds maturing on or after August 1, 2027 will be subject to redemption prior to maturity, at the option of the District, on any date on or after August 1, 2026, in whole or in part, and if in part in any order of their maturity and in any amount within a maturity, at the redemption price of 100% of the par amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

The District may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each maturity selected, as the District shall determine to be in the best interest of the District at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the District at random (by lot or in any other customary manner of selection as determined by the District). Notice of such call for redemption shall be given by mailing such notice to the registered owner(s) of the Bonds to be redeemed not more than sixty (60) days nor less than thirty (30) days prior to the designated redemption date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date of redemption set forth in such call notice, become due and payable, together with accrued interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

The District may provide conditional notice of redemption, which may state that such redemption is conditioned upon the receipt of moneys and/or any other event. If any such condition is not satisfied, such redemption shall not occur, and the District is to give notice thereof, as soon as practicable, in the same manner, to the same person(s), as notice of such redemption was given as described above. Additionally, any such redemption notice may be rescinded by the District no later than one business day prior to the date specified for redemption, by written notice by the District given in the same manner, to the same person(s), as notice of such redemption was given.

Nature of Obligation

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

The Bonds will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, unless paid from other sources or charges, the District has the power and statutory authorization to levy special *ad valorem* taxes on all real property in the District, without limitation as to rate or amount (subject to certain statutory limitations imposed by the Tax Levy Limitation Law); see "TAX INFORMATION-Tax Levy Limitation Law," herein.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate therefor. On June 24, 2011, the Tax Levy Limitation Law was adopted in the State. The Tax Levy Limitation Law established certain limitations on the power of local

governments and school districts to increase the property tax levy beyond certain prescribed limits (without following certain prescribed procedures). Attempts to challenge the constitutionality of the Tax Levy Limitation Law through the courts have so far been unsuccessful. The Tax Levy Limitation Law had its first application with respect to the District's budget for fiscal year 2012-13. The Tax Levy Limitation Law does make certain allowances for the exclusion of tax levy increases associated with capital expenses by school districts. See "TAX INFORMATION-Tax Levy Limitation Law," herein. Also, certain special protective procedures and remedies available to holders of school district debt remain in place and are not affected by the Tax Levy Limitation Law. See "DISTRICT INDEBTEDNESS—Remedies Upon Default," herein.

Book-Entry-Only System

The Bonds will be issued as book-entry bonds. In such scenario, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT DTC DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS: (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR

ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Source: The Depository Trust Company.

MARKET FACTORS

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

The District is dependent to a modest degree on financial assistance from the State in the form of State aid. No delay in payment of State aid for the remainder of the District's current fiscal year is presently anticipated although no assurance can be given that there will not be a delay in payment thereof. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the District, in this year or future years, the District may be affected by such a delay, until sufficient State taxes have been received by the State to make State aid payments to the District.

Should the District fail to receive moneys expected from the State in the amounts and at the times expected, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

The market for the Bonds could also be affected if the Internal Revenue Code of 1986, as amended (the "Code") were to be amended to reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the District. See the discussion in "TAX EXEMPTION" herein.

TAX EXEMPTION

Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, will deliver an opinion that, under existing law, the interest on the Bonds is excluded from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for the purpose of the individual alternative minimum tax imposed by the Code. However, such opinion will note that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Bonds to become subject to federal income taxation from the date of issuance of the Bonds. Such opinion will state that interest on the Bonds is exempt from personal income taxes imposed by New York State or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Bond Counsel will note that the exclusion of the interest on the Bonds from gross income for federal income tax purposes is subject to, among other things, continuing

compliance by the District with the applicable requirements of Code sections 141, 148, and 149, and the regulations promulgated thereunder (collectively, the “Tax Requirements”). In the opinion of Bond Counsel, the tax certificate that will be executed and delivered by the District in connection with the issuance of the Bonds (the “Certificate”) establishes requirements and procedures, compliance with which will satisfy the Tax Requirements.

The Tax Requirements referred to above, which must be complied with in order that interest on the Bonds remains excluded from gross income for federal income tax purposes, include, but are not limited to:

1. The requirement that the proceeds of the Bonds be used in a manner so that the Bonds are not obligations which meet the definition of a “private activity bond” within the meaning of Code section 141;
2. The requirements contained in Code section 148 relating to arbitrage bonds; and
3. The requirements that payment of principal or interest on the Bonds not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Code section 149(b).

In the Certificate, the District will covenant to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Bonds to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes from the date of issuance of the Bonds. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a bond or note before maturity within the United States. Backup withholding may apply to a holder of the Bonds under Code section 3406, if such holder fails to provide the information required on Internal Revenue Service (“IRS”) Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the holder as being subject to backup withholding because of prior underreporting. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States federal income tax provided the required information is furnished to the IRS. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal income tax purposes.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. The Code has been continuously subject to legislative modifications, amendments, and revisions, and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government. No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation, and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Bonds or the tax consequences of ownership of the Bonds. Prospective purchasers are encouraged to consult with their own legal and tax advisors with respect to these matters.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the District will furnish certificates, dated the date of delivery of the Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. Additional certificates will state that there is no controversy or litigation of any nature now pending or threatened by or against the District wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the District or adversely affect the power of the District to levy, collect, and enforce the collection of taxes or other revenues for the payment of its Bonds, which has not been disclosed in this Official Statement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of Bond Counsel. Such opinion will be available at the time of delivery of the Bonds and will be to the effect that the Bonds are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit, and all the real property within the District is subject to the levy of special *ad valorem* real property taxes to pay the Bonds and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of the State). Such opinion shall also contain further statements to the effect that (a) the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and (b) such law firm has not been requested to examine or review and has not examined or reviewed the accuracy or sufficiency of the Official Statement, or any additional proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the District which has been or may have been furnished or disclosed to purchasers of the Bonds, and expresses no opinion with respect to such financial or other information, or the accuracy or sufficiency thereof.

Closing Certificates

Upon the delivery of the Bonds, the purchaser will be furnished with the following items: (i) a certificate of the Treasurer of the District to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Bonds, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the District since the date of this Official Statement to the date of issuance of the Bonds; and having attached thereto a copy of this Official Statement; (ii) a certificate signed by an officer of the District evidencing payment for the Bonds; (iii) a closing certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Bonds or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Bonds were authorized or affecting the validity of the Bonds thereunder, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (iv) a tax certificate executed by the District Treasurer, as described under "TAX EXEMPTION" herein.

LIMITED DISCLOSURE UNDERTAKING

At the time of the delivery of the Bonds, the District will be an “obligated person” as such term is defined in SEC Rule 15c2-12 (the “Rule”), with respect to less than \$10,000,000 in aggregate amount of outstanding municipal securities subject to the Rule. Accordingly, the District will provide an executed copy of its “Limited Disclosure Undertaking” (the “Undertaking”). Such Undertaking will constitute a written agreement or contract of the District for the benefit of the beneficial owners of the Bonds to provide, or cause to be provided to (i) the Electronic Municipal Market Access (“EMMA”) system implemented by the Municipal Securities Rulemaking Board (the “MSRB”), or such other similar system established and operated by the MSRB, in an electronic format as prescribed by the MSRB, and (ii) the appropriate state information depository (“SID”), if any, for the State of New York, as designated in accordance with the Rule:

(1) Certain customarily prepared and publicly available financial information and operating data relating to the District (the “Financial Information”). The Financial Information will be provided no later than September 30 of the succeeding fiscal year, commencing with the fiscal year ending December 31, 2018, and will consist of:

(i) (A) if customarily prepared, the audited financial statement of the District (unless such audited financial statement shall not be available by September 30 of the succeeding fiscal year, in which case the audited financial statement shall be provided within sixty (60) days after it becomes available and in no event later than December 31 of the succeeding fiscal year), or (B) if the District does not customarily prepare audited financial statements, the District’s Annual Financial Report Update Document filed by the District with New York State;

(ii) the adopted budget of the District for each fiscal year; and

(iii) any other financial information or operating data regarding the District, which is customarily prepared by the District and publicly available;

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

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) bond and note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; [note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the

entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District]; (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with the Rule. Under the scenario in which the Bonds are purchased for the purchaser’s own account as principal, for investment and not for resale, the purchaser shall deliver a certificate that documents such intent (in form satisfactory to the District’s bond counsel) and establishes that an exemption from the Rule applies.

Prior Disclosure History

For the past five years the District has been in compliance in all material respects with its previous undertakings made pursuant to Rule 15c2-12. Certain financial information and operating data were only required to be provided upon request, and the District has not received any such requests.

RATING

Moody's Investors Service, Inc. ("Moody's") has previously assigned a rating of “A1” to the uninsured outstanding bonded indebtedness of the District.

With respect to the Moody's rating applicable to uninsured debt, such rating reflects only the view of such organization, and an explanation of the significance of such rating may be obtained only from such rating agency. There can be no assurance that such rating will continue for any specified period of time or that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of the District’s bonds or notes or the availability of a secondary market for those bonds or notes.

MISCELLANEOUS

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

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District files with the repositories. When used in District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

Bond Counsel, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

The Official Statement is submitted only in connection with the sale of the Bonds by the District and may not be reproduced or used in whole or in part for any other purpose.

MUNICIPAL ADVISOR

Capital Markets Advisors, LLC, Orchard Park, New York, (the "Municipal Advisor") is an independent municipal advisor registered with the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor has served as the independent municipal advisor to the District in connection with this transaction.

In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is not a law firm and does not provide legal advice with respect to this or any debt offerings of the District. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the District, its operations and the balances, receipts and disbursements of the District are available for the public inspection at the District's business office.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the District and the original purchasers or holders of any of the Bonds.

Additional information may be obtained from Ms. Jami L. Koresko, Administrative Assistant, (716) 357-5865 or from the District's Municipal Advisor, Capital Markets Advisors, LLC, (716) 662-3910.

This Official Statement is submitted only in connection with the sale of the Bonds by the District and may not be reproduced or used in whole or in part for any other purpose.

By: _____
Sylvia Faust
Treasurer of the District

DATED: July 11, 2018

APPENDIX A
THE DISTRICT

THE DISTRICT

General Information

The Chautauqua Utility District (“the District”) is a district corporation, as defined by Sec 2.00(3)c of the Local Finance law of the State of New York (also as defined by section 66(3) of the General Construction Law of the State of New York), and was created by and exists pursuant to Chapter 85 of the Laws of 1934 of the State of New York, as amended. The District provides water and sewage services for approximately 1,300 customers of which approximately 300 are year round residents, primarily within that area of the Town and County of Chautauqua, New York, known as Chautauqua Institution, which is described more fully below.

Chautauqua Institution

Chautauqua Institution (sometimes referred to herein as “Chautauqua” or the “Institution”) is a New York not-for-profit corporation, created by Chapter 196 of the Laws of New York of 1902, situated on approximately 750 acres of land which borders Chautauqua Lake and southwestern New York State where approximately 7,500 persons reside during its nine week summer season and approximately 142,000 non-residents attend scheduled public lectures, concerts, religious services, operas, plays and performances. Over 8,000 students enroll annually in Chautauqua Institution’s Summer Schools which offer courses in art, music, dance, theater, writing skills and a wide variety of special interests.

The Institution, originally the Chautauqua Lake Sunday School Assembly, was founded in 1874 as an educational experiment in out-of-school, vacation learning. It was successful and broadened almost immediately beyond courses for Sunday school teachers to include academic subjects, music, art and physical education.

By 1880 the Chautauqua platform had established itself as a national forum for open discussion of public issues, international relations, literature, and science. Currently some 100 lecturers appear at Chautauqua during a season.

Music has become increasingly important at Chautauqua. A symphony orchestra season became part of the regular program in 1920. The Chautauqua Symphony Orchestra, founded in 1929, now performs thrice weekly with leading soloists in the 5,000-seat Amphitheater, Chautauqua's program center. Popular entertainers perform other evenings. The Chautauqua Ballet Company also appears in the Amphitheater, sometimes with guest artists, while the Chautauqua Conservatory Theater presents its season in Bratton Theater. The Chautauqua Opera Company, also founded in 1929, performs in English in Norton Hall.

The Chautauqua Institution plays a unique educational role today, offering studies on a vacation level, a more serious level and a professional level. In addition, there are enhanced learning opportunities within Chautauqua's other programming. Music, the arts, religion, recreation and the pursuit of knowledge are all available. Younger and older students often share learning experiences in an open, congenial atmosphere. Children and young people are also provided with their own special programs.

The Chautauqua Institution is governed by a 24-member board of trustees, four of whom are elected by property owners. The board establishes the policies and direction of the Institution, electing the officers who are responsible for the operation of the Institution. Smith Memorial Library and the Chautauqua Institution Archives are open year round. Between-season conferences are held at Bellinger Hall, the Athenaeum Hotel and other facilities on the grounds.

Governance

The District is governed by a five person Board of Commissioners (the “Board”). Elections are held every third year on the second Tuesday of August. Each commissioner is elected to a three-year term without limitation and the Board elects from among its members a chairman, secretary and treasurer. No person shall be elected commissioner unless

he is a resident of the District, a qualified voter of the Town of Chautauqua (the “Town”) and an owner or leasee of taxable real property within the District. Commissioners receive no compensation for their services. The Board may maintain and equip an office and employ a treasurer, engineer, counsel, secretary and other assistants as needed.

As defined the Board has the power:

- To lease, purchase, acquire, establish, construct, continue, improve, extend and maintain structures, plants, facilities and systems for the purpose of securing, producing, manufacturing, supplying and delivering to the District, the properties within and the inhabitants thereof, water, heat, light, power, telephone, fire protection, garbage disposal and sewage or any or all of them.
- To enter into contracts or leases with public utilities for use and supply thereof.
- To lease, acquire, or construct, extend, and maintain any poles, wires, lights, hydrants, piping, exchanges, conduits, incinerators or other structures, equipment and utensils necessary to create, provide, supply and distribute the products, facilities and services as authorized.
- To construct, extend and maintain all properties enumerated under and through the streets, avenues, alleys, lanes and parks of the District.
- To contract with existing or successor volunteer fire companies within the District.
- To install, maintain and inspect water and other meters and systems of measurement with or without exacting a charge for their use.
- To lay out, construct, maintain and connect with the lands and houses or adjoining and abutting owners and to charge such owners with the reasonable and actual costs of same.
- To provide the usage of contemplated property to persons and corporations outside of the District but within the Town of Chautauqua, at rates to be fixed by the Board, as long as there is an excess supply for such outside usage and consumption.
- To prescribe rules to be observed relative to the usage, care and protection of such property.
- To prescribe and collect from users, consumers, persons, corporations, institutions or public authorities reasonable charges, fees and rentals for the properties delivered.
- To acquire for the District by gift, purchase or lease all personal property needed.
- To acquire for the District by gift, purchase, lease or condemnation all real property within and without the District and easements therein as needed.
- To enter into contracts with the Chautauqua Institution or its successor to assure access for employees and vehicles over streets, avenues alleys and parks to collect garbage and maintain properties.

Employees

The District employs seven full-time, one part-time and approximately one seasonal part-time employees. None of the employees are represented by a collective bargaining organization.

Employee Pension Benefits

Substantially all employees of the District participate in the Chautauqua Utility District Money Purchase Plan. District contributions to this plan totaled \$40,224 and \$40,790 for 2017 and 2016 respectively. Pension contributions represent 10% of the employees’ salary.

FINANCIAL FACTORS

Independent Audit

The District is subject to periodic audit by the State Comptroller’s Office to review the financial records and the District’s compliance with legal requirements and the rules and regulations established by the State. In addition, the 2016 and 2017 annual financial statements of the District were audited by independent certified public accountants, and the full report is included as Appendix C herein. Appendix B to this Official Statement presents a summary of the audited financial operating results for each of the last five fiscal years.

Revenues

The District receives nearly all of its operating revenues from special *ad valorem* and tax levies and the annual minimum and metered user charges for water sales and sewer services.

Special Ad Valorem and Tax Levies. Special *ad valorem* levies consist of charges imposed upon benefited real property in the same manner and at the same time as taxes for municipal purposes to pay debt service costs associated with the District. In addition, consistent with the act which created the District, each year the District collects through the annual town tax levy, amounts for other operating expenses of the District not paid for by user fees. The following table sets forth the special *ad valorem* levies and real property tax levies for the last five fiscal years, and the estimated revenue for the current fiscal year.

TABLE 1
Special Ad Valorem and Tax Levies

Fiscal Year Ended <u>12/31</u>	Total Operating <u>Revenues</u>	Special Ad <u>Valorem Levies</u>	Total Levies to <u>Revenues (%)</u>
2013	1,301,501	517,992	39.8%
2014	1,331,111	528,350	39.7%
2015	1,371,949	538,000	39.2%
2016	1,433,027	543,380	37.9%
2017	1,431,066	548,002	38.3%
2018 (<i>Budget</i>)	1,449,185	557,706	38.5%

Water Sales. All improved real properties, most of which are located within the District, are charged user fees consisting of annual minimum charges as well as metered usage charges. The following table sets forth the total revenue from metered water sales and the annual water fee for the last five fiscal years, and the estimated revenue for the current fiscal year.

TABLE 2
Water Sales

Fiscal Year <u>Ended 12/31</u>	Total Operating <u>Revenues</u>	Total Water Revenue	Water as a % of <u>Total Revenues</u>
2013	\$1,301,501	\$341,774	26.2%
2014	1,331,111	370,979	27.8%
2015	1,371,949	375,071	27.3%
2016	1,433,027	385,523	26.9%
2017	1,431,066	372,999	26.1%
2018 (<i>Budget</i>)	1,449,185	387,074	26.7%

Wastewater Revenues. All improved real properties, most of which are located within the District, are charged user fees consisting of annual minimum charges as well as metered usage charges. The following table sets forth the total revenue from wastewater user charges, the annual wastewater fee and other wastewater sales for the last five fiscal years, and the estimated revenue for the current fiscal year.

TABLE 3
Wastewater Charges

<u>Fiscal Year</u> <u>Ended 12/31</u>	<u>Total</u> <u>Operating</u> <u>Revenues</u>	<u>Wastewater</u> <u>Charges</u>	<u>Annual</u> <u>Wastewater</u> <u>Fee</u>	<u>Total</u> <u>Wastewater</u> <u>Revenue</u>	<u>Wastewater</u> <u>as a % of</u> <u>Total</u> <u>Revenues</u>
2013	1,301,501	212,451	160,267	372,718	28.6%
2014	1,331,111	210,491	161,585	372,076	28.0%
2015	1,371,949	214,572	162,301	376,873	27.5%
2016	1,433,027	241,130	163,545	404,675	28.2%
2017	1,431,066	230,537	163,621	394,158	27.5%
2018 Budget	1,449,185	240,000	162,905	402,905	27.8%

Current Financial Operations

For the fiscal year ended December 31, 2017, audited results of the District show total net assets of \$13,477,261 including unrestricted net assets of \$875,384. The change in net assets for the fiscal year (\$113,985) is inclusive of depreciation expense totaling \$168,950. A summary of comparative results can be found in “Appendix B”, herein. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Budget Process

Pursuant to §14 of Chapter 85 of the Laws of New York of 1934, as amended by Chapter 710 of the Laws of New York of 1943, the Board annually is required to submit a certified statement to the supervisor of the Town of sums due during the ensuing calendar year for principal and interest payments of any outstanding obligations of the District, together with the estimated amount needed by the District for construction and maintenance. The Town is required to levy upon the taxable property within the district the net amount so certified by the Board as necessary for the District’s purposes and sound financial operation. The taxes are required to be entered on the tax roll of the Town in connection with each parcel of property affected and is shown as Chautauqua Utility District tax.

Pursuant to §13 of Chapter 85 of the Laws of New York of 1934, as amended by Chapter 710 of the Laws of New York of 1943, and further amended by Chapter 597 of the Laws of New York of 1983, when an expenditure for a capital purpose and the raising of monies therefor, shall have been authorized by an election of the qualified voters of the District, or, when an amount not exceeding \$100,000 shall have been expended or directed to be expended by the Board, without such election, and for the necessary and emergency needs of the District, and the amount collected from fees, rentals and charges shall have not have been sufficient to repay any obligations issued therefor, then the amount so authorized, expended or directed to be expended, or so much thereof as may be presently needed for the expenses of the District, including the amounts to be due on District’s obligations, principal and interest, and any amount due or to become due on District obligations, shall be assessed or levied and collected on such District, in the same manner, at the same time and by the same officers as the taxes of the Town are assessed, levied and collected, and when collected shall be paid over immediately to the Board.

Pursuant to §10 of Chapter 85 of the Laws of New York of 1934, the Board has the power to prescribe from time to time and to collect from the users, consumers, persons, corporations, institutions, or public authorities served, reasonable charges, fees and rentals for the services delivered to them under the provisions of that act.

The Office of the State Comptroller of the State of New York by opinion number 83-157 has opined that the charges authorized by §13 of the act creating the District requires a levy of assessments for certain improvements on an *ad valorem* basis.

The indebtedness to be issued, in conjunction with this official statement, shall be charged as a special *ad valorem* levy on the benefited real property of the District. Other operating expenses of the District shall be collected through user fees or charged against the taxable properties of the District.

Investment Policy/Permitted Investments

The District is subject to the provisions of Section 39 of the General Municipal Law of the State of New York. The District is subject to the provisions of Section 10 of the General Municipal Law concerning deposits of public money and investments in eligible securities.

Pursuant to the statutes of the State of New York, the District is permitted to invest only in the following investments: (1) special time deposit accounts in or certificates of deposits issued by a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the District; (6) obligations of New York public benefit corporations which are made lawful investments by the District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and (8) in the case of District moneys held in certain reserve funds established pursuant to law, obligations issued by the District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) certificates of deposit issued by a bank or trust company authorized to do business in New York State; (2) time deposit accounts in a bank or trust company authorized to do business in New York State; (3) obligations of the United States Government; and (4) obligations of New York State or its political subdivisions. The District Treasurer is authorized to contract for the purchase of investments directly, including through a repurchase agreement, from an authorized trading partner.

REAL PROPERTY TAXES

Tax Collection Procedures

Town and County property taxes, including the District's levies imposed on real property within the District, are payable January 1 through January 31 without penalty. Beginning February 1 through February 28, a 1% penalty is added and each month thereafter an additional 1% per month penalty is included until unpaid taxes and special assessments are returned to the Chautauqua County Treasurer on or about April 1, after which a fee of 5% is added plus interest from February 1.

The Town deducts the amount due for Town tax purposes, including the District's levies, prior to returning the balance collected to the County and is thus assured of 100% collection of its levy each year. The County is responsible for the uncollected taxes and special assessments.

The Town Tax Receiver remits the taxes and assessments to the District upon receipt, beginning in February. The District has received its portion of taxes in full from the Town not later than February 15 each year.

Tax Levies and Assessments

The District receives more than 30% of its total operating revenue from the collection of special *ad valorem* taxes on real property for water and sewer charges and special assessments on all benefited real property regardless of whether it is subject to real estate taxation. The following tables show the trend over the last five years of assessed value, within the Town overall and within the District, estimated full value and tax levies.

TABLE 4
Assessed Value, Equalization Rate and Full Value

Roll Year	2013	2014	2015	2016	2017
Tax Year	2014	2015	2016	2017	2018
Taxable Assessed Valuation in District	\$626,450,402	\$626,481,503	\$642,643,995	\$646,521,495	\$647,213,394
Taxable Assessed Valuation in Town	\$988,594,724	\$986,691,327	\$1,024,987,746	\$1,029,949,287	\$1,033,810,868
Equalization Rates	100.00%	100.00%	100.00%	100.00%	100.00%
Taxable Full Valuation	\$988,594,724	\$986,691,327	\$1,024,987,746	\$1,029,949,287	\$1,033,810,868
Total Full Valuation	\$1,229,754,543	\$1,228,541,744	\$1,266,847,520	\$1,274,891,121	\$1,282,225,537

Source: Town of Chautauqua Tax Assessor

TABLE 5
District and Town-Wide Tax Levies

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District Levies	\$528,350	\$538,000	\$543,380	\$548,002	\$557,706
Tax Levy for General and Highway purposes	1,220,642	1,139,136	1,162,058	1,113,832	\$1,153,832
Total Town Levy	\$2,738,844	\$2,769,494	\$2,798,926	\$2,745,220	\$2,810,225

Source: Town of Chautauqua Tax Assessor

TABLE 6
Top 10 Assessed Valuations Within District

<u>2018 Tax Roll</u>			
<u>Owner</u>	<u>Type of Property</u>	<u>Assessed Value</u>	<u>% of Total ⁽¹⁾</u>
Joseph Kanfer Trust	Residence	\$7,376,900	1.14%
Chautauqua Hotel	Hotel	4,176,700	0.65%
Robert D. Metzgar Packard Manor	Residence	3,180,000	0.49%
Stewart Kohl	Residence	3,043,200	0.47%
Anne M. Odland	Residence	2,800,000	0.43%
80 North Lake, LLC	Residence	2,344,000	0.36%
Christine O. Potts	Residence	2,101,300	0.33%
Felix M. Brueck	Residence	2,023,300	0.31%
Rebecca Y. Strohl Trust	Residence	1,984,000	0.30%
James A. Forese	Residence	<u>1,650,000</u>	<u>0.26%</u>
	Totals	30,679,400	4.74%

(1) Represents the percentage of the District's 2017 Taxable Assessed Valuation, \$647,213,394, used to levy 2018 taxes.

Source: Town of Chautauqua Tax Assessor

Tax Levy Limit Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limit Law”). The Tax Levy Limit Law applies to all local governments, including school districts (with the exception of New York City, the counties comprising New York City and the Big 5 City School Districts (Buffalo, Rochester, Syracuse, Yonkers and New York). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities’ tax levies.

On June 25, 2015, Chapter 20 of the 2015 Laws of New York (“Chapter 20”) amended the Tax Levy Limit Law to extend its expiration from June 15, 2016 to June 15, 2020. Chapter 20 also affects the calculation of a municipality’s tax base growth factor, as outlined below.

The Tax Levy Limit Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. Pursuant to the Tax Levy Limit Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. While the Tax Levy Limit Law as originally enacted only allowed adjustment for development of taxable land, Chapter 20 now allows the Commissioner of Taxation and Finance to adjust the calculation based on the development on tax exempt land. To date, the Commissioner has not adopted any such regulations.

A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limit Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

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

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State’s highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit”, are used and they are not tautological. That is what the words say and that is what courts have held they mean.”

Article 8 Section 12 of the State Constitution specifically provides as follows:

“It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or

school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.”

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the *Flushing National Bank* case stated:

“So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the *Flushing National Bank* case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

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

DISTRICT INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of municipalities and school districts of the State to issue obligations and to otherwise contract indebtedness. Constitutional and statutory limitations require the District to obtain consent of the Town of Chautauqua before incurring such debt, and such debt issued by the District is included in the debt limitation of the Town of Chautauqua. Such constitutional statutory limitations include the following, in summary form, and are generally applicable to the District and the Bonds.

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal years periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose (as determined by statute) or, in the alternative, the weighted average period of probable usefulness of the several purposes for which it is contracted, unless the District determines to issue debt amortizing on the basis of substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such powers; however, as has been noted under "THE BONDS - Nature of Obligation", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory Procedure

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

Pursuant to the Local Finance Law, the District authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Board. Certain of such resolutions may be subject to permissive referendum, or may be submitted to the District voters at the discretion of the District Board, the latter is to be approved by at least a three-fifths vote of the members of the Board.

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

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

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

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

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

Debt Limit. The District has the power to contract indebtedness for any District purpose so long as the principal amount thereof shall not exceed seven centum of the most recent five-year average full valuation of taxable real estate of the District and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate for the last five completed assessment rolls and applying thereto the ratio which such assessed valuation bears to the full valuation as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal and interest on all indebtedness.

Constitutional Debt Limit

The following table sets forth the constitutional debt limit of the Town as it applies to the District within the Town. The assessment roll of the calendar year 2017 is used to establish the tax roll for fiscal year 2018.

TABLE 7
Constitutional Debt Limit

<u>Roll</u> <u>Year</u>	<u>Assessed</u> <u>Valuation</u>	<u>Equalization</u> <u>Rate</u>	<u>Full</u> <u>Valuation</u>
2013	988,594,724	100.00%	988,594,724
2014	986,691,327	100.00%	986,691,327
2015	1,024,987,746	100.00%	1,024,987,746
2016	1,029,949,287	100.00%	1,029,949,287
2017	1,033,810,868	100.00%	<u>1,033,810,868</u>
Total Five-Year Valuation			<u>\$5,064,033,952</u>
Average Five-Year Valuation			<u>\$ 1,012,806,790</u>
Debt Limit - 7% of Average Full Valuation			<u>\$ 70,896,475</u>

Statement of Debt Contracting Power

TABLE 8
Statutory Debt Limit and Net Indebtedness

	<u>As of</u> <u>July 2, 2018</u>
Average Full Valuation of Taxable Real Property	\$1,012,806,790
Debt Limit (7% of Average Full Valuation)	70,896,475
Inclusions:	
Outstanding Serial Bonds (Town)	\$ 1,219,722
Outstanding Serial Bonds (District)	745,000
Outstanding Bond Anticipation Notes (Town)	0
Outstanding Bond Anticipation Notes (District)	<u>8,000,000</u>
Total Inclusions	\$ 9,964,722
Exclusions and Deductions:	
Water Bonds (Town)	\$1,219,722
Appropriations Bond Principal (District)	<u>0</u>
Total Exclusions and Deductions	\$ 1,219,722
Total Net Indebtedness	\$ 8,745,000
Net Debt-Contracting Margin	\$ 62,151,475
Percentage of Debt-Contracting Margin Exhausted	12.33%

Remedies Upon Default

Under current law, provision is made for contract creditors (including the Bondholders) of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

Remedies for enforcement of payment are not expressly included in the District's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a bondholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events, including financial crises as they may occur in the State and in municipalities of the State, require the exercise by the State of its emergency and police powers to assure the continuation of essential public services.

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

Short-Term Indebtedness

The District has an \$8,000,000 bond anticipation note outstanding that will mature on August 2, 2018. Such note will be redeemed and retired with the proceeds of the Bonds, along with \$1,100,000 of budgetary appropriations. After such note is redeemed, the District will have no outstanding short-term indebtedness.

Long-Term Indebtedness

The following table sets forth all principal and interest payments required on the District's outstanding bonded indebtedness for the fiscal years as follows:

TABLE 9
Bond Principal and Interest Maturity
(as of July 2, 2018)

<u>FYE 12/31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2019	\$ 80,000	\$ 34,950	\$ 114,950
2020	80,000	31,150	111,150
2021	85,000	27,125	112,125
2022	90,000	22,750	112,750
2023	95,000	18,125	113,125
2024	100,000	13,250	113,250
2025	105,000	8,125	113,125
2026	<u>110,000</u>	<u>2,750</u>	<u>112,750</u>
Totals	<u>\$745,000</u>	<u>\$158,225</u>	<u>\$903,225</u>

Trend of Outstanding Indebtedness

The following table provides information relating to the capital indebtedness outstanding at year end for each of the five prior fiscal years.

TABLE 10
Outstanding Indebtedness
As of December 31

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$1,045,000	\$970,000	\$890,000	\$820,000	\$745,000
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,000,000</u>	<u>8,000,000</u>
Total Outstanding Debt	<u>\$1,045,000</u>	<u>\$970,000</u>	<u>\$890,000</u>	<u>\$7,820,000</u>	<u>\$8,745,000</u>

Authorized but Unissued Indebtedness

Following the issuance of the Bonds, the District will have no authorized but unissued indebtedness.

ECONOMIC AND DEMOGRAPHIC DATA

Income

The following table presents median income for the Town, County and State.

TABLE 11
Median Family Income

	<u>2000</u>	<u>2010</u>
Town	41,923	41,923
County	41,054	42,429
State	51,691	58,003

TABLE 12
Median Household Income

	<u>2000</u>	<u>2010</u>
Town	\$36,379	\$43,941
County	41,054	42,429
State	51,691	58,003

TABLE 13
Median Value Owner-Occupied Housing Units

	<u>2000</u>	<u>2010</u>
Town	74,200	101,419
County	64,000	83,500
State	148,700	288,200

Population

The following table presents population trends based upon recent census data.

TABLE 14
Population Trend

	<u>2000</u>	<u>2010</u>	Percentage <u>Change</u>
Town	4,666	4,464	(4.3%)
County	139,750	134,905	(3.6%)
State	18,976,457	19,378,102	2.1%

Source: New York State Department of Commerce; New York State Department of Economic Development.

Employment and Unemployment

The following tables provide information concerning employment in the County and State. Data provided for the County and the State may not be representative of the District.

TABLE 15
Civilian Labor Force
(Thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
County	60.2	58.0	57.9	56.5	55.9
State	9,659.2	9,591.3	9,644.6	9,668.7	9,704.7

Source: New York State Department of Economic Development: Bureau of Economic and Demographic Information.

Unemployment rates are not compiled for the District but are available for the County and State. The following tables are not necessarily representative of the District.

TABLE 16
Yearly Average Unemployment Rates

<u>Year</u>	<u>County</u>	<u>State</u>
2012	8.5%	8.5%
2013	8.0%	7.7%
2014	6.8%	6.3%
2015	6.0%	5.3%
2016	5.8%	4.8%
2017	6.1%	4.7%

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

TABLE 17
Monthly Unemployment Rates

<u>Month</u>	<u>County</u>	<u>State</u>
June 2017	5.7%	4.6%
July	5.6%	4.9%
August	5.5%	4.9%
September	5.5%	4.6%
October	5.4%	4.4%
November	5.9%	4.4%
December	6.3%	4.4%
January 2018	7.2%	5.1%
February	7.4%	5.1%
March	6.8%	4.8%
April	5.9%	4.3%
May	4.8%	3.7%

Source: New York State Department of Labor, Bureau of Labor Statistics. Information not seasonally adjusted.

Financial Institutions

There are two full-service banks, M&T Bank and Northwest Bank, located in Mayville, approximately four miles west of Chautauqua. The City of Jamestown, located along the lake 16 miles east of Chautauqua, has a branch office for most commercial banks in western New York.

Communication

The District is served by the daily newspaper, the Post Journal, of Jamestown NY.

Utilities

The District is served with natural gas provided by National Fuel, electric service provided by National Grid and cable/internet service provided by Spectrum.

Transportation

NY Route 394 runs along the south end of Lake Chautauqua connecting Chautauqua Institution and the District with the Southern Tier Expressway (I-86), and the City of Jamestown, which lies 16 miles to the east and provides local airport, bus and train service. Thirteen miles to the west Route 394 intersects with I-90 at Exit 60 of the NYS Thruway.

LITIGATION

In common with other utility districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the attorney for the District, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or actions pending which, if determined against the District, would have an adverse material effect on the financial condition of the District.

End of Appendix A

APPENDIX B
FINANCIALS

CHAUTAUQUA UTILITY DISTRICT
Statement of Budgeted Expenses, Revenues and Tax Levy
Fiscal Year Ending December 31 (CASH BASIS)

	Budget <u>2017</u>	Budget <u>2018</u>
Estimated Expenses:		
Wastewater Treatment	\$402,315	372,226
Water Treatment	301,083	360,960
Street Lighting	50,000	50,000
General & Administrative	220,253	258,150
Total Operating Expenses	973,651	1,041,336
 Estimated Revenues:		
Sewer User Charges	386,905	402,905
Water User Charges	367,574	387,074
Total Water and Sewer Charges	754,479	789,979
North Chautauqua Lake Sewer Charge	60,000	99,500
Interest Income and Other	2,000	2,000
Total Operating Revenues	816,479	891,479
 Total Real Property Tax Levy	 <u>157,172</u>	 <u>149,857</u>
 Capital Expenses		
Debt Service	233,830	224,349
Capital Expenses net of reimbursements	157,000	183,500
Total Capital Expenses	390,830	407,849
Less North Chautauqua Lake Sewer District	0	0
 Total Special Ad Valorem Levy	 <u>390,830</u>	 <u>407,849</u>
 Total Tax Levies	 <u>\$548,002</u>	 <u>\$557,706</u>

NOTE: FIGURES TAKEN FROM 2017, 2018 TAX LEVY (CASH BASIS)

Source: District Officials

CHAUTAUQUA UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Fund Equity
Fiscal Year Ending December 31

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Operating Revenues:</u>					
Tax Levy	\$517,992	\$528,350	\$538,000	\$543,380	\$548,002
Metered Water Sales	173,198	183,795	184,740	196,639	185,127
Water - Annual Fee	168,576	187,184	190,331	188,884	188,749
Waste Water Usage Charges	212,451	210,491	214,572	241,130	231,569
Waste Water - Annual Fee	160,267	161,585	162,301	163,545	163,621
Other Water Sales	67,561	59,306	74,213	97,980	130,297
Fees and Ancillary Charges	0	100	150	250	150
Delinquency Charges and Disconnect Fees	1,456	300	3,188	1,219	2,051
Total Revenues	<u>\$1,301,501</u>	<u>\$1,331,111</u>	<u>\$1,367,495</u>	<u>\$1,433,027</u>	<u>\$1,449,566</u>
<u>Operating Expenses:</u>					
Waste Water Operations	516,351	428,242	455,594	368,924	447,054
Water Operations	429,632	441,328	420,453	278,866	281,758
Street Lighting	50,012	49,825	44,408	43,111	42,631
Administrative and General	140,650	171,733	146,280	237,606	239,368
Depreciation	0	0	0	173,421	168,950
Total Operating Expenses	<u>1,136,645</u>	<u>1,091,128</u>	<u>1,066,735</u>	<u>1,101,928</u>	<u>1,179,761</u>
Operating Income:	<u>164,856</u>	<u>239,983</u>	<u>300,760</u>	<u>331,099</u>	<u>269,805</u>
<u>Non-Operating Income (expense):</u>					
Interest Income	123	173	203	209	205
Other Income	7,336	0	4,454	(17,501)	(29,361)
Interest Expense	(56,504)	(52,389)	(49,262)	(75,224)	(126,664)
Total Non-Operating Income (expense):	<u>(49,045)</u>	<u>(52,216)</u>	<u>(44,605)</u>	<u>(92,516)</u>	<u>(155,820)</u>
Change in Net Position	115,811	187,767	256,155	238,583	113,985
Fund Equity - Beg. Of Year	<u>3,413,670</u>	<u>3,529,481</u>	<u>3,717,248</u>	<u>3,973,403</u>	<u>4,211,986</u>
Fund Equity - End of Year	<u>\$3,529,481</u>	<u>\$3,717,248</u>	<u>\$3,973,403</u>	<u>\$4,211,986</u>	<u>\$4,325,971</u>

Source: Audited Financial Statements
Table itself is not audited

CHAUTAQUA UTILITY DISTRICT
Statement of Net Position
Fiscal Year Ending December 31

	<u>2016</u>	<u>2017</u>
<u>ASSETS</u>		
Utility Plant:		
Water plant in service - at cost	\$4,793,897	\$4,793,897
Waste water plant in service - at cost	4,036,491	4,036,491
Construction in progress	3,197,665	6,848,707
Other utility plant	155,175	155,175
Subtotal	<u>\$12,183,228</u>	<u>\$15,834,270</u>
Less accumulated provisions for depreciation	<u>5,764,421</u>	<u>5,933,371</u>
Total Utility Plant	<u><u>\$6,418,807</u></u>	<u><u>\$9,900,899</u></u>
Other non-current assets		
Cash designated for capital improvements	5,526,002	2,583,071
Current Assets:		
Cash and cash equivalents	\$642,408	\$905,876
Accounts receivable	43,457	61,645
Other current and accrued assets	10,381	25,770
Total Current Assets	<u><u>\$696,246</u></u>	<u><u>\$993,291</u></u>
Total Assets	<u><u>\$12,641,055</u></u>	<u><u>\$13,477,261</u></u>
<u>NET POSITION AND LIABILITIES</u>		
Net Position:		
Invested in capital assets, net of related debt	\$3,612,741	\$3,450,587
Unrestricted - Board Designated	0	0
Unrestricted net position	<u>599,245</u>	<u>875,384</u>
Total Net Position	<u><u>\$4,211,986</u></u>	<u><u>\$4,325,971</u></u>
Long-term Debt, less current maturities	<u><u>\$820,000</u></u>	<u><u>\$745,000</u></u>
Current Liabilities:		
Bond anticipation note	7,042,519	8,040,431
Current maturities of long-term debt	70,000	75,000
Accounts payable	400,942	178,891
Consumer deposits and prepayments	1,808	1,496
Other current and accrued liabilities	93,800	110,472
Total Current Liabilities	<u><u>\$7,609,069</u></u>	<u><u>\$8,406,290</u></u>
Total Liabilities	<u><u>\$8,429,069</u></u>	<u><u>\$9,151,290</u></u>
Total Net Position and Liabilities	<u><u>\$12,641,055</u></u>	<u><u>\$13,477,261</u></u>

Source: Audited Financial Statements
Table itself is not audited

APPENDIX C

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

*Such Financial Statements and opinion are intended to be representative only as of the date thereof. Buffamante Whipple Buttafaro, P.C. has not been requested by the District to further review and/or update such Financial Statements or opinion in connection with the preparation and dissemination of this Official Statement

CHAUTAUQUA UTILITY DISTRICT

FINANCIAL STATEMENTS

***YEARS ENDED
DECEMBER 31, 2017 AND 2016***

CHAUTAUQUA UTILITY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Chautauqua Utility District
Chautauqua, New York

We have audited the accompanying financial statements of ***Chautauqua Utility District***, which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Chautauqua Utility District*** as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 and budgetary comparison information (cash basis) on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (continued)

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of operating expenses on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
February 14, 2018**

**CHAUTAUQUA UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The following is a narrative overview and analysis of the District's financial performance for the year ended December 31, 2017. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Following are the financial highlights of the System:

- Metered water sales totaled \$185,127 and \$196,639 for 2017 and 2016, a decrease of \$11,512 or 6%. Waste water usage charges were \$231,569 and \$241,130 for 2017 and 2016, a decrease of \$9,561 or 4%. The decrease in these charges were primarily the result of a decrease in consumption compared to the prior year.
- Other waste water sales, which consist primarily of reimbursements from a neighboring sewer district, totaled \$130,297 and \$97,980 for 2017 and 2016.
- Operating costs excluding depreciation for waste water related activities totaled \$447,054 and \$368,924 for 2017 and 2016, an increase of \$78,130 or 21%. The increase in waste water expenses is related to an increase in salaries, employee benefits and building and grounds costs from the prior year. The increase in salaries was primarily the result of an additional employee hired in the current year. Depreciation expense attributable to waste water related activities totaled \$49,282 and \$52,709 for 2017 and 2016.
- Operating costs excluding depreciation for water related activities totaled \$281,758 and \$278,866 for 2017 and 2016, an increase of \$2,892 or 1%. This increase was primarily related an increase in employee benefits, replacement equipment and fire hydrants, offset by a decrease in distribution system expenses. Depreciation expense attributable to water related activities totaled approximately \$119,668 and \$120,712 for 2017 and 2016, respectively.
- Administrative and general costs excluding depreciation totaled \$239,368 and \$237,606 for 2017 and 2016, respectively.
- Interest expense totaled \$126,664 and \$75,224 for 2017 and 2016, respectively. The increase was related to the interest expense incurred on BAN's used to finance the ongoing waste water system project.
- The District made significant upgrades to its waste water system in 2016 and 2017. See notes 2 and 9 to the financial statements for further information.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the District is improving or deteriorating.

Condensed Statements of Net Position as of December 31,

	<u>2017</u>	<u>2016</u>
Current assets	\$ 993,291	\$ 696,246
Other non-current assets	2,583,071	5,526,002
Capital assets	<u>9,900,899</u>	<u>6,418,807</u>
Total assets	<u>\$ 13,477,261</u>	<u>\$ 12,641,055</u>
Current liabilities	\$ 8,406,290	\$ 7,609,069
Long-term debt	<u>745,000</u>	<u>820,000</u>
Total liabilities	<u>\$ 9,151,290</u>	<u>\$ 8,429,069</u>
Invested in capital assets, Net of related debt	\$ 3,450,587	\$ 3,612,741
Unrestricted – Board Designated	--	--
Unrestricted net position	<u>875,384</u>	<u>599,245</u>
Total net position	<u>\$ 4,325,971</u>	<u>\$ 4,211,986</u>

The statement of revenues, expenses and changes in net position shows the business type activity of the District and provides information regarding income and expenses that affect net position.

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

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 1,449,566	\$ 1,433,027
Investment earnings	205	209
Other income	-	-
Total revenues	<u>1,449,771</u>	<u>1,433,236</u>
Operating expenses:		
Waste water operations	447,054	368,924
Water operations	281,758	278,866
Street lighting	42,631	43,111
Administrative and general	239,368	237,606
Depreciation	168,950	173,421
Interest & Other expense	<u>156,025</u>	<u>92,725</u>
Total expenses	<u>1,335,786</u>	<u>1,194,653</u>
Change in net position	<u>\$ 113,985</u>	<u>\$ 238,583</u>

**CHAUTAUQUA UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Overview of the Financial Statements (continued)

The summary of accounting policies and notes to the financial statements provide additional information that is essential to a full and complete understanding of the information provided in the financial statements. In addition to the basic financial statements, summary of accounting policies and accompanying notes, this report also includes certain supplemental information that may be beneficial to the reader.

Budget vs. Actual Comparison (cash basis)

	Budget	Actual	Difference
Revenue			
Tax levy	\$ 548,002	\$ 548,002	\$ --
Water revenues	367,574	372,999	5,425
Waste water revenues	386,905	394,158	7,253
Other waste water revenues NCLSD	60,000	114,547	54,547
Net proceeds from BAN	--	1,069,283	1,069,283
Other income	2,000	1,565	(435)
Total revenue	\$ 1,364,481	\$ 2,500,554	\$ 1,136,073
Expenses			
Waste water operations	\$ 402,225	\$ 446,725	\$ (44,500)
Water operations	301,083	288,475	12,608
Street lighting	54,405	42,902	11,503
Admin and general	220,253	248,266	(28,013)
Plant improvements	278,755	3,901,963	(3,623,208)
Debt service	112,075	251,686	(139,611)
Total expenses	\$ 1,368,796	\$ 5,180,017	\$ (3,811,221)

Actual revenues were approximately \$1,136,000 over budget, primarily due to the proceeds from BAN which wasn't budgeted. Also, actual expenditures were \$3,811,221 over budget due to capital expenditures related to the waste water project.

Capital Assets and Debt Administration

Depreciation expense on capital assets for 2017 and 2016 totaled \$168,950 and \$173,421, respectively. A summary of capital assets, by major classification, and related accumulated depreciation at December 31, 2017 and 2016 is as follows:

Capital Assets and Debt Administration (continued)

	2017	2016
Water plant:		
Land	\$ 61,000	\$ 61,000
Structures	454,626	454,626
Water mains	1,835,269	1,835,269
Water services	694,200	694,200
Reservoir tanks	418,921	418,921
Machinery and equipment	1,329,881	1,329,881
Waste water plant:		
Land	139,000	139,000
Structures	1,249,309	1,249,309
Sewer mains	975,280	975,280
Machinery and equipment	1,672,902	1,672,902
Construction in progress	6,848,707	3,197,665
Other utility plant:		
Vehicles	146,495	146,495
Software	8,680	8,680
	15,834,270	12,183,228
Less accumulated depreciation	5,933,371	5,764,421
Capital assets, net	\$ 9,900,899	\$ 6,418,807

The largest portion of the District's assets is the net investment in capital assets of \$9,900,899 which represents 73% of total assets. Current year additions of approximately \$3,651,000 related to engineering design and construction costs for the wastewater plant upgrades capitalized as construction in progress.

The long-term debt outstanding relates primarily to improvements made to the water treatment plant and the waste water collection system in prior years. Total long-term debt outstanding, including the current portion, at December 31, 2017 and 2016 amounted to \$820,000 and \$890,000, respectively. The District did not issue any new long-term debt in December 31, 2017 or 2016. The District issued a Bond Anticipation Note on August 2, 2017 in the amount of \$8,000,000 to finance wastewater plant upgrades. The Bond Anticipation Note carries an interest rate of 2.25% and matures on August 2, 2018.

Economic Factors That Will Affect the Future

The District remains committed to developing and enlarging its customer base. Its ability to successfully accomplish this is at least in part based upon the economic outlook for the Chautauqua Institution. Continued success in this area will enable the District to continue to annually increase its net position and allow it to generate positive cash flows.

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

- Improvements to its wastewater plant to meet DEC regulations
- NYS property tax cap
- In August of 2016 the property owners voted in favor of a street lighting improvement project not to exceed \$800,000 and authorized the issuance of bonds or notes to finance the project. The project is expected to begin in 2018.

**CHAUTAUQUA UTILITY DISTRICT
STATEMENTS OF NET POSITION**

Page 5

<i>As of December 31,</i>	2017	2016
Assets		
Utility plant:		
Water plant in service - at cost	\$ 4,793,897	\$ 4,793,897
Waste water plant in service - at cost	4,036,491	4,036,491
Construction in progress	6,848,707	3,197,665
Other utility plant	155,175	155,175
	<u>15,834,270</u>	<u>12,183,228</u>
Less accumulated provisions for depreciation	5,933,371	5,764,421
Total utility plant	<u>9,900,899</u>	<u>6,418,807</u>
Other non-current assets:		
Cash designated for capital improvements	2,583,071	5,526,002
Total other non-current assets	<u>2,583,071</u>	<u>5,526,002</u>
Current assets:		
Cash and cash equivalents	905,876	642,408
Accounts receivable	61,645	43,457
Other current and accrued assets	25,770	10,381
Total current assets	<u>993,291</u>	<u>696,246</u>
	<u>\$ 13,477,261</u>	<u>\$ 12,641,055</u>
Net Position and Liabilities		
Net position:		
Invested in capital assets, net of related debt	\$ 3,450,587	\$ 3,612,741
Unrestricted net position	875,384	599,245
Total net position	<u>4,325,971</u>	<u>4,211,986</u>
Long-term debt, less current maturities	<u>745,000</u>	<u>820,000</u>
Current liabilities:		
Bond anticipation note	8,040,431	7,042,519
Current maturities of long-term debt	75,000	70,000
Accounts payable:		
Trade payables	5,939	6,430
Capital items payable	172,952	394,512
Consumer deposits and prepayments	1,496	1,808
Other current and accrued liabilities	110,472	93,800
Total current liabilities	<u>8,406,290</u>	<u>7,609,069</u>
Total liabilities	<u>9,151,290</u>	<u>8,429,069</u>
	<u>\$ 13,477,261</u>	<u>\$ 12,641,055</u>

See accompanying independent auditor's report and notes to financial statements.

CHAUTAUQUA UTILITY DISTRICT
STATEMENTS OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION

<i>Years ended December 31,</i>	2017	2016
Operating revenues:		
Tax levy	\$ 548,002	\$ 543,380
Metered water sales	185,127	196,639
Water - annual fee	188,749	188,884
Waste water usage charges	231,569	241,130
Waste water - annual fee	163,621	163,545
Other waste water sales - NCLSD	130,297	97,980
Fees, ancillary charges and miscellaneous	150	250
Delinquency charges and disconnect fees	2,051	1,219
Total operating revenues	1,449,566	1,433,027
Operating expenses:		
Waste water operations	447,054	368,924
Water operations	281,758	278,866
Street lighting	42,631	43,111
Administrative and general	239,368	237,606
Depreciation expense	168,950	173,421
Total operating expenses	1,179,761	1,101,928
Operating income	269,805	331,099
Other income (expense):		
Interest income	205	209
Other capital expenditures	(29,361)	(17,501)
Interest expense	(126,664)	(75,224)
Total other income (expense)	(155,820)	(92,516)
Change in net position	113,985	238,583
Net position, at beginning of year	4,211,986	3,973,403
Net position, at end of year	\$ 4,325,971	\$ 4,211,986

**CHAUTAUQUA UTILITY DISTRICT
STATEMENTS OF CASH FLOWS**

<i>Years ended December 31,</i>	2017	2016
Cash flows from operating activities:		
Cash received from customers	\$ 883,064	\$ 880,995
Cash received from tax levy	548,002	543,380
Cash paid to suppliers	(345,110)	(322,441)
Cash paid to or on behalf of employees	(681,258)	(616,609)
Net cash provided by operating activities	404,698	485,325
Cash flows from investing activities:		
Interest received	205	209
Capital expenditures	(3,901,963)	(2,424,323)
Net cash used in investing activities	(3,901,758)	(2,424,114)
Cash flows from financing activities:		
Net proceeds from issuance of bond anticipation note	1,069,283	7,071,190
Interest payments on bond anticipation note	(139,611)	--
Interest payments on long-term debt	(42,075)	(45,900)
Principal payments on long-term debt	(70,000)	(80,000)
Net cash provided by financing activities	817,597	6,945,290
Net change in total cash	(2,679,463)	5,006,501
Total cash and cash equivalents, at beginning of year	6,168,410	1,161,909
Total cash and cash equivalents, at end of year	\$ 3,488,947	\$ 6,168,410
Reconciliation of operating income to net cash provided by operating activities:		
Total operating income	\$ 269,805	\$ 331,099
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	168,950	173,421
Change in operating assets and liabilities:		
Accounts receivable	(18,188)	(9,758)
Other current and accrued assets	(15,389)	2,334
Trade payables	(491)	(20,077)
Customer deposits	(312)	1,106
Current and accrued liabilities, excluding accrued interest	323	7,200
Net cash provided by operating activities	\$ 404,698	\$ 485,325

See accompanying independent auditor's report and notes to financial statements.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Business

The *Chautauqua Utility District* provides treatment of water and waste water for consumers in and around the Chautauqua Institution.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB standards for external financial reporting require that financial statements focus on the entity as a whole, with resources classified for accounting and reporting purposes into three net position categories according to externally imposed restrictions. The term net position refers to the same equity that was previously referred to as fund balance.

The three required net position categories are as follows:

- Invested in capital assets, net of related debt – Includes property and equipment, net of accumulated depreciation, cash designated for capital improvements, accounts payable attributed to capital improvements and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets.
- Restricted, expendable – Includes net position the use of which are subject to externally imposed restrictions that can be satisfied by either specific performance or the passage of time. The District had no restricted net position as of December 31, 2017 and 2016.
- Unrestricted – Includes net position not subject to externally imposed restrictions that may be used in the general operations and activities of the District.

Utility Plant and Depreciation

Utility plant is stated at cost, which includes payroll and payroll related costs, transportation costs, and overhead. Cost does not include interest on funds used during construction. Depreciation of utility plant is computed using group composite straight-line rates.

When utility plant is retired, its cost, together with the cost of removal less salvage, if any, is charged to the accumulated provision for depreciation.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)

Revenue Recognition

Customers are billed based on usage and an annual fee. Revenue is recognized based upon billings.

Utilization of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

In the normal course of business the District is a party to financial instruments with off-balance sheet risk. These financial instruments include cash accounts in commercial banks located principally in or near Chautauqua, New York. The cash balances are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2017, the District's cash balances were fully collateralized.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentations.

Subsequent Events

Management has evaluated subsequent events through February 14, 2018, the date the financial statements were available to be issued.

CHAUTAUQUA UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 - UTILITY PLANT AND DEPRECIATION PROCEDURES

Listed below are the major classes of utility plant:

	<u>2016</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u> <u>Balance</u>
Water plant:				
Land	\$ 61,000	\$ --	\$ --	\$ 61,000
Structures	454,626	--	--	454,626
Water mains	1,835,269	--	--	1,835,269
Water services	694,200	--	--	694,200
Reservoir tanks	418,921	--	--	418,921
Machinery and equipment	1,329,881	--	--	1,329,881
Waste Water plant:				
Land	139,000	--	--	139,000
Structures	1,249,309	--	--	1,249,309
Sewer mains	975,280	--	--	975,280
Machinery and equipment	1,672,902	--	--	1,672,902
Construction in progress	3,197,665	3,651,042	--	6,848,707
Other utility plant:				
Vehicles	146,495	--	--	146,495
Software	8,680	--	--	8,680
Total utility plant	12,183,228	3,651,042	--	15,834,270
Less accumulated depreciation	5,764,421	168,950	--	5,933,371
	<u>\$ 6,418,807</u>	<u>\$ 3,482,092</u>	<u>\$ --</u>	<u>\$ 9,900,899</u>

During the years ended December 31, 2017 and 2016, the Utility District incurred approximately \$3,651,000 and \$2,806,000, respectively of engineering design and construction costs for the wastewater plant upgrades capitalized as construction in progress. Total depreciation expense during the years ended December 31, 2017 and 2016 amounted to \$168,950 and \$173,421, respectively.

NOTE 2 - UTILITY PLANT AND DEPRECIATION PROCEDURES (CONTINUED)

General depreciation rates have been applied on a straight-line basis as follows:

	<u>Useful life</u>
Structures	30-50 years
Water mains	50 years
Sewer mains	75-100 years
Water services	40 years
Machinery & equipment	10-50 years
Vehicles	5-10 years
Software	3-5 years

NOTE 3 - OTHER CURRENT AND ACCRUED LIABILITIES

Other current and accrued liabilities consist of the following:

	<u>2017</u>	<u>2016</u>
Compensated absences	\$ 19,720	\$ 21,483
Accrued payroll	12,425	10,339
Accrued interest	78,327	61,978
	<u>\$ 110,472</u>	<u>\$ 93,800</u>

NOTE 4 – OTHER WASTE WATER SALES

The District has an agreement to accept and treat sewage of a neighboring sewer district. During 2017 and 2016, the District received \$130,297 and \$97,980, respectively from this neighboring district for treating their sewage. Balances due to the District for these charges were \$55,652 and \$28,612 as of December 31, 2017 and 2016, respectively. These balances are included in accounts receivable on the Statements of Net Position.

NOTE 5 – BOND ANTICIPATION NOTE

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability. Premiums received as part of the BAN issuance are being amortized as interest accrues on the BAN. Total BAN's outstanding at December 31, 2017 are as follows:

	<u>2017</u>
2.25% Bond Anticipation Note, dated August 2, 2017 with a maturity date of August 2, 2018.	\$ 8,000,000
Unamortized premiums	40,431
	<u>\$ 8,040,431</u>

**CHAUTAUQUA UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 5 – BOND ANTICIPATION NOTE (CONTINUED)

Total BAN's outstanding at December 31, 2016 were as follows:

	<u>2016</u>
2% Bond Anticipation Note, was dated August 4, 2016, and matured on August 2, 2017.	\$ 7,000,000
Unamortized premiums	42,519
	<u>\$ 7,042,519</u>

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of:

	<u>2017</u>	<u>2016</u>
General obligation serial bond, payable principal only each June 1, in amounts ranging from \$15,000 to \$110,000 annually, with interest payable semiannually at rates ranging from 4.75% to 5.0% through 2026.	\$ 820,000	\$ 890,000
Less current maturities	<u>75,000</u>	<u>70,000</u>
	<u>\$ 745,000</u>	<u>\$ 820,000</u>

At December 31, 2017, debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 75,000	\$ 38,631	\$ 113,631
2019	80,000	34,950	114,950
2020	80,000	31,150	111,150
2021	85,000	27,125	112,125
2022	90,000	22,750	112,750
2023 - 2026	<u>410,000</u>	<u>42,250</u>	<u>452,250</u>
Total	<u>\$ 820,000</u>	<u>\$ 196,856</u>	<u>\$ 1,016,856</u>

NOTE 7 - PENSION PLAN

Substantially all eligible employees of the District participate in the Chautauqua Utility District Money Purchase Plan. To be eligible for the Plan employee must work one year and over 1,000 hours. The District contributes 10% of the eligible employees' salary. District contributions to this Plan totaled \$40,224 and \$40,790 for 2017 and 2016, respectively. Voluntary employee contributions are permitted by the Plan.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents

The carrying amount reported approximates fair value because of the short maturity of these financial instruments.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Long-Term Debt

The carrying amount of the District's long-term debt approximates fair value because the interest rates currently in effect approximate those currently available for comparable replacement financing.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Wastewater Treatment Plant Project

In August of 2014 the property owners voted in favor of a sewer plant bond issue of up to \$8 million to finance upgrades and equipment at the wastewater treatment plant. The project also takes into consideration a change from chlorine disinfection to ultraviolet disinfection, and both phosphorous and ammonia removal in order to comply with NYS regulations. During 2016, the District awarded construction contracts totaling approximately \$6,627,000 to several different contractors. Total amounts completed on these contracts, less retainage, was approximately \$5,969,000 through December 31, 2017. Management anticipates that the project will be completed in 2018.

Total cumulative engineering and construction costs incurred related to the project as of December 31, 2017 and 2016 amounted to approximately \$6,849,000 and \$3,198,000 and are included as construction in progress on the Statements of Net Position.

Street Lighting Project

In August of 2016 the property owners voted in favor of a street lighting improvement project not to exceed \$800,000 and authorized the issuance of bonds or notes to finance the project. The project is expected to begin in 2018.

NOTE 10 – STREET LIGHTING

The Chautauqua Utility District received payments in the amount of \$11,910 during both years ended December 31, 2017 and 2016 from the Chautauqua Institution for the reimbursement of utility costs incurred and paid by the District. The payments received are netted against street lighting expense on the statements of revenue, expenses and changes in net position.

CHAUTAUQUA UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11 – BUDGET-TO-ACTUAL RECONCILIATION

The actual column on the schedule of revenues and expenses, with budgetary comparison (cash basis), page 12, is reported on cash basis of accounting. The Utility District budgets utilizes the cash basis of accounting which does not consider depreciation, principal payments on long-term debt and other operating differences between cash basis and accrual basis of accounting. Below is a reconciliation of the differences.

Total revenues reported on the statement of revenues and expenses with budgetary comparison (cash basis)	<u>\$ 2,500,554</u>
Differences – budget to GAAP:	
Operating revenues	
Changes in accounts receivable and customer deposits	18,500
Non-operating revenues	
Proceeds from issuance of BAN	<u>(1,069,283)</u>
Total operating and non-operating revenues reported on the statement of revenues, expenses and changes in net position	<u><u>\$ 1,449,771</u></u>
Total expenditures reported on the statement of revenues and expenses with budgetary comparison (cash basis)	<u>\$ 5,180,017</u>
Differences – budget to GAAP:	
Operating expenses	
Depreciation	168,950
Changes in other and accrued assets, trade payables and current and accrued liabilities, excluding accrued interest	(15,557)
Non-operating expenses	
Principal payments on long-term debt	(70,000)
Capital expenditures	(3,872,602)
Change in accrued interest, BAN premium amortization	<u>(55,022)</u>
Total operating and non-operating expenditures reported on the statement of revenues, expenses and changes in net position	<u><u>\$ 1,335,786</u></u>

SUPPLEMENTARY INFORMATION

CHAUTAUQUA UTILITY DISTRICT
SCHEDULE OF REVENUES AND EXPENSES,
WITH BUDGETARY COMPARISON (CASH BASIS)

Year ended December 31, 2017

	Cash Basis Actual **	Cash Basis Budget **	Variance Favorable (Unfavorable)
Operating revenues:			
Tax levy	\$ 548,002	\$ 548,002	\$ - -
Metered water sales	184,250	179,400	4,850
Water - annual fee	188,749	188,174	575
Waste water usage charges	230,537	224,000	6,537
Waste water - annual fee	163,621	162,905	716
Other waste water sales - NCLSD	114,547	60,000	54,547
Fees, ancillary charges and miscellaneous	679	1,150	(471)
Delinquency charges and disconnect fees	681	550	131
Total operating revenues	1,431,066	1,364,181	66,885
Operating expenses:			
Waste water operations	446,725	402,225	(44,500)
Water operations	288,475	301,083	12,608
Street lighting	42,902	54,405	11,503
Administrative and general	248,266	220,253	(28,013)
Total operating expenses	1,026,368	977,966	(48,402)
Operating income	404,698	386,215	18,483
Other income (expense):			
Interest income	205	300	(95)
Net proceeds from issuance of BAN	1,069,283	--	1,069,283
Plant improvements	(3,901,963)	(278,755)	(3,623,208)
Bond principal payments	(70,000)	(70,000)	--
Interest payments	(181,686)	(42,075)	(139,611)
Total other income (expense)	(3,084,161)	(390,530)	(2,693,631)
Change in net position	\$ (2,679,463)	\$ (4,315)	\$ (2,675,148)

** This Schedule of Revenues and Expenses with Budgetary Comparison was internally prepared using the cash basis of accounting.

See accompanying independent auditor's report.

CHAUTAUQUA UTILITY DISTRICT
SCHEDULE OF OPERATING EXPENSES

Years ended December 31,

	2017					2016				
	Waste Water Operations	Water Operations	Street Lighting	Administrative and General	Total Expenses	Waste Water Operations	Water Operations	Street Lighting	Administrative and General	Total Expenses
Salaries and wages	\$ 224,347	\$ 120,803	\$ --	\$ 137,375	\$ 482,525	\$ 169,693	\$ 124,148	\$ --	\$ 152,922	\$ 446,763
Payroll taxes	16,896	9,024	--	10,693	36,613	12,732	9,743	--	11,832	34,307
Fringe benefits	77,443	52,912	--	32,088	162,443	63,228	43,350	--	36,161	142,739
Office supplies	--	--	--	4,886	4,886	--	--	--	3,468	3,468
Telephone	--	--	--	3,048	3,048	--	--	--	1,976	1,976
Professional fees	--	--	--	41,570	41,570	--	--	--	24,049	24,049
Utilities	23,304	18,579	42,631	--	84,514	21,252	17,672	43,111	--	82,035
Chemicals	4,384	22,767	--	--	27,151	6,360	24,157	--	--	30,517
Other supplies and equipment	2,635	106	--	--	2,741	1,713	84	--	--	1,797
Repairs and maintenance	28,125	16,562	--	1,724	46,411	10,349	2,080	--	1,939	14,368
Rentals	--	3,174	--	--	3,174	--	1,807	--	--	1,807
Sludge removal	33,482	5,500	--	--	38,982	31,042	5,500	--	--	36,542
Insurance	12,223	10,597	--	4,162	26,982	14,312	8,671	--	3,333	26,316
Distribution system	--	7,347	--	--	7,347	--	35,263	--	--	35,263
Collection system	10,351	--	--	--	10,351	16,657	--	--	--	16,657
Odor control	1,029	--	--	--	1,029	9,542	--	--	--	9,542
Contract testing	--	7,328	--	--	7,328	--	4,646	--	--	4,646
Lab equipment	4,823	--	--	--	4,823	907	--	--	--	907
Education	304	708	--	--	1,012	3,364	744	--	--	4,108
Fire hydrants	--	4,891	--	--	4,891	--	--	--	--	--
Fees	6,809	--	--	--	6,809	7,172	--	--	--	7,172
Safety	561	397	--	--	958	601	38	--	--	639
Miscellaneous	338	1,063	--	3,822	5,223	--	963	--	1,926	2,889
Total operating expenses, before depreciation	447,054	281,758	42,631	239,368	1,010,811	368,924	278,866	43,111	237,606	928,507
Depreciation	49,282	119,668	--	--	168,950	52,709	120,712	--	--	173,421
	\$ 496,336	\$ 401,426	\$ 42,631	\$ 239,368	\$ 1,179,761	\$ 421,633	\$ 399,578	\$ 43,111	\$ 237,606	\$ 1,101,928

See accompanying independent auditor's report.