

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 20, 2021

**SERIAL BONDS
BOOK-ENTRY-ONLY BONDS**

**RATING – MOODY’S INVESTOR SERVICE: “ ”
See “Bond Rating”, herein**

In the opinion of Bond Counsel to the Town, under existing statutes and court decisions and assuming continuous compliance with certain tax covenants and certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See “TAX MATTERS” herein.

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

**TOWN OF HEMPSTEAD
NASSAU COUNTY, NEW YORK
(the “Town”)**

**\$22,280,000* PUBLIC IMPROVEMENT REFUNDING SERIAL BONDS – 2021
(the “Bonds”)**

Dated: Date of Delivery

Principal and Interest Due: As shown on inside cover

SEE BOND MATURITY SCHEDULES HEREIN

The Bonds are general obligations of the Town of Hempstead, Nassau County, New York (the “Town”), and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the “Tax Levy Limit Law”). (See “*Tax Levy Limit Law*” herein).

The Bonds are subject to redemption prior to maturity at the option of the Town, in accordance with terms described herein. (See “*Optional Redemption*” under “*THE BONDS*,” herein).

The Bonds shall be registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners will not receive certificates representing their interest in the Bonds. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single bond certificate will be issued for each maturity of the Bonds. Principal of and interest on said Bonds will be paid in federal funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its Participants (as herein after defined) for subsequent distribution to the beneficial owners of the Bonds as described herein. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by Direct Participants (as hereinafter defined) to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. (See “*DESCRIPTION OF BOOK-ENTRY SYSTEM*” herein).

Sealed bids for the Bonds will be received at 11:00 A.M. (Prevailing Time) on January 28, 2021, in accordance with the Notice of Sale dated January 20, 2021.

The Bonds are offered subject to final approving opinions of Phillips Lytle LLP, Bond Counsel to the Town, and certain other conditions. It is expected that delivery of the Bonds in book-entry form will be made through the facilities of DTC in Jersey City, New Jersey, or as otherwise agreed to by the Town and the Purchaser on or about February 16, 2021, in New York, New York.

This cover page contains information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

FOR A DESCRIPTION OF THE TOWN’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION, SEE “DISCLOSURE UNDERTAKING” HEREIN.

, 2021

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**TOWN OF HEMPSTEAD
NASSAU COUNTY, NEW YORK**

\$22,280,000* PUBLIC IMPROVEMENT REFUNDING SERIAL BONDS – 2021

BOND MATURITY SCHEDULE

Dated: February 16, 2021

**Principal Due: August 15, 2021-2037, inclusive
Interest Due: August 15, 2021 and semiannually
thereafter on February 15 and
August 15 in each year to maturity**

<u>Year</u>	<u>Amount**</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2021	\$4,190,000			
2022	4,300,000			
2023	4,335,000			
2024	4,375,000			
2025	4,415,000			
2026	45,000			
2027	45,000			
2028	50,000			
2029	50,000***			
2030	55,000***			
2031	55,000***			
2032	55,000***			
2033	60,000***			
2034	60,000***			
2035	60,000***			
2036	65,000***			
2037	65,000***			

*Preliminary, subject to change.

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

***Subject to prior redemption



**TOWN OF HEMPSTEAD
NASSAU COUNTY, NEW YORK**

1 Washington Street
Hempstead, NY 11550
Telephone: 516/489-5000

TOWN BOARD

Donald X. Clavin, Jr., Town Supervisor

Dorothy L. Goosby – 1st District
Thomas E. Muscarella – 2nd District
Bruce A. Blakeman – 3rd District
Anthony P. D’Esposito – 4th District
Christopher Carini – 5th District
Dennis Dunne, Sr. – 6th District

John A. Mastromarino, CPA, Town Comptroller
Kate Murray, Town Clerk
Jeanine C. Driscoll, Receiver of Taxes
Charles Kovit, Acting Town Attorney

* * *

BOND COUNSEL

Phillips Lytle LLP
Garden City, New York

* * *

MUNICIPAL ADVISOR



12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776

(631) 331-8888
E-mail: info@munistat.com
Website: <http://www.munistat.com>

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

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds.

CUSIP (Committee on Uniform Securities Identification Procedures) numbers on the inside front cover page of this Official Statement are copyright 2012 by the American Bankers Association, CUSIP data herein is provided by Standard & Poor's, UCSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

This Official Statement contains certain "forward-looking statements" concerning the operations and financial condition of the Town. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the Town. The words "may", "would", "could", "will", "expect", "anticipate", "believe", "intend", "plan", "estimate" and similar expressions are meant to identify these forward-looking statements. *The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Town does not plan to issue any updates or revisions to these forward-looking statements if or when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur.*

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE RESOLUTIONS OR OTHER PROCEEDINGS OF THE TOWN BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ADDITIONALLY, WHILE THE BONDS MAY BE EXEMPT FROM THE REGISTRATION AND QUALIFICATION PROVISIONS OF THE SECURITIES LAWS OF THE VARIOUS STATES, SUCH EXEMPTION CANNOT BE REGARDED AS A RECOMMENDATION OF THE BONDS. NEITHER THE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
TOWN OF HEMPSTEAD
NASSAU COUNTY, NEW YORK

\$22,280,000* PUBLIC IMPROVEMENT REFUNDING SERIAL BONDS – 2021

This Official Statement, including the cover page and appendices thereto, has been prepared by the Town and presents certain information in connection with the sale of \$22,280,000 Public Improvement Refunding Serial Bonds - 2021 (the "Bonds") by the Town. All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of the Town 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 acts and proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the Town's overall economic situation and outlook (and all of the specific Town-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See "MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE" and "IMPACTS OF COVID-19" herein.

THE BONDS

The Bonds will be dated February 16, 2021, and will mature on August 15, in each of the years 2021 to 2037, inclusive, in the principal amounts as set forth on the inside cover page hereof.

The Bonds shall be registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial Owners (as hereinafter defined) will not receive certificates representing their interest in the Bonds. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single bond certificate will be issued for each maturity of the Bonds. Principal of and interest on said Bonds will be paid in Federal Funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its Participants (as herein after defined) for subsequent distribution to the Beneficial Owners of the Bonds as described herein. Transfer of principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by Direct Participants (as hereinafter defined) to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. (See "*Description of Book-Entry System*" under "*THE BONDS*," herein).

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

The Town will act as Fiscal Agent for the Bonds. The Town's contact information is as follows: John A. Mastromarino, CPA, Town Comptroller, Town of Hempstead, 350 Front Street, Hempstead, NY 11550, telephone number (516) 489-5000 and email: johnmas@tohmail.org.

Authorization and Purpose of the Bonds

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law, and the Refunding Bond Resolution duly adopted by the Town Board on August 4, 2020 (the "Refunding Bond Resolution"), authorizing the refunding of all or a part of the Town's Public Improvement (Serial) Bonds, 2012 (the "2012 Bonds") collectively the "Refunded Bonds". The amounts expected to be refunded are set forth below:

Summary of Refunded Bonds*
(the "Refunded Bonds")

2012 Bonds					
Maturity Date	Par Amount	Interest Rate	Call Date	Call Price	CUSIP Numbers
08/15/2021	\$4,140,000	4.000%	03/18/2021	100.000	424672UA9
08/15/2022	4,210,000	2.000	03/18/2021	100.000	424672UB7
08/15/2023	4,290,000	2.125	03/18/2021	100.000	424672UC5
08/15/2024	4,375,000	2.250	03/18/2021	100.000	424672UD3
08/15/2025	4,470,000	2.250	03/18/2021	100.000	424672UE1
08/15/2026	55,000	2.500	03/18/2021	100.000	424672UF8
08/15/2027	55,000	2.500	03/18/2021	100.000	424672UG6
08/15/2028	55,000	2.625	03/18/2021	100.000	424672UH4
08/15/2029	55,000	3.000	03/18/2021	100.000	424672UJ0
08/15/2030	60,000	3.000	03/18/2021	100.000	424672UK7
08/15/2031	60,000	3.000	03/18/2021	100.000	424672UL5
08/15/2032	60,000	3.000	03/18/2021	100.000	424672UM3
08/15/2033	65,000	3.000	03/18/2021	100.000	424672UN1
08/15/2034	65,000	3.000	03/18/2021	100.000	424672UP6
08/15/2035	65,000	3.125	03/18/2021	100.000	424672UQ4
08/15/2036	70,000	3.125	03/18/2021	100.000	424672UR2
08/15/2037	70,000	3.250	03/18/2021	100.000	424672US0
Total:	\$22,220,000				

*Preliminary, subject to change.

The Refunding Bond Resolution authorizes the issuance of the Bonds to provide the funds necessary to effect the refunding of all or a portion of the Refunded Bonds.

For further information regarding bond authorizations of the Town for capital purposes and other matters relating thereto. (See "INDEBTEDNESS OF THE TOWN," herein.)

Optional Redemption for the Bonds

The Bonds maturing on or before August 15, 2028 will not be subject to redemption prior to maturity. The Bonds maturing on August 15, 2029 and thereafter will be subject to redemption prior to maturity, at the option of the Town, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after August 15, 2028, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption.

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

Refunding Financial Plan

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

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

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

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

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

Sources and Uses of Bond Proceeds

Sources:

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

Uses:

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

DESCRIPTION OF BOOK-ENTRY SYSTEM

DTC will act as Securities Depository for the Bonds. Such Bonds will be issued as fully registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of each series of the Bonds and deposited with DTC.

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

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

Redemption proceeds and 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 Town on the payable date, in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information contained in the above section concerning DTC and DTC’s book-entry system has been obtained from sample offering document language supplied by DTC, but the Town takes no responsibility for the accuracy thereof.

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

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

Certificated Bonds

Principal of and interest on Bonds that are registered in the name of the purchaser will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

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

NATURE OF OBLIGATION

Each Bond when duly issued and paid for will constitute a contract between the Town and the holder thereof.

The Bonds will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, the Town has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Town, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. (See "*Tax Levy Limit Law*", herein).

Under the Constitution of the State, the Town 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 Town to levy taxes on real estate therefor. However, Chapter 97 of the New York Laws of 2011, as amended (the "*Tax Levy Limit Law*"), imposes a limitation upon the Town's power to increase its annual tax levy. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations set forth in *Tax Levy Limit Law*, unless the Town complies with certain procedural requirements to permit the Town to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

The following description summarizes some of the risks associated with an investment in the Bonds and does not purport to be complete. The factors affecting the Town's financial condition described throughout this Official Statement are complex and are not intended to be summarized in any one section. This Official Statement should be read in its entirety.

The Town's credit rating and financial and economic conditions, as well as the market for the Bonds, could be affected by a variety of circumstances, some of which are beyond the Town's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Town property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Town's credit rating could adversely affect the market value of the Bonds.

If and when an owner of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Bonds. The market value of the Bonds is dependent upon the ability of holder to potentially incur a capital loss if such Bond is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere 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. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Town to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The Town is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The availability of such monies and the timeliness of such payment may be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. State aid appropriated and apportioned to the Town can be paid only if the State has such monies available therefore. Should the Town fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys, the Town is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Town will have market access for any such borrowing on a cost effective basis. (See also "State Aid" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Bonds, for income taxation purposes could have an adverse effect on the market value of the Bonds (see "Tax Matters" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Town, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Town, may affect the market price and/or marketability for the Bonds. (See "Tax Levy Limit Law" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Town, could impair the financial condition of such entities, including the Town, and the ability of such entities, including the Town, to pay debt service on the Bonds.

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

continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the Town. The Town is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See “*State Aid*” herein) (See “*Impacts of COVID-19*” herein).

REMEDIES UPON DEFAULT

Neither the Bonds, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds should the Town default in the payment of principal of or interest on the Bonds, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds upon the occurrence of any such default. Each Bond is a general obligation contract between the Town and the owners for which the faith and credit of the Town are pledged and while remedies for enforcement of payment are not expressly included in the Town’s contract with such owners, any permanent repeal by statute or constitutional amendment of a bond or note holder’s remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Bonds, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Town. The present statute limits interest on the amount adjudged due to contract 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. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Bonds from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Bond, the owner of such Bond could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Town to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Town subject to taxation by the Town, sufficient to pay the principal of and interest on the Bonds as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Bonds and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State’s highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Town, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Town.

Pursuant to Article VIII, Section 2 of the State Constitution, the Town is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

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

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of holders of bonds or notes, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

MUNICIPAL BANKRUPTCY

The undertakings of the Town should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Town could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Town after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the Town, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a financial control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Town in the future cannot be assured.

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

The above references to the Bankruptcy Act are not to be construed as an indication that the Town is currently considering or expects to resort to the provisions of the Bankruptcy Act.

Financial Control Boards

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the Counties of Nassau and Erie. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity by the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

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

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

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

Several municipalities in the State are presently working with the FRB. The Town has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

No Past Due Debt

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

THE TOWN

Description

The Town is situated in the southwest and south central portions of the County, and with a land mass of 127 square miles makes up approximately 41% of the County's total land area. The Town's boundaries are formed by The City of New York to the west, the Town of North Hempstead to the north, the Town of Oyster Bay to the east, and the City of Long Beach and the Atlantic Ocean to the south. The Town is the most populous town in the State, with a population of 766,993 in 2019, according to the U.S. Census Bureau. The Town accounts for approximately 57% of the total population of the County. There are 22 incorporated villages in the Town, including the villages of Valley Stream, Hempstead, Garden City, Freeport, Cedarhurst, Hewlett Harbor, Lynbrook, Malverne and Rockville Centre, and 33 unincorporated areas, such as: Levittown, East Meadow, Oceanside, Merrick, Baldwin, Uniondale, Wantagh and Elmont.

Form of Government

The Town was established in 1644 as a separate political entity vested with independent taxing and debt authority. The incorporated villages located within the Town have independent governments; however, the taxable real property within these villages is subject to taxation by the Town for town wide purposes. There are also 36 independent school districts within the Town which rely on their taxing powers granted by the State to raise revenues for school district purposes.

Subject to the provisions of the State Constitution, the Town operates pursuant to the Town Law, the Local Finance Law, other laws generally applicable to the Town, and any special laws applicable to the Town. Under such laws, there is no authority for the Town to have a charter but pursuant to the Constitution, the Town Law and other laws generally applicable to home rule, the Town may adopt local laws from time to time. Since January 1, 1966, the Town has enjoyed the status of a suburban town under applicable provisions of the Town Law, enabling it to function with a degree of autonomy not afforded first-class towns in the State.

The legislative power of the Town is vested in the Town Board, consisting of a Supervisor who is elected for a two-year term and six councilmembers who are elected for four-year terms. Elections are held on a staggered basis with three councilmembers running every two years. Councilmembers are elected in accordance with the ward system – 6 wards, one councilperson per ward. There is no limitation as to the number of terms which may be served by a Town Board member.

The Supervisor is the chief executive officer and chief fiscal officer of the Town. The Town Clerk serves as custodian of the Town's legal documents and papers, maintains the minutes of proceedings of the Town Board and is responsible for the publication and filing of all official notices. According to the Town Law, the Town Clerk is elected to serve a two-year term. The number of terms that the Town Clerk may serve is not limited. The Receiver of Taxes, unless otherwise provided by law, has the duty to receive and collect all State, County, Town and school district property taxes and all assessments that may be levied in the Town. A four-year elected term for the Receiver of Taxes is prescribed by law and the number of terms is unlimited. The Town Board appoints the Town Comptroller, the Town Attorney, the Town Highway Superintendent and the heads of various Town departments.

At the regularly scheduled election in November of 2019, Donald X. Clavin, Jr. was elected as Town Supervisor.

Services

The Town is responsible for providing most of the government services to its residents. Education is the responsibility of the State and is provided by 36 independent public school districts operating within the Town. Recreation is provided by approximately 190 public parks and recreational facilities maintained by the Town while other recreational facilities are maintained by the County and various incorporated villages. The Town also maintains inland waterways and marinas and is responsible for the preservation of over 17,000 acres of Atlantic Ocean wetlands.

The construction and maintenance of Town highways is also a Town function; parking facilities are provided by Town public parking areas and 15 public parking districts. Other services performed on the Town level include: building inspection and zoning administration. The County provides police service in the unincorporated areas of the Town. Villages in the Town contract for police service with the County, except for the villages of Rockville Centre, Lynbrook, Garden City, Malverne and Freeport, which maintain their own police departments. Fire protection is provided by 29 fire districts and various village fire departments.

Employees

The Town employs approximately 1,800 full-time employees in 30 separate departments or offices. The following chart provides certain information concerning the collective bargaining unit representing full time Town employees.

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
Local 880 of the Civil Service Employees Association, Inc.	12/31/2021	1,731

Transportation

The Town is served by all major forms of transportation. East-west highway access is provided by the Southern State Parkway, the Northern State Parkway and the Long Island Expressway, connecting New York City and Eastern Long Island. The Town is also served by a system of 1,600 miles of interconnecting Town roads. Mass transportation is provided by the Long Island Railroad (operated by the Metropolitan Transportation Authority) with one main and five branch commuter train lines and one freight-only line. The MTA LI Bus serves the County and the Town. Several waterways within the Town serve oil storage facilities on the Long Island south shore. Air transportation is provided by nearby John F. Kennedy International Airport, LaGuardia Airport and the Long Island-MacArthur Airport.

Utilities

Prior to May 1998, LILCO, a state regulated and investor-owned utility corporation, provided all of the gas service and most of the electrical service in the Town. In May 1998, LILCO's electrical transmission and distribution system and its 18% share of Nine Mile Point 2 nuclear generating facilities were transferred to a subsidiary of Long Island Power Authority ("LIPA"), a New York State public benefit corporation; LILCO's other electrical generating plants and its natural gas service were transferred to a new company, Keyspan Energy Corp., created by a merger between LILCO and Keyspan Energy Corporation. In 2007, National Grid acquired Keyspan Energy Corp.

National Grid now owns and operates LILCO's electric power plants and manages the electric transmission and distribution system pursuant to contracts with LIPA. Customer billing and customer service is handled by National Grid. National Grid also owns LILCO's gas lines and sells gas to former LILCO customers.

As of January 1, 2014, Public Service Enterprise Group, Inc. ("PSEG") has taken over maintenance and service of the LIPA's electric grid. PSEG Long Island is a subsidiary of the PSEG, a New Jersey-based gas and electric utility which was founded in the early 20th century. PSEG Long Island had signed a 10-year contract in December of 2011 to manage LIPA's system at the conclusion of a two-year transition period.

LILCO had been the Town's largest real property taxpayer. The LIPA Act requires LIPA to make payments in lieu of taxes ("PILOTs") to municipalities and school districts equal to the property taxes that would have been received by each jurisdiction from LILCO if the acquisition by LIPA had not occurred, and to make PILOTs for certain New York State and local taxes which would otherwise have been imposed on LILCO.

Phone service is supplied by Verizon and AT&T Supplemental service is supplied by numerous private companies that supply phone systems, long distance service and cellular telephone service.

Water and Sewer

Water service for the unincorporated areas of the Town is provided through 6 Town-operated and 7 Commissioner operated water districts. Other areas of the Town receive water from the New York Water Service Corp., Water Authority of Western Nassau County and the Long Island Water Corporation. The villages of Rockville Centre, Freeport and Garden City operate their own water supply and distribution systems. Sewer service is provided by County sewer districts in the western part of the Town, except for the area known as West Long Beach, which is serviced by the West Long Beach Sewer District, a Town improvement district. Certain villages, including the villages of Freeport, Garden City and Rockville Centre, provide for their own collection of sewage and use the County system for treatment and disposal.

Resource Recovery Facility

The Town and the Town on behalf of the Town of Hempstead Refuse Disposal District (the "District") have entered into a service agreement (the "Covanta Service Agreement"), with an independent company, Covanta Hempstead Company (formerly American Ref-Fuel Company of Hempstead) (the "Company") that owns and operates a resource recovery facility (the "Facility") in the Town. The 25-year term of the Covanta Service Agreement commenced upon termination of the prior service agreement in August 2009. Under the Covanta Service Agreement, the Town has committed to deliver certain tonnages of municipal solid waste to the Company, which will use it to generate electricity at the Facility.

The Facility site is owned by the District and has been leased to the Hempstead Industrial Development Agency (the "IDA") and, in turn, sub-leased to the Company. The Facility was financed through the issuance of tax-exempt industrial development revenue bonds (the "IDBs") by the IDA and equity contributions from the Company. The IDBs were special limited obligations of the IDA payable from lease revenues of the IDA and such bonds did not constitute a general obligation of the Town or the IDA. The bonds were redeemed in 2009.

In conjunction with the Covanta Service Agreement, the Town, District, IDA and Company, as applicable, executed certain amendments to several agreements so that the respective term of each agreement corresponds with or extends beyond the anticipated term of the Covanta Service Agreement – *i.e.*, August 19, 2034. Those amended agreements include: (1) Second Amendment to District Site Lease between the Town on behalf of the District and the IDA; (2) Second Amendment to Site Lease Agreement between the IDA and the Company; (3) Third Amendment to Facility Lease Agreement between the IDA and the Company; and (4) Payment In Lieu Of Taxes Agreement between the IDA and the Company.

The Town may, under certain circumstances, terminate the new Covanta Service Agreement; however, if the Town terminates the Covanta Service Agreement because the cost to the Town of uncontrollable circumstances ("UCCs") under the Covanta Service Agreement exceeds a specified amount, the Town is obligated to make a termination payment corresponding to 25% of the Town's pro rata share (as defined in the Covanta Service Agreement) of the any outstanding indebtedness incurred by the Company to finance the cost of prior UCCs.

Under the Covanta Service Agreement, the Town has incurred certain contingent liabilities with respect to the resource recovery facility. The Town has obligated itself to pay service fees for the processing of a minimum of 420,000 tons (the "Annual Tonnage") of Town Waste (as defined in the Covanta Service Agreement) each year, whether or not such tonnage is actually delivered to the Facility. The Annual Tonnage is subject to adjustment in accordance with the terms of the Covanta Service Agreement. In the event the Annual Tonnage is not provided, the Town must pay service fees as if the Annual Tonnage had been delivered, although any shortfall payment obligation is subject to reduction through mitigation.

Delivery Obligations of the Town, Generally

Under the Covanta Service Agreement, the Town is obligated to deliver to the Facility Town Waste up to the Annual Tonnage. If the Town delivers less than the Annual Tonnage (whether or not Town Waste in such quantity exists) the Town shall nevertheless be required to pay the Service Fee with respect to the Annual Tonnage (subject to reduction of amounts due to the extent the shortfall is mitigated). Town Waste delivered to the Facility must qualify as Acceptable Waste, as that term is defined in the Covanta Service Agreement. Under the Covanta Service Agreement at least 95% of the Acceptable Waste delivered by the Town to the Facility must originate in the Town of Hempstead, and all Acceptable Waste delivered by the Town must originate in Nassau County or Suffolk County.

The District

Pursuant to the provisions of the Town Law of the State, the Town has established the District for purposes of providing refuse disposal services, including recycling services, within the District. The District is a special improvement district of the Town and as such constitutes an administrative unit of the Town for budgeting and accounting purposes. The Town Board of the Town controls the budget, operations and finances of the District. The Town Board enters into all contracts on behalf of the District.

District Finances and Operations

The District includes all real property in the Town except that which is located within the Villages of Atlantic Beach, Bellerose, East Rockaway, Floral Park, Freeport, Garden City, Island Park, Lynbrook, Malverne, Rockville Centre, Stewart Manor and Valley Stream and in Town of Hempstead Sanitary District No.1 ("Sanitary District No.1").

The District's operations, which do not include waste collection, are financed through the levy of an ad valorem assessment on all real property located within the District, the collection of revenues derived from fees and charges collected from non-residents and commercial collection firms which make use of the District's services, from the Inter-Municipal Agreements ("Inter-Municipal Agreements", or, "IMA's") between the Town and the District and certain municipalities including the Village of Island Park, the Village of Stewart Manor, and the Village of Floral Park (collectively the "Participating Municipal Corporations"), and from the sale of recyclable materials. The City of Long Beach also currently has an IMA with the Town that expired on December 31, 2019.

Under the IMAs, each Participating Municipal Corporation is required to deliver a minimum tonnage of solid waste generated within its boundaries to either one of two Town-operated transfer stations or directly to the Facility, and to pay a fee to the Town for this service based on the amount of solid waste delivered subject to minimum delivery requirements. These IMAs for the Participating Municipal Corporations have different terms ranging from 5 to 25 years.

In addition to the Covanta Service Agreement, and the IMAs, the Town Board, on behalf of the District, enters into contracts, from time to time, with other entities for the acceptance of waste and for the marketing and disposal of recyclable materials.

District expenditures are made in accordance with an annual budget, adopted by the Town Board as part of the Town's regular budget process. The Town does not subsidize the District pursuant to an agreement or otherwise.

Limitations on the Control of Solid Waste

The Town has enacted an ordinance directing that all solid waste (including privately collected commercial waste) originating within its boundaries be delivered to the Town. However, in 1994, in *C&A Carbone v. Town of Clarkstown* ("*Carbone*"), the United States Supreme Court issued an opinion that had been interpreted as treating laws and ordinances directing the flow of solid waste of the type described above as being impermissible violations of the commerce clause of the United States Constitution, and consequently as being invalid. Accordingly, the Town's enforcement of its waste flow control ordinance has been limited and, as a result, only a small portion of commercial waste generated in the Town is delivered to Town waste collection facilities. Most commercial waste generated within the Town is collected by private haulers under private arrangements with commercial waste generators.

In April of 2007, in *United Haulers v. Oneida-Herkimer Solid Waste Management Authority* ("*United Haulers*"), the United States Supreme Court clarified its decision in *Carbone* and distinguished the flow control ordinance in *Carbone* which directed that all non-hazardous solid waste within a town be deposited at a transfer facility run by a private contractor from the flow control ordinance in *United Haulers* which directed that all solid waste generated within a two county area be deposited at a public processing facility operated by a public authority. In *United Haulers*, the Supreme Court determined that the flow control ordinance in *United Haulers* benefited a clearly public facility, while treating all private companies exactly the same. The Supreme Court reasoned that such a flow control ordinance does not discriminate against interstate commerce and does not violate the commerce clause of the United States Constitution.

Although the Town's flow control ordinance has not been tested by the courts, it would appear that the *United Haulers* decision provides municipalities including the Town with greater latitude to regulate the flow of all solid waste to municipally run processing facilities. In addition, the *United Hauler's* decision appears to limit the scope of *Carbone* and resultant violations of the commerce clause to flow control ordinances which direct the delivery of solid waste to privately run facilities.

Village Minimum Commitments

The Participating Municipal Corporations have agreed under the IMAs to deliver specified minimum commitments each year. The minimum commitments in the aggregate are 11,850 tons per year.

<u>Participant</u>	<u>Annual Tonnage Commitment</u>
Village of Floral Park	7,000 Tons
Village of Island Park	3,400 Tons
Village of Stewart Manor	1,450 Tons

DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the Town, the County, the State and the United States.

Population Statistics

Since 2000, the Town has had a population trend, as compared to the County and the State, as indicated below:

	<u>Population Trend</u>		
	<u>2000</u>	<u>2010</u>	<u>2019^a</u>
Town of Hempstead	755,924	769,040	766,993
County of Nassau	1,334,544	1,339,532	1,356,924
State of New York	18,976,457	19,378,102	19,453,561

^aSource: U.S. Bureau of the Census.

Income Data

	Per Capita Money Income		
	<u>2000</u>	<u>2010</u>	<u>2019^a</u>
Town of Hempstead	\$28,153	\$36,416	\$46,460
County of Nassau	32,151	39,935	53,405
State of New York	23,389	30,011	41,857

	Median Household Income		
	<u>2000</u>	<u>2010</u>	<u>2019^a</u>
Town of Hempstead	\$76,518	\$89,722	\$110,902
County of Nassau	80,293	93,613	118,453
State of New York	49,480	55,603	72,108

Source: United States Bureau of the Census.

a. Based on American Community Survey 5-Year Estimates (2015-2019).

Median Housing Values and Rents

	<u>% Constructed 200-2010</u>	Median Owner Occupied <u>Units</u>	Median Rents Renter Occupied <u>Units</u>	<u>Owner Occupied</u>	<u>Renter Occupied</u>	<u>Vacant (a)</u>
		Town of Hempstead	2.5%	\$ 427,500	\$ 1,356	76.8%
County of Nassau	3.2	463,200	1,429	75.9	17.9	5.4
State of New York	6.7	296,500	1,020	48.2	39.3	11.2

Summary of Building Activity (Number of Building Permits Issued)

The charts below represents the level of residential and commercial building permit activity for the ten most recently completed fiscal years. The figures include both new construction as well as additions, alterations and repairs.

Residential Building Permit Activity in the Town – 2010-2019

<u>Year</u>	New Construction		Additions Alterations And Repairs		Other		Totals	
	<u>No. of Permits</u>	<u>\$ Value</u>	<u>No. of Permits</u>	<u>\$ Value</u>	<u>No. of Permits</u>	<u>\$ Value</u>	<u>No. of Permits</u>	<u>\$ Value</u>
2010	286	24,359,300	2,562	84,242,901	195	926,542	3,043	109,528,743
2011	265	58,816,100	2,742	82,400,882	1,742	8,061,648	4,749	149,278,630
2012	224	37,292,000	4,773	89,148,869	4,477	2,529,995	9,474	128,970,864
2013	245	57,904,235	5,364	103,653,122	8,617	2,991,091	14,226	164,548,448
2014	197	52,874,890	4,147	102,899,585	8,851	12,799,832	13,195	168,574,307
2015	197	55,130,820	5,545	141,923,942	7,302	8,567,818	13,044	205,622,580
2016	159	38,768,120	5,456	190,239,775	7,765	14,138,662	13,380	243,147,257
2017	528	118,114,102	4,955	473,964,020	9,169	17,782,102	14,652	609,860,224
2018	474	87,553,593	4,629	190,601,889	9,271	16,141,823	14,374	294,297,305
2019	407	68,263,954	4,645	313,800,571	9,126	22,897,791	14,178	404,962,316

Source: Town Officials

Industrial and Commercial Building Permit Activity in the Town – 2010-2019

Year	New Construction		Additions Alterations And Repairs		Other		Totals	
	No. of Permits	\$ Value	No. of Permits	\$ Value	No. of Permits	\$ Value	No. of Permits	\$ Value
2010	8	3,720,300	562	51,466,222	6,462	15,027,143	7,032	70,213,665
2011	18	39,213,501	591	80,996,173	5,241	3,173,014	5,850	123,382,688
2012	38	21,957,600	733	107,441,402	1,142	293,108	1,913	129,692,110
2013	9	12,772,300	885	191,607,258	582	2,624,410	1,476	207,003,968
2014	8	1,868,300	635	143,492,800	716	1,584,517	1,359	146,945,617
2015	13	7,042,000	779	235,612,906	1,878	4,890,512	2,670	247,545,418
2016	14	6,036,961	751	883,601,321	846	3,078,086	1,611	892,716,368
2017	31	272,891,628	619	83,127,282	799	4,401,572	1,449	360,420,482
2018	29	36,094,085	659	108,105,364	822	2,550,523	1,510	146,749,972
2019	26	71,465,550	591	99,346,297	712	72,437,956	1,329	243,249,803

Source: Town Officials

Employment and Unemployment

The following section presents various employment statistics including job types, unemployment rates and major employers.

Major Non-Government Employers Located in Nassau County

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
Verizon Communications	Telecommunications	5,600
Hofstra University	Higher Education	5,545
Nassau Health Care Corp. (NuHealth)	Hospital, Nursing Home	4,110
All Metro Health Care	Home Health Care	4,000
BOCES - Nassau	Education	3,900
South Nassau Communities Hospital	Hospital	3,000
Nassau Community College	Higher Education	2,036
Citi	Commercial Bank	2,000
Adelphi University	Higher Education	1,863
Summit Security Services	Security and Investigations	1,827

Source: Nassau County Planning Dept.; Long Island Business News.

Employment by Job Classifications

	Town		County		State	
	<u>2000</u>	<u>2010</u>	<u>2000</u>	<u>2010</u>	<u>2000</u>	<u>2010</u>
Professional, Managers & Administration	42.4%	40.3%	41.1%	44.2%	36.7%	38.5%
Sales and Clerical	30.4	26.4	30.4	25.9	29.6	24.4
Production and Operatives	6.8	8.1	7.8	7.0	11.7	9.7
Service	14.5	17.8	13.7	16.1	16.6	19.9
Laborers & Others	6.0	7.5	7.1	6.8	7.9	7.5

Civilian Labor Forces

The chart below represents the total civilian employed population aged 16 and over.

	Civilian Labor Force		
	<u>2012</u>	<u>2014</u>	<u>2019</u>
Town of Hempstead	372,255	372,671	409,651
County of Nassau	652,807	656,239	722,396
State of New York	9,073,209	9,137,449	10,056,194

Unemployment Rate Statistics

Unemployment statistics are available for the Town as set forth below. The information set forth below with respect to the County and the State is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the Town is necessarily representative of the County or the State or vice versa.

<u>Annual Averages:</u>	<u>Town of Hempstead (%)</u>	<u>Nassau County (%)</u>	<u>New York State (%)</u>
2015	4.5	4.3	5.3
2016	4.0	3.9	4.9
2017	4.2	4.0	4.6
2018	3.7	3.5	4.1
2019	3.6	3.4	4.0
2020 (9 Month Average)	9.6	9.2	10.5

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE TOWN

Constitutional Requirements

The New York State Constitution limits the power of the Town (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the Town and the Bonds.

Purpose and Pledge. The Town 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 Town may contract indebtedness only for a Town 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 in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, 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 objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Town has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Town 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 Town is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Town so as to prevent abuses in the exercise of such powers; however, as has been noted under "*Security and Source of Payment*", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Town's power to increase its annual tax levy, unless the Town complies with certain procedural requirements to permit the Town to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

Statutory Procedure

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

Pursuant to the Local Finance Law, the Town authorizes the incurrence of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Board of Trustees, except in the event that the Town determines to subject the bond resolution to voter approval by mandatory referendum, in which case only a three-fifths vote is required.

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 Town has complied with such procedure for the bond resolutions authorizing the issuance of the Bonds.

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

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, 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 Town Board may delegate, and has delegated, power to issue and sell bonds and notes, to the Town Supervisor, the chief fiscal officer of the Town.

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

Debt Limit. The Town has the power to contract indebtedness for any Town purpose so long as the aggregate outstanding principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the New York State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the Town to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

The following pages set forth certain details with respect to the indebtedness of the Town.

Computation of Debt Limit and Calculation of Net Debt Contracting Margin^a
(As of January 20, 2021)

Fiscal Year Ending <u>December 31:</u>	Assessed <u>Valuation</u>	State Equalization <u>Rate (%)</u>	<u>Full Valuation</u>
2016	284,555,400	0.28	\$101,626,928,571
2017	260,729,091	0.26	100,280,419,615
2018	253,423,781	0.24	105,593,242,083
2019	253,660,422	0.22	115,300,191,818
2020	247,067,608	0.22	<u>112,303,458,182</u>
Total Five Year Full Valuation			<u>535,104,240,270</u>
Average Five Year Full Valuation			<u>107,020,848,054</u>
Debt Limit - 7% of Average Full Valuation			<u>\$7,491,459,364</u>
Inclusions:			
Outstanding Bonds:			
General Purposes			335,787,631
Water Purposes			36,273,085
Sewer Purposes			<u>1,689,284</u>
Sub-Total			<u>373,750,000</u>
Bond Anticipation Notes			<u>42,107,700</u>
Total Inclusions			<u>415,857,700</u>
Exclusions:			
Water Debt (Outstanding Bonds)			36,273,085
Water Debt (Outstanding BANs)			8,837,700
Appropriations			<u>40,190,000</u>
Total Exclusions			85,300,785
Total Net Indebtedness			<u>330,556,915</u>
Net Debt Contracting Margin			<u><u>\$7,160,902,449</u></u>
Percent of Debt Limit Exhausted			4.4125%

Bond Anticipation Notes

As of the date of this Official Statement, the Town has outstanding bond anticipation notes in the amount of \$42,107,000 maturing on December 15, 2021.

Tax and Revenue Anticipation Notes

The Town has not issued tax or revenue anticipation notes in the past five years, nor does it expect to issue such notes in the foreseeable future.

Calculation of Estimated Overlapping and Underlying Indebtedness

The real property taxpayers of the Town are responsible for a proportionate share of outstanding debt obligations of the County and various school districts and fire districts situated in the Town. Such taxpayers' share of this overlapping debt is based upon the amount of the Town's equalized property values taken as a percentage of each separate units' total values. The following table presents the amount of overlapping debt and the Town's taxpayers' share of this debt as of the dates indicated; authorized but unissued debt has not been included.

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Nassau	07/29/2020	44.85	\$1,597,798,742	\$1,359,015,548
Villages	05/31/2019	Var	367,955,657	367,955,657
School Districts	06/30/2019	Var	781,029,159	293,580,686
Fire Districts	12/31/2019	Var	7,275,784	7,275,784
Library Districts:	12/31/2019	Var	28,634	28,634
Water Districts	07/09/2020	Var	16,623,701	16,623,701
Totals			\$2,770,711,677	\$2,044,480,010

a. Applicable net indebtedness includes reimbursement by the State to the school districts for building improvements.

Trend of Town Indebtedness

The following table represents the outstanding indebtedness of the Town at the end of the last five preceding fiscal years.

	<u>Fiscal Year Ending December 31:</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Outstanding End of Year:					
Bonds	\$298,450,000	\$333,080,000	\$423,456,774	\$423,692,182	\$377,880,000
Budget Notes	30,400,000				
Capital Leases	14,757,947	13,177,647	12,831,286	10,775,095	9,407,230
BANs	24,803,403				42,107,700
Totals:	\$368,411,350	\$346,257,647	\$436,288,060	\$434,467,277	\$429,394,930

Debt Ratios (As of January 20, 2021)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value (%)^b</u>
Total Direct Debt	\$ 415,857,700	\$ 542	0.37
Net Direct Debt	330,556,915	431	0.29
Total Direct & Applicable Total Overlapping Debt	3,186,569,377	4,155	2.84
Net Direct & Applicable Net Overlapping Debt	2,375,036,925	3,097	2.11

a. The current estimated population of the Town is 766,993 (2019).

b. The full valuation of taxable real property in the Town for 2019-20 is \$112,303,458,182.

Debt Service Requirements – Outstanding Bonds^a

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$44,320,000	\$14,223,719	\$58,543,719
2022	42,610,000	12,321,419	54,931,419
2023	44,330,000	10,594,444	54,924,444
2024	39,375,000	8,968,238	48,343,238
2025	40,970,000	7,420,125	48,390,125
2026	38,120,000	5,765,525	43,885,525
2027	34,905,000	4,170,025	39,075,025
2028	32,675,000	2,740,163	35,415,163
2029	17,940,000	1,728,144	19,668,144
2030	18,570,000	1,102,194	19,672,194
2031	10,735,000	659,469	11,394,469
2032	5,490,000	379,494	5,869,494
2033	1,250,000	252,169	1,502,169
2034	1,285,000	212,353	1,497,353
2035	1,325,000	171,269	1,496,269
2036	1,310,000	129,263	1,439,263
2037	1,345,000	86,775	1,431,775
2038	1,325,000	43,063	1,368,063
Totals	\$377,880,000	\$70,967,847	\$448,847,847

a. Does not reflect payments made to date and \$9,407,230 in outstanding capital lease payments.

Capital Lease Payments

During the 2015 and 2016 fiscal years the Town entered into lease agreements for the financing of the acquisition of street lighting equipment. The chart below represents the annual and total debt service requirements until maturity on such lease agreements. A significant portion of the debt service is expected to be offset by savings in utility costs.

Fiscal Year <u>Ending December 31:</u>	<u>Total Debt Service</u>
2021	\$2,459,498.43
2022	2,449,804.41
2023	2,252,598.99
2024	2,062,664.30
2025	88,412.32
2026	94,251.88
Totals	\$9,407,230

Capital Project Plans

The Town is responsible for providing numerous services to its residents. Major Town functions include highway maintenance, zoning administration, building inspection and the operation of a Town Cemetery. Recreation is provided by 190 public parks and recreational facilities maintained by the Town. The Town maintains inland waterways and marinas and maintains/preserves 17,000 acres of Atlantic Ocean wetlands. The Town also operates 15 senior citizens centers and 60 clubs. Special districts within the Town provide services for street lighting, fire protection, parks, refuse disposal, garbage collection, public parking, water distribution and library funding.

Component Units

The Town is financially accountable for its legally separate nonmajor component units. These organizations include seven separate legal entities: Lakeview Public Library, Roosevelt Public Library, Uniondale Public Library, Cathedral Gardens Water District, Franklin Square Water District, West Hempstead-Hempstead Gardens Water District, Greater Atlantic Beach Water District Reclamation District. These entities are reported separately in the government-wide statements found in the Town's audited financial statements. Complete financial statements of the individual component units may be obtained from the respective administrative offices.

Each such component unit is governed by an independently elected Board. The respective Boards are responsible for adopting the annual budgets and tax rates, subject to approval by the Town Board. The Districts cannot issue bonds. The Town issues debt on behalf of the Districts and the Districts are responsible for the annual debt service on the obligations; however the Town faith and credit is also pledged for the payment of such bonds. As of December 31, 2019, there are \$21,243,267 in outstanding bonds for the component units.

Authorized but Unissued Debt

As of January 13, 2021, the Town has authorized but unissued debt in the amount of \$235,583,832 as follows: \$37,679,526 general purposes, \$80,650,922 highway purposes, \$132,456,966 special districts, \$16,401,418 for separation pay and \$300,000 for litigation settlements.

DISCUSSION OF FINANCIAL MATTERS

Impacts of COVID-19

The Town has been monitoring the economic impact of the COVID-19 pandemic very closely and has taken several precautionary measures to reduce expenditure budgets for both the Operating and Capital funds for fiscal year 2021. Non-Property Tax Revenues have been negatively impacted due to the unprecedented nationwide shut down, pause on business operations, and closure of the Courts; however, the full year impact is still difficult to project at this time. A goal was established to reduce spending in line with identified potential revenue shortfalls to budget. The Town has received \$ 133,832,096 in Federal Cares Act Funding that is being used for Food Banks, distribution of PPP Kits, Antibody Testing, and Facility Upgrades to ensure employee and public safety while at Town facilities.

Several Town initiatives have been implemented over the past few months in the Operating Funds that reduced the 2020 Operating Budget for both Employee Costs and Contractual spending, resulting in total Town Board adopted Operating budget reductions across all Tax Districts.

The Town has not experienced any significant expenditure increases related to the management of the COVID-19 pandemic due to the stimulus funds received and is exploring other significant expenditure offsets. The Town will continue to monitor closely the 2021 economic environment and the global COVID-19 pandemic situation, and take the proactive measures as required to ensure the strong financial condition of the Town.

Budgetary Procedure

The Town Comptroller is the Town's budget officer and is required by law to file a tentative budget with the Town Clerk on or before September 30 of each year. The tentative budget is submitted to the Town Board not later than October 5 of the same year, and following review and modification, a preliminary budget hearing is held. At this hearing, members of the public may express opinions which the Town Board may take under advisement. Approval of the budget is not subject to a vote of the electorate and the Town Board may make changes following the hearing process. The Town Board is required to adopt the final annual budget by November 20 of the same year, and a copy of the Town's annual budget is then submitted to the County Legislature who levies the amount of taxes and assessments specified in the budget. From time to time, the Town Board may make changes or modifications in the amount of annual appropriations, subject to applicable legal restrictions.

Summaries of Adopted Budgets for the 2020 and 2021 fiscal years are presented in Appendix A. The adopted budgets for the fiscal years ending December 31, 2020 and December 31, 2021 estimate total appropriations of \$436.8 million and \$453.5 million respectively for all operating funds of the Town.

Investment Policy

Pursuant to Section 39 of the State's General Municipal Law, the Town has an investment policy applicable to the investment of all moneys and financial resources of the Town. The responsibility for the investment program has been delegated by the Town Supervisor to the Town Comptroller who was required to establish written operating procedures consistent with the Town's investment policy guidelines. According to the investment policy of the Town, all investments must conform to the applicable requirements of law and provide for: the safety of the principal; sufficient liquidity; and a reasonable rate of return.

Authorized Investments

The Town has designated several banks or trust companies located and authorized to conduct business in the State to receive deposits of money. The Town is permitted to invest in special time deposits or certificates of deposit.

In addition to bank deposits, the Town is permitted to invest moneys in direct obligations of the United States of America, obligations guaranteed by agencies of the United States where the payment of principal and interest are further guaranteed by the United States of America and obligations of the State. Other eligible investments for the Town include: revenue and tax anticipation notes issued by any municipality, school, Town or Town corporation other than the Town (investment subject to approval of the State Comptroller); obligations of certain public authorities or agencies; obligations issued pursuant to Section 109(b) of the General Municipal Law (certificates of participation) and certain obligations of the Town but only with respect to moneys of a reserve fund established pursuant to Section 6 of the General Municipal Law. The Town may also utilize repurchase agreements to the extent such agreements are based upon direct or guaranteed obligations of the United States of America. Repurchase agreements are subject to the following restrictions, among others: all repurchase agreements are subject to a master repurchase agreement; trading partners are limited to banks or trust companies authorized to conduct business in the State or primary reporting dealers as designated by the Federal Reserve Bank of New York; securities may not be substituted; and the custodian for the repurchase security must be a party other than the trading partner. All purchased obligations, unless registered or inscribed in the name of the Town, must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to conduct business in the State.

Collateral Requirements

All Town deposits in excess of the applicable insurance coverage provided by the Federal Deposit Insurance Act must be secured in accordance with the provisions of and subject to the limitations of Section 10 of the General Municipal Law of the State. Such collateral must consist of the "eligible securities" "eligible surety bonds," or "eligible letters of credit" as described in the law.

Eligible securities pledged to secure deposits must be held by the depository or third party bank or trust company pursuant to written security and custodial agreements. The Town's security agreements provide that the aggregate market value of pledged securities must equal or exceed the principal amount on deposit, the agreed upon interest, if any, and any costs or expenses arising from the collection of such deposits in the event of a default. Securities not registered or inscribed in the name of the Town must be delivered, in a form suitable for transfer or with an assignment in blank, to the Town or its designated custodial bank. The custodial agreements used by the Town provide that pledged securities must be kept separate and apart from the general assets of the custodian and will not, under any circumstances, be commingled with or become part of the backing for any other deposit or liability. The custodial agreement must also provide that the custodian shall confirm the receipt, substitution or release of the collateral, the frequency of revaluation of eligible securities and the substitution of collateral when a change in the rating of a security may cause ineligibility.

An eligible irrevocable letter of credit may be issued, in favor of the Town, by a qualified bank other than the depository bank. Such letters may have a term not to exceed 90 days and must have an aggregate value equal to 140% of the deposit obligations and the agreed upon interest. Qualified banks include those with commercial paper or other unsecured or short-term debt ratings within one of the three highest categories assigned by at least one nationally recognized statistical rating organization or a bank that is in compliance with applicable Federal minimum risk-based capital requirements.

An eligible surety bond must be underwritten by an insurance company authorized to do business in the State which has claims paying ability rated in the highest rating category for claims paying ability by at least two nationally recognized statistical rating organizations. The surety bond must be payable to the Town in an amount equal to 100% of the aggregate deposits and the agreed interest thereon.

Independent Audits

The financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller (“OSC”) to ascertain whether the Town has complied with the requirements of various state and federal statutes. The financial statements of the Town are audited each year by an independent public accountant. The last such audit covers the fiscal year ended December 31, 2019. Additionally, the Town prepares an Annual Financial Report Update Document (“AUD”) which is filed with the OSC on or before June 30 each year. The audited Financial Statement for fiscal year ending 2019 is attached as Appendix B.

Fund Structure and Accounts

The Town utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Town maintains the following major funds: General Fund, Highway, Parks, Refuse and Garbage, Water, Debt Service and Capital Projects Funds. The Town-Wide General Fund is the operating fund of the Town and accounts for general tax revenues, miscellaneous receipts not allocated by law or contractual agreement to other funds, general operating expenses, and fixed charges. The Town has a fiduciary obligation for its legally separate component units.

Basis of Accounting

The Town maintains its records and reports on the modified accrual basis of accounting for recording transactions in its Governmental Funds. Under this method, (1) revenues are recorded when received in cash except for revenues which are material and susceptible to accrual (measurable and available to finance the year’s operations) which are recorded when earned, and (2) expenditures, other than retirement plan contributions, vacation and sick pay and accrued interest on bond anticipation notes and general long-term debt, are recorded at the time liabilities are incurred.

Accounting Software

The Town is in the process of upgrading its accounting software to an Enterprise Resource Planning (“ERP”) system. The ERP system is designed to create a centralized and secure repository to help the Town integrate accounting, procurement, project management and other day to day activities. However, the Town continues to update and revise the configuration to enhance performance. The Town does not expect there to be any disruption to the production of the financial statements as a result of the upgrade.

Certain Information Obtained From Financial Statements

Summary financial statements for the General Fund, Highway Fund, Parks Fund, Reuse and Garbage Fund and Non-Major Funds for the five fiscal years ended December 31, 2015 through December 31, 2019 are presented in Appendix A hereto. Such statements were compiled from the audited financial statements of the Town for the 2015 through 2019 fiscal years. The presentation of these statements has not been audited. The summary statements found in Appendix A are not considered audited under generally accepted accounting principles in that the notes to the statements and the auditors' report thereon have been omitted.

Revenues

The Town receives most of its revenues from real property taxes and assessments, State Aid, non-property taxes, departmental income, and various interfund revenues. A summary of such revenues for the 2015 through 2019 fiscal years may be found in Appendix A hereto.

Real Property Taxes

The Town receives a significant portion of its General Fund revenues from real property taxes and assessments. See “*REAL PROPERTY TAX INFORMATION*” herein.

State Aid

If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid. Additionally, 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 Town, in this year or future years, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

The State is not constitutionally obligated to maintain or continue State aid to the Town. No assurance can be given that present State aid levels will be maintained in the future. Currently, due to the outbreak of COVID-19, the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will experience budgetary restrictions which will require certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or the delay, elimination or substantial reduction in payments to municipalities, school districts or other recipients of State aid in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "*Impacts of COVID-19*" herein.)

The State's 2020-2021 Adopted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically.

On April 25, 2020 the New York State Division of the Budget (the "DOB") announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the "Financial Plan"), projected a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. On August 13, 2020, the DOB issued its first quarterly update to the Financial Plan (the "Updated Financial Plan") which noted that the DOB began withholding 20% of most local aid payments in June due to the absence of Federal action. Depending on the size and timing of any new Federal aid, all or a portion of such withheld funds may become permanent reductions. The Updated Financial Plan includes \$8.2 billion in recurring local aid reductions and that, in the absence of unrestricted Federal aid, the DOB will continue to withhold a range of payments through the second quarter of the State's 2021 fiscal year. On October 30, 2020, the DOB issued its midyear update to the Financial Plan (the "Midyear Update") which projects a \$14.9 billion General Fund revenue decline and a 15.3% All Funds tax receipts decline from the State 2020-21 Budget forecast released in February, creating a total loss of nearly \$63 billion through FY 2024 as a direct consequence of the COVID-19 pandemic. In the absence of Federal funding to offset this revenue loss, the Midyear Update shows the State reduced spending through September by \$4.3 billion compared to FY 2020 spending over the same period by freezing hiring, new contracts and pay raises, and temporarily holding back 20% of most payments, including payments to municipalities and school districts.

As a result, in the absence of Federal assistance, budget control actions are expected to significantly reduce State spending in several areas, including "aid-to-localities," a broad spending category that includes funding for health care, municipalities, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State.

In addition, the availability of State aid and the timeliness of payment of State aid to municipalities and school districts could be affected by a delay in the adoption of the State budget. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 pandemic.

Should the Town fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the Town is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

The following table sets forth the percentage of the Town’s General Fund revenue comprised of State aid and Federal aid for each of the fiscal years 2010 through 2019 inclusive and budgeted for 2020 and 2021.

<u>Fiscal Year Ended</u> <u>December 31:</u>	<u>Total General</u> <u>Fund Revenue</u>	<u>State Aid</u>	<u>State Aid to</u> <u>Revenues (%)</u>
2010	\$120,056,266	\$17,957,228	14.96
2011	125,494,675	16,774,713	13.37
2012	136,405,762	19,595,240	14.37
2013	146,281,424	21,673,729	14.82
2014	153,578,485	18,706,784	12.18
2015	170,388,271	22,468,136	13.19
2016	186,139,073	26,335,791	14.15
2017	173,627,131	26,532,821	15.28
2018	175,927,407	26,730,417	15.19
2019	175,213,004	24,964,339	14.25
2020 (Budgeted)	174,852,287	29,389,731	16.81
2021 (Budgeted)	178,932,907	28,549,000	15.96

The State Comptroller’s Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State’s municipalities and school districts are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State’s school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district’s ST-3 report filed with the State Education Department annually, and each municipality’s annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in “significant fiscal stress”, in “moderate fiscal stress,” as “susceptible to fiscal stress” or “no designation”. Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of “no designation.” This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity’s financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the Town as “No Designation”. (Fiscal Score: 20.4%; Environmental Score: 13.3%).

See the State Comptroller’s official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

In addition, the Office of the State Comptroller helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on June 7, 2017. The purpose of the audit was to assess the Board's oversight of the Sanitary District #14 financial operations for the period January 1, 2015 – September 30, 2016. The complete report may be found on the State Comptroller's official website. Reference to this website implies no warranty of accuracy of information therein.

Employee Pension System

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS"). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for "Tier 6" employees, as discussed below, whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 and before January 1, 2010 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. On December 10, 2009, then Governor Paterson signed into law the creation of a new Tier 5, which is effective for new ERS employees hired on or after January 1, 2010. New ERS employees in Tier 5 contribute 3% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service.

Pension reform legislation changed the billing cycle for employer contributions to the ERS retirement system to match budget cycles of the Town. Under the previous method, the Town was not provided with required payment until after the budget was implemented. Under the reforms implemented, the employer contribution for a given fiscal year is based on the value of the pension fund on the prior April 1, instead of the following April 1. As a result, the Town is notified of and can include the actual cost of the employer contribution in its budget. Legislation also required a minimum payment of 4.5% of payroll each year, including years in which investment performance of the fund would make a lower employer contribution possible.

In addition, the pension payment date for all local governments was changed from December 15 to February 1 and permits the legislative body of a municipality to establish a retirement contribution reserve fund for the purpose of financing retirement contributions in the future. The New York State Retirement System has advised the Town that municipalities can elect to make employer contribution payments in the December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discount amount.

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

Due to capital market declines in the past, the State's Retirement System portfolio has experienced negative investment performance and downward trends in market earnings. Although investment returns have improved recently, the employer contribution rate for the State's Retirement System may continue to be higher than the minimum contribution rate established in the past. The State calculates contribution amounts based upon a five-year rolling average. To mitigate increases in the employer contribution rate, various forms of legislation has been enacted that permit local governments to borrow a portion of their required payments from the State pension plan.

Although the pension contribution rates under such legislative programs reduce near-term payments, it will require higher than normal contributions in later years. The Town has opted to amortize certain contributions for the 2011, 2012, 2013, 2014 and 2015 years. The Town has not elected to amortize any contributions in the 2016 - 2020 years and does not expect to do so in the foreseeable future.

Contributions to the Retirement Systems

Fiscal Year Ending <u>December 31:</u>	<u>Amount</u>
2015	\$27,568,210
2016	30,120,436
2017	29,130,000
2018	26,632,759
2019	26,198,373
2020 (Budgeted)	26,171,366
2021 (Budgeted)	28,994,170

Retirement System Amortization

Future principal and interest payments to maturity for the amortized contributions are as follows:

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,866,671	\$383,239	\$ 4,249,910
2022	3,241,405	253,585	3,494,990
2023	2,362,397	147,856	2,510,253
2024	1,471,860	68,198	1,540,058
2025	<u>668,077</u>	<u>21,445</u>	<u>689,522</u>
Total	<u>\$11,610,410</u>	<u>\$874,323</u>	<u>\$12,484,733</u>

Other Post-Employment Benefits

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

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

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

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

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

Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

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

Total OPEB Liability at Dec 31, 2018	<u>\$1,093,863,073</u>
Charges for the Year:	
Service Cost	51,671,609
Interest	36,229,424
Changes of Benefit Terms	287,304,327
Legislative changes, repeal of excise tax	(127,765,245)
Benefit Payments	<u>(34,543,513)</u>
Net Changes in total OPEB liability	<u>212,896,603</u>

REAL PROPERTY TAX INFORMATION

The Town is responsible for levying taxes for Town and special district operating purposes and for debt service.

The County determines the assessed valuation for taxable real properties on behalf of the Town. The Office of Real Property Services (“ORPS”) determines the assessed valuation of special franchises and the taxable ceiling of railroad property. Special franchises include assessments on certain specialized equipment of utilities under, above, upon or through public streets or public places. Assessments are made on certain properties which are taxable for school purposes but which the Town exempts from general municipal taxation.

Real Property Taxes

The Town derives a significant portion of its annual revenue from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance” in Appendix B, herein.) Based upon audited results, property taxes accounted for approximately 16.67% of total budgeted General Fund revenues, for the fiscal year ended 2019. On June 24, 2011, the Tax Levy Limitation Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Town, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Town. (See “*Tax Levy Limit Law*” herein).

The following table sets forth the percentage of the Town’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2010 through 2019, and, as budgeted, for the year ending December 31, 2020 and December 31, 2021.

<u>Fiscal Year Ended December 31:</u>	<u>Total General Fund Revenue</u>	<u>Real Property Taxes^a</u>	<u>Real Property Taxes to Revenues (%)</u>
2010	\$120,056,266	\$17,999,067	14.99
2011	125,494,675	17,546,259	13.98
2012	136,405,762	17,259,488	12.65
2013	146,281,424	23,268,238	15.91
2014	153,578,485	31,739,884	20.67
2015	170,388,271	40,601,872	23.83
2016	186,139,073	61,947,883	33.28
2017	173,627,131	33,062,898	19.04
2018	175,927,407	35,185,454	20.00
2019	175,213,004	29,216,076	16.67
2020 (Budgeted)	174,852,287	28,163,416	16.11
2021 (Budgeted)	178,932,907	27,652,773	15.45

Source: Audited financial statements (2010-2019), and the adopted budget for 2020 and 2021.

a. The Town increased property taxes in the General Fund in the 2016 year to redeem budget notes originally issued to cover an insufficiency in the Town’s Budgets. (See “Budget Notes” and “Litigation” herein.)

State Equalization Ratios

The ORPS annually establishes state equalization ratios for all assessing jurisdictions in the State, including the Town, which are determined by statistical sampling of market/assessment studies. The equalization ratios are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations. The Town is not subject to constitutional real property taxing limitations but does have a debt contracting limitation equal to seven percent (7%) of the five-year average full valuation. In addition, the Town is subject to the Tax Levy Limit Law as described herein.

Tax Collection Procedures

The assessment and collection of real property taxes levied by the Town is governed by the Real Property Tax Law of the State and the Nassau County Government Law and the Nassau County Administrative Code. The Town collects all real property taxes and assessments for Town and County purposes during the times prescribed by law. Although the Town collects taxes on behalf of the County, the County enforces the collection thereof. The Town retains the first moneys collected on the combined Town and County tax bills and therefore generally receives 100% of its levy.

Town and County real property taxes and assessments are levied on January 1 and become a lien against the property on this date. The tax bill sent to property owners includes all real property taxes and assessments due to the Town and County. Taxes and assessments are collected in two installments due on January 1 and July 1 of each year, which installments may be paid without penalty until February 10 and August 10, respectively. Payments made subsequent to these dates are assessed a penalty at a rate of 1% per month.

Tax bills uncollected at the expiration of the tax warrant are returned to the County for collection and enforcement. The County continues to collect unpaid taxes until any such remaining unpaid taxes are included in the County's tax sale.

The Receiver of Taxes collects school taxes for the school districts situated in the Town. Such taxes are due and payable in equal installments on October 1 and April 1, but may be paid without penalty by November 10 and May 10, respectively. The Receiver transmits the school tax rolls together with a listing of unpaid taxes to the appropriate school authorities. The school districts must certify such listing of unpaid taxes and transmit said listing to the County. Unpaid school taxes are relieved as part of the County tax bill due on January 1 of the next calendar year and thereafter collected and enforced in the same manner as County real property taxes. The County must pay the schools 100% of the amount included in the listing of unpaid taxes by June 15 of the year following the levy of such taxes.

As a result of the COVID-19 pandemic, in certain counties in the State, during the first half of the 2020 fiscal year, the deadline to pay property taxes, without interest or penalty, was extended in certain circumstances. No assurance can be given that similar extensions with respect to the deadlines to pay property taxes, without interest or penalty, may occur during the 2021 fiscal year. Any such extensions may result in a delay in the receipt of taxes collected.

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws of 2011 (the "Tax Levy Limit Law") on June 24, 2011, all the taxable real property within the Town had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Town and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law imposes a tax levy limitation upon the Town for any fiscal year commencing after May 31, 2012, continuing through May 31, 2020 as extended, without providing an exclusion for debt service on obligations issued by the Town. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations, according to the formulas set forth in Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of the Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Town, subject to certain exceptions. The Tax Levy Limit Law permits the Town to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two one-hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Tax Levy Limit Law also provides for adjustments to be made to the Town's tax levy based upon changes in the assessed value of the taxable real property in the Town. Additionally, the Town will be permitted to carry forward a certain portion of its unused tax levy capacity from the prior year. The Town is required to calculate its tax levy limit for the upcoming year in accordance with the provision described above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Town, including exclusions for tort judgments payable by the Town. The governing board of the Town may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the governing board of the Town first enacts, by a vote of at least sixty percent of the total voting power of the Town Board, a local law to override such limit for such coming 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 bonds or notes of the Town or such indebtedness incurred after the effective date of the Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

The budgets for the 2013 through 2021 fiscal years did not exceed the Tax Levy Limitation.

Property Tax, Levies, Rates and Assessments

The table below shows the trend during the last five years for Townwide property values and for real property taxes and tax rates for Townwide, Part-Town, Highway and Special District purposes.

	Fiscal Year Ending December 31:				
	2016	2017	2018	2019	2020
Assessed Value	\$284,555,400	\$260,729,091	\$253,423,781	\$253,660,422	\$247,067,608
Equalization Rate	0.29%	0.28%	0.26%	0.24%	0.22%
Full Value ^a	\$98,122,551,724	\$93,117,532,500	\$97,470,685,000	\$105,691,842,500	\$112,303,458,182
Real Property Tax: ^b					
Townwide	63,151,200	32,396,050	34,056,748	28,755,813	27,653,416
Part Town	4,508,539	3,519,311	3,518,384	3,577,931	3,531,583
Highway	61,630,715	64,071,515	62,805,869	61,814,741	58,598,300
Special District ^c	140,323,132	167,992,336	172,820,940	169,035,599	163,343,886
Tax Rates: ^d					
Townwide	\$273.33	\$149.20	\$160.00	\$141.20	\$140.85
Part Town	29.99	25.00	25.49	26.76	27.60
Highway	409.90	455.10	455.00	462.26	457.90

a. Computed by dividing the taxable assessed valuation by the State Equalization Rate shown.

b. The County guarantees all Town taxes; therefore, the Town receives 100% of its tax levy (See "Tax Collection Procedures" herein).

c. A special assessment on benefited property in the following areas: Fire Protection Districts, Lighting Districts, Refuse and Garbage Districts, Public Parking Districts and Water Districts.

d. Tax rate per \$1,000 assessed value. (Class 1 Property)

Source: Office of the Town Comptroller.

Selected Listing of Large Taxable Properties

The following table presents the taxable assessments of the Town's larger real property taxpayers listed on the 2019 assessment roll for taxes levied in 2020. The list represents approximately 8.9% of the total assessed valuation of the Town.

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Keyspan East	Energy System Operator	\$10,859,994
Retail Property Trust	Commercial	4,042,039
State of New York	Various	1,307,921
Verizon	Utility	1,003,334
New York Water	Water Utility	1,107,108
Reckson Association	Commercial	865,970
Long Island Water	Water Utility	700,869
LIPA	Utility	867,631
Rexcorp Plaza SPE LLC	Office Building	787,670
JMM Raceway Inc	Race Track	530,666
	Total	\$22,073,202

Source: Nassau County Assessor's Office.

Real Property Tax Levy and Collection Record

The following table presents a history of real property tax collections for the period 2010-2019.

Fiscal Year Ended December 31:	Tax Levy for Town	Total Tax Levy	Amount Collected	Percent Collected (%)
2010	\$382,321,007	\$852,756,398	\$826,113,726	96.88
2011	397,827,746	869,026,902	846,027,583	97.35
2012	400,108,896	870,936,124	847,909,668	97.36
2013	403,219,348	873,133,904	851,218,810	97.49
2014	404,365,161	871,358,665	849,081,831	97.44
2015	415,612,561	900,449,579	862,632,848	95.80
2016	409,300,986	876,516,694	854,543,063	97.49
2017	421,489,999	941,021,327	915,875,730	97.33
2018	430,209,799	966,887,691	939,464,071	97.16
2019	424,392,643	929,615,219	907,602,465	97.63

- (a) Gross levy for Town purposes. (Includes all Town controlled funds, Commissioner operated funds, Fire Districts and Library Districts).
 (b) Includes all Town and County taxes.
 (c) During year of levy.
 (d) Uncollected taxes are returned to the County for collection. The Town retains 100% of its levy. (See “*Tax Collection Procedures*” herein.)

Tax Certiorari Claims

In common with other municipalities, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of Town taxes. The plaintiffs in these matters have asserted that their properties are over-assessed and are seeking assessment reductions. A refund of excess taxes is also generally requested. Historically, certiorari claims have been settled through negotiations, resulting in amounts, at times, substantially less than originally claimed. Many settlements provide for future adjustments with no direct outlay of money. (See “*Tax Collection Procedure*” and “*LITIGATION*” herein.)

Nassau County Property Reassessment

Nassau County has completed a countywide property reassessment for the first time since 2011. The reassessment affects more than 400,000 residential and commercial properties on the tax rolls. The new values took effect in the 2020-21 tax year. The County has mailed notices to homeowners, showing the new market values of their homes under reassessment. The impact of the reassessment cannot presently be determined.

LITIGATION

The Town in the normal course of business is involved in various matters of litigation. In the opinion of the Town Attorney, there is no litigation by or pending against the Town that is not covered by insurance, budgetary appropriations or other reasons which could have a materially adverse impact on the financial condition of the Town.

Garbage Taxes and Local Utilities

There are five (5) cases against the Town regarding garbage taxes and local utilities. The plaintiff utility companies sued the Town and its garbage districts on the theory that the ad valorem levies imposed upon the plaintiff's transmission and distribution properties to fund the Town's garbage collection and disposal services are illegal because these properties do not and cannot generate any garbage. [See, New York Telephone Company v. Oyster Bay, 4 N.Y.3d 387 (2005)]. The Town vigorously defended all these claims. The Town had brought Nassau County into the proceedings by means of a third-party summons and complaint.

In March 2014, the Appellate Division directed the Town to pay the Plaintiffs in the first instance and directed the County to reimburse the Town for the sums the Town pays the Plaintiffs.

In October of 2016 the Town and County entered into an agreement where the County will reimburse the Town for 70% of the sums the Town has already paid to all utility plaintiffs and the County will reimburse the Town 70% of all future sums the Town pays to any utility plaintiffs in these cases, and the Town and County would cooperate with each other to try to limit the future liabilities in these cases (including the below mentioned interest rate litigation).

The trial court issued Judgments using pre-judgment interest in the 5-6.02% range in the matters, and the Town has satisfied those judgments subject to pending appeals and cross-appeals regarding the appropriate rate of interest. The parties have completed briefing on all four appeals which were submitted for a decision which is still pending as of January, 2021.

In addition, the Town settled the MCI litigation at a reduced interest rate and Judge Marano executed a Consent Judgment which the Town has satisfied out of operating funds.

The only remaining liability which hasn't been reduced to judgment is the Verizon 2012 tax year. The Town has included a \$643,838 accrual in claims and judgment payable for this matter.

The Town issued bonds in July, 2018 to satisfy the Verizon, Keyspan, Long Island Water, and New York Water judgments. During 2018, the Town paid \$82,863,155 to the aforementioned utility companies to satisfy the judgment.

Pursuant to the executed Town/County Agreement dated September 27, 2016 whereby the County will reimburse the Town 70% of the judgment paid, the Town has recorded a receivable (due from other governments) of \$52,203,788 at December 31, 2019, of which \$5,800,421 is current and \$46,403,367 is long term. See Note 3C.

FIT Tuition Charge Back

In 2010, Nassau County ("County") commenced a charge back to the cities and towns (including the Town of Hempstead) within the County for amounts paid for its cost of educating County residents the Fashion Institute of Technology ("FIT") under the community college reimbursement provisions of the New York State Education Law. After four years in litigation the Court of Appeals has determined the County could charge back to the towns the amount paid for both two and four year programs at FIT. The Town has commenced an action in the Supreme Court of Nassau County challenging the method of computation of the chargeable amount utilized by the County as well as the chargeable amount itself. In July 2018, the Court denied the Town's motion for summary judgment and granted the County's cross-motion for summary judgement, finding that the County has acted in accordance with the law when charging back the Town. In August 2018, the Town filed a Notice of Appeal of the Court's July 2018 decision. In February 2019, the Town perfected its' appeal. The appeal was fully submitted to the Appellate Division in September 2019 and oral argument was held on September 24, 2020. The parties are awaiting the Appellate Division's decision. All payments have been made to the County, accordingly, there is no provision in judgment and claims liability for this matter.

Other Litigation

In addition to the above referenced cases, the Town is involved in other lawsuits with claims ranging from one to \$5 million. These cases are in various stages of litigation and their outcome cannot presently be determined. As of the date of this Official Statement, no liability has been recorded in the financial statements on these matters.

Other Litigation

In addition to the above referenced cases, the Town is involved in other lawsuits with claims ranging from

CYBERSECURITY

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

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Phillips Lytle LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuous compliance with certain tax covenants and certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. The Certificate as to Non-Arbitrage and other Tax Matters of the Town (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain covenants, representations, certifications of fact, and statements of reasonable expectations made by the Town in connection with the Bonds, and Bond Counsel has assumed current and continuing compliance by the Town with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Town, in executing the Tax Certificate, will certify to the effect that the Town will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Tax Accounting Treatment of Discount Bonds

The initial public offering to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (“Discount Bonds”). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year. However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, holders of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. In the event of the sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Bonds

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

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of the law firm of Phillips Lytle LLP, Bond Counsel to the Town. Said opinion will be available at the time of delivery of the Bonds, and is substantially in the form set forth in Appendix C.

The final approving opinion to be delivered by Bond Counsel to the Town concurrently with the delivery of the Bonds expresses the professional judgment of Bond Counsel to the Town as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

DISCLOSURE UNDERTAKING

At the time of the delivery of the Bonds, the Town will provide an executed copy of its Undertaking to Provide Continuing Disclosure substantially in the form set forth in Appendix D.

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

Compliance History

The Town made late filings of event notices related to rating changes by Moody's Investors Service on April 1, 2014 and on February 2, 2017 and by Standard & Poor's on March 3, 2015. The Town filed event notices with respect to such late filings. The Town filed a material event notice on December 27, 2019 upon filing the audited financial statements for the fiscal year ended December 31, 2018. Such audit was filed less than one year after such the previous fiscal year but more than 360 days after such year.

BOND RATING

The Town has applied to Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761 for a rating on the Bonds and such rating is pending at this time. S&P Global Ratings ("S&P") 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153, has assigned a rating of "AA-" to the outstanding bonds of the Town. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds. These ratings reflect only the view of such rating agencies and an explanation of the significance of such ratings should be obtained from such rating agencies.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

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

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of John A. Mastromarino, CPA, Town Comptroller, Town of Hempstead, 350 Front Street, Hempstead, NY 11550, telephone number (516) 489-5000 and email: johnmas@tohmail.org or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

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

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

The attached Appendices are integral parts of this Official Statement and should be read together with all foregoing statements.

The preparation and distribution of this Official Statement has been authorized by the resolutions of the Town which delegate to the Town Supervisor the power to sell and issue the Bonds.

TOWN OF HEMPSTEAD, NEW YORK

By: s/s DONALD X. CLAVIN, JR.
Town Supervisor and Chief Fiscal Officer
Town of Hempstead
Hempstead, New York

January , 2021

APPENDIX A

FINANCIAL INFORMATION

**BALANCE SHEET
GENERAL FUND**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Assets</u>					
Cash & Investments	\$ 3,882,342	\$ 18,273,486	\$ 2,327,222	\$ 7,039,821	\$ 3,041,220
Restricted Cash					964,916
Accounts Receivable	168,352	440,801	166,018	425,798	785,321
Due From Other Funds	6,992,557	6,707,851	6,568,826	6,588,876	7,257,991
Due From Other Governments	21,704,664	18,856,156	25,377,108	14,588,660	16,518,040
Inventory of Material and Supplies	1,747,475	1,772,511	3,099,630	3,474,462	2,961,543
Prepaid Items	2,546,975	2,509,524	2,396,122	2,799,893	2,183,393
Other Assets	<u>224,491</u>	<u>224,492</u>	<u>224,491</u>	<u>224,491</u>	<u>205,600</u>
Total Assets	<u>\$ 37,266,856</u>	<u>\$ 48,784,821</u>	<u>\$ 40,159,417</u>	<u>\$ 35,142,001</u>	<u>\$ 33,918,024</u>
<u>Liabilities</u>					
Accounts Payable & Accrued Liabilities	\$ 9,415,969	\$ 1,775,446	\$ 5,602,346	\$ 6,793,771	\$ 8,302,006
BANs payable	30,400,000				
Due to Other Funds	58,853	14,834,096	6,796,750	604,312	1,741,826
Due to Other Governments		1,519,467	4,755,039	811,540	625,509
Due to Retirement System		11,553,997			
Unearned Revenue					
Total Liabilities	<u>39,874,822</u>	<u>29,683,006</u>	<u>17,154,135</u>	<u>8,209,623</u>	<u>10,669,341</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue				186,764	593,522
<u>Fund Balance</u>					
Nonspendable	4,294,450	4,282,035	5,495,752	6,574,355	5,144,936
Restricted			396,681	922,819	967,416
Assigned		344,860	402,724	1,762,738	1,073,620
Unassigned	<u>(6,902,416)</u>	<u>14,474,920</u>	<u>16,710,125</u>	<u>17,485,702</u>	<u>15,469,189</u>
Total Fund Balance	<u>(2,607,966)</u>	<u>19,101,815</u>	<u>23,005,282</u>	<u>26,745,614</u>	<u>22,655,161</u>
Total Liabilities and Fund Balances	<u>\$ 37,266,856</u>	<u>\$ 48,784,821</u>	<u>\$ 40,159,417</u>	<u>\$ 35,142,001</u>	<u>\$ 33,918,024</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule is NOT audited.

**BALANCE SHEET
HIGHWAY FUND**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Assets</u>					
Cash & Investments	\$ 7,621,977	\$ 3,075,887	\$ 6,492,195	\$ 8,060,328	\$ 12,582,451
Restricted Cash					2,352,349
Accounts Receivable	1,042,965	457,038	524,676	685,936	637,671
Due From Other Funds	7,568	8,515,746	2,869,780	3,504,688	6,362,524
Due From Other Governments	92,699		847,587		543,794
Inventory of Material and Supplies	8,108,079	4,726,600	4,128,763	4,757,417	2,793,237
Prepaid Items	680,534	829,859	826,734	714,943	631,870
Other Assets	<u>45,900</u>	<u>45,900</u>	<u>45,900</u>	<u>45,900</u>	<u>45,900</u>
Total Assets	<u>\$ 17,599,722</u>	<u>\$ 17,651,030</u>	<u>\$ 15,735,635</u>	<u>\$ 17,769,212</u>	<u>\$ 25,949,796</u>
<u>Liabilities</u>					
Accounts Payable & Accrued Liabilities	\$ 1,625,566	\$ 1,136,651	\$ 1,948,493	\$ 1,053,086	\$ 1,715,712
BANs payable					
Due to Other Funds	131,634	3,817,954	216,765	704,202	716,688
Due to Other Governments					
Due to Retirement System		2,930,283			
Unearned Revenue					
Total Liabilities	<u>1,757,200</u>	<u>7,884,888</u>	<u>2,165,258</u>	<u>1,757,288</u>	<u>2,432,400</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue	<u>466,735</u>	<u>375,275</u>	<u>430,232</u>	<u>585,404</u>	<u>540,649</u>
<u>Fund Balance</u>					
Nonspendable	8,788,613	5,556,459	4,955,497	5,472,360	3,425,107
Restricted			1,696,468	808,497	2,352,349
Assigned	6,587,174	3,834,408	6,488,180	9,145,663	17,199,291
Unassigned					
Total Fund Balance	<u>15,375,787</u>	<u>9,390,867</u>	<u>13,140,145</u>	<u>15,426,520</u>	<u>22,976,747</u>
Total Liabilities and Fund Balances	<u>\$ 17,599,722</u>	<u>\$ 17,651,030</u>	<u>\$ 15,735,635</u>	<u>\$ 17,769,212</u>	<u>\$ 25,949,796</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule is NOT audited.

BALANCE SHEET
PARKS FUND

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Assets</u>					
Cash & Investments	\$ 15,978,016	\$ 12,358,017	\$ 6,411,829	\$ 12,782,231	\$ 16,985,103
Restricted Cash					453,656
Accounts Receivable	197,837	217,166	374,609	247,838	321,014
Due From Other Funds	22,354	1,602,973	68,657	64,087	183,663
Due From Other Governments	153,513	719,158	2,167,574	947,499	2,134,009
Inventory of Material and Supplies	862,974	850,993	706,749	687,843	539,986
Prepaid Items	1,076,756	1,085,558	1,116,621	1,115,319	1,093,139
Other Assets	<u>150,900</u>	<u>150,900</u>	<u>150,900</u>	<u>150,900</u>	<u>150,900</u>
Total Assets	<u>\$ 18,442,350</u>	<u>\$ 16,984,765</u>	<u>\$ 10,996,939</u>	<u>\$ 15,995,717</u>	<u>\$ 21,861,470</u>
<u>Liabilities</u>					
Accounts Payable & Accrued Liabilities	\$ 1,202,899	\$ 930,653	\$ 1,471,068	\$ 1,993,592	\$ 2,035,910
BANs payable					
Due to Other Funds	73,485	42,875	43,636	63,535	180,495
Due to Other Governments					
Due to Retirement System		6,335,551			
Unearned Revenue					
Total Liabilities	<u>1,276,384</u>	<u>7,309,079</u>	<u>1,514,704</u>	<u>2,057,127</u>	<u>2,216,405</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue					<u>35,000</u>
<u>Fund Balance</u>					
Nonspendable	1,939,730	1,936,551	1,823,370	1,803,162	1,633,125
Restricted			323,344		453,656
Assigned	15,226,236	7,739,135	7,335,521	12,135,428	17,523,284
Unassigned					
Total Fund Balance	<u>17,165,966</u>	<u>9,675,686</u>	<u>9,482,235</u>	<u>13,938,590</u>	<u>19,610,065</u>
Total Liabilities and Fund Balances	<u>\$ 18,442,350</u>	<u>\$ 16,984,765</u>	<u>\$ 10,996,939</u>	<u>\$ 15,995,717</u>	<u>\$ 21,861,470</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule is NOT audited.

BALANCE SHEET
REFUSE AND GARBAGE FUND

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Assets</u>					
Cash & Investments	\$ 28,737,316	\$ 8,200,339	\$ 32,536,995	\$ 43,476,579	\$ 43,368,418
Restricted Cash					204,511
Accounts Receivable	2,316,670	1,841,320	1,167,095	1,978,151	1,708,068
Due From Other Funds	612,271	18,598,395	7,953,799	2,341,276	3,052,958
Due From Other Governments	26,586,957	18,453,101	881,218	585,348	1,754,209
Inventory of Material and Supplies	1,232,410	1,068,148	33,667	40,798	29,484
Prepaid Items	1,039,337	1,030,931	1,241,200	996,318	917,484
Other Assets	<u>57,300</u>	<u>57,300</u>	<u>57,300</u>	<u>57,300</u>	<u>57,300</u>
Total Assets	<u>\$ 60,582,261</u>	<u>\$ 49,249,534</u>	<u>\$ 43,871,274</u>	<u>\$ 49,475,770</u>	<u>\$ 51,092,432</u>
<u>Liabilities</u>					
Accounts Payable & Accrued Liabilities	\$ 8,183,850	\$ 7,872,286	\$ 8,489,931	\$ 8,200,430	\$ 8,223,546
BANs payable	7,984,187	7,105,000			
Due to Other Funds	47,378	6,587	24,676	333,616	340,237
Due to Other Governments				1,257	1,257
Due to Retirement System		5,494,349			
Unearned Revenue	<u>1,854</u>	<u>12,977</u>	<u>11,790</u>	<u>3,983</u>	<u>8,246</u>
Total Liabilities	<u>16,217,269</u>	<u>20,491,199</u>	<u>8,526,397</u>	<u>8,539,286</u>	<u>8,573,286</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue					
<u>Fund Balance</u>					
Nonspendable	27,902,262	2,099,079	1,274,867	1,037,116	946,968
Restricted			84,805	21,974	204,511
Assigned	16,462,730	26,659,256	33,985,205	39,877,394	41,367,667
Unassigned					
Total Fund Balance	<u>44,364,992</u>	<u>28,758,335</u>	<u>35,344,877</u>	<u>40,936,484</u>	<u>42,519,146</u>
Total Liabilities and Fund Balances	<u>\$ 60,582,261</u>	<u>\$ 49,249,534</u>	<u>\$ 43,871,274</u>	<u>\$ 49,475,770</u>	<u>\$ 51,092,432</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule is NOT audited.

BALANCE SHEET
NON-MAJOR FUNDS

	<u>2015</u>	<u>2016</u>	<u>2017*</u>	<u>2018</u>	<u>2019</u>
<u>Assets</u>					
Cash & Investments	\$ 24,389,168	\$ 13,180,954	\$ 13,237,726	\$ 13,050,303	\$ 13,481,644
Restricted Cash	2,470,448	2,327,044	1,597,137	2,549,427	2,795,669
Accounts Receivable	5,291,312	6,427,977	2,332,110	2,341,821	2,423,543
Due From Other Funds	413,456	13,840,359	138,774	264,267	338,323
Due From Other Governments	1,021,160	1,526,671	2,262,708	1,177,410	2,297,506
Inventory of Material and Supplies	910,226	844,306	284,037	277,967	275,539
Prepaid Items	478,506	519,414	450,389	428,261	418,260
Length of Service Award Plan Assets			2,782,089	3,020,273	3,192,678
Other Assets	45,300	45,300	25,100	25,100	25,100
Total Assets	\$ 35,019,576	\$ 38,712,025	\$ 23,110,070	\$ 23,134,829	\$ 25,248,262
<u>Liabilities</u>					
Accounts Payable & Accrued Liabilities	\$ 2,925,007	\$ 1,774,524	\$ 1,981,171	\$ 1,690,625	\$ 2,747,501
BANs payable					
Due to Other Funds		879,582	1,611,880	1,521,394	718,939
Due to Other Governments					
Due to Retirement System	650,278	3,388,489			
Unearned Revenue		277,092			
Total Liabilities	3,575,285	6,319,687	3,593,051	3,212,019	3,466,440
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue					
<u>Fund Balance</u>					
Nonspendable	2,726,599	2,701,587	2,072,293	2,044,095	2,031,666
Restricted	749,893	436,071	3,343,889	3,735,068	4,007,121
Assigned	27,967,799	29,254,680	14,637,183	14,143,647	15,743,035
Unassigned			(536,346)		
Total Fund Balance	31,444,291	32,392,338	19,517,019	19,922,810	21,781,822
Total Liabilities and Fund Balances	\$ 35,019,576	\$ 38,712,025	\$ 23,110,070	\$ 23,134,829	\$ 25,248,262

Sources: Audited Financial Reports of the Town (2015-2019)

*Beginning in 2017, the Water Fund is no longer included as part of the Non-Major Funds

NOTE: This Schedule is NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GENERAL FUND

	Fiscal Years Ending December 31:				
	2015	2016	2017	2018	2019
Revenues:					
Real Property Taxes	\$ 40,601,872	\$ 61,947,883	\$ 33,062,898	\$ 35,185,454	\$ 29,216,076
Other Property Tax Items	1,663,645	3,188,220	2,889,862	2,271,913	2,362,364
Non-Property Tax items	36,986,661	23,316,915	38,763,197	40,156,541	41,588,290
Departmental Income	5,637,061	6,329,554	7,426,785	7,351,480	7,069,497
Intergovernmental Charges	53,721	31,234	59,835	46,234	45,029
Use of Money and Property	904,031	1,327,842	1,040,557	1,380,089	1,157,564
Licenses and Permits	1,216,254	1,549,826	2,422,464	2,093,889	2,664,226
Fines and Forfeitures	276,175	22,800	13,500	27,350	20,800
Sale of Property	148,635	177,068	152,089	45,820	151,992
Miscellaneous Local Sources	803,310	133,554	428,089	84,352	3,792,793
Interfund Revenues	59,620,856	61,778,387	60,802,256	60,354,087	61,946,337
State Aid	7,914	26,335,791	26,532,821	26,730,417	24,964,339
Federal Aid	22,468,136		32,778	199,781	233,697
Total Revenues	170,388,271	186,139,074	173,627,131	175,927,407	175,213,004
Expenditures:					
General Government Support	82,242,248	81,527,187	84,869,569	85,595,542	89,671,926
Education	7,094,646	7,200,000	10,501,587	9,131,823	9,343,393
Public Safety	13,982,018	13,534,395	14,471,719	15,072,949	15,544,782
Transportation	1,436,674	1,536,182	1,605,055	1,214,119	1,198,557
Economic Assistance & Opportunity	5,530,220	5,049,807	4,694,387	4,256,066	4,269,817
Culture and Recreation	116,594	121,990	81,879	80,691	49,133
Home & Community Services	11,648,887	11,097,001	10,349,968	9,248,280	10,010,592
Employee Benefits	34,998,989	37,054,741	38,720,384	39,259,279	40,206,350
Debt Service	304,000	606,311	56,637	113,273	243,624
Total Expenditures	157,354,276	157,727,614	165,351,185	163,972,022	170,538,174
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,033,995	28,411,460	8,275,946	11,955,385	4,674,830
Other Financing Sources (Uses):					
Premium on Obligations	342,476		396,681	1,144,129	964,916
Debt Issuance	600,000		3,973,691		
Transfers - In	484,344	7,489	108,751	207,098	48,293
Transfers - Out	(6,939,681)	(6,709,168)	(8,851,602)	(9,566,280)	(9,778,492)
Total Other Financing Sources (Uses)	(5,512,861)	(6,701,679)	(4,372,479)	(8,215,053)	(8,765,283)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7,521,134	21,709,781	3,903,467	3,740,332	(4,090,453)
Fund Balance, Beginning of Year	(10,129,100)	(2,607,966)	19,101,815	23,005,282	26,745,614
Fund Balance, End of Year	\$ (2,607,966)	19,101,815	23,005,282	26,745,614	22,655,161

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule is NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

HIGHWAY FUND

	Fiscal Years Ending December 31:				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 60,117,324	\$ 59,978,053	\$ 64,071,154	\$ 62,806,210	\$ 61,814,740
Other Property Tax Items	487,984	2,151,312	2,467,191	2,528,931	2,371,746
Intergovernmental Charges	3,000		6,000	3,000	6,250
Use of Money and Property	385,505	116,113	190,784	555,384	943,145
Sale of Property	544,411	69,239	177,180	21,626	62,582
Miscellaneous Local Sources	406,504	333,501	408,293	779,850	240,094
State Aid	1,270,575	150,000	150,000	156,543	
Federal Aid	58,294			589	
Total Revenues	<u>63,273,597</u>	<u>62,798,218</u>	<u>67,470,602</u>	<u>66,852,133</u>	<u>65,438,557</u>
Expenditures:					
Transportation	35,764,759	35,200,911	31,712,297	31,029,506	32,081,710
Employee Benefits	11,817,845	12,658,523	12,481,931	12,392,799	12,136,645
Debt Service	430,729	371,964	87,755		
Total Expenditures	<u>48,013,333</u>	<u>48,231,398</u>	<u>44,281,983</u>	<u>43,422,305</u>	<u>44,218,355</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,260,264	14,566,820	23,188,619	23,429,828	21,220,202
Other Financing Sources (Uses):					
Premium on Obligations	264,613	22,831	1,696,468	2,757,412	2,500,000
Debt Issuance			1,230,808		2,352,349
Transfers - In	3,324,142	4,176,257	2,702,897	3,038,933	6,421,038
Transfers - Out	(24,663,384)	(24,750,828)	(25,069,514)	(26,939,798)	(24,943,362)
Total Other Financing Sources (Uses)	<u>(21,074,629)</u>	<u>(20,551,740)</u>	<u>(19,439,341)</u>	<u>(21,143,453)</u>	<u>(13,669,975)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,814,365)	(5,984,920)	3,749,278	2,286,375	7,550,227
Fund Balance, Beginning of Year	<u>21,190,152</u>	<u>15,375,787</u>	<u>9,390,867</u>	<u>13,140,145</u>	<u>15,426,520</u>
Fund Balance, End of Year	\$ <u>15,375,787</u>	\$ <u>9,390,867</u>	\$ <u>13,140,145</u>	\$ <u>15,426,520</u>	\$ <u>22,976,747</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule is NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

PARKS FUND

	Fiscal Years Ending December 31:				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 50,519,830	\$ 44,975,803	\$ 51,171,110	\$ 56,518,503	\$ 54,911,218
Other Property Tax Items	441,795	2,485,638	2,719,720	2,825,308	2,849,057
Departmental Income	2,699,788	2,845,477	2,648,880	2,699,085	2,604,941
Intergovernmental Charges	903,425	948,484	794,037	871,625	811,666
Use of Money and Property	275,457	247,698	310,369	442,140	573,214
Fines and Forfeitures	8,750	8,600	4,800	1,200	1,150
Sale of Property	4,316	2,172	1,097	45,777	49,373
Miscellaneous Local Sources	240,594	147,318	314,318	239,772	605,205
Interfund Revenues	28,357,339	30,346,725	29,959,525	31,664,977	32,677,641
State Aid	531,644	176,078	558,223	213,707	115,719
Federal Aid	4,226				
Total Revenues	<u>83,987,164</u>	<u>82,183,993</u>	<u>88,482,079</u>	<u>95,522,094</u>	<u>95,199,184</u>
Expenditures:					
Culture and Recreation	63,543,517	62,219,939	62,147,998	61,841,150	61,926,399
Employee Benefits	21,530,158	22,593,790	22,854,927	23,429,642	23,640,602
Debt Service	43,432				
Total Expenditures	<u>85,117,107</u>	<u>84,813,729</u>	<u>85,002,925</u>	<u>85,270,792</u>	<u>85,567,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,129,943)	(2,629,736)	3,479,154	10,251,302	9,632,183
Other Financing Sources (Uses):					
Premium on Obligations	52,469		323,344	217,905	453,656
Debt Issuance			1,558,067		
Transfers - In	70,818	688	347,330		
Transfers - Out	<u>(4,711,542)</u>	<u>(4,861,232)</u>	<u>(5,901,346)</u>	<u>(6,012,852)</u>	<u>(4,414,364)</u>
Total Other Financing Sources (Uses)	<u>(4,588,255)</u>	<u>(4,860,544)</u>	<u>(3,672,605)</u>	<u>(5,794,947)</u>	<u>(3,960,708)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,718,198)	(7,490,280)	(193,451)	4,456,355	5,671,475
Fund Balance, Beginning of Year	<u>22,884,164</u>	<u>17,165,966</u>	<u>9,675,686</u>	<u>9,482,235</u>	<u>13,938,590</u>
Fund Balance, End of Year	<u>\$ 17,165,966</u>	<u>9,675,686</u>	<u>9,482,235</u>	<u>13,938,590</u>	<u>19,610,065</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule is NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

REFUSE AND GARBAGE

	Fiscal Years Ending December 31:				
	2015	2016	2017	2018	2019
Revenues:					
Real Property Taxes	\$ 82,109,833	\$ 66,057,332	\$ 90,895,068	\$ 90,364,815	\$ 88,408,888
Other Property Tax Items	1,306,555	1,318,334	1,164,701	1,528,496	1,472,330
Non-Property Tax items		14,400,000			
Departmental Income	11,341,935	11,813,196	10,977,888	13,066,681	13,096,625
Intergovernmental Charges	2,996,973	3,017,766	3,228,530	3,318,458	3,363,409
Use of Money and Property	4,055,625	4,020,792	4,307,332	4,684,274	5,437,804
Licenses and Permits	27,393	30,886	37,012	39,884	38,520
Sale of Property	557,288	218,267	494,632	345,621	229,962
Miscellaneous Local Sources	597,994	695,202	620,344	698,596	6,686,440
Interfund Revenues	1,048,912	1,020,173	934,882	848,245	869,918
State Aid	1,558,211		4,530		
Federal Aid	40,362		408		
Total Revenues	105,641,081	102,591,948	112,665,327	114,895,070	119,603,896
Expenditures:					
Home & Community Services	82,793,043	90,606,944	79,814,194	164,421,629	83,614,834
Employee Benefits	22,670,611	23,957,535	23,532,768	23,933,463	23,139,924
Debt Service	98,965	159,240	35,229		
Total Expenditures	105,562,619	114,723,719	103,382,191	188,355,092	106,754,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	78,462	(12,131,771)	9,283,136	(73,460,022)	12,849,138
Other Financing Sources (Uses):					
Premium on Obligations	97,594	9,168	84,805	9,514,781	204,511
Debt Issuance			1,026,045	72,895,000	800,000
Transfers - In	589,874	272	138,004	141,397	
Transfers - Out	(5,209,831)	(3,484,326)	(3,945,448)	(3,499,549)	(12,270,987)
Total Other Financing Sources (Uses)	(4,522,363)	(3,474,886)	(2,696,594)	79,051,629	(11,266,476)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,443,901)	(15,606,657)	6,586,542	5,591,607	1,582,662
Fund Balance, Beginning of Year	48,808,893	44,364,992	28,758,335	35,344,877	40,936,484
Fund Balance, End of Year	\$ 44,364,992	28,758,335	35,344,877	40,936,484	42,519,146

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule is NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR FUNDS

Fiscal Years Ending December 31:

	<u>2015</u>	<u>2016</u>	<u>2017*</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 36,489,411	\$ 30,640,473	\$ 22,884,387	\$ 23,396,524	\$ 23,666,056
Other Property Tax Items	331,353	1,423,943	1,378,865	1,632,979	1,110,121
Non-Property Tax items	10,970,724	11,140,397	11,436,608	11,151,659	11,052,576
Departmental Income	23,984,770	26,723,786	12,831,484	13,357,513	15,345,144
Intergovernmental Charges	234,725	229,400			465,786
Use of Money and Property	963,973	836,765	212,731	346,450	
Fines and Forfeitures	1,097,675	1,711,642	2,029,764	1,729,427	1,311,550
Sale of Property	332,788	109,574	126,319	60,081	25,794
Miscellaneous Local Sources	991,107	1,221,426	1,545,208	1,389,592	1,622,418
Interfund Revenues	2,628,384	2,776,226	2,765,098	2,552,560	2,878,272
State Aid	376,504	677,707	372,802	204,512	54,512
Federal Aid	12,409,554	11,447,122	11,052,046	9,617,916	10,375,619
Total Revenues	90,810,968	88,938,461	66,635,312	65,439,213	67,907,848
Expenditures:					
General Government Support	415,390	334,897	732,627	401,184	322,283
Public Safety	22,249,069	23,146,832	25,382,753	23,514,952	25,029,412
Transportation	13,694,931	12,095,723	11,933,503	11,682,264	11,722,820
Economic Assistance & Opportunity	4,835,743	4,949,962	4,861,562	3,747,876	6,635,983
Culture and Recreation	1,344,808	1,235,901	1,342,436	1,593,995	1,440,228
Home & Community Services	29,780,684	26,791,807	12,671,569	11,931,184	11,194,116
Employee Benefits	9,905,451	10,327,716	6,784,520	6,916,631	6,933,271
Debt Service		1,974,276	1,974,276	1,974,276	1,974,276
Total Expenditures	82,226,076	80,857,114	65,683,246	61,762,362	65,252,389
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,584,892	8,081,347	952,066	3,676,851	2,655,459
Other Financing Sources (Uses):					
Premium on Obligations	25,218		185,121	10,987	583,252
Debt Issuance			720,059		
Transfers - In	44,274	330	221,730	762,880	1,210,000
Transfers - Out	(7,512,506)	(7,133,631)	(3,933,674)	(4,044,927)	(2,589,699)
Total Other Financing Sources (Uses)	(7,443,014)	(7,133,301)	(2,806,764)	(3,271,060)	(796,447)
Fund Balance Adjustments**			(11,020,621)		
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,141,878	948,046	(1,854,698)	405,791	1,859,012
Fund Balance, Beginning of Year	30,302,413	31,444,291	32,392,337	19,517,018	19,922,809
Fund Balance, End of Year	\$ <u>31,444,291</u>	<u>32,392,337</u>	<u>19,517,018</u>	<u>19,922,809</u>	<u>21,781,821</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule is NOT audited.

*Beginning in 2017, the Water Fund is no longer included as part of the Non-Major Funds

Summary of Adopted Budgets - All Funds (\$ Millions)

Fiscal Year Ending December 31

	<u>2021</u>	<u>2020</u>
Revenues:		
Real Property Taxes	\$ 253.1	\$ 253.1
Sales Tax	38.1	42.4
Mortgage Tax	25.0	23.2
Per Capita	3.8	3.8
Refuse Disposal	15.5	17.7
Garbage Tax Judgement	5.8	5.8
Host Fee (Covanta)	4.2	4.2
Franchise Fee	10.7	11.1
Interest Income	1.6	2.3
Building Dept Fees	15.2	13.5
Zoning Fees	0.7	0.7
Park Fees	6.0	7.0
Water Fees	14.7	15.1
Marina Fees	0.9	0.9
LIPA PILOT	5.8	5.9
PILOT (Other)	4.5	4.6
Other	28.1	30.5
Use of Fund Balance:	<u>19.8</u>	<u>(5.0)</u>
 Total Revenues	 \$ <u><u>453.5</u></u>	 \$ <u><u>436.8</u></u>
 Expenditures:		
Salaries	\$ 171.3	\$ 165.6
Refuse Disposal Fees	42.0	41.1
Debt Service	59.0	60.2
Utilities	8.3	7.4
Fire Protection	5.0	4.9
Library Funding	1.4	1.4
Snow Removal	1.4	1.7
College Chargeback	8.5	7.9
Pension Cost	29.1	25.8
Health Insurance	60.4	62.7
Employee Benefits	26.1	22.2
Other	<u>41.0</u>	<u>35.9</u>
 Total Expenditures	 \$ <u><u>453.5</u></u>	 \$ <u><u>436.8</u></u>

Source: Adopted Budgets of the Town

TOWN OF HEMPSTEAD

APPENDIX B

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

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

TOWN OF HEMPSTEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
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TOWN OF HEMPSTEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
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**FINANCIAL
SECTION**



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Town Board
Town of Hempstead
Hempstead, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented nonmajor component units, each major fund, and the aggregate remaining fund information of the Town of Hempstead, New York, (the "Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended component unit, which represents 100% of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues of the business-type activities and proprietary fund. The aggregate discretely presented nonmajor component units consists of eight component units. We did not audit the financial statements of seven of the eight audited discretely presented nonmajor component units which represent 84.62%, 77.76% and 84.31% respectively, of the assets and deferred outflows of resources, net position and revenues of the aggregate discretely presented nonmajor component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those seven audited component units, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Of the nine component units (one blended and eight discretely presented), three of the financial statements of the component units in these financial statements were audited in accordance with *Government Auditing Standards*. The Town of Hempstead Local Development Corporation, the Town of Hempstead Industrial Development Agency and the Greater Atlantic Beach Water Reclamation District were audited in accordance with *Government Auditing Standards*, all remaining components units were not audited in accordance with *Government Auditing Standards*. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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.

BEYOND THE NUMBERS...

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INDEPENDENT MEMBER OF BKIP INTERNATIONAL

Auditors' Responsibility (continued)

Except for the matters described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Nonmajor Component Units", we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Highway Fund	Unmodified
Park Districts Fund	Unmodified
Refuse and Garbage Districts Fund	Unmodified
Water Districts Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Aggregate Discretely Presented Nonmajor Component Units

As discussed in Notes 1A, 6 and 7 to the financial statements, the discretely presented nonmajor component units' financial statements and relevant disclosures do not include the financial statements of the Town of Hempstead Housing Authority, a nonmajor component unit of the Town, as its financial statements were not available. We were not engaged to audit the financial statements of the Town of Hempstead Housing Authority's financial statements as part of the audit of the Town of Hempstead, New York's basic financial statements. The impact of not including the Town of Hempstead Housing Authority in the 2019 discretely presented nonmajor component units financial statements cannot be quantified. However, the Town of Hempstead Housing Authority's 2018 financial information did represent 68.06%, 2.42% and 68.06%, respectively, of the reported 2018 assets and deferred outflows of resources, net position and revenues of the aggregate discretely presented nonmajor component units at December 31, 2018.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Nonmajor Component Units" paragraph, the financial statements referred in the first paragraph pertaining to the aggregate discretely presented nonmajor component units of the Town of Hempstead, New York do not present fairly, in accordance with accounting principles accounting principles generally accepted in the United States of America, the financial position and the changes in financial position as of and for the year then ended.

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Hempstead, New York as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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, and the required supplementary information other than the management's discussion and analysis as listed in the table of contents 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hempstead, New York's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of the Town of Hempstead, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hempstead, New York's internal control over financial reporting and compliance.

Albrecht, Vignar, Wash and Co., P.C.

Hauppauge, New York
December 21, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

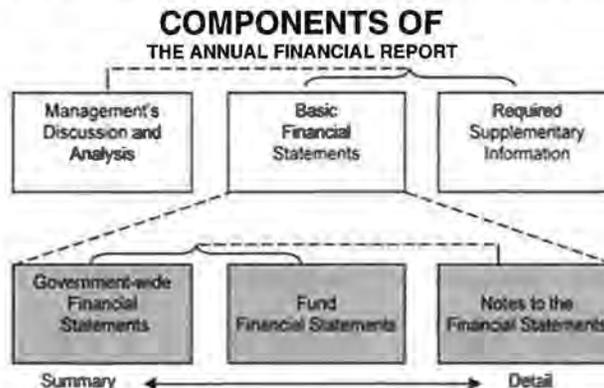
As management of the Town of Hempstead (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2019. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Town's primary government's governmental activities exceeded its assets and deferred outflows of resources at the close of 2019 by \$969,121,933 resulting in a negative net position. This is primarily due to the recognition of the total other postemployment benefits liability of \$1,306,759,675.
- The Town's total net position related to its governmental activities decreased by \$73,468,415 as the 2019 expenses exceeded revenues, and which is largely due to recognizing other postemployment expense of \$119,442,345.
- The assets of the Town's primary government's business-type activities exceeded its liabilities at the close of 2019 by \$2,337,642.
- As of the close of 2019 the Town's governmental funds reported combined ending fund balances of \$172,821,376, and increase of \$6,869,606 from the prior year. The combined ending fund balances excluding the Capital Projects Fund balance, totaled \$152,688,158 of which \$14,073,851 is not in spendable form, and \$138,614,307, or 90.78%, is in spendable form with various levels of spending constraint: restricted, assigned, or unassigned making them available for spending at the Town's discretion.
- At the end of 2019, the Town's total fund balance for the General Fund was \$22,655,161, which decreased by \$4,090,453 from the prior year, expenditures and other financing uses of \$180,316,666 exceeded revenues and other financing sources of \$176,226,213.
- The Town's governmental activities long-term bond debt was \$403,741,887, which was a slight increase of 0.02% from the prior year. During 2019, the Town issued \$45,507,182 of general obligation bonds to finance various capital projects and repaid \$40,072,123 of general obligation bonds. The Town also issued \$47,550,000 of refunding bonds and together with the premium on issuance net of issuance costs of \$5,805,258 was used to refund \$52,920,000 of general obligation bonds and accrued interest of \$435,258. The Town's business-type activities has no debt.
- The Town's governmental activities long-term liabilities includes a \$1,306,759,675 total other postemployment benefits ("OPEB") liability, which is the Town's estimated cost of providing future benefits to its retirees pursuant to the union agreements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.



TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The intent of the government-wide financial statements is to give the reader a long-term view of the Town's financial condition.

The statement of net position presents financial information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's buildings, roads, drainage and other assets to assess the overall health of the Town.

The statement of activities presents information showing how the Town's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the Town's activities is being supported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Town's fund financial statements.

The Town's government-wide financial statements includes the governmental activities and business-type activities of the Town itself (known as the primary government) and of its legally separate nonmajor component units for which the Town is financially accountable. Financial information for these nonmajor component units is reported separately (discretely presented) from the financial information presented for the primary government.

Governmental Activities

The Town's basic services reported herein, includes general government support; education; public safety; transportation; economic assistance and opportunity; culture and recreation and home and community services. Real property taxes, sales taxes, franchise fees, mortgage tax, and state and federal grants finance these activities. The Town also charges fees to customers to help it cover the cost of certain services it provides.

Business-Type Activities

The Town's business-type activities reports the operations of the Town of Hempstead Local Development Corporation, which stimulates the economic welfare of the Town via promoting the expansion of business and creation of jobs within the Town.

Component Units

Component units are legally separate organizations for which the Town is either financially accountable, or the nature and significance of their relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. These entities are reported in a separate column in the government-wide statements. The Town includes nine separate legal entities in its report (three water districts, one water reclamation district, three library districts, an industrial development agency and a housing authority). The housing authority's financial statements of the housing authority have not been included in the discretely presented nonmajor component units financial statements as they were not available. All of the Town's component units are deemed to be nonmajor.

Information on separately issued financial statements is shown in Notes 1.A and 6 to the financial statements.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction or limitations. The Town, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary/enterprise fund and fiduciary funds.

Governmental Funds

The Town's activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Town's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains fourteen (14) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the seven (7) major funds. The General Fund, Highway Fund, Park Districts Fund, Refuse and Garbage Districts Fund, Water Districts Fund, Capital Projects Fund and Debt Service Fund are reported as major funds. Data from the seven (7) other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information section in this report. The Town has elected to report the Debt Service Fund as a major fund.

The Town adopts an annual appropriated budget for its General and Special Revenue Funds, except for the following funds: Capital Projects Fund, Debt Service Fund, Special Grants Fund and Permanent Fund. A budgetary comparison schedule for the General, Highway, Park Districts, Refuse and Garbage Districts and Water Districts Funds can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis". Budgetary comparison schedules for the non-major funds which adopt an annual appropriated budget can be found in the section labeled "Other Supplementary Information".

Proprietary Funds

The Town maintains one proprietary fund which is classified as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The town uses the enterprise fund to account for its blended component unit, The Town of Hempstead Local Development Corporation.

Fiduciary Funds

We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements this report contains supplementary information immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At December 31, 2019, the Town's governmental activities liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$969,121,933 and the Town's business-type activities assets exceeded its liabilities by \$2,337,642.

Condensed Statements of Net Position
as of December 31, 2019 and 2018

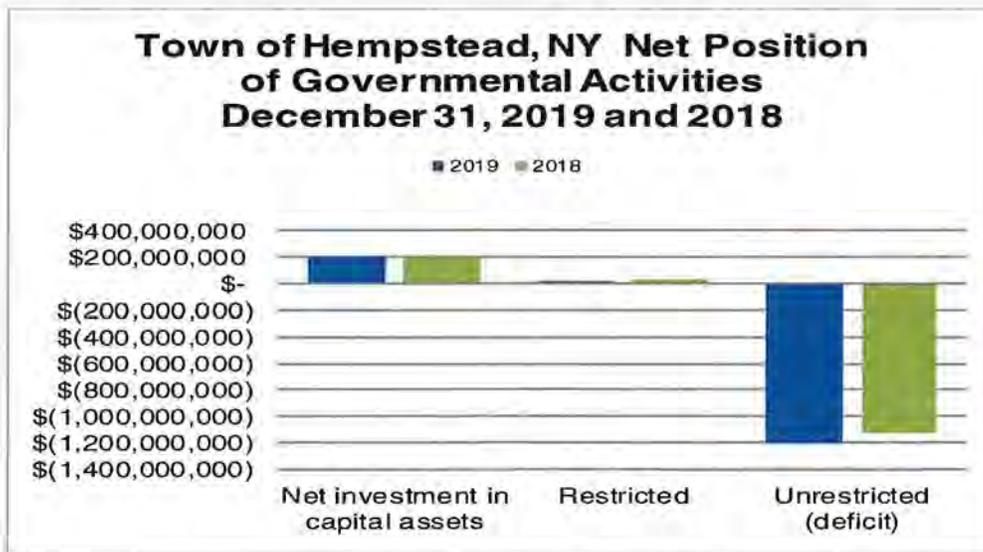
	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
Current and other assets:				
Current assets	\$ 217,985,784	\$ 206,912,133	\$ 2,346,901	\$ 2,251,826
Capital assets	560,495,835	545,723,314		
Other non-current assets	52,912,545	57,042,033		
Total assets	<u>831,394,164</u>	<u>809,677,480</u>	<u>2,346,901</u>	<u>2,251,826</u>
Deferred outflows of resources	<u>273,209,418</u>	<u>67,529,514</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>1,104,603,582</u>	<u>877,206,994</u>	<u>2,346,901</u>	<u>2,251,826</u>
Current and other liabilities				
Current liabilities	109,310,824	106,932,032	9,259	8,523
Long-term liabilities	<u>1,837,814,656</u>	<u>1,603,550,882</u>		
Total liabilities	<u>1,947,125,480</u>	<u>1,710,482,914</u>	<u>9,259</u>	<u>8,523</u>
Deferred inflows of resources	<u>126,600,035</u>	<u>62,377,598</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities and deferred inflows of resources	<u>2,073,725,515</u>	<u>1,772,860,512</u>	<u>-0-</u>	<u>-0-</u>
Net position:				
Net investment in capital assets	208,659,855	198,568,432		
Restricted	23,123,822	30,178,818		
Unrestricted (deficit)	<u>(1,200,905,610)</u>	<u>(1,124,400,768)</u>	<u>2,337,642</u>	<u>2,243,303</u>
Total net position	<u>\$ (969,121,933)</u>	<u>\$ (895,653,518)</u>	<u>\$ 2,337,642</u>	<u>\$ 2,243,303</u>

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The Town's governmental activities net investment in capital assets portion of net position, \$208,659,855 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

The deficit unrestricted portion of governmental activities net position and total net position does not necessarily indicate fiscal stress. At the end of the current year, the Town is able to report a positive balance in the categories of net investment in capital assets and restricted. The same situation held true for the prior year. The deficit balance in governmental unrestricted arose primarily due to long-term liabilities which include OPEB, net pension liability, length of service award program liability, compensated absences, claims and judgments, landfill closure and postclosure care costs and pollution remediation that will be funded through future budgetary appropriations when they become payable in future periods.



The total governmental activities net position of the Town as of December 31, 2019 was a negative \$969,121,933, a decrease of \$73,468,415 from the prior year. Net position consists of a) \$208,659,855 net investment in capital assets, b) net position restricted by statute or specific purposes of \$23,123,822 and c) unrestricted balance/(deficit) of \$(1,200,905,610).

Total governmental activities net position was again decreased in the current year due to the ongoing recognition of the Town's other postemployment benefits costs. During 2019, the Town recognized other postemployment benefits expense of \$119,442,345.

Business-type activities net position increased slightly by \$94,339 to \$2,337,642 at December 31, 2019.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in Net Position

For the years ended December 31, 2019 and 2018

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
Program Revenues				
Charges for services	\$ 71,126,465	\$ 69,342,408	\$ 230,709	\$ 210,636
Operating grants and contributions	10,367,960	8,507,310		
Capital grants and contributions	11,291,931	9,216,795		
	<u>92,786,356</u>	<u>87,066,513</u>	<u>230,709</u>	<u>210,636</u>
General Revenues				
Real property taxes	263,644,351	274,331,023		
Real property tax items	10,448,435	11,114,281		
Non-property tax items	52,640,866	51,308,200		
Interest earnings and financing income	4,092,667	2,587,883	12,015	6,092
Mortgage tax	24,711,452	22,940,984		
State aid - unrestricted**		3,848,885		
Other**	5,204,811	901,554		
	<u>360,742,582</u>	<u>367,032,810</u>	<u>12,015</u>	<u>6,092</u>
Total Revenues	<u>453,528,938</u>	<u>454,099,323</u>	<u>242,724</u>	<u>216,728</u>
Program Expenses				
General government support	104,006,323	89,709,405		
Education	9,343,393	9,131,823		
Public safety	59,518,919	51,677,219		
Transportation	56,832,385	48,960,258		
Economic assistance and opportunity	17,022,499	12,763,869	148,385	45,673
Culture and recreation	105,116,557	91,238,137		
Home and community services	159,093,956	146,515,396		
Interest and other debt related costs	16,063,321	11,771,769		
	<u>526,997,353</u>	<u>461,767,876</u>	<u>148,385</u>	<u>45,673</u>
Total Expenses	<u>526,997,353</u>	<u>461,767,876</u>	<u>148,385</u>	<u>45,673</u>
Change in Net Position	(73,468,415)	(7,668,553)	94,339	171,055
Net Position - Beginning	(895,653,518)	(351,018,957)	2,243,303	2,072,248
Cumulative effect of change in accounting principle*		(536,966,008)		
Net Position - Beginning as Restated	(895,653,518)	(887,984,965)	2,243,303	2,072,248
Net Position - Ending	<u>\$ (969,121,933)</u>	<u>\$ (895,653,518)</u>	<u>\$ 2,337,642</u>	<u>\$ 2,243,303</u>

* Governmental Activities: The cumulative effect of adopting Governmental Accounting Standards Board ("GASB") Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", is shown as an adjustment to the beginning net position of fiscal year 2018, as information was not available to restate net position of fiscal year 2017.

** The Town received Aid and Incentives for Municipalities aid in both 2019 and 2018 in the amount of \$3,848,885. In 2018, this aid was funded with New York State funds, and therefore classified as general revenues - unrestricted state aid. In 2019, this aid was funded with funding from Nassau County, and therefore is classified as other general revenues.

Net position for the years ended December 31, 2019 and 2018, from all governmental activities, decreased by \$73,468,415 and \$7,668,553 (excluding the effects of the cumulative effect of change in accounting principle), respectively.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Key elements of the governmental activities are:

- Total program revenues increased by \$5,719,843 or 6.57% from the prior year. Charges for services of \$71,126,465 increased by \$1,784,057 primarily due to an increase in public safety fees of \$1,574,659 related to safety inspection fees and fines and forfeiture revenues; increase in home and community services fees of \$913,195 related to water rents/fees; decrease in transportation fees of \$524,688 due to lower special assessment fees charged; and a \$509,320 decrease in culture and recreation fees related to a decrease in parks and recreational fees and rental of property revenue. Operating grants and contributions increased by \$1,860,650 from the prior year to \$10,367,960 due to more economic assistance grant proceeds received under the Workforce Innovation and Opportunity program and offset by decreases in Community Development Block Grant and Section Housing Choice Voucher programs proceeds. Capital grants and contributions of \$11,291,931 increased by \$2,075,136 from the prior year primarily due to related to increases the transportation grants of \$3,573,700 primarily due to higher Consolidated Highway Local Street and Highway Improvement Program grants and the Community Development Block Grant – Disaster Assistance and less home and community grants from the Community Development Block Grant.
- General revenues decreased by \$6,290,228 from the prior year, which was primarily due to a \$10,686,672 decrease in real property taxes, a \$1,332,666 increase in non-property taxes (primarily sales tax), \$1,504,784 increase in interest earnings (higher interest rates), a decrease in state aid-unrestricted of \$3,848,885 (aid and incentives for municipalities which in 2019 is classified as other income due to change in the source of funding for the aid (State (2018) and County (2019)) and an increase in other income of \$4,303,257 as the aid and incentives aid of \$3,848,885 is now classified as other income and increases in gifts and donations, and refunds of prior year expenses.
- Overall expenses of \$526,997,353 increased by \$65,229,477 from the prior year in all functional areas. Of the \$65,229,477 increase in expenses from the prior year, \$48,570,995 stems from the increase in allocated employee benefits (OPEB, retirement, retirement incentive, workers compensation, and compensated absences benefits), across all functions except for education and interest, and, of which \$40,976,000 specifically relates to other postemployment benefits expense. Interest and other debt costs expense increased by \$4,291,552.
- Noteworthy changes from the prior year, by function, are as follows:
 - General government support - The \$14,296,918 increase in general government support is primarily due to the following: a \$11,856,099 increase in employee benefits and \$4,076,383 more in expenses primarily pertaining to operations of the legislative board, comptroller's office, legal department, general services, and information technology relating to personnel costs and contractual costs. These increases were offset by various insignificant decreases.
 - Public safety – The \$7,841,700 increase in public safety expenses is primarily due to \$6,329,617 increase in employee benefits costs and a \$1,474,144 increase in cost of the building department operations.
 - Transportation – The \$7,872,127 increase in transportation expenses is primarily due to the following: \$4,090,377 increase in employee benefits \$1,739,084 increase in contractual costs associated with the maintenance of highways and roads, a \$714,442 increase in depreciation. Additionally, there were other insignificant increases in transportation expenses.
 - Economic assistance and opportunity – The \$4,258,630 increase in economic assistance and opportunity expenses is primarily due the following: \$1,298,796 increase in employee benefits and \$2,888,100 increase in the Workforce Innovation and Opportunity grant expenses.
 - Culture and recreation – The \$13,878,420 increase in culture and recreation expenses is primarily due to a \$11,402,506 increase in employee benefits and an increase of purchase of small tools and equipment not meeting the capitalization policy of \$1,370,492.
 - Home and community – The \$12,578,560 increase in home and community expenses is primarily related to a \$13,593,600 increase in employee benefits, and which was offset by a \$717,519 decrease in depreciation expense.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

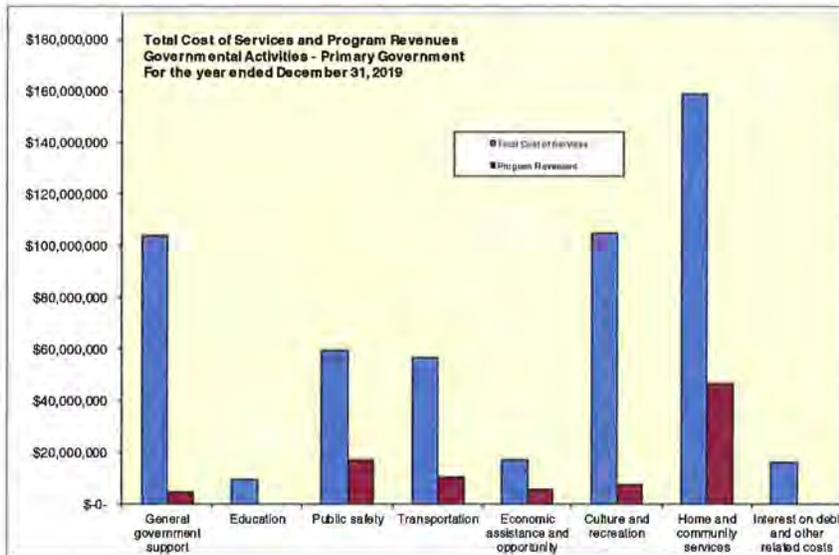
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following chart illustrates the total expenses by program function for the Town's governmental activities:

Net Cost of Services
 Governmental Activities
 For the years ended December 31, 2019 and 2018

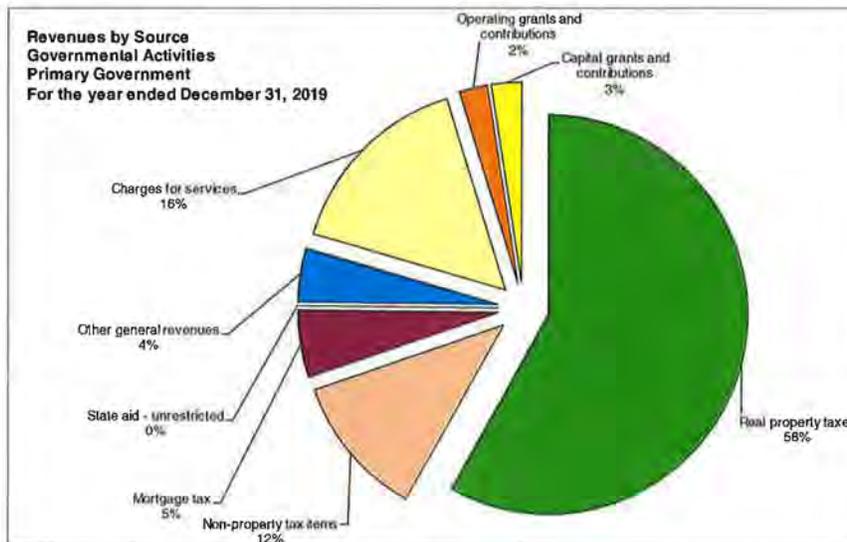
	Total Cost (Expense) of Services		Program Revenues		Net Cost (Revenue) of Services	
	2019	2018	2019	2018	2019	2018
General government support	\$ 104,008,323	\$ 89,709,406	\$ 4,853,728	\$ 4,208,269	\$ 99,152,595	\$ 85,501,136
Education	9,343,393	9,131,823			9,343,393	9,131,823
Public safety	59,518,919	51,677,219	17,049,389	15,643,198	42,469,530	36,034,021
Transportation	56,832,385	48,960,258	10,675,488	7,633,607	46,156,897	41,326,651
Economic assistance and opportunity	17,022,499	12,763,869	5,807,698	3,410,721	11,214,801	9,353,148
Culture and recreation	105,116,557	91,238,137	7,749,758	8,472,448	97,366,799	82,765,689
Home and community services	159,093,956	146,515,396	46,616,843	47,698,270	112,477,113	98,817,126
Interest on debt and other debt related costs	15,063,321	11,771,769	33,452		15,029,869	11,771,769
	\$ 526,997,353	\$ 461,767,676	\$ 92,786,356	\$ 87,066,513	\$ 434,210,997	\$ 374,701,363

The following chart shows the governmental activities total cost of service and program revenues :



The total cost of all governmental activities this year was \$526,997,353. The net cost of these services after being subsidized by program revenues of \$92,786,356 was \$434,210,997.

The following chart illustrates the revenues by source for the Town's governmental activities:



TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Revenue by Source

For the years ended December 31, 2019 and 2018

	2019		2018
Real property taxes	\$ 263,644,351	\$	274,331,023
Non-property tax items	52,640,866		51,308,200
Mortgage tax	24,711,452		22,940,984
State aid - unrestricted			3,848,885
Other general revenues	19,745,913		14,603,718
Charges for services	71,126,465		69,342,408
Operating grants and contributions	10,367,960		8,507,310
Capital grants and contributions	11,291,931		9,216,795
	<u>\$ 453,528,938</u>	\$	<u>454,099,323</u>

The business-type activities revenues exceeded operating expenses by \$94,339 in the current year. Program revenues, fees for services, increased by \$20,073, due to the number and size of projects it closed during the year. Expenses increased by \$102,712 from the prior year, primarily due to an increase in compensation and related costs.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, spendable fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

There are no restrictions that are expected to have a significant effect on the availability of fund resources for future use.

At December 31, 2019, the Town's governmental funds reported total ending fund balances of \$172,821,376, an increase of \$6,869,606 in comparison with the prior year. The Town's major operating funds consisting of the General Fund, Highway Fund, Park Districts Fund, Refuse and Garbage Districts Fund, and Water Districts Fund reported increases/(decreases) in fund balance from the prior year by (\$4,090,453), \$7,550,227, \$5,671,475, \$1,582,662, and \$1,435,592, respectively. These net increases were offset by decreases in the Debt Service Fund of \$128,694 and Capital Projects Fund of \$7,010,215. The aggregate nonmajor funds' fund balance increased by \$1,859,012.

The category breakdown of fund balance is as follows:

- **Nonspendable fund balance** - \$14,073,851 (inherently nonspendable) includes balances that cannot be spent, such as inventory and prepaid items, as well as the portion of net resources that cannot be spent because they must be maintained intact (permanent funds).
- **Restricted fund balance** - \$29,600,895 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$113,677,441 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making and the remaining positive fund balance amounts in special revenue funds other than the General Fund.
- **Unassigned fund balance** - \$15,469,189 is the total residual fund balance in the General Fund.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

General Fund

The General Fund is the main operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$22,655,161, a decrease of \$4,090,453 or 15.29% from the prior year. Of the total fund balance, \$5,144,936 is not in spendable form (inventory, and prepaid items), \$967,416 is restricted for future debt service requirement and \$1,073,620 is assigned for the subsequent year's budget and for purchases on order. There is a remaining unassigned fund balance of \$15,469,189.

The General Fund's total expenditures and other financing uses exceeded revenues and other financing sources by \$4,090,453 for the year. Revenues and other financing sources decreased by \$1,052,421 from the prior year to \$176,226,213, while expenditures and other financing uses increased by \$6,778,364 from the prior year to \$180,316,666.

The decrease in revenues and other financing sources of \$1,052,421 was primarily due to a reduction in revenues of \$714,403 and a decrease in other financing sources of \$338,018. The decrease in revenues primarily stems from a decrease in real property taxes (planned by management) of \$5,969,378 and state aid of \$1,766,078 (primarily due to reclassification of aim and incentives aid of \$3,848,885 to miscellaneous revenue in 2019 and increases in mortgage tax revenue of \$1,770,468). These decreases were offset by increases in non-property tax items of \$1,431,749, miscellaneous income of \$3,708,441 (aim and incentives aid reclassification in 2019) and interfund revenues of \$1,592,250.

The increase in expenditures and other financing uses of \$6,778,364 is primarily due to increases in all functions. Notable increases are as follows: \$4,076,383 increase general government support primarily due to costs associated with the legislative board, comptroller's office, law office, central data process and information technology costs; \$762,312 increase in home and community costs associated with conservation efforts; and \$947,071 increase in employee benefits (workers compensation, social security and health).

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$22,976,747 an increase of \$7,550,227, or 48.94%, from the prior year. Of this the total fund balance, \$3,425,107 is not in spendable form (inventory and prepaid items) and \$2,352,349 is restricted for future debt service. The remaining \$17,199,291 of the fund balance is in spendable form as follows: \$2,812 is assigned for purchase orders and \$17,196,479 is assigned for highway purposes.

The Highway Fund's total revenues and other financing sources exceeded expenditures and other financing uses by \$7,550,227 for the year. Revenues and other financing sources increased by \$4,063,466 from the prior year to \$76,711,944 while expenditures and other financing uses decreased by \$1,200,386 from the prior year to \$69,161,717.

The increase in revenues and financing sources of \$4,063,466 is primarily attributable to increases in other financing sources of \$5,477,042 and a decrease in total revenues of \$1,413,576. The increase in other financing sources is attributable to increases of \$3,382,105 transfers from other funds (from capital for unspent bond proceeds), and \$2,500,000 issuance of debt, and those increases were offset by a \$405,063 decrease in premiums on issuance. Notable changes pertaining to the decrease in total revenues are: \$991,470 of property taxes and \$539,756 of miscellaneous income (special assessments).

The decrease in expenditures and financing uses of \$1,200,386 is attributable to a decrease in transfers out for debt service requirements of \$1,996,436 and an increase in the operations of maintaining the roads and highways (street maintenance, snow removal, related equipment costs and employee benefits) of \$796,050. The increase of \$796,050 in highway operations noted above, primarily consists of \$1,739,084 increase in contractual costs, a \$590,445 decrease in personal and related costs and \$352,589 decrease in equipment purchases.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

Park District Fund

At the end of the current year, the total fund balance of the Park Districts Fund was \$19,610,065, an increase of \$5,671,475 from the prior year. Of the total fund balance, \$1,633,125 is not in spendable form (inventory and prepaid items), \$453,656 is restricted for future debt service requirements, and \$17,523,284 is in spendable form as follows: \$12,277 is assigned for purchase orders and the remaining \$17,511,007 is assigned for park fund purposes.

The Park Districts Fund's total revenues and other financing sources exceeded expenditures and other financing uses by \$5,671,475 for the year. Revenues and other financing sources decreased slightly by \$87,159 from the prior year to \$95,652,840 while expenditures and other financing uses decreased by \$1,302,279 from the prior year to \$89,981,365.

The decrease in revenues and financing sources of \$87,159 is primarily attributable a decrease in real property taxes of \$1,607,285 and which was offset by increases in interfund revenues of \$1,012,664, miscellaneous revenue \$365,433 (refund of prior year expenditures and other) and use of money and property of \$131,074 (interest earning and rental revenue).

The decrease in expenditures and financing uses of \$1,302,279 is primarily attributable to a \$1,598,488 decrease in transfers out for debt service requirements and a modest increase in administration of parks, recreation and special facility contractual operational costs including equipment purchases \$296,209. The increase in the expenditures primarily consists of increases in personal services of \$815,473, in capital outlay of \$236,243 and a decrease in contractual costs of \$755,507.

Refuse and Garbage Districts Fund

At the end of the current year, the total fund balance of the Refuse and Garbage Districts Fund was \$42,519,146, an increase of \$1,582,662 or 3.87%, from the prior year. Of the total fund balance, \$946,968 is not in spendable form (inventory and prepaid items) and \$204,511 is restricted for future debt service requirements. The remaining \$41,367,667 of the fund balance is in spendable form, of which \$840,779 is assigned for the subsequent year's budget, \$37,253 is assigned for purchase orders and \$40,489,635 is assigned for refuse and garbage purposes.

The Refuse and Garbage Districts Fund's total revenues and other financing sources exceeded expenditures and other financing uses by \$1,582,662 for the year. Revenues and other financing sources decreased by \$76,837,841 from the prior year to \$120,608,407 and expenditures and other financing uses decreased by \$72,828,896 from the prior year to \$119,025,745.

The decrease in revenues and financing sources of \$76,837,841 consists of a decrease in other financing sources of \$81,546,667 and an increase in total revenues of \$4,708,826. The decrease in other financing sources is due to decreases in issuance of debt of \$72,095,000 and premiums on issuance of \$9,310,270. The increase in revenues is primarily due to increases in miscellaneous revenues of \$5,838,195 (monies received from Nassau County pursuant to the utility case settlement agreement (see Note 4B)), use of money and property of \$753,530 (interest earnings and rental revenue), and offset by a decrease in real property taxes of \$1,955,927.

The decrease in expenditures and financing uses of \$72,828,896 consists of a \$8,771,438 increase in other financing uses and a \$81,600,334 decrease in expenditures. The increase in other financing uses is attributable to an increase in transfers out for higher debt service requirements. The decrease in expenditures is primarily due to \$82,863,155 less in litigation settlements paid related to the garbage tax and local utilities litigation (see Notes 4A and B), and an increase in refuse and garbage collection costs of \$2,056,360 and a decrease in personnel costs of \$413,232.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

Water Districts Fund

At the end of the current year, the total fund balance of the Water Districts Fund was \$21,852,245, an increase of \$1,435,592 or 7.03%, from the prior year. Of this amount, \$892,049 is not in spendable form (inventory and prepaid items) and \$189,652 is restricted for future debt service requirements. The remaining \$20,770,544 of the fund balance is assigned for water service purposes.

The Water Districts Fund's total revenues and other financing sources exceeded expenditures and other financing uses by \$1,435,592 for the year. Revenues and other financing sources decreased by \$821,939 from the prior year to \$22,498,376 while expenditures and other financing uses increased by \$358,349 from the prior year to \$21,062,784.

The decrease in revenues and financing sources of \$821,939 consists of a decrease in revenues of \$773,684 and a decrease in other finance sources of \$48,255. Notable changes to revenue from the prior year are as follows: decreases in real property taxes of \$432,144, real property tax items of \$43,837 and departmental income of \$448,776, an increase use of money and property \$181,317 (rental of property).

The increase expenditures and financing uses of \$358,349, primarily consists of a \$460,939 decrease in transfers out for debt service requirements, and an increase of expenditures of \$819,288. The increase in expenditures relates to contractual costs of providing water services.

Capital Projects Fund

At the end of the current year, the Capital Projects Fund had a total fund balance of \$20,133,218, a decrease of \$7,010,215 from the prior year. During 2019, the Capital Projects Fund received \$42,207,182 of debt proceeds, and revenues of \$10,477,539 from primarily federal and state grants, while expending \$53,244,592 for capital outlay. The Capital Fund transferred \$6,450,344 to various operating funds for unspent bond proceeds associated with closed/completed projects.

Debt Service Fund

At the end of the current year, the Debt Service Fund has a total fund balance \$1,292,972, all of which is restricted for future debt service. Debt service expenditures of \$57,441,584 increased by \$3,440,712 from the prior year. To finance the debt service payments, the operating funds transferred \$56,605,025 in 2019, an increase of \$3,544,087 from the prior year. During 2019, the Town issued \$47,550,000 of refunding bonds and together with the premium received of \$6,044,413, currently refunded \$52,920,000 of Series 2010A and 2011A and B general obligation bonds. The refunding resulted in cash flow savings of approximately \$4.4 million.

Nonmajor Governmental Funds

The net change in fund balances was an increase of \$1,859,012, of which \$196,048 is attributable to the Town Outside Village Fund, \$659,255 to the Fire Protection Districts, \$626,636 to the Street Lighting Districts Fund, \$433,063 from the Public Parking Districts Fund, and \$14,660 to the Library Funding Districts Fund, and which was offset by a \$70,650 loss in the Special Grants Fund. Total revenues and other financing sources were \$69,701,100, which is an increase of \$3,488,020 from the prior year. Noteworthy changes from the prior year are as follows: increases in departmental income of \$1,987,631, federal aid of \$757,703, miscellaneous revenue of \$232,826, interfund revenue of \$325,712, transfers in of \$447,120, premiums on debt issuance of \$572,265; and decreases in real property tax items of \$522,858 and fines and forfeitures of \$417,877.

Total expenditures and other financing uses increased by \$2,034,799 from the prior year to \$67,842,088. The increase in expenditures is primarily due to special grants expenditures of \$1,809,587 and building department operations of \$1,474,143 and those increases were offset by a decrease in transfers out for debt service requirements of \$1,455,228.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Proprietary Fund

Town of Hempstead Local Development Corporation

The Town of Hempstead Local Development Corporation revenues exceeded operating expenses by \$94,339 in the current year. Program revenues, fees for services, increased by \$20,073, due to the number and size of projects it closed during the year. Expenses increased by \$102,712 from the prior year, primarily due to an increase in compensation and related costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the 2019 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year there was a \$6,770,098 or 3.86% increase in the General Fund's appropriations between the original and final amended budget. Of the \$6,770,098 supplemental appropriations, \$2,980,476 of fund balance was appropriated to fund additional salaries costs resulting from early retirement and termination payouts of compensated absences, \$1,743,393 of additional tuition costs billed by Nassau County, \$1,210,000 of transfers to the Special Grants Fund to finance certain admin costs for the Department of Occupational Resources and Department of Urban Renewal, \$624,870 of unanticipated costs for fees and services and \$847,991 of unanticipated costs for workers compensation. There are no variances that are expected to have a significant effect on future services or liquidity. Please see the General Fund section for more details on the comparison of final budgets and actual amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation for its governmental type activities as of December 31, 2019, amounts to \$560,495,835. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current year included the following: road construction, street lighting improvements, heavy equipment replacement, information and technology upgrades, building improvements, water distribution infrastructure and park improvements.

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities	
	2019	2018
Land and landfills	\$ 86,967,285	\$ 86,967,285
Construction work in progress	2,881,676	1,285,291
Buildings	23,305,978	25,252,387
Infrastructure and improvements other than building	425,056,703	407,597,188
Improvements to park portion of Merrick landfill	6,476,649	7,017,204
Machinery and equipment	14,290,466	16,064,306
Intangibles- Software	1,517,078	1,539,653
Total Net Capital Assets	\$ 560,495,835	\$ 545,723,314

The was no depreciation expense reported in the business-type activities capital assets.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

The composition of capital assets by percentage at December 31, 2019 is as follows:



There was no significant activity in the business-type activities capital assets.

Additional information on the Town's capital assets is shown in Note 3.D to the financial statements.

Long-Term Debt

At the end of the current year, the Town has total long-term bonded debt outstanding of \$403,741,887. The entire debt is backed by the full faith and credit of the Town. The Town's business-type activities has no debt outstanding.

Outstanding Debt

	Governmental Activities	
	2019	2018
General obligation bonds	\$ 403,741,887	\$ 403,676,828
Total	<u>\$ 403,741,887</u>	<u>\$ 403,676,828</u>

In 2019 the Town's total debt increased by \$65,059 or 0.02%. As mentioned previously, during 2019 the Town issued general obligation bonds totaling \$93,057,182 and received \$10,792,749 of related premiums on issuance. Of the \$93,057,182 bond proceeds, \$47,550,000 of bonds were issued to refund \$52,920,000 of Series 2010A and 2011A and B bonds to yield \$4.3 million in cash flow savings and \$45,507,182 was issued to finance public improvements.

In July 2019, S&P Global Ratings ("S&P") assigned an AA-/positive outlook to the Town's 2019 Series A and B bond issuances. The Town will be updating it's rating with S&P in late December 2020.

State statutes limit the amount of general obligation a governmental entity may issue to 7% of a 5-year average full valuation.

As of June 18, 2019, and November 24, 2020, the Town's debt contracting limitation amount was \$6,497,114,917 and \$7,150,575,311, respectively, and the percentage of debt contracting exhausted was 4.9% and 4.55%, respectively.

Additional information on the Town's indebtedness is shown in Note 3.E to the financial statements.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town's elected and appointed officials considered many factors when preparing the 2020 budget. The Town's statistical data continues to compare favorably to New York State and the United States. The Town's 2019 average unemployment rate of 3.6% compares favorably to New York State's 4.0% and the United States' 3.7%. Household income in the Town also compares favorably to both the state and the nation. More than half of households in the Town – 54.9% – have annual incomes of \$100,000 or more, compared to 36.7% in New York State and 31.4% nationwide. According to the U.S. Census Bureau, mean household income in the Town of Hempstead is \$142,246, compared to New York State's \$107,355 and the United States' \$92,324. In addition, more than 80% of housing units in the Town of Hempstead are owner-occupied, compared to 54% in New York State and 64% nationwide. And, the median home value in the Town is more than 47% higher than the State median, and more than double the national median. These factors provide a stable tax environment enabling the Town to reliably project tax revenue.
- Our government officials and a dedicated workforce are committed to streamlining the cost of government and providing Hempstead Town residents with the best municipal services at the lowest possible cost. The Town's 2020 budget reduces taxes by over \$10 million, or 3.8% compared to the 2019 budget. To achieve this tax reduction the Town is aggressively managing workforce costs and discretionary spending. Among the budget cuts included in the adopted budget are the elimination of vacant positions, and budgeting for positions that are anticipated to become vacant at a pro-rated cost. A retirement incentive instituted in early 2020 will reduce the Town workforce to the lowest level in 30 years. Discretionary spending is also closely monitored through numerous internal controls. The Town makes a concerted effort to keep increases in discretionary spending at or below the rate of inflation.
- The Town's 2020 finances have been clouded by the COVID-19 pandemic. Staffing has been affected by town-wide shutdowns and intermittent department-wide shutdowns. Expenses and revenues continue to be impacted by human impact of the virus. Sales tax revenue and refuse disposal fees are projected to drop due to commercial business closings. Mortgage recording tax revenue, however, is spiking as a result of a very strong real estate market on Long Island and mortgage refinancings due to low interest rates. Non-COVID expenses are projected to rise minimally.
- The Town is in a unique situation as it relates to expenditures due to the COVID-19 virus. In April of this year Congress passed The Coronavirus Aid, Relief, and Economic Security (CARES) Act. That legislation allocated \$150 billion to municipalities across the country based on population to mitigate COVID related expenses. The Town was one of 7 governments in New York State eligible to receive funding; the only town in the country. The Town received approximately \$134 million which is being used to offset COVID mitigation expenses such as employee testing, personal protection equipment, HVAC upgrades and bathroom upgrades. CARES Act funds are also to be used for payroll expenses for employees who have been reassigned to COVID related public safety and public health functions. The Town has also authorized distribution of over \$28 million of its CARES Act funds in grants to other local governments, hospitals, fire departments, colleges and, food banks in the Town of Hempstead. The CARES Act funding has, in effect, shielded the Town finances from the economic impact of the COVID-19 pandemic.
- Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011. The Tax Cap Law limits annual increases of the Town's overall real property tax to no more than the lesser of 2% or the rate of inflation. The Tax Cap law took effect with the 2012 budget year. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law, including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the Town. In addition, if the Town uses less than the amount of its allowable tax levy increase in a given fiscal year it may include the unused portion, up to one and one-half percent (1.5%), in calculating its tax levy limit for the following fiscal year. Furthermore, the Town Board may override the limitations if the Town Board enacts, by vote of at least sixty percent of the voting power of the Town Board, a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the Town.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (continued)

- The adopted budget for the fiscal year beginning January 1, 2020 included a 3.8% decrease in total taxes levied.
- When all these factors are considered, the Town's combined fund balances are expected to improve by the close of 2020.
- Chapter 1262-e of Article 29 of New York Tax Law, Establishment of Local Government Assistance Programs in Nassau County was enacted on January 1, 1998. This local government assistance program provides for the towns and cities within Nassau County a revenue sharing source equal to one-third of the revenues received by the County from its imposition of the three-quarters percent sales and use tax during the years 2001-2023. The Town has included \$42,400,000 of local government assistance for the expected shared sales tax revenue in its 2020 budget. After 2023, the legislation providing for this County local assistance/shared sales tax revenue assistance expires.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Hempstead, Office of the Comptroller, Hempstead, New York.

BASIC FINANCIAL STATEMENTS

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TOWN OF HEMPSTEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2019

	Primary Government		Total	Nonmajor Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 145,928,279	\$ 2,346,901	\$ 148,275,180	\$ 20,775,607
Cash and cash equivalents- restricted	6,960,753		6,960,753	5,128,689
Receivables, net of allowance for uncollectibles	12,337,350		12,337,350	1,676,091
Due from other governments	33,819,782		33,819,782	327,577
Prepaid items	11,197,712		11,197,712	365,471
Inventories	7,236,908		7,236,908	
Other assets	505,000		505,000	
Total Current Assets	<u>217,985,784</u>	<u>2,346,901</u>	<u>220,332,685</u>	<u>28,273,415</u>
Non-Current Assets:				
Receivables, service concession arrangements	2,154,233		2,154,233	
Due from other governments	47,565,634		47,565,634	
Length of service award program plan assets	3,192,678		3,192,678	
Non-depreciable capital assets	89,848,961		89,848,961	11,602,896
Depreciable capital assets, net of depreciation	470,646,874		470,646,874	38,541,876
Total Non-Current Assets	<u>613,408,380</u>	<u>-0-</u>	<u>613,408,380</u>	<u>50,144,772</u>
Total Assets	<u>831,394,164</u>	<u>2,346,901</u>	<u>833,741,065</u>	<u>78,418,187</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension - employees' retirement system	38,249,835		38,249,835	3,114,223
Pension - length of service award program	1,057,547		1,057,547	
Other postemployment benefits	233,902,036		233,902,036	
Total Deferred Outflows of Resources	<u>273,209,418</u>	<u>-0-</u>	<u>273,209,418</u>	<u>3,114,223</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	23,631,588	9,259	23,640,847	2,202,732
Accounts payable - capital related debt	9,512,397		9,512,397	
Accrued interest payable	3,865,601		3,865,601	180,654
Due to other governments	674,664		674,664	7,553,312
Unearned revenue	95,746		95,746	262,716
Non-current liabilities				
Due within one year	71,530,828		71,530,828	1,045,735
Total Current Liabilities	<u>109,310,824</u>	<u>9,259</u>	<u>109,320,083</u>	<u>11,245,149</u>
Non-Current Liabilities				
Due in more than one year	1,837,814,656		1,837,814,656	46,034,146
Total Non-Current Liabilities	<u>1,837,814,656</u>	<u>-0-</u>	<u>1,837,814,656</u>	<u>46,034,146</u>
Total Liabilities	<u>1,947,125,480</u>	<u>9,259</u>	<u>1,947,134,739</u>	<u>57,279,295</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on refunding bonds	5,093,729		5,093,729	
Pension - employees' retirement system	14,667,657		14,667,657	628,773
Pension - length of service award program	28,748		28,748	
Deferred service concession arrangement receipts	2,792,843		2,792,843	
Other postemployment benefits	104,017,058		104,017,058	396,412
Total Deferred Inflows of Resources	<u>126,600,035</u>	<u>-0-</u>	<u>126,600,035</u>	<u>1,025,185</u>
NET POSITION				
Net investment in capital assets	208,659,855		208,659,855	27,392,477
Restricted for:				
Capital projects	20,133,218		20,133,218	
Culture and recreation				17,871
Home and community and economic assistance and opportunity	359,765		359,765	5,080,869
Debt service	1,292,972		1,292,972	
Permanent fund, nonexpendable	1,337,867		1,337,867	
Unrestricted (deficit)	(1,200,905,610)	2,337,642	(1,198,567,968)	(9,263,287)
Total Net Position	<u>\$ (969,121,933)</u>	<u>\$ 2,337,642</u>	<u>\$ (966,784,291)</u>	<u>\$ 23,227,930</u>

TOWN OF HEMPSTEAD
GOVERNMENT - WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

Function/Program	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General government support	\$ 104,008,323	\$ 4,403,057	\$ 450,671	
Education	9,343,393			
Public safety	59,518,919	16,917,918	131,471	
Transportation	56,832,385	371,805		\$ 10,303,683
Economic assistance and opportunity	17,022,499	21,397	5,786,301	
Culture and recreation	105,116,557	7,634,039	115,719	
Home and community services	159,093,956	41,778,249	3,850,346	988,248
Interest and other debt related costs	16,063,321		33,452	
Total Governmental Activities	526,997,353	71,126,465	10,367,960	11,291,931
Business-Type Activities:				
Economic assistance and opportunity	148,385	230,709		
Total Business-Type Activities	148,385	230,709	-0-	-0-
Total Primary Government	\$ 527,145,738	\$ 71,357,174	\$ 10,367,960	\$ 11,291,931
Nonmajor Component Units				
Economic assistance and opportunity	\$ 811,133	\$ 876,572		
Culture and recreation	8,992,471	147,069	\$ 41,942	
Home and community services	12,899,055	4,635,606		\$ 1,400
Total Component Units	\$ 22,702,659	\$ 5,659,247	\$ 41,942	\$ 1,400

General Revenue

Real property taxes
Real property tax items
Non-property taxes:
 Sales tax distribution by county, unrestricted
 Franchise fees
Interest earnings - unrestricted
Mortgage tax
State aid - unrestricted
Other

Total General Revenues

Change in Net Position

Net Position at Beginning of Year, as originally reported

Adjustment to opening capital assets and other amounts (Note 7)

Net Position at Beginning of Year, as restated

Net Position at Ending of Year

Net (Expense) Revenues and
Changes in Net Position

Total Primary Government			Nonmajor Component Units
Governmental Activities	Business-type Activities	Total	
\$ (99,152,595)		\$ (99,152,595)	
(9,343,393)		(9,343,393)	
(42,469,530)		(42,469,530)	
(46,156,897)		(46,156,897)	
(11,214,801)		(11,214,801)	
(97,366,799)		(97,366,799)	
(112,477,113)		(112,477,113)	
(16,029,869)		(16,029,869)	
<u>(434,210,997)</u>	\$ -0-	<u>(434,210,997)</u>	
	82,324	82,324	
-0-	82,324	82,324	
<u>(434,210,997)</u>	<u>82,324</u>	<u>(434,128,673)</u>	
			\$ 65,439
			(8,803,460)
			<u>(8,262,049)</u>
			<u>(17,000,070)</u>
263,644,351		263,644,351	13,120,109
10,448,435		10,448,435	673,255
41,588,290		41,588,290	
11,052,576		11,052,576	
4,092,667	12,015	4,104,682	742,365
24,711,452		24,711,452	
5,204,811		5,204,811	34,276
<u>360,742,582</u>	<u>12,015</u>	<u>360,754,597</u>	<u>14,649,417</u>
<u>(73,468,415)</u>	<u>94,339</u>	<u>(73,374,076)</u>	<u>(2,350,653)</u>
(895,653,518)	2,243,303	(893,410,215)	26,084,589
		-0-	(506,006)
<u>(895,653,518)</u>	<u>2,243,303</u>	<u>(893,410,215)</u>	<u>25,578,583</u>
<u>\$ (969,121,933)</u>	<u>\$ 2,337,642</u>	<u>\$ (966,784,291)</u>	<u>\$ 23,227,930</u>

**TOWN OF HEMPSTEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019**

	MAJOR FUNDS			
	General	Highway	Park Districts	Refuse and Garbage Districts
ASSETS				
Cash and cash equivalents	\$ 3,041,220	\$ 12,582,451	\$ 16,985,103	\$ 43,366,418
Cash and cash equivalent - restricted	964,916	2,352,349	453,656	204,511
Receivables, net of allowance of uncollectibles	785,321	637,671	321,014	1,708,068
Due from other funds	7,257,991	6,362,524	183,663	3,052,958
Due from other governments	16,518,040	543,794	2,134,009	1,754,209
Inventories	2,961,543	2,793,237	539,986	29,484
Prepaid items	2,183,393	631,870	1,093,199	917,484
Length of service award program plan assets				
Other assets	205,600	45,900	150,900	57,300
Total Assets	\$ 33,918,024	\$ 25,949,796	\$ 21,861,470	\$ 51,092,432
LIABILITIES				
Accounts payable and accrued liabilities	\$ 8,302,006	\$ 1,715,712	\$ 2,036,910	\$ 8,223,546
Accounts payable - capital related debt				
Due to other funds	1,741,826	716,688	180,495	340,237
Due to other governments	625,509			1,257
Unearned revenue				8,246
Total Liabilities	10,669,341	2,432,400	2,216,405	8,573,286
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - fees	593,522		35,000	
Unavailable revenue - water fees				
Unavailable revenue - sidewalk repair		540,649		
Total Deferred Inflows of Resources	593,522	540,649	35,000	-0-
FUND BALANCES				
Nonspendable	5,144,936	3,425,107	1,633,125	946,968
Restricted	967,416	2,352,349	453,656	204,511
Assigned	1,073,620	17,199,291	17,523,284	41,367,667
Unassigned	15,469,189			
Total Fund Balances	22,655,161	22,976,747	19,610,065	42,519,146
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 33,918,024	\$ 25,949,796	\$ 21,861,470	\$ 51,092,432

Water Districts	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 17,523,068	\$ 38,946,375		\$ 13,481,644	\$ 145,928,279
189,652			2,795,669	6,960,753
5,800,100	23,023		2,423,543	11,698,740
265,195	88,729		338,323	17,549,383
122,529	4,518,569	\$ 1,292,972	2,297,506	29,181,628
637,119			275,599	7,236,908
254,930			418,260	5,499,076
			3,192,678	3,192,678
20,200			25,100	505,000
<u>\$ 24,812,793</u>	<u>\$ 43,576,696</u>	<u>\$ 1,292,972</u>	<u>\$ 25,248,262</u>	<u>\$ 227,752,445</u>
\$ 606,913			\$ 2,747,501	\$ 23,631,588
	\$ 9,512,397			9,512,397
55,515	13,795,683		718,939	17,549,383
	47,898			674,664
	87,500			95,746
<u>662,428</u>	<u>23,443,478</u>	<u>\$ -0-</u>	<u>3,466,440</u>	<u>51,463,778</u>
				628,522
-2,298,120				2,298,120
				540,649
<u>-2,298,120</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,467,291</u>
892,049			2,031,666	14,073,851
189,652	20,133,218	1,292,972	4,007,121	29,600,895
20,770,544			15,743,035	113,677,441
				15,469,189
<u>21,852,245</u>	<u>20,133,218</u>	<u>1,292,972</u>	<u>21,781,822</u>	<u>172,821,376</u>
<u>\$ 24,812,793</u>	<u>\$ 43,576,696</u>	<u>\$ 1,292,972</u>	<u>\$ 25,248,262</u>	<u>\$ 227,752,445</u>

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TOWN OF HEMPSTEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2019

Total Fund Balances - Governmental Funds		\$ 172,821,376
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets less accumulated depreciation are included in the statement of net position:		
Capital assets - non-depreciable	\$ 89,848,961	
Capital assets - depreciable	976,856,523	
Accumulated depreciation	<u>(506,209,649)</u>	560,495,835
Prepaid items included in the statement of net position.		5,698,636
Long-term receivables and due from other governments, and other assets not available to pay for current-period expenditures and therefore revenue has not been recognized in the governmental fund statements.		58,463,922
Deferred outflows of resources not reported in the governmental fund statements:		
Pension - employees' retirement system	38,249,835	
Pension - length of service award program	1,057,547	
Other postemployment benefits	<u>233,902,036</u>	273,209,418
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the statement of net position:		
General obligation bonds payable	(403,741,887)	
Capital leases	(9,615,525)	
Pension related debt	(15,351,662)	
Employees' retirement system net pension liability	(39,036,111)	
Length of service award program plan pension liability	(6,318,348)	
Compensated absences	(47,401,017)	
Claims and judgments	(38,978,309)	
Estimated liability for landfill closure and postclosure care costs	(842,448)	
Pollution remediation obligations	(7,294,301)	
Total other postemployment benefits liability	<u>(1,306,759,675)</u>	(1,875,339,283)
Deferred inflows of resources not reported in governmental fund statements:		
Deferred gain on debt refundings	(5,093,729)	
Pension - employees' retirement system	(14,667,657)	
Pension - length of service award program	(28,748)	
Service concession arrangements	(2,792,843)	
Other postemployment benefits	<u>(104,017,058)</u>	(126,600,035)
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Premiums on bonds included in the statement of net position		(34,006,201)
Interest payable and accrued liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the statement of net position.		<u>(3,865,601)</u>
Net Position of Governmental Activities		<u>\$ (969,121,933)</u>

TOWN OF HEMPSTEAD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	MAJOR FUNDS			
	General	Highway	Park Districts	Refuse and Garbage Districts
REVENUES				
Real property taxes	\$ 29,216,076	\$ 61,814,740	\$ 54,911,218	\$ 88,408,888
Real property tax items	2,362,364	2,371,746	2,849,057	1,472,330
Non-property tax items	41,588,290			
Departmental income	7,069,497		2,604,941	13,096,625
Intergovernmental charges	45,029	6,250	811,666	3,363,409
Use of money and property	1,157,564	943,145	573,214	5,437,804
Licenses and permits	2,664,226			38,520
Fines and forfeitures	20,800		1,150	
Sale of property and compensation for loss	151,992	62,582	49,373	229,962
Miscellaneous revenue	3,792,793	240,094	605,205	6,686,440
Interfund revenues	61,946,337		32,677,641	869,918
State aid	24,964,339		115,719	
Federal aid	233,697			
Total Revenues	<u>175,213,004</u>	<u>65,438,557</u>	<u>85,199,184</u>	<u>119,603,896</u>
EXPENDITURES				
Current:				
General government support	89,671,926			
Education	9,343,393			
Public safety	15,544,782			
Transportation	1,198,557	32,081,710		
Economic assistance and opportunity	4,269,817			
Culture and recreation	49,133		61,926,399	
Home and community services	10,010,592			83,614,834
Employee benefits	40,206,350	12,136,645	23,640,602	23,139,924
Capital Outlay				
Debt Service:				
Principal	211,334			
Interest	32,290			
Debt issuance costs				
Total Expenditures	<u>170,538,174</u>	<u>44,218,355</u>	<u>85,567,001</u>	<u>106,754,758</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,674,830</u>	<u>21,220,202</u>	<u>9,632,183</u>	<u>12,849,138</u>
Other Financing Sources (Uses)				
Transfers in	48,293	6,421,038		
Transfers out	(9,778,492)	(24,943,362)	(4,414,364)	(12,270,987)
Payments to refunded bond escrow agent- debt service principal				
Issuance of debt		2,500,000		800,000
Issuance of debt - refunding bonds				
Premiums on bonds	964,916	2,352,349	453,656	204,511
Total Other Financing Sources (Uses)	<u>(8,765,283)</u>	<u>(13,669,975)</u>	<u>(3,960,708)</u>	<u>(11,266,476)</u>
Net Change in Fund Balances	<u>(4,090,453)</u>	<u>7,550,227</u>	<u>5,671,475</u>	<u>1,582,662</u>
Fund Balance at Beginning of Year	<u>26,745,614</u>	<u>15,426,520</u>	<u>13,938,590</u>	<u>40,936,484</u>
Fund Balance at End of Year	<u>\$ 22,655,161</u>	<u>\$ 22,976,747</u>	<u>\$ 19,610,065</u>	<u>\$ 42,519,146</u>

Water Districts	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,627,373			\$ 23,666,056	\$ 263,644,351
282,817			1,110,121	10,448,435
14,722,718			11,052,576	52,640,866
230,850		\$ 33,452	15,345,144	52,639,925
1,401,648	\$ 133		465,786	4,490,656
				9,979,294
				2,702,746
			1,311,550	1,333,500
5,669			25,794	525,372
9,524	14,873		1,622,418	12,971,347
28,125			2,878,272	98,400,293
	6,579,888		54,512	31,714,458
	3,882,645		10,375,619	14,491,961
<u>22,308,724</u>	<u>10,477,539</u>	<u>33,452</u>	<u>67,907,848</u>	<u>556,182,204</u>
			322,283	89,994,209
				9,343,393
			25,029,412	40,574,194
			11,722,820	45,003,087
			6,635,983	10,905,800
			1,440,228	63,415,760
13,497,535			11,194,116	118,317,077
3,728,141			6,933,271	109,784,933
	53,244,592			53,244,592
		40,072,123	1,665,058	41,948,515
		17,130,306	309,218	17,471,814
		239,155		239,155
<u>17,225,676</u>	<u>53,244,592</u>	<u>57,441,584</u>	<u>65,252,389</u>	<u>600,242,529</u>
5,083,048	(42,767,053)	(57,408,132)	2,655,459	(44,060,325)
		58,605,025	1,210,000	64,284,356
(3,837,108)	(6,450,344)	(52,920,000)	(2,589,699)	(64,284,356)
	42,207,182			(52,920,000)
		47,550,000		45,507,182
189,652		6,044,413	583,252	47,550,000
(3,647,456)	35,756,838	57,279,438	(796,447)	10,792,749
				50,929,931
1,435,592	(7,010,215)	(128,694)	1,859,012	6,869,606
<u>20,416,653</u>	<u>27,143,433</u>	<u>1,421,666</u>	<u>19,922,810</u>	<u>165,951,770</u>
\$ 21,852,245	\$ 20,133,218	\$ 1,292,972	\$ 21,781,822	\$ 172,821,376

TOWN OF HEMPSTEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	6,869,606
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation expense in the current period is:		
Capital outlay	\$ 52,267,359	
Depreciation expense	<u>(37,494,838)</u>	14,772,521
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:		
Prepaid items		(119,495)
Net change in deferred outflows of resources not reported in the governmental fund statements:		
Pension - employees' retirement system	(29,065,879)	
Pension - length of service award program	843,747	
Other postemployment benefits	<u>233,902,036</u>	205,679,904
Differences in revenue recognition in the statement of activities and governmental funds due to measurement focus/basis of accounting differences:		
Amortization/installment of amounts due from other governments	(5,800,421)	
Unavailable revenue - water fees and sidewalk repair	1,547,448	
Premiums on bonds, net of amortization	(8,634,021)	
Amortization of deferred gains on debt refunding	<u>84,311</u>	(12,602,683)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position:		
Proceeds from sale of bonds	(45,507,182)	
Proceeds from sale of refunding bonds	(47,550,000)	
Principal payment of bonds	92,992,123	
Principal payment of capital leases	<u>1,876,392</u>	1,811,333
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Pension related debt payments	3,619,936	
Employees' retirement system net pension liability	(20,501,865)	
Length of service award program plan pension liability	(1,077,565)	
Compensated absences	(882,072)	
Claims and judgments, net of estimated recoveries	(2,305,158)	
Estimated liability for landfill closure and postclosure care costs	176,005	
Pollution remediation obligations	2,818,432	
Total other postemployment benefits liability	(212,896,602)	
Accrued interest payable	<u>34,580</u>	(231,014,309)
Net change in deferred inflows of resources not reported in the governmental fund statements:		
Pension - employees' retirement system	45,310,040	
Pension - length of service award program	41,726	
Other postemployment benefits	<u>(104,017,058)</u>	(58,665,292)
Change in Net Position of Governmental Activities	\$	<u>(73,468,415)</u>

TOWN OF HEMPSTEAD
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2019

		<u>Town of Hempstead Local Development Corporation</u>
ASSETS		
Cash and cash equivalents		\$ 2,346,901
	Total Assets	<u>\$ 2,346,901</u>
LIABILITIES		
Accounts payable and accrued liabilities		\$ 9,259
	Total Liabilities	<u>\$ 9,259</u>
NET POSITION		
Unrestricted		\$ 2,337,642
	Total Net Position	<u><u>\$ 2,337,642</u></u>

TOWN OF HEMPSTEAD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2019

	Town of Hempstead Local Development Corporation
OPERATING REVENUES	
Fees for services	\$ 230,709
Total Operating Revenues	230,709
OPERATING EXPENSES	
Contractual and professional fees	
Rent	15,000
Compensation and related costs	107,307
Advertising	5,500
Office, meeting and travel	20,578
Total Operating Expenses	148,385
Income from operations	82,324
NON-OPERATING INCOME	
Interest income	12,015
Net Change in Net Position	94,339
Net Position at Beginning of Year	2,243,303
Net Position at End of Year	\$ 2,337,642

TOWN OF HEMPSTEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2019

	<u>Town of Hempstead Local Development Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from services provided	\$ 230,709
Payments for personal services and employee benefits	(107,307)
Payments to suppliers and service providers	<u>(40,342)</u>
Net Cash Provided by Operating Activities	<u>83,060</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>12,015</u>
Net Cash Provided by Investing Activities	<u>12,015</u>
Net Increase in Cash and Cash Equivalents	95,075
Cash and Cash Equivalents at Beginning of Year	<u>2,251,826</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,346,901</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 82,324
Adjustments to reconcile operating income to net cash provided by operations:	
Increase in accounts payable and accrued liabilities	<u>736</u>
Net Cash Provided by Operating Activities	<u>\$ 83,060</u>

TOWN OF HEMPSTEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2019

		<u>Total Agency Funds</u>
ASSETS		
Cash and cash equivalents		\$ 41,170,399
	Total Assets	<u>\$ 41,170,399</u>
 LIABILITIES		
Other agency liabilities		\$ 9,706,947
Due to other governments		<u>31,463,452</u>
	Total Liabilities	<u>\$ 41,170,399</u>

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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Hempstead (the "Town"), which was chartered in 1644, is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor who is elected for a two-year term and six council members who are elected for four-year terms. The Supervisor serves as the Chief Executive Officer and Chief Fiscal Officer of the Town. The Town Board appoints the Town Attorney, the Town Comptroller, the Highway Superintendent and the heads of the various Town departments whose terms are fixed by Town Law. The Town Clerk and Receiver of Taxes are elected and serve for two years and four years, respectively.

The Town provides the following principal services either directly or through Town-operated special districts: parks and recreation, highway construction and maintenance, inland waterways and marinas, building inspection and zoning administration, fire protection, street lighting, garbage pick-up and disposal, water services, and administration of certain state and federal grants for special purposes.

The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

A. REPORTING ENTITY

The financial reporting entity consists of: (a) the primary government, which is the Town; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria, including legal standing, dependency, financial accountability or the determination by management that it would be misleading to exclude the component unit. The current guidance also clarifies the status as a major or nonmajor component unit.

Blended Component Unit - though a legally separate entity, this component unit is, in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. The Town reports one blended component unit in these financial statements as follows:

The Town of Hempstead Local Development Corporation (the "TOHLDC") was established under the Laws of New York State as a not-for-profit corporation, with the Town being the sole corporate member. The purpose of the TOHLDC is to promote and provide for additional employment, improve and maintain job opportunities through the development/retention/attraction of industry within the Town. Accordingly, the TOHLDC is included in the Town's financial statements as a blended component unit in the proprietary fund statements.

Discretely Presented Component Units - are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town. They are financially accountable to the primary government or have a relationship such that exclusion would cause the Town's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government. See Note 1.B for a complete list of the nonmajor discretely presented component units.

Based on the application of the above criteria, the following are nonmajor discretely presented component units of the Town providing library services, potable water, and a sanitary sewer and waste water treatment system to residents and businesses within the districts, as well as housing assistance to qualified individuals.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

These nonmajor component units are presented discretely in a separate column in the combined financial statements to emphasize that they are legally separate from the Town.

The Town of Hempstead Industrial Development Agency (the "TOHIDA"), a public benefit corporation was established under the provisions of article 18-A of General Municipal Law of the State of New York, as amended. The TOHIDA was established to provide benefits that reduce costs and financial barriers to the creation and expansion of business within the Town. The governing Board of the Town appoints the TOHIDA's Board of Directors. However, the TOHIDA Board of Directors approves and adopts the TOHIDA policies and has accountability for fiscal matters. Accordingly, the TOHIDA is included in the Town's reporting entity.

The Town of Hempstead Housing Authority, (the "Housing Authority"), a municipal housing authority for the Town was established pursuant to the Housing Statutes of the State of New York. It was established to serve the public interest by providing low rent housing to qualified individuals in accordance with rules and regulations prescribed by the U.S. Department of Housing and Urban Development and other Federal Agencies. The 2019 financial information was not available and therefore is not included in this report.

The Lakeview Public Library District, Roosevelt Public Library District, and Uniondale Public Library District (the "Library Districts") are chartered public library districts established by the New York State Board of Regents pursuant to Article 5 of the New York State Education Law. The Library Districts were established to serve the public interest by providing library services to the residents within their respective boundaries. Each district is governed by an independently elected board of trustees. Expenses are primarily financed through local property taxes. The Library Districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the Library Districts which are responsible for the payment of annual debt service on the obligations. Budgets and tax rates are adopted by each Library Board of Trustees and approved by the Town. Tax levies of the Library Districts are collected by the Town Receiver of Taxes. As a result of this fiscal dependency and potential for financial burden the Town is financially accountable for the Library Districts. Accordingly, these Library Districts are included in the Town's reporting entity.

The Cathedral Gardens Water District, Franklin Square Water District, and West Hempstead-Hempstead Gardens Water District (the "Water Districts") are special improvement districts established pursuant to Chapter 516 of the Laws of New York, 1928. The Water Districts were established to serve the public interest by providing potable water for residents and commercial establishments within their respective boundaries. Each district is governed by an independently elected Board of Commissioners. Expenses are paid primarily through local property taxes and charges for water, generally based on the gallons used as measured by water meters. The Water Districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the Water Districts which are responsible for the payment of annual debt service on the obligations. Budgets and tax rates are adopted by each Board of Commissioners and approved by the Town. Tax levies of the Water Districts are collected by the Town Receiver of Taxes. As a result of this fiscal dependency and potential for financial burden the Town is financially accountable for the Water Districts. Accordingly, these Water Districts are included in the Town's reporting entity.

The Greater Atlantic Beach Water Reclamation District (the "Reclamation District") is a special improvement district established pursuant to Chapter 516 of the Laws of New York, 1928. It was established to serve the public interest by providing a sanitary sewer and waste water treatment system for residents and commercial establishments within its boundaries. Reclamation District expenses are paid primarily through local property taxes. The Reclamation District is governed by an independently elected Board of Commissioners. It cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the Reclamation District which is responsible for the payment of annual debt service on the obligations.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Budgets and assessment rolls are adopted by the Board of Commissioners and approved by the Town. Tax levies of the Reclamation District are collected by the Town Receiver of Taxes. As a result of this fiscal dependency and potential for financial burden the Town is financially accountable for the Reclamation District. Accordingly, the Reclamation District is included in the Town's reporting entity.

Condensed financial statements along with the addresses of the administrative office, for these component units are presented in Note 6.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the governmental, proprietary and fiduciary funds, with a focus on the Town's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town as a whole with separate columns for the primary governmental activities and business-type activities, as well as the discretely presented nonmajor component units. All fiduciary activities, although reported in the fund financial statements, are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used. The elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions that are restricted to meeting the operation of a particular function, and (3) grants and contributions which are required to be used to support a particular capital project. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses to specific functions in the statement of activities.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including blended component units. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column in the funds financial statements. All remaining governmental and proprietary funds, if applicable, are aggregated and reported as nonmajor funds.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, revenues, and expenditures/expenses, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Certain funds of the Town are utilized to account for resources derived from and/or expenditures applicable to an area less than the entire town. The focus of the funds' financial statements (governmental and proprietary) is on the major funds. Accordingly, the Town maintains the following fund types:

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds - Governmental funds are those through which most governmental functions are financed. The acquisition use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund financial statements include a balance sheet and a statement of revenue, expenditures and changes in fund balance. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Government funds are further classified as major and nonmajor funds.

The Town reports the following major governmental funds:

General Fund - is the principal operating fund of the Town. This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Highway Fund - a special revenue fund is used to account for repairs and improvement of highways and bridges, purchase and repair of highway machinery and equipment, and expenditures from snow removal and other miscellaneous highway purposes. The major source of revenue is real property taxes.

Special District Funds - are used to account for taxes or other revenues, which are raised or received to provide special services to areas that encompass less than the whole Town. The Special District Funds consist of a number of separate districts, which are administered by the Town Board. The major Special District Funds are as follows:

Park Districts Fund - a special revenue fund used to account for parks and recreation services within the Town. The Park Districts fund includes the following individual districts:

Atlantic Beach Estates	Levittown
East Atlantic Beach	Lido Beach
Franklin Square	Point Lookout
Joint Hempstead - Oyster Bay Park	Town of Hempstead

Refuse and Garbage Districts Fund - special revenue fund used to account for garbage collection and solid waste disposal services in the Town. The Refuse and Garbage Districts Fund includes the following individual districts:

Town of Hempstead	Merrick - North Merrick
Lido Beach - Point Lookout	

Water Districts Fund - a special revenue fund used to account for providing clean, safe water to residents within the Town. Management has elected to report the Water Districts Fund as a major fund. The Water Districts Fund includes the following individual districts:

Bowling Green Estates	Lido Beach - Point Lookout
East Meadow	Roosevelt Field
Levittown	Uniondale

Capital Projects Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest and for financial resources that are being accumulated for principal and interest in future years.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

Additionally, the Town accounts for and reports the following nonmajor funds:

Town Outside Village Fund - is used to account for revenues and expenditures for certain services provided to the area of the Town located outside of Incorporated Villages.

Special Grant Fund - is used to account for Federal Aid for the Community Development Block Grant Program, the Workforce Innovation and Opportunity Grant and the Section 8 Low-Income Housing Program.

Special District Funds - are used to account for taxes or other revenues, which are raised or received to provide special services to areas that encompass less than the whole Town. The Special District Funds consist of a number of separate districts, which are administered by the Town Board as follows:

Fire Protection Districts Fund, which includes the following:

Angle Sea	Mill Brook	South Franklin Square	Woodmere
East Lawrence	North Lynbrook	South Freeport	Wreck Lead
Green Acres Mall	North West Malverne	South Westbury	
Hempstead Plains	Roosevelt Field	Uniondale	
Merrick	Silver Point	West Sunbury	

Town of Hempstead Street Lighting District

Public Parking Districts Fund, which includes the following:

Baldwin	Franklin Square	Oceanside	West Hempstead
Bellmore	Garden City South	Roosevelt	Woodmere-Hewlett
East End Turnpike	Merrick	Seaford	
Elmont	North Merrick	Uniondale	

Library Funding Districts Fund, which includes the following:

Bay Park	North Malverne
East Franklin Square	North Valley Stream
Mill Brook	South Lynbrook/Hewlett
North Lynbrook	

Permanent Fund - is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs for the benefit of the Town or its citizenry.

Proprietary Fund - In general, proprietary funds are used to account for ongoing activities, which are similar to those often found in the private sector. Proprietary fund financial statements include a statement of net position, a statement of revenues and expenses and changes in net position and a statement of cash flows.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) and deferred outflows and inflows are included in the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Propriety Fund (continued)

The Town reports the Town of Hempstead Local Development Corporation, a blended component unit, as a major proprietary fund. The Town of Hempstead Local Development Corporation is used to account for operations of promoting the expansion of business and creation of jobs within the Town.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the Town in a trustee, custodial or agent capacity.

The Town's fiduciary funds ("Agency Fund") is presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Agency Funds - is used to account for resources held as an agent for parties outside the government. Agency Fund resources cannot be held for other funds.

Town Agency Funds - accounts for consolidated payroll and other agency liabilities.

Town Clerk Agency Funds - accounts for permit and license fees collected on behalf of other governments.

Town Receiver of Taxes Agency Fund - accounts for amounts due to other governments for general and school taxes collected.

Discretely Presented Nonmajor Component Units

Certain special districts that have separately elected boards and provide water, sewer and library services to residents and businesses within these districts follow government fund accounting principles. These districts, which are accounted for as discretely presented nonmajor component units, are as follows:

Town of Hempstead Industrial Development Agency	Town of Hempstead Housing Authority**
Lakeview Public Library District	Roosevelt Public Library District
Uniondale Public Library District	Cathedral Gardens Water District
Franklin Square Water District	West Hempstead - Hempstead Gardens Water District
Greater Atlantic Beach Water Reclamation District	

** 2019 financial information not available and therefore not included in this report

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured, whereas the basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(continued)

Governmental Funds

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. This focus is on the determination of and changes in financial position and generally only current financial resources and current liabilities are included on the balance sheet although certain receivable amounts may not be currently available. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period.

Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered available if they are collected within 60 days after the year end. The Town generally considers all other revenues available if received within one year after year end. Expenditures generally are recorded when a liability is incurred, and payment is due, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure and postclosure care costs, pollution remediation obligations, pension liabilities (employees retirement system and length of service award program), and total other postemployment benefits ("OPEB") are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources upon receipt of the proceeds.

Revenues susceptible to accrual include Nassau County local assistance (sales tax) at year end on behalf of the Town, mortgage tax, franchise fees, and charges for services, intergovernmental revenues and operating transfers. Permits, fees, and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

Proprietary Fund

Proprietary funds are financed and operated in a manner similar to private business where the intent is that the costs are providing services are financed/recovered through user charges and therefore are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and or services in connection with the fund's principal ongoing operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses, as applicable.

Agency Funds

Agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of monies deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months and petty cash.

State statutes govern the Town's investment policies. The Town has a written investment policy stating that Town money must be deposited in FDIC-insured commercial banks located within the State. The Town is authorized to use demand accounts, time deposit accounts and certificates of deposit. Permissible investments include special time deposit accounts, certain repurchase agreements, obligations of the United States Treasury and United States agencies, obligations of New York State or its localities. The said investment policy is not applicable to the length of service award program plan investments.

Collateral is required for demand deposits and time deposits accounts at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

2. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables include amounts due from Federal, State, and other governments or entities for services provided by the Town, as well as amounts due pursuant to contractual agreements or revenue sharing arrangements. Receivables and revenues are recognized as earned or as specific program expenditures are incurred. At December 31, 2019, receivables are reported net of allowance for uncollectible amounts of \$228,522 (Government-wide Governmental Activities), \$193,522 (General Fund) and \$35,000 (Parks Districts).

3. INTERFUND TRANSACTIONS

Interfund transactions, exclusive of interfund services provided and used, have been eliminated from the government-wide financial statements. In the funds' financial statements interfund transactions include:

a) Interfund Revenues

Interfund revenues are for interfund services (provided and used) in the General Fund and represent amounts charged for services or facilities provided by the General Fund. The amounts paid by the fund receiving the benefit of the service or facilities are reflected as an expenditure of that fund.

b) Transfers

Transfers primarily represent payments to the Debt Service and Capital Projects Funds from the other funds for their appropriate share of the debt service or capital project costs, and payments from the Capital Projects Fund to various operating governmental funds for unspent bond proceeds related to completed capital projects.

4. DUE FROM/TO OTHER FUNDS

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at the year-end are reported as due from/due to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

5. INVENTORY AND PREPAID ITEMS

Inventory in the General and Special Revenue Funds is valued at cost and consists of supplies on hand. Inventory in these funds is accounted for under the consumption method, and is recorded as an expenditure when consumed.

Prepaid items in the General and Special Revenue Funds are accounted for under the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements.

In governmental funds, amounts reported as inventories and prepaid items are equally offset by nonspendable fund balance amounts, indicating that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. CAPITAL ASSETS

Capital assets are reported in the government-wide statement of net position.

In the funds' financial statements, capital assets used in the governmental fund activities are accounted for as expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as the government-wide financial statements.

Capital assets purchased or acquired for governmental activities with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Infrastructure assets are reported at historical cost as of 1980. Donated capital assets are reported at acquisition value (an entry price) at the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. However, for business-type activities, all property and equipment acquired with an estimated useful life of greater than one year are capitalized.

Depreciation/amortization on all governmental activities and business-type activities assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Landfill improvements	30 years
Machinery and equipment	7 years
Intangibles	10 years
Infrastructure:	
Roads	30 years
Curbs and sidewalks	20 years
Drainage system	30 years
Street lighting	25 years
Improvements and other	20 years

Capital lease assets are amortized over the term of the lease or life of the assets, whichever is less.

Infrastructure assets, consisting of certain improvements other than buildings, including roads, curbs, sidewalks, drainage systems, street lighting and park structures, are capitalized along with other capital assets.

Intangible assets lack physical substance, are nonfinancial in nature, and have an estimated useful life extending beyond a single reporting period. The term depreciation, as used in these footnotes, includes amortization of intangible assets.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

7. LENGTH OF SERVICE AWARD PROGRAM PLAN ASSETS

The Town sponsors a length of service award program ("LOSAP"), a defined benefit plan, to provide retirement like benefits to those volunteering time and services to the Merrick Fire Department, in accordance with the LOSAP Plan provisions. The assets are considered restricted and are set-aside to fund the pension like benefits are held in a grantor/rabbi trust account in the name of Merrick Fire Department, which is the fire department company for which the Plan has been established. These assets are primarily invested in group annuity contracts and a limited partnership which was established to manage investments. The group annuity contracts are valued at amortized cost and the limited partnership is valued at net asset value.

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the balance sheet or the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity or net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town reports deferred outflows, when applicable, for the following: (1) amounts arising from actuarial valuations of pension plans (employees' retirement system and length of service award program) and other postemployment benefit plans, and (2) employees' retirement system contribution payments made subsequent to the measurement date.

In addition to liabilities, the balance sheet or statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity or net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The unavailable revenues related to sidewalk repair fees, unbilled water fees and rental income are deferred in the governmental funds. These will be recognized as revenues in the period that the amounts become available.

Additionally, in the government-wide financial statements, the Town reports deferred inflows of resources associated with (1) amounts arising from actuarial valuations of the pension plans (employees' retirement system and length of service award program) and other postemployment benefit plans, (2) amounts pertaining to service concession arrangements, and (3) deferred amounts on refunding bonds transactions. These amounts will be recognized as revenues in the period when earned.

9. LONG-TERM OBLIGATIONS

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, direct borrowings – capital leases, pension related debt, employees' retirement systems net pension liabilities, length of service award program pension liability, compensated absences, claims and judgments, estimated liability for landfill closure and postclosure care costs, pollution remediation obligations, and total other postemployment benefits liability are recognized in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount, if applicable. Debt issuance costs are recognized as an outflow of resources in the period incurred.

In the fund financial statements governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

The proprietary fund does not have any long-term obligations.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

10. NET POSITION AND FUND EQUITY CLASSIFICATIONS

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

In the government-wide and proprietary fund financial statements, net position is reported in three categories:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Accounts payable in the Capital Projects Fund are capital related debt and are used in the calculation of net investment in capital assets.
- 2) Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Permanent fund principal amounts are displayed as expendable and/or nonexpendable. Nonexpendable net position is required to be retained in perpetuity.
- 3) Unrestricted - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are (1) nonspendable, (2) restricted (3) committed, (4) assigned, or (5) unassigned. Not all of the Town's funds will necessarily have all of the components of fund balance available to that fund.

- 1) Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (i.e. prepaid items or inventories), or (b) will not convert to cash within the current period (i.e. long-term receivables and financial assets held for resale), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- 2) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Town's highest decision-making authority is the Town Board, who by adoption of a Town ordinance prior to year-end can commit fund balance. Those committed amounts cannot be used for any other purpose unless the Town Board removes or changes the specified use by taking the same type of action imposing the commitment.
- 4) Assigned fund balance reflects the amounts constrained by the Town's "intent" to be used for specific purposes but are neither restricted nor committed. The Town Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- 5) Unassigned fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

11. NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

When outlays for a particular purpose can be funded from both restricted and unrestricted net position resources it is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

When both restricted and unrestricted fund balance resources are available for use, it is the Town's default policy to use restricted resources first, and then unrestricted resources - committed, assigned and unassigned - in order as needed.

12. FUND BALANCE POLICIES

The Town has, by resolution, adopted a fund balance policy that states the Town must maintain a minimum unrestricted (the total of committed, assigned, and unassigned) fund balance for emergency purposes equal to one-twelfth of the annual operating expenses as presented in the most recent audit of the financial statements of the Town. In addition to the unrestricted fund balance maintained for emergency purposes, the Town will maintain an unrestricted fund balance equal to one-fourth of the annual operating expenses as presented in the most recent audited financial statements. Unrestricted fund balance below the minimum should be replenished through the budgetary process over a period of three to five years. In the event that the unassigned fund balance exceeds one-fourth of the annual operating expenditures, the excess shall be appropriated for capital expenditures, long-term employment liabilities and/or operating expenditures in future years.

E. REVENUES AND EXPENDITURES/EXPENSES

1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

In Nassau County, the assessment and lien of real property for taxation is done by the County Department of Assessment. The County assessment rolls are used for the levy of real property taxes by the Town and the School Districts, as well as by the County and by Special Districts of the County and the Town. The Town of Hempstead Receiver of Taxes collects all real property taxes for the Town, Nassau County, Town Special Districts and School Districts.

Town and County taxes are due in two installments, 50% on January 1 and 50% on July 1, payable without penalty to February 10 and August 10, respectively. Real property taxes become a lien on the respective days when they become due and payable. Penalties are imposed thereafter at the rate of 1% per month from January 1st and July 1st until August 31st, after which, taxes are payable to the County Treasurer. The Town retains the total amount of Town, Highway and Town Special Districts levies from the amounts collected, and forwards the remaining balance collected to the County which assumes collection responsibility. The Town and Town's Special Districts therefore realize annually the 100% collection of real property taxes.

Property taxes receivable includes restored taxes from prior tax rolls received within 60 days of year end. Taxes are restored when there is a transfer of ownership from a person entitled to an exemption to a person not entitled to an exemption and may result in a difference between budget and actual on the fund financial statements.

2. OTHER POSTEMPLOYMENT BENEFITS (HEALTHCARE) ("OPEB")

Pursuant to union and management agreements, the Town provides postemployment benefits other than pensions consisting of health insurance coverage and survivor benefits for retired employees and their qualifying survivors as defined in the union agreement. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. The cost of the other postemployment benefits for retiree's healthcare benefits is measured and disclosed using the accrual basis of accounting in the government-wide statements. In the governmental funds' financial statements, the Town recognizes the cost of providing the healthcare benefits by recording its share of premiums as an expenditure when due.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

3. COMPENSATED ABSENCES

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and non-current obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. Compensated absence liabilities and expenditures are reported in governmental funds only if they have matured, for example, as a result of employee resignations, terminations and retirements.

The amount that is expected to be liquidated with expendable available financial resources is reported as expenditure and a liability in the governmental funds statement in the respective fund that will pay the liability.

4. PENSIONS

Employees' Retirement System Net Pension Liability

The Town participates in the New York State and Local Employees' Retirement System ("the NYSERS" or the "System"). For purposes of measuring (at the government-wide level) the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments, including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Length of Service Award Program Plan Pension Liabilities

The Town sponsors a defined benefit service award program ("Length of Service Award Program"/ "LOSAP") for volunteer firefighters of the Merrick Fire Department Company in accordance with Article 11-A of the New York State General Municipal Law. The LOSAP plan pension liability has been measured as the actuarial present value of projected benefit payments. In accordance with the LOSAP plan provisions, a grantor/rabbi trust was established to hold the LOSAP plan assets and as such, the assets are not legally protected from the Town's creditors. Accordingly, the assets set-aside to fund LOSAP benefits do not meet the requirements (as defined by GASB) to reduce the LOSAP plan pension liability for financial reporting purposes.

5. EDUCATION EXPENSE

Pursuant to New York State Education Law, Nassau County may pay tuition for local residents to certain community colleges. Under the law, Nassau County may chargeback the tuition cost or portion thereof to the applicable Town in which the student resides. The Town recognizes a liability for tuition expenditures based on the timing of the receipt of the invoice from Nassau County and timeframe the student was enrolled in school. As the Town has no reasonable basis to estimate an accrual for unbilled tuition costs at the time the financial statements are issued, no accrual is made for any potential unbilled amounts.

F. ENCUMBRANCES

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. USE OF ESTIMATES

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

H. NEW ACCOUNTING PRINCIPLES

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board ("GASB") that are applicable. Below is a summary of the GASB Statement(s) implemented during 2019 which had an impact of the Town's financial statements:

Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", the primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, "*Certain Asset Retirement Obligations*"; Statement No. 84, "*Fiduciary Activities*"; Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*"; Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*"; Statement No. 90, "*Majority Equity Interests*"; Statement No. 91, "*Conduit Debt Obligations*"; Statement No. 92, "*Omnibus 2020*"; and Statement No. 93, "*Replacement of Interbank Offered Rates*".

The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, "*Leases*".

The implementation of this Statement had no impact on the Town's financial statements.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date of the financial statements, which is December 31, 2020. See Note 8 for additional information.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The Town follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) On or before September 20th, each department, officer or district submits to the Town Comptroller, a detailed estimate of the budget known as "departmental estimates" for the amount of revenue to be received and expenditures to be made for the ensuing year.
- b) On or before September 30th, the Budget Officer, who is the Supervisor, files with the Town Clerk a tentative budget for the ensuing year.
- c) On or before October 5th, the Town Board reviews the tentative budget and files with the Town Clerk a preliminary budget.
- d) The Town Board conducts a public hearing on the preliminary budget before the end of October. On or before November 20th, the Town Board meets to adopt the budget now known as the "adopted budget".

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

- e) Formal budgetary integration is employed during the year as a management control device for the General and certain Special Revenue Funds. The Town Board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval. Appropriations for all governmental funds except the Capital Projects Fund lapse at year end.
- f) Budgets for the General and certain Special Revenue Funds are legally adopted for each year. The budgets are adopted on a basis of accounting consistent with GAAP, except that outstanding encumbrances are re-appropriated in the subsequent year. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made.
- g) Annual budgets are not prepared for the Capital Projects Fund, Debt Service, Special Grant Fund and Permanent Fund. Programs in the Special Grant Fund are governed by various grant agreements and reports are issued to regulatory authorities on a regular basis. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects, which remain in effect for the life of the project.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. No local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); subject to certain limited exceptions and adjustments, however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Town did not vote to override the tax levy cap for the 2019 Adopted Budget. On October 30, 2018, the members of the Town Board adopted the 2019 budget.

B. FUND EQUITY

FUND BALANCE

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of nonspendable fund balances, as well as the purposes for restricted, and assigned fund balance. The unassigned fund balance (deficit) is also shown.

	General Fund	Highway Fund	Park Districts Fund	Refuse and Garbage Districts Fund	Water Districts Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Fund Balances:									
Nonspendable:									
Inventory	\$ 2,961,543	\$ 2,793,237	\$ 539,986	\$ 29,484	\$ 637,119			\$ 275,539	\$ 7,236,908
Prepaid items	2,183,393	631,870	1,093,139	917,484	254,930			418,260	5,499,076
Permanent fund principal								1,337,867	1,337,867
Total Nonspendable	5,144,936	3,425,107	1,633,125	946,968	892,049	\$ -0-	\$ -0-	2,031,666	14,073,851
Restricted for:									
Debt service	964,916	2,352,349	453,656	204,511	189,852		1,292,972	607,438	6,065,494
Capital projects						20,133,218			20,133,218
Length of service award program plan benefits								3,192,678	3,192,678
Grantors and donor restrictions	2,500							207,005	209,505
Other reserves									-0-
Total Restricted	967,416	2,352,349	453,656	204,511	189,852	20,133,218	1,292,972	4,007,121	29,600,895
Assigned to:									
Subsequent year's budget	1,039,918			840,779				356,276	2,235,973
Purchases on order or contractual obligations	34,702	2,812	12,277	37,253				500	87,544
Special revenue funds		17,196,479	17,511,007	40,459,635	20,770,544			15,386,259	111,353,924
Total Assigned	1,073,620	17,199,291	17,523,284	41,367,667	20,770,544	-0-	-0-	15,743,035	113,677,441
Unassigned, reported in:									
General Fund	15,469,189								15,469,189
	15,469,189	-0-	-0-	-0-	-0-	-0-	-0-	-0-	15,469,189
Total Fund Balances	\$22,655,161	\$22,976,747	\$ 19,610,065	\$42,519,146	\$21,852,245	\$20,133,218	\$ 1,292,972	\$ 21,781,822	\$172,821,376

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents - Primary Government

Cash and cash equivalents generally consist of funds deposited in demand accounts, time deposit accounts and certificates of deposits with maturities of three months or less.

Custodial Credit Risk - Deposits/Investments - Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town does not participate in a multi-municipal cooperation investment pool.

Deposits are required be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

At December 31, 2019, the Town's cash and cash equivalents totaled \$194,033,806. This amount is inclusive of fiduciary fund deposits of \$41,170,399 and restricted cash of \$6,960,753 but exclusive of petty cash of \$25,625 and the blended component unit cash of \$2,346,901. The related bank balances totaled \$199,155,395. Of the bank balance, \$118,347,827 was covered by federal deposit insurance, and \$80,807,568 was covered by collateral with a fair value of \$238,308,855, held by the Town's agent, a third-party financial institution, in the Town's name.

Restricted cash and cash equivalents of \$6,960,753 consists of \$1,337,867 of monies held in the Permanent Fund which may not be spent, \$439,226 of monies restricted pursuant to grant agreements and \$5,183,660 which is restricted for future debt service requirements.

The bank balances of the blended component unit totaled \$2,348,483, of which \$250,000 was covered by federal deposit insurance and \$2,098,483 was secured by collateral held by the pledging financial institution's agent, a third-party financial institution, but not in TOHLDC's name.

Credit Risk - State law and Town law limit investments to those authorized by State statutes. The Town has a written investment policy.

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

Concentration of Credit Risk - Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5% or more in securities of a single issuer.

As of December 31, 2019, the Town did not have any cash and cash equivalents subject to credit risk, interest-rate risk or concentration of credit risk.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Restricted Investments - Primary Government

The Town, as sponsor of a LOSAP Plan, contributes monies to the LOSAP Plan to fund future benefit payments to volunteer firefighters. The assets are held in a rabbi trust. At December 31, 2019, LOSAP Plan assets of \$3,192,678 consist of \$2,999,090 of investments in guaranteed annuity contracts and a \$193,588 of a limited partnership interest.

The Town categorizes the fair value measurements into the fair value hierarchy established by GASB Statement No. 72. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Town has the ability to access.
- Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that reflect the Town's own assumptions about the assumptions that market participants would use in pricing an asset.

The fair value measurement level within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Town has no investments valued using the above mentioned levels.

The following methods and assumptions were used in estimating the fair value assets for the LOSAP plan assets:

Guaranteed Annuity Contracts

The carrying amounts of guaranteed annuity contracts totaling \$2,999,090 are reported as amortized cost which approximates fair value. These are considered unallocated insurance contracts.

Limited Partnership

The LOSAP plan's \$193,588 investment in a limited partnership ("Partnership") is measured at net asset value ("NAV") per share (or its equivalent) as of December 31, 2019, the measurement date. The primary activity of the Partnership is investing portfolios. The Partnership's investment objective to increase diversification of investment portfolios and achieve stable growth. In doing so, the Partnership targets a total return in excess of the rate of inflation and in excess of the return currently available on group fixed annuity contracts while maintaining a level of volatility well below that of the equity markets. The Partnership primarily consists of common stocks and mutual funds. The fair values of the underlying investments are used to determine the NAV per share/its equivalent of the Partnership capital. The LOSAP Plan has unfunded commitments related to its Partnership investment.

Generally, initial investment in the Partnership is \$150,000, although the General Partner has the discretion to accept less. Additionally, investments by existing limited partners will be accepted in amounts not less than \$50,000, although the General Partner has discretion in accepting lower amounts. Limited partners may redeem any portion of its capital account in a minimum amount of \$25,000 and at least 15 calendar days prior notice. If aggregate withdrawal requests are received for a particular withdrawal date for more than 70% of the NAV of the Partnership of such withdrawal date, the General Partner may, in its discretion, reduce all withdrawal request for such withdrawal date pro rata in proportion to the amount sought to be withdrawn by each withdrawing Partner so that only 70% of the NAV of the Partnership is withdrawn on the said withdrawal date.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Investment Risk

The LOSAP Plan assets are invested in various investments. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments either held by the Plan or indirectly through the limited partnership, it is at least reasonably possible the changes in the values of investment securities will occur in the near-term and that such change could materially affect the amounts reported.

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2019, individual fund interfund receivable and payable balances for the primary government are generally expected to be paid currently. The primary government's governmental funds balances represent various temporary loans, recharges and reimbursements between funds and are stated as follows:

	Receivables	Payables
<u>Major Governmental Funds:</u>		
General	\$ 7,257,991	\$ 1,741,826
Highway	6,362,524	716,688
Park Districts	183,663	180,495
Refuse & Garbage Districts	3,052,958	340,237
Water Districts	265,195	55,515
Capital Projects	88,729	13,795,683
<u>Nonmajor Governmental Funds:</u>		
Town Outside Village	151,798	17,517
Special Grant		700,000
Fire Protection Districts	50,601	
Street Lighting District	91,733	1,422
Public Parking Districts	35,685	
Library Funding Districts	8,506	
	\$ 17,549,383	\$ 17,549,383

The Special Grant Fund's short-term payable will be repaid upon the collection of their grant receivables. The remaining balances stemming from temporary loans and reimbursements are expected to be repaid in early 2020.

At December 31, 2019, individual fund interfund transfers balances for the primary government's governmental activities primarily represent funding of debt service and capital projects expenditures, and are stated as follows:

	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General	\$ 48,293	\$ 9,778,492
Highway	6,421,038	24,943,362
Park Districts		4,414,364
Refuse & Garbage Districts		12,270,987
Water Districts		3,837,108
Capital Projects		6,450,344
Debt Service	56,605,025	
<u>Nonmajor Governmental Funds:</u>		
Town Outside Village		161,728
Special Grant	1,210,000	
Fire Protection Districts		69,391
Street Lighting District		1,164,699
Public Parking Districts		1,174,894
Permanent		18,987
	\$ 64,284,356	\$ 64,284,356

The above transfers include a one-time \$1,210,000 transfer from the General Fund to the Special Grants Fund to fund certain expenditures and deficits in the Special Grants Fund.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

C. DUE FROM OTHER GOVERNMENTS

Due from other governments is comprised of a current balance of \$33,819,782 and a long-term portion of \$47,565,634.

In 2016, the Town entered into an inter-municipal agreement with the County whereby the County will reimburse the Town 70% of judgment the Town paid related to the garbage taxes and local utility company litigation settlement over a ten year period commencing March 2019 and through March 2028. As of December 31, 2019, the outstanding balance was \$52,203,788 and is reported in statement of net position as due from other governments and which \$46,403,367 is considered a long-term receivable and \$5,800,421 is current. See Note 4B.

Additionally, due from other governments includes receivable balances pertaining to grants, mortgage tax revenue, sales tax revenue, special assessments and intergovernmental charges, of which \$1,162,267 is considered long-term and \$28,019,361 is considered current.

D. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2019 are as follows:

Primary Government	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Governmental Activities:				
Capital assets not being depreciated:				
Land - other than landfills	\$ 56,298,500			\$ 56,298,500
Landfills	30,668,785			30,668,785
Construction work in progress	1,285,291	\$ 1,596,385		2,881,676
Total capital assets not being depreciated	<u>88,252,576</u>	<u>1,596,385</u>	<u>\$ -0-</u>	<u>89,848,961</u>
Depreciable capital assets:				
Infrastructure and improvements other than buildings	747,473,673	45,508,676	1,150,106	791,832,243
Buildings	43,650,525	1,265,182	6,020,664	38,895,043
Improvement to park portion of Merrick landfill	15,741,484			15,741,484
Machinery and equipment	120,667,067	3,565,396	209,466	124,022,997
Intangibles - software	6,033,036	331,720		6,364,756
Total depreciable capital assets	<u>933,565,785</u>	<u>50,670,974</u>	<u>7,380,236</u>	<u>976,856,523</u>
Less accumulated depreciation:				
Infrastructure and improvements other than buildings	339,876,485	28,049,161	1,150,106	366,775,540
Buildings	18,398,138	3,211,591	6,020,664	15,589,065
Improvements to park portion of Merrick landfill	8,724,280	540,555		9,264,835
Machinery and equipment	104,602,761	5,339,236	209,466	109,732,531
Intangibles - software	4,493,383	354,295		4,847,678
Total accumulated depreciation	<u>\$ 476,095,047</u>	<u>\$ 37,494,838</u>	<u>\$ 7,380,236</u>	<u>506,209,649</u>
Total net depreciable capital assets				<u>470,646,874</u>
Total net capital assets - governmental activities				<u>\$ 560,495,835</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to the functions of the primary government as follows:

	Governmental Activities	Business-Type Activities
General government support	\$ 3,278,345	\$ -0-
Public safety	955,596	
Transportation	19,985,228	
Economic assistance and opportunity	48,467	
Culture and recreation	7,727,969	
Home and community services	5,499,233	
Total primary government depreciation expense	<u>\$ 37,494,838</u>	<u>\$ -0-</u>

The Town evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2019, the Town has not recorded any such impairment losses.

	As Restated Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Discretely Presented Nonmajor Component Units				
Capital assets not being depreciated:				
Land	\$ 263,098	1,236,300		\$ 1,499,398
Construction in progress	4,444,506	\$ 5,658,992	\$ -0-	10,103,498
Total capital assets not being depreciated	<u>4,707,604</u>	<u>6,895,292</u>	<u>-0-</u>	<u>11,602,896</u>
Depreciable capital assets:				
Buildings	18,528,283	252,477	71,741	18,709,019
Improvements other than buildings	26,142,601	140,868		26,283,469
Machinery and equipment	16,284,044	112,882		16,396,926
Software	1,347	759,494	177,446	583,395
Infrastructure	13,710,356	102,141	705	13,811,792
Total depreciable capital assets	<u>74,666,631</u>	<u>1,367,862</u>	<u>249,892</u>	<u>75,784,601</u>
Less total accumulated depreciation	<u>\$ 35,083,596</u>	<u>\$ 2,402,799</u>	<u>\$ 243,670</u>	<u>37,242,725</u>
Total net depreciable capital assets				<u>38,541,876</u>
Total net capital assets				<u>\$ 50,144,772</u>

The discretely presented component units' capital assets balances as of 1/1/19 noted above, excludes the Town of Hempstead Housing Authority's capital assets as its 2019 financial statements were not available. See Note 7.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS

LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2019 is as follows:

	Beginning Balance 1/1/2019	New Issues/ Additions	Maturities/ Reductions	Ending Balance 12/31/2019	Non-current liabilities due within one year	Non-current liabilities
Primary Government						
Governmental Activities:						
Bonds Payable:						
General obligation bonds	\$ 403,676,828	\$ 93,057,182	\$ 92,992,123	\$ 403,741,887	\$ 44,939,956	\$ 358,801,931
Plus premiums on bonds	28,863,993	10,792,749	5,650,541	34,006,201		34,006,201
Total Bonds Payable	432,540,821	103,849,931	98,642,664	437,748,088	44,939,956	392,808,132
Direct Borrowing - capital leases	11,491,917		1,876,392	9,615,525	1,775,395	7,840,130
Pension related debt	18,971,598		3,619,936	15,351,662	3,741,252	11,610,410
Employees' retirement system net pension liability	18,534,246	108,218,825	87,716,960	39,036,111		39,036,111
Length of service award program plan pension liability	5,240,783	1,250,835	173,270	6,318,348		6,318,348
Compensated absences	46,518,945	31,669,692	30,787,620	47,401,017	4,740,000	42,661,017
Claims and judgments	36,673,151	17,177,024	14,871,866	38,978,309	10,675,000	28,303,309
Estimated liability for landfill closure and postclosure care costs	1,018,453		176,005	842,448	57,025	785,423
Pollution remediation obligations	10,112,733	1,168,830	3,987,262	7,294,301	5,602,200	1,692,101
Total other postemployment benefits liability	1,093,863,073	375,205,360	162,308,758	1,306,759,675		1,306,759,675
Total non-current liabilities	<u>\$ 1,674,965,720</u>	<u>\$ 638,540,497</u>	<u>\$ 404,160,733</u>	<u>\$ 1,909,345,484</u>	<u>\$ 71,530,828</u>	<u>\$ 1,837,814,656</u>
Nonmajor Component Units:						
Bonds Payable:						
General obligation bonds	\$ 21,499,946	\$ 4,200,000	\$ 5,749,651	\$ 19,950,295	\$ 872,226	\$ 19,078,069
Plus premiums on issuance	403,390	475,890	86,253	793,027		793,027
Total Bonds Payable	21,903,336	4,675,890	5,835,904	20,743,322	872,226	19,871,096
Direct borrowings - other loans		29,101	467	28,634	5,846	22,988
Pension related debt	7,737	41,851	29,912	19,676	19,676	-
Employees' retirement system net pension liability	732,371	1,630,609	786,532	1,576,448		1,576,448
Compensated absences	1,347,997	308,789	184,638	1,472,148	148,187	1,323,961
Total other postemployment benefits liability	18,461,040	5,573,621	795,008	23,239,653		23,239,653
Total non-current liabilities	<u>\$ 42,452,481</u>	<u>\$ 12,259,861</u>	<u>\$ 7,632,461</u>	<u>\$ 47,079,881</u>	<u>\$ 1,045,735</u>	<u>\$ 46,034,146</u>

Liabilities for claims and judgments and landfill closure and landfill postclosure costs are liquidated through future budgetary appropriations in the General Fund. The majority of the liabilities for pollution remediation will be paid through authorized capital projects and a small portion through the Water Fund operating budget. The length of service award program plan pension liability will be liquidated through budgetary appropriation in the Fire Protection Districts Fund. Long-term liabilities for compensated absences, other postemployment health care benefits, employees' retirement system net pension liability and pension related debt are liquidated through future budgetary appropriation in the following funds: General, Highway, Park Districts, Refuse and Garbage Districts, Town Outside Village, Public Parking Districts, Water Districts and Special Grant, depending upon which fund gave rise to the liability.

General Obligation Bonds - The Town borrows money for both the Town and its special districts discretely presented component units in order to finance the acquisition of land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

These long-term liabilities are backed by the full faith and credit of the Town, including bonds of the Town's special districts discretely presented component units, which are payable from tax revenues of the areas benefited. Interest rates of these bonds vary from 0.70% to 5.0%.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

A summary of these bonds are as follows:

	Balance 1/1/2019	Issued	Redeemed	Balance 12/31/2019
Primary Government, Governmental Activities:				
General	\$ 65,562,430	\$ 17,572,243	\$ 15,623,897	\$ 67,510,776
Highway	166,270,437	49,479,021	48,456,562	167,292,896
Park Districts	34,970,168	7,075,934	6,331,660	35,714,442
Refuse and Garbage Districts	90,878,361	4,524,220	9,659,475	85,743,106
Part-town	786,220	364,863	487,791	663,292
Fire Districts	661,377	5,000,000	43,812	5,617,565
Lighting District	6,311,500	2,449,145	3,127,852	5,632,793
Parking Districts	7,674,379	1,779,548	2,892,088	6,561,839
Water District	29,140,290	4,812,208	6,240,292	27,712,206
Other	1,421,666	-0-	128,694	1,292,972
Total primary government	<u>403,676,828</u>	<u>93,057,182</u>	<u>92,992,123</u>	<u>403,741,887</u>
Nonmajor Component Units:				
Library Districts	6,369,226	1,654,764	2,201,533	5,822,457
Water Districts	15,130,720	2,545,236	3,548,118	14,127,838
Total nonmajor component units	<u>21,499,946</u>	<u>4,200,000</u>	<u>5,749,651</u>	<u>19,950,295</u>
Total general obligation bonds	<u>\$ 425,176,774</u>	<u>\$ 97,257,182</u>	<u>\$ 98,741,774</u>	<u>\$ 423,692,182</u>

Future principal and interest payments to maturity are as follows:

Primary Government, Governmental Activities:

		Principal	Interest	Total Principal and Interest
Years Ending December 31,	2020	\$ 44,939,956	\$ 15,438,514	\$ 60,378,470
	2021	43,407,055	13,508,605	56,915,660
	2022	41,664,479	11,651,452	53,315,931
	2023	43,333,760	9,970,503	53,304,263
	2024	38,347,472	8,383,723	46,731,195
	2025-2029	158,786,573	19,650,847	178,437,420
	2030-2034	32,124,765	1,460,690	33,585,455
	2035-2038	1,137,827	93,926	1,231,753
Total primary government		<u>403,741,887</u>	<u>80,158,260</u>	<u>483,900,147</u>

Nonmajor Component Units:

		Principal	Interest	Total Principal and Interest
Years Ending December 31,	2020	\$ 872,226	\$ 752,540	\$ 1,624,766
	2021	912,945	715,114	1,628,059
	2022	945,521	669,967	1,615,488
	2023	996,240	623,941	1,620,181
	2024	1,027,528	584,515	1,612,043
	2025-2029	5,823,427	2,173,134	7,996,561
	2030-2034	5,205,235	1,144,989	6,350,224
	2035-2038	4,167,173	336,442	4,503,615
Total nonmajor component units		<u>19,950,295</u>	<u>7,000,642</u>	<u>26,950,937</u>
Total Principal and Interest		<u>\$ 423,692,182</u>	<u>\$ 87,158,902</u>	<u>\$ 510,851,084</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Town to rebate excess arbitrage earnings from bond proceeds to the federal government. There were no excess arbitrage earnings for the year ended December 31, 2019.

Outstanding Bond Issues

Issue	Average Rate	Original Amount	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-2012, Series A	2.99083%	\$ 49,869,000	\$ 26,290,000	August 15, 2037
General Obligation Serial Bonds-2014, Series A	2.55402%	46,254,170	30,460,000	January 1, 2026
General Obligation Serial Bonds-2015 Series A	2.44205%	67,144,108	50,640,000	December 15, 2028
General Obligation Serial Bonds-2017 Series A	2.66126%	75,735,000	70,085,000	April 1, 2030
General Obligation Serial Bonds-2018 Series A	2.39110%	72,895,000	68,330,000	June 15, 2028
General Obligation Serial Bonds-2018 Series B	2.72100%	55,101,774	52,330,000	September 15, 2031
General Obligation Serial Bonds-2018 Series C	3.17230%	7,600,000	7,375,000	September 15, 2038
General Obligation Refunding Serial Bonds-2018 Series D	2.90460%	30,195,000	20,935,000	August 15, 2038
General Obligation Refunding Serial Bonds - 2019	4.85000%	24,685,000	24,675,000	April 15, 2035
General Obligation Serial Bonds- 2019 Series A	3.28000%	45,507,182	45,507,182	August 15, 2032
General Obligation Refunding Serial Bonds - 2019 Series B	4.68000%	27,065,000	27,065,000	August 1, 2030
		<u>\$ 502,051,234</u>	<u>\$ 423,692,182</u>	

Current Refunding

During January 2019, the Town issued \$24,685,000 of public improvement refunding bonds for the Town and its component units with interest rates ranging from 3.00% to 5.00% and mature in 2035. Of the \$24,685,000 bonds issued, \$23,960,000 was for the refunding of Town debt and \$725,000 was for the refunding of component unit debt. The proceeds were used to currently refund \$26,405,000 of outstanding 2010 Series A public improvement bonds (\$25,650,000 relates to the Town and \$755,000 relates to component units) which had an interest rate of 4.00%.

During August 2019, the Town issued \$27,065,000 of public improvement refunding bonds for the Town and its component units with interest rates ranging from 2.125% to 5.000% and mature in 2032. Of the \$27,065,000 bonds issued, \$23,590,000 was for the refunding of Town debt and \$3,475,000 was for the refunding of component unit debt. The proceeds were used to currently refund \$31,290,000 of outstanding 2011 Series A and B public improvement bonds (\$27,270,000 relates to the Town and \$4,020,000 relates to component units) which had an interest rates ranging from 2.75% to 4.00%.

The net proceeds of two refunding bonds discussed above totaled \$58,173,569 (including \$6,681,949 premium and after payment of \$258,380 in underwriting and other issuance costs) were used to current refund \$57,695,000 of debt (\$52,920,000 of Town debt and \$4,775,000 of component unit debt), plus accrued interest of \$517,347. The current refunding was done in order to reduce debt payments in the short-term. The refunding decreased total debt service payments by \$4,842,878, of which \$4,260,951 related to the Town and \$581,927 related to the component units. The overall transaction resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$4,614,722 of which \$4,109,800 related to the Town and \$504,922 related to component units.

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Town defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2019, there are no outstanding bonds considered defeased.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

DIRECT BORROWINGS - CAPITAL LEASES

The Town has entered into lease agreements which financed the acquisition of street lighting equipment. In the government-wide financial statements, the leased property is recorded as a capital asset and the related obligation (direct borrowings - capital leases) is reported at an amount equal to the present value of minimum lease payments payable during the remaining terms of the lease.

The Town recognized depreciation expense of \$633,947 of depreciation expense related to these assets during 2019.

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, are as follows:

Years ending December 31, 2020	\$ 2,062,664
2021	2,062,664
2022	2,062,664
2023	2,062,664
2024	2,062,664
2025-2026	<u>182,641</u>
Total minimum lease payments	10,495,961
Less: amount representing interest	<u>(880,436)</u>
Present value of minimum lease payments	<u>\$ 9,615,525</u>

F. CONDUIT DEBT OBLIGATIONS

The Town of Hempstead Local Development Corporation ("TOHLDC") (a blended component unit) has issued tax-exempt bonds and the Town of Hempstead Industrial Development Agency ("TOHIDA") (a discretely presented nonmajor component unit) has issued industrial revenue bonds to provide financial assistance to non-profit and commercial entities, respectively, for the acquisition and construction of industrial, recreational and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues and assets pledged under the indenture/the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities will transfer to the private-sector entity served by the bond issuance. Neither the TOHLDC, TOHIDA, the State, nor any political subdivision thereof (including the Town), is obligated or contingently obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Debt service payments are paid directly to the lender by the entity which incurred this supplemental debt.

As of December 31, 2019, the outstanding debt induced by the TOHLDC and TOHIDA and issued by other entities amount to approximately \$478,945,000 and \$69,400,000, respectively.

G. RETIREMENT SYSTEM

Plan Description

The Town participates in the New York State and Local Employees' Retirement System ("System"). This is a cost-sharing, multiple-employer defined benefit pension plan. The net position of the System is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Plan Description (continued)

The external advisory committees appointed by the Comptroller meet periodically throughout the year and provide independent, expert assistance in guiding the Fund. These committees include: the Advisory Council for the Retirement System; the Investment Advisory Committee; the Real Estate Advisory Committee; the Actuarial Advisory Committee and the Audit Advisory Committee.

System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Generally, members of the System are employees of the State and its municipalities, other than New York City. The Town also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. In the Fund statements, GLIP amounts are apportioned to and included in ERS. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

Vesting

Members who joined the System prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100% vested.

Benefits Provided

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

Tiers 1 and 2

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

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

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

Tiers 3, 4 and 5

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Tiers 3, 4, and 5 (continued)

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

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

Tier 6

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

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

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

Disability Retirement Benefits

Disability retirement benefits are available to members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Contributions

Generally, Tiers 3, 4 and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tiers 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tiers 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller shall certify annually the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's year ended March 31.

The required contributions paid during the current year and preceding two years were as follows:

Annual Required Contribution - ERS					
	Amount	Credits & Miscellaneous Adjustments	Prepayment Discount	Amortization Payments	Total Payment
2019	\$ 22,651,118	\$ 16,013	\$ (208,430)	\$ 4,267,445	\$ 26,726,146
2018	23,097,163	35,998	(212,356)	4,267,445	27,188,250
2017	24,695,381	59,322	(226,010)	4,267,445	28,796,138

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5% of employee's covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to 1% depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually and will be comparable to taxable fixed income investments of a similar duration.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

Chapter 57 of the Laws of 2013 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 12 years in accordance with stipulations. The Town has continued with a 10 year amortization.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Contributions (continued)

The laws referenced above require participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The total unpaid liability for pension related debt as of December 31, 2019 is \$15,351,662. Amortization contributions will be paid in ten equal installments, one per year, but may be prepaid at any time. The Town has, for now, opted to amortize over the ten-year period. The interest rate will be established annually for each year's amortization and paid out of current resources. Future principal and interest payments to maturity for the amortization installments are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2020	\$ 3,741,252	\$ 508,665	\$ 4,249,917
2021	3,866,671	383,239	4,249,910
2022	3,241,405	253,585	3,494,990
2023	2,362,397	147,856	2,510,253
2024	1,471,860	68,198	1,540,058
2025	668,077	21,445	689,522
	<u>\$ 15,351,662</u>	<u>\$ 1,382,988</u>	<u>\$ 16,734,650</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the Town reported a liability of \$39,036,111 for its proportionate share of the net pension liability related to its governmental activities and \$-0- related to its business-type activities. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as April 1, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

Below is the Town's governmental activities proportionate share of the net pension liability of the System and its related employer allocation percentage.

Measurement Date	Net Pension Liability	Allocation of the System's Total Net Liability
March 31, 2019	\$ 39,036,111	0.55094470%

There was no significant change in the Town's proportionate share of 0.57426990% at March 31, 2018 to 0.55094470% at March 31, 2019.

The net pension liability for the nonmajor components units totaled \$1,576,538.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

For the year ended December 31, 2019, the Town recognized pension expense of \$23,630,181 in the government-wide statement of activities - governmental activities. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,687,026	\$ 2,620,421
Changes of assumptions	9,812,082	
Net difference between projected and actual earnings on pension plan investments		10,018,823
Changes in proportion and differences between the Town's contribution and proportionate share of contributions	3,905,455	2,028,413
Town's contributions subsequent to the measurement date, net of prepaid amounts	16,845,272	
Total	\$ 38,249,835	\$ 14,667,657

The Town's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension as expense as follows:

Years Ending December 31, 2020	\$ 9,301,809
2021	(7,233,278)
2022	(609,941)
2023	5,278,316
	\$ 6,736,906

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Actuarial Valuation Date	April 1, 2018
Interest rate	7.00%
Salary increase	4.20%
Cost of living adjustment	1.30%
Inflation rate	2.50%
Decrement tables	April 1, 2010 - March 2015 System Experience Scale MP 2014

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

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

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

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity:		
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Alternatives:		
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Other	8.00%	3.75%-5.68%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(.25%)
Inflation indexed bonds	4.00%	1.25%
	<u>100.00%</u>	

Discount Rate

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

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

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

	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
Town's proportionate share of the collective net pension liability/(asset)	\$ 170,672,094	\$ 39,036,111	\$ (71,547,457)
Nonmajor component unit's proportionate share of the collective net pension liability (asset)	\$ 6,892,472	\$ 1,576,448	\$ (2,919,394)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability (measured as of March 31, 2019) of the employers as of the respective valuation dates were as follows:

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

H. LENGTH OF SERVICE AWARD PROGRAM PLAN

Plan Description

The Town established and is the sponsor of a defined benefit service award program ("LOSAP"/"Plan") under Section 457 (e)(11) of the Internal Revenue Code effective January 1, 1991 for the volunteer firefighters of the Merrick Fire Department. This Plan was established pursuant to Article 11-A of New York State General Municipal Law ("GML") and provides municipally funded deferred compensation to volunteer firefighters of the Merrick Fire Department Company. For purposes of financial reporting of the LOSAP plan assets, deferred outflows/inflows of resources and liabilities, the Town is considered the employer (as defined by GASB) for this Plan. The Plan is administered by Hometown Firefighter Services; however, all Plan provisions and amendments are subject to conform with GML and the approval of the Town Board. The Town, as the plan's sponsor, has the right to amend or terminate the Plan.

Participation, Vesting and Service Credit

An eligible program participant is defined to be an active volunteer firefighter who is at least 18 years of age and has completed one year of firefighting service. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the Plan's defined entitlement age of 60. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the Plan. Effective January 1, 2013, the Plan was amended to provide credit for years after an individual reaches the entitlement age. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with Plan provisions on the basis of a statutory list of activities and point values.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM PLAN (continued)

Benefits

The amount of the monthly retirement income payable to a volunteer fireman eligible for normal retirement benefits is equal to \$20 multiplied by the total years of service, which is not to exceed 40 years annually. Unless a Participant elects to be paid in a lump sum form, the benefit shall be paid straight life annuity equal to one-twelfth of the Participants service award on a monthly basis. Benefit payments commence on the Plan anniversary date following the date the entitlement date is attained. The payment election is irrevocable once made. However, upon disability, the participant may apply for benefits regardless of whether or not the entitlement age has been attained or a nonforfeitable right has been acquired. If a participant should die prior reaching the entitlement age, a lump sum benefit payment shall be made equal to the value of benefits earned under the program. The benefits to the participants are limited to the available assets set aside in the grantor/rabbi trust.

Participants

As of December 31, 2019, the LOSAP Plans' measurement date, the following participants were covered by the benefit terms:

Inactive participants receiving benefits	27
Inactive participants entitled to, but not yet receiving benefits	63
Active participants	119
Total	209

Contributions

New York State General Municipal Law Section §219-o (1) requires the Plan sponsor (which is the Town) to contribute an actuarially determined contribution on an annual basis. The actuarially determined contributions are appropriated annually by the Town Board. During the year ended December 31, 2019, the Town contributed \$223,437 to the LOSAP Plan.

Trust Assets

Assets have been accumulated in a grantor/rabbi trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms and in accordance with Article 11-A of GML. The grantor/rabbi trust assets are not legally protected from creditors of the Town. As such, the trust assets do not meet the criteria as defined by GASB and therefore may not be offset against the pension liabilities. The Trustee of the assets is a member of the Merrick Fire Department Company.

Measurement of Liability

The total LOSAP Plan pension liability and the collective total pension liability at the December 31, 2019 measurement date was determined using an actuarial valuation as of that same date.

Actuarial Assumptions

The total pension liability as of December 31, 2019 (the measurement and actuarial valuation date) was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Discount rate	2.75%
Inflation rate	2.25%
Salary Scale	None Assumed

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM PLAN (continued)

Actuarial Assumptions (continued)

The discount rate and inflation rate used to measure the 2019 LOSAP pension liability was 2.75% and 2.25%, respectively.

Mortality rates were based on the RP-2014 Mortality Table projected for mortality improvement using the scale MP-2018. In developing the discount rate, GASB requires that it is based on a yield or index rate for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used to determine the Plan's liabilities was based upon the Fidelity 20-year GO AA Bond index. The LOSAP Plan utilized a discount rate of 2.75% for the December 31, 2019 actuarial valuation and 3.71% for the December 31, 2018 actuarial valuation.

LOSAP Total Pension Liability

The Town's total pension liability related to the LOSAP plan totaled \$6,318,348 at December 31, 2019.

Below summarizes the change in the total pension liability from December 31, 2018 to December 31, 2019:

Balance at beginning of year	\$	5,240,783
Service costs		159,492
Interest		191,219
Changes of assumptions or other inputs		863,957
Differences between expected and actual experience		36,167
Benefit payments		(173,270)
Balance at end of year	\$	<u>6,318,348</u>

Sensitivity of the Total Share of the Pension Liability to the Discount Rate Assumption

The following presents the Town's total pension liability calculated using the discount rate of 2.75%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.75%) or 1-percentage point higher (3.75%) than the current rate:

	1% Decrease 1.75%	Current Assumption 2.75%	1% Decrease 3.75%
Total pension liability	<u>\$ 7,704,000</u>	<u>\$ 6,318,348</u>	<u>\$ 5,229,000</u>

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

For the year ended December 31, 2019, the Town recognized LOSAP pension expense of \$365,362.

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the LOSAP pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 28,748
Changes in assumptions	\$ 1,057,547	
Total	<u>\$ 1,057,547</u>	<u>\$ 28,748</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM PLAN (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

Years Ending December 31, 2020	\$	83,536
2021		83,536
2022		83,536
2023		83,536
2024		83,536
Thereafter		611,119
	<u>\$</u>	<u>1,028,799</u>

Other Information

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by the Merrick Fire Company ("Fire Company") whose members participate in the program. The fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained Hometown Firefighters Services to assist in the administration of the program. The designated program administrator's functions include obtaining benefit calculations, processing entitlement and disability payouts, administering death claims, handling census changes, updating information, and responding to inquiries from the fire department's personnel and members. Disbursements of program assets for the payment of the benefits or administrative expenses must be approved by the Board of Fire Commissioners.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The trust agreement is dated May 7, 1991, and the Trustee is a member of the Merrick Fire Department.

Authority to invest program assets is vested in the trustees who are the current Board of Fire Commissioners. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

The Sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is BPAS Actuarial and Pension Service, LLC. Portions of the following information are derived from a report prepared by the actuary dated April 2019 and the plan's statement of receipts and disbursements for 2019.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM PLAN (continued)

Receipts and Disbursements

Plan assets, December 31, 2018		\$	3,020,273
Changes during the year:			
(+) Plan contributions	\$		223,437
(+) Investment income earned			118,787
(+/-) Changes in fair market value of investments			12,684
(-) Plan benefit withdrawals			173,270
(-) Administrative and other fees/charges			9,233
			172,405
Plan assets, December 31, 2019		\$	3,192,678

Contributions and Administration Fees

Amount of sponsor's required contribution for 2019:	Minimum	\$	218,322
	Maximum	\$	229,174

Amount of sponsor's actual contribution:

Plan contributions	\$	218,322	
Administrative fees		5,115	
Amount paid to the plan		223,437	\$

Funding: Methodology and Actuarial Assumptions

The contributions to the LOSAP plan are determined based on an actuarial valuation using assumptions which differ from the actuarial assumptions used to measure the LOSAP pension liability. The actuarial valuation methodology used by the actuary to determine the sponsors contribution is the Unit Credit Cost Method. The recommended contribution consists of two parts: (1) the current-year normal costs, and (2) a payment to amortize the unfunded liability. The unfunded liability was recomputed as of January 2019 (date of actuarial valuation) to incorporate any actuarial or experience gains or losses which occurred from the previous year. The present value of accrued benefits is based on the current cost of purchasing an individual annuity. The assumptions used by the actuary to determine the sponsors contribution and actuarial present value of the benefits are as follows:

Assumed rate of return on investments:	4.75%
Mortality table:	RP2000 combined male mortality tables male projected to 2019
Post entitlement lump sums:	1983 GAM (Unisex) with 3% interest

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

I. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Postemployment benefits other than pensions are provided to retirees, beneficiaries and dependents under a single-employer defined benefit plan. Postemployment benefits other than pensions consist of providing healthcare coverage and dental insurance, or a portion thereof, to eligible retirees and survivors in accordance with the provisions of the union agreement in effect at the date of retirement. As the union agreement expires in future years, it will be renegotiated, and the benefits provided may be modified at that time. No assets have been accumulated in a trust which meets the criteria defined by GASB Statement No. 75, paragraph 4.

To provide these benefits, the Town currently participates in the New York State Health Insurance Plan ("NYSHIP"), which offers health insurance coverage to New York State public employees through the Empire Plan (an indemnity health insurance plan) or an approved Health Maintenance Organization ("HMO"). Currently, healthcare insurance coverage is through the Empire Core Plan plus Enhancement and HIP- Health Plan of New York (an HMO). The New York State Department of Civil Service administers NYSHIP.

The Town pays the health insurance premiums to NYSHIP on a monthly basis. Health insurance premiums paid by the Town are based on the benefits paid through the State during the year or from a choice of HMOs. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Town has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred losses. The Empire Plan has separate pre-Medicare and Medicare rates. Since the plans are community rated, the retiree claim costs are based on the actual rates without adjustment for age. Substantially all of the Town's employees may be eligible for these benefits if they reach normal retirement age while working for the Town.

The Town, pursuant to its union agreement with employees, will pay 100% of the healthcare insurance premium for full-time employees with 10 years of service, who have attained the age of 55 and were hired on or before April 22, 2013 and will pay 85% of the healthcare insurance premium for full-time employees with 10 years of service, who have attained the age of 55 and were hired after April 22, 2013. Effective January 1, 2018, retirees enrolled in an HMO Plan with a monthly premium greater than that of the Empire Plan, the Town's allocable percentage of the premium (85%/100%) is limited to the cost of the Empire Plan. The Town shall also pay the percentage share of the costs of health and dental insurance for the surviving spouse and dependents at the same rate of contribution in effect for the employee/retiree prior to retirement, provided that the employee completed 20 years of service, retired within six months of his/her retirement eligibility date based on age, length of service and tier requirements and retired after December 31, 2017.

The retiree is also eligible for Medicare Part B reimbursement at rate of \$134 per month, based on the standard 2018 rate. The Medicare Part B premium that is charged varies by income level. Medicare Part B reimbursement valuation was assumed at the basic level. The Town also provides dental coverage on a self-insured basis through Healthplex. The maximum coverage benefit was \$2,080 in 2019, and increases by 2% through the term of the union agreement (year 2021).

The Town's blended component unit reported in the business-type activities and proprietary fund does not have any employees and therefore other postemployment benefits is not applicable to it. Therefore, all disclosures pertain to the primary government's governmental activities.

Upon death of a retiree the Town ceases to pay the healthcare costs for the un-remarried survivor after three months. The survivor can continue the insurance through the Town at their own cost. However, effective January 1, 2017, in circumstances when an employee retires within six months of reaching the required age (55 years), with 20 years of service, and pursuant to a Town offered retirement incentive plan, the Town will pay 100% coverage of the lifetime healthcare premiums of the surviving spouse. The survivor does continue to receive the Medicare reimbursement.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

I. OTHER POSTEMPLOYMENT BENEFITS (continued)

The union agreement/contract will be renegotiated at various times in the future and these benefits are subject to change at the point on renegotiation. The Town, as administrator of the Plan, does not issue a separate report.

Employees Covered by Benefit Terms

The number of participants as of January 1, 2018, the effective date of the most recent OPEB valuation, follows:

Active employees	1,818
Retired employees	<u>1,702</u>
	<u><u>3,520</u></u>

There have been no significant changes in the number or employees or the type of coverage since that date.

Total OPEB Liability

The Town's total OPEB liability of \$1,306,759,675 was measured as of December 31, 2019 (measurement date) and was determined by an actuarial valuation as of January 1, 2018, with updating procedures used to rollforward the OPEB liability to the measurement date. The total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service or 'earned', discounted to the end of the year using the current discount rate. The total OPEB liability is part of the non-current liabilities due in more than one year in the statement of net position.

Funding Policy

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

Actuarial Assumptions and Other Inputs

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The total OPEB liability in the January 1, 2018 actuarial valuation and measured as of December 31, 2019, was determined using the following actuarial assumptions and other inputs:

Census collection date	January 1, 2018
Discount rate	2.66%
Healthcare cost trend rates (pre 65/post 65)	9.5%/9.5%, decreased 0.5% per year to an ultimate 5.0% in 2028
Actuarial cost method	Entry Age Normal (percent of salary)
Participation rate	100% of future eligible retirees will elect coverage
Mortality rate	Society of Actuaries RP-2014 Total Dataset Mortality with Scale MP-2017 (base year 2006)
Implicit rate subsidy age factors	39.71% at age 20, increasing to 164.94% at age 60

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

I. OTHER POSTEMPLOYMENT BENEFITS (continued)

The discount rate used to measure the liability was 2.65% based on the Bond Buyer's 20-year general obligation bond index.

Changes in the Total OPEB Liability

The following table shows the components of the Town's total OPEB liability:

Total OPEB liability, December 31, 2018 measurement date	\$	1,093,863,073
Changes for the year:		
Service costs		51,671,609
Interest		36,229,424
Assumption changes		287,304,327
Legislative changes, repeal of excise tax		(127,765,245)
Benefit payments		(34,543,513)
		<hr/>
Balance as of the December 31, 2019 measurement date	\$	<u>1,306,759,675</u>

Changes in assumptions and other inputs used in measuring the liability from December 31, 2018 to December 31, 2019 include a change in the discount rate from 4.10% in 2018 to 2.66% in 2019 and the repeal of 40% high-cost plan excise tax in 2019.

The total OPEB liability for the nonmajor component units totaled \$23,239,653.

Sensitivity of the Total OPEB liability to Changes

The following presents the total OPEB liability at December 31, 2019, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the discount rate used:

	Discount Rate		
	1% Decrease 1.66%	Current Assumption 2.66%	1% Increase 3.66%
Town's total OPEB liability	\$ 1,446,633,119	\$ 1,306,759,675	\$ 1,180,378,495
Nonmajor component units total OPEB liability	27,669,464	23,239,653	19,767,240

The following presents the total OPEB liability at December 31, 2019, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the healthcare cost trend rates used:

	Healthcare Cost Trend Rate		
	1% Decrease 8.5% to 4.0%	Current Assumption 9.5% to 5.0%	1% Increase 10.5% to 6.0%
Town's total OPEB liability	\$ 1,084,627,280	\$ 1,306,759,675	\$ 1,525,703,996
Nonmajor component units total OPEB liability	19,450,738	23,239,653	28,189,465

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

I. OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2019, the Town recognized OPEB expense of \$119,442,345. At December 31, 2019, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 104,017,058
Changes in assumptions	\$ 233,902,036	
Total	\$ 233,902,036	\$ 104,017,058

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

Years Ending December 31, 2020	\$	29,654,104
2021		29,654,104
2022		29,654,104
2023		29,654,104
2024		11,268,562
	\$	129,884,978

A copy of the Town of Hempstead Retiree Medical Program 2019 Actuarial Valuation is available by contacting the Town of Hempstead, Office of the Comptroller, Hempstead, New York.

J. COMPENSATED ABSENCES

Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, and sick leave, subject to certain limitations.

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the statement of net position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2019, the liability of the compensated absences was \$47,401,017 for the primary government's governmental activities. The liability for compensated absences for the nonmajor component units amounted to \$1,472,148.

K. PERMANENT FUND

The Town maintains the Greenfield Cemetery pursuant to Chapter 663 of the Laws of New York 1964 amending the Chapter 273 of the Laws of New York 1939. Pursuant to Article 3 §276.0 the Trustees of the Greenfield Cemetery transferred to the Town all funds, securities and other items of personal and real property. The Town maintains Greenfield Cemetery in accordance with Article 3 §278.0 and §279.0. Interest earnings are transferred to the General Fund for the sole use of maintaining the Greenfield Cemetery. The amount of interest earnings transferred to the General Fund as of the year ended December 31, 2019 was \$18,987. At December 31, 2019, the amount of net position restricted for Permanent fund nonexpendable purposes in the statement of net position and nonexpendable fund balance for Permanent fund principal in the governmental funds balance sheet pertaining to the Greenfield Cemetery was \$1,337,867.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES

A. RISK RETENTION

In common with other municipalities, the Town receives numerous notices of claims. The Town is self-insured for general liability claims. Although the eventual outcome of these claims cannot presently be determined, the Town Attorney estimates the potential liability pertaining to unsettled claims and litigation. Claims for which the outcome is deemed probable and the potential loss is estimable, a liability is recorded in the government-wide financial statements. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

The Town is also self-insured for workers' compensation insurance, unemployment insurance and disability insurance. Estimated benefits to be paid are appropriated in the various operating funds of the Town.

The Town estimates its workers' compensation and general liability reserves by consulting with legal counsel and past experience with similar claims. The Town has not purchased any annuity contracts with regard to its workers' compensation or general liability claims. The schedule below presents the changes in claims liabilities for the past two years for workers' compensation and general liability and includes an estimate of claims that have been incurred but not yet reported.

Primary Government, Governmental Activities	Workers' Compensation		General Liability		Other Garbage Taxes and Local Utilities	
	2019	2018	2019	2018	2019	2018
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 31,503,649	\$30,288,699	\$ 4,525,664	\$ 7,047,463	\$ 643,838	\$ 80,261,000
Insured claims and claim adjustment expenditures:						
Provision for the insured events of the current year and increases in provision for insured events of prior years	14,101,878	12,940,417	3,075,146	5,325,401		3,245,993
Total incurred claims and claim adjustment expenditures	14,101,878	12,940,417	3,075,146	5,325,401	-0-	3,245,993
Payments:						
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	11,802,283	11,725,467	3,069,583	7,847,200	-0-	82,863,155
Total unpaid claims and claim adjustment expenditures at the end of the year	\$ 33,803,244	\$31,503,649	\$ 4,531,227	\$ 4,525,664	\$ 643,838	\$ 84,507,993

The Town's business-type activities has no judgment and claims liability.

The Town carries insurance for property protection in excess of \$200,000,000 per occurrence and in the aggregate, except for flood and earthquake, which is \$25,000,000 per occurrence and in the aggregate.

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years.

B. LITIGATION

The Town in the normal course of business is involved in various matters of litigation. In the opinion of the Town Attorney, there is no litigation by or pending against the Town that is not covered by insurance, budgetary appropriations or other reasons which could have a materially adverse impact on the financial condition of the Town.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

Garbage Taxes and Local Utilities

There are five (5) cases against the Town regarding garbage taxes and local utilities. The plaintiff utility companies sued the Town and its garbage districts on the theory that the ad valorem levies imposed upon the plaintiff's transmission and distribution properties to fund the Town's garbage collection and disposal services are illegal because these properties do not and cannot generate any garbage. [See, New York Telephone Company v. Oyster Bay, 4 N.Y.3d 387 (2005)]. The Town vigorously defended all these claims. The Town had brought Nassau County into the proceedings by means of a third-party summons and complaint.

In March 2014, the Appellate Division directed the Town to pay the Plaintiffs in the first instance and directed the County to reimburse the Town for the sums the Town pays the Plaintiffs.

In October of 2016, the Town and County entered into an agreement where the County will reimburse the Town for 70% of the sums the Town has already paid to all utility plaintiffs and the County will reimburse the Town 70% of all future sums the Town pays to any utility plaintiffs in these cases, and the Town and County would cooperate with each other to try to limit the future liabilities in these cases (including the below mentioned interest rate litigation).

The trial court issued Judgments using pre-judgment interest in the 5-6.02% range in the matters, and the Town has satisfied those judgments subject to pending appeals and cross-appeals regarding the appropriate rate of interest. The parties have completed briefing on all four appeals which were submitted for a decision which is still pending as of December 2020.

In addition, the Town settled the MCI litigation at a reduced interest rate and Judge Marano executed a Consent Judgment which the Town has satisfied out of operating funds.

The only remaining liability which hasn't been reduced to judgment is the Verizon 2012 tax year. The Town has included a \$643,838 accrual in claims and judgment payable for this matter.

The Town issued bonds in July, 2018 to satisfy the Verizon, Keyspan, Long Island Water, and New York Water judgments. During 2018, the Town paid \$82,863,155 to the aforementioned utility companies to satisfy the judgment.

Pursuant to the executed Town/County Agreement dated September 27, 2016 whereby the County will reimburse the Town 70% of the judgment paid, the Town has recorded a receivable (due from other governments) of \$52,203,788 at December 31, 2019, of which \$5,800,421 is current and \$46,403,367 is long-term. See Note 3C.

FIT Tuition Charge Back

In 2010, Nassau County ("County") commenced a charge back to the cities and towns (including the Town of Hempstead) within the County for amounts paid for its cost of educating County residents the Fashion Institute of Technology ("FIT") under the community college reimbursement provisions of the New York State Education Law. After four years in litigation the Court of Appeals has determined the County could charge back to the towns the amount paid for both two and four year programs at FIT. The Town has commenced an action in the Supreme Court of Nassau County challenging the method of computation of the chargeable amount utilized by the County as well as the chargeable amount itself. In July 2018, the Court denied the Town's motion for summary judgment and granted the County's cross-motion for summary judgement, finding that the County has acted in accordance with the law when charging back the Town. In August 2018, the Town filed a Notice of Appeal of the Court's July 2018 decision. In February 2019, the Town perfected its' appeal. The appeal was fully submitted to the Appellate Division in September 2019 and oral argument was held on September 24, 2020. The parties are awaiting the Appellate Division's decision. All payments have been made to the County, accordingly, there is no provision in judgment and claims liability for this matter.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

Other Litigation

In addition to the above referenced cases, the Town is involved in other lawsuits with claims ranging from one to seven million dollars. These cases are in various stages of litigation. If their outcome cannot presently be determined, no liability has been recorded in the financial statements.

Environmental

Pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq. and New York State Common Law, the Town initiated action against the U.S. Department of the Navy and Northrop Grumman Corp to seek recovery from the aforementioned named Defendants for their actions which the Town alleges has caused the disposal and release of hazardous materials into the Town's Levittown Water District water supply. The Defendants have filed various motions to dismiss which the Court denied in late 2017. Currently the parties are in the discovery phase of the environmental case.

C. RESOURCE RECOVERY FACILITY

The Town on behalf of the Town of Hempstead Refuse Disposal District (the "District") entered into a 25-year term agreement commencing in August 2009, with the independent company, Covanta Hempstead Company (formerly American Ref-Fuel Company of Hempstead) (the "Company") that operates a resource recovery facility (the "Facility") in the Town. Under this service agreement, the Town has committed to deliver certain tonnages of municipal solid waste to the Company, which will use it to generate electricity at the Facility.

The Facility site is owned by the Town of Hempstead Refuse Disposal District (the "District") and has been leased to the Town of Hempstead Industrial Development Agency and, in turn, sub-leased to the Company.

In conjunction with the new service agreement, the Town, District, TOHIDA and Company, as applicable, executed certain amendments to several agreements so that the respective term of each agreement corresponds with or extends beyond the anticipated term of the new service agreement - *i.e.*, August 19, 2034. Those amended agreements include: (1) Second Amendment to District Site Lease between the Town on behalf of the District and the IDA; (2) Second Amendment to Site Lease Agreement between the TOHIDA and the Company; (3) Third Amendment to [Facility] Lease Agreement between the TOHIDA and the Company; and (4) Payment In Lieu Of Taxes Agreement between the TOHIDA and the Company.

The Town may, under certain circumstances, terminate the new service agreement; however, if the Town terminates the agreement because the cost to the Town of uncontrollable circumstances under the service agreement exceeds a specified amount, the Town is obligated to make a termination payment corresponding to 25% of the Town's pro rata share (as defined in the new agreement) of any outstanding indebtedness incurred by the Company to finance the cost of prior uncontrollable circumstances.

Under this service agreement, the Town has incurred certain contingent liabilities with respect to the resource recovery facility. The Town has obligated itself to pay service fees for the processing of a minimum of 420,000 tons (the "Annual Tonnage") of Town Waste (as defined in the service agreement) each year, whether or not such tonnage is actually delivered to the Facility. The Annual Tonnage is subject to adjustment in accordance with the terms of the new service agreement. In the event the Annual Tonnage is not provided, the Town must pay service fees as if the Annual Tonnage had been delivered, although any shortfall payment obligation is subject to reduction through mitigation.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

D. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to place a final cover on its landfill sites and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. The Oceanside Landfill stopped receiving waste in July 1989 and the Merrick Landfill stopped receiving waste in 1984. Accordingly, as of December 31, 2019, the Town has recorded a liability of \$842,448 in the government-wide financial statements, which represents the estimated costs for postclosure care (monitoring and maintenance) landfill costs to be paid in future years. As the liability is based on 100% of capacity there are no additional estimated costs for closure or postclosure care remaining to be recognized. Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws.

E. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

The Town is committed to capital improvements to its various facilities and infrastructure. The Town at December 31, 2019 has commitments for capital acquisitions and improvements of \$53,244,592 in the Capital Projects Fund that it is anticipated will be paid for by the issuance of general obligation bonds.

F. ENCUMBRANCES

As discussed in Note 1.F, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

At December 31, 2019, the encumbrances, excluding Capital Projects, expected to be honored upon performance by the vendor in the next year were as follows:

Primary Government, Governmental Activities	
Major Funds:	
General	\$ 34,702
Highway	2,812
Park Districts	12,277
Refuse and Garbage Districts	37,253
Nonmajor Funds:	
Town Outside Village	500
	\$ 87,544

These encumbrances are included in assigned fund balance as "purchases on order or contractual obligations".

G. POLLUTION REMEDIATION OBLIGATIONS

The Town's policy is to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. Obligating events include the following:

The Town:

- Is compelled to take remediation action because of imminent endangerment
- Violates a pollution related permit or license
- Is named or will be named as a responsible party or potentially responsible party for a remediation
- Is named, or will be named in a lawsuit to compel pollution remediation
- Commences or obligates itself to remediate pollution

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

G. POLLUTION REMEDIATION OBLIGATIONS (continued)

Pollution remediation activities include the removal and disposal of sediment and soil from dry wells contaminated by automotive lubricants, and from spills related to removal and replacement of underground storage tanks for waste oil, heating oil, and automotive fuels. Other pollution remediation obligations include asbestos abatement and removal. Estimates are based on known liabilities from existing New York State Department of Environmental Conservation (the "NYSDEC") spill cases and the United States Environmental Protection Agency (the "USEPA") Consent Order, and on the assumed course of action that the NYSDEC/USEPA would require based on the professional judgment and experience of the Town's consulting engineers in dealing with these agencies and projects. During the course of any of the Town's pollution remediation projects, additional information found through soil/water sampling could adversely affect duration and costs if additional contaminants are found or decrease duration and costs if clean samples are also found.

At December 31, 2019, the Town's governmental activities has estimated pollution remediation obligations amounts at \$7,294,301, of which \$5,602,200 is estimated to be payable within one year.

Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws. The Town does not anticipate any recoveries from insurance or other parties in connection with its pollution remediation activities. Estimates are based on current environmental regulations, which are periodically subject to change by the NYSDEC/USEPA.

H. SERVICE CONCESSION ARRANGEMENTS

In 2015, the Town entered into an agreement with National Rink Management Corporation for management of the Newbridge Road Park Ice Rink, Pro Shop and concession stand for a ten-year period ending March 31, 2025. The agreement includes options for two five-year extensions. Under the terms of the agreement, National Rink Management Corporation will pay the Town \$105,000 annually. The value of these payments is estimated to be \$1,050,000 over the life of the current agreement. The Town reports the Newbridge Park Ice Rink as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2019, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$525,000.

In April 2019, the Town extended its agreement with Dover Gourmet Corp. through April 2024, for the management and maintenance of the Malibu Beach Park for the next five years. Dover Gourmet will pay the Town an annual license fee of \$533,610. If there is an increase in rental fees to be charged to Malibu park cabana patrons, the annual license fee shall be increased by the percentage increase in fees. The value of these payments is estimated to be \$2,668,050 over the life of the agreement. The Town reports the Malibu Beach Park as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2019, the Town reports a receivable of \$2,801,367 and deferred inflow of resources of \$2,267,843 in the government-wide statement of net position and the General Fund reports a net receivable of and deferred inflows of resources in the amount of \$533,522.

I. OTHER

Grant Funding

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

5. TAX ABATEMENTS

The Town is subject to tax abatements granted by (1) Nassau County Industrial Development Agency, an entity created by Nassau County, (2) the Town of Hempstead Industrial Development Agency ("TOHIDA") and (collectively referred to as the IDAs), and (3) the Town of Hempstead. The IDA's offer these abatement programs to businesses to promote, retain, attract and encourage and develop economically sound commerce and industry base to prevent unemployment and economic deterioration with Nassau County and Town of Hempstead, respectively. As of December 31, 2019, the tax abatement program which may be offered by the IDA's on qualified projects and which impacts the Town's revenues is for real property tax abatement. Generally, a qualified project is an applicant submitted project which meet certain economic development criteria (such as job creation/retention) and which either (1) has been or will be financed by the issuance of IDA issued bonds, notes or other evidences of indebtedness with respect thereto, or (2) is a straight lease transaction with the IDA has determined to undertake pursuant to a Lease Policy. The IDAs, as a condition of providing assistance, may require that the benefiting company remit a payment in lieu of taxes' ("PILOT") payment to offset the amount of taxes abated.

The Town also granted real property tax abatements to promote affordable and senior citizen housing within the Town of Hempstead limits. Pursuant to Section 125 of the Private Housing Finance Law of the State of New York, a qualified project may be included into its privately financed affordable & senior citizen housing tax abatement program. This program provides real property tax abatements of 100% of real property taxes for 25 years on qualified new capital improvements or where the property has a federally-aided mortgage the tax exemption period shall be the period in which the mortgage is outstanding, but in no event longer than 40 years from the date on which the federally-aided mortgage takes effect. During the term of the agreements, the benefiting entity must operate and maintain the property consistent with the terms of the agreement. As a general condition of providing tax relief assistance, the benefiting company enters into a PILOT agreement to offset the taxes abated.

The TOHIDA has a TOHIDA Board adopted Uniform Tax Exemption Policy, which outlines how local businesses' real estate taxes are reduced and how the amount of the real estate abatement is determined. During the term of the agreements, the local business must operate and maintain the property consistent with the terms of the agreement. If the local business does not comply, financial penalties may be imposed, such as the recapture of the benefits received, depending upon the severity of the noncompliance.

During the year ended December 31, 2019, the agreements the IDAs and the Town ratified, resulted in the following:

	<u>Industrial Development Agency</u>			<u>Total</u>
	<u>Town of Hempstead</u>	<u>Nassau County</u>	<u>Town of Hempstead</u>	
Real property tax abated	\$ 8,917,190	\$ 1,616,080	\$ 362,208	\$ 10,895,478
PILOTs received	3,584,897	748,503	105,555	4,438,955
Net	<u>\$ 5,332,293</u>	<u>\$ 867,577</u>	<u>\$ 256,653</u>	<u>\$ 6,456,523</u>

The amount of abated taxes reported is based on the assessed value of property per the official assessment tax rolls and tax rates in effect on December 1, 2018, the tax lien date for the 2019 real property tax and PILOT revenue recognized.

The Town also receives PILOT payments pursuant to laws and regulations and therefore not included in this disclosure.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

6. CONDENSED FINANCIAL STATEMENTS FOR THE DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS

The following represents condensed financial statements for the discretely presented nonmajor component units as of and for the year ended December 31, 2019:

Condensed Statement of Net Position:

	Assets			Liabilities			Net Position		
	Current and Other Assets	Capital Assets Net of Depreciation	Deferred Outflows of Resources	Current Liabilities	Bonds and Other Long-Term Liabilities	Deferred Inflows of Resources	Net Investment in Capital Assets	Restricted	Unrestricted
Town of Hempstead Industrial Development Agency	\$ 8,926,293	\$ 25,126	\$ 143,794	\$ 5,830,396	\$ 922,423	\$ 30,372	\$ 25,126		\$ 2,286,886
Lakeview Public Library District	2,844,587	2,201,838	105,839	53,005	144,835	44,683	2,201,838	\$ 1,000	2,707,103
Roosevelt Public Library District	716,159	11,485,515	334,572	806,014	6,490,768	72,990	5,289,981		(123,507)
Uniondale Public Library District	5,489,364	5,632,450	1,106,773	289,471	4,963,876	392,519	5,603,816	16,871	982,034
Cathedral Gardens Water District	186,585			8,410					178,175
Franklin Square Water District	3,074,844	5,570,006	224,540	520,995	13,846,616	163,004	(1,076,746)	1,334,098	(5,918,477)
West Hempstead - Hempstead Gardens Water District - Unaudited	5,724,383	21,738,831	391,608	3,288,083	12,418,986	118,008	14,090,896	2,724,546	(4,785,699)
Greater Atlantic Beach Water Reclamation District	1,311,100	3,491,006	807,089	468,775	7,246,842	203,603	1,257,566	1,022,225	(4,589,812)
	<u>\$ 28,273,415</u>	<u>\$ 50,144,772</u>	<u>\$ 3,114,223</u>	<u>\$ 11,245,149</u>	<u>\$ 46,034,146</u>	<u>\$ 1,025,185</u>	<u>\$ 27,392,477</u>	<u>\$ 5,098,740</u>	<u>\$ (9,263,287)</u>

Condensed Statement of Activities:

	Program				General Revenue			Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Expense (Revenue)	Real Property Taxes and Tax Items	Other	Change	As Restated 1/1/2019	12/31/2019
Town of Hempstead Industrial Development Agency	\$ 811,133	\$ 876,572			\$ (65,439)		\$ 50,188	\$ 115,627	\$ 2,196,395	\$ 2,312,022
Lakeview Public Library District	1,142,718	81,585	\$ 3,015		1,058,118	\$ 1,404,240	8,723	354,845	4,565,096	4,909,941
Roosevelt Public Library District	3,539,305	24,486	38,927		3,475,893	3,122,514	8,481	(344,898)	5,511,372	5,166,474
Uniondale Public Library District	4,310,447	40,998			4,289,449	4,157,124	128,179	15,854	6,586,967	6,602,721
Cathedral Gardens Water District	59,130	4,125			55,005	65,460	98	10,553	167,622	178,175
Franklin Square Water District	4,213,067	1,733,984			2,479,083	1,064,567	111,657	(1,302,839)	(4,358,286)	(5,661,125)
West Hempstead - Hempstead Gardens Water District - Unaudited	6,329,498	2,698,781			3,640,717	2,171,036	534,236	(935,445)	12,965,188	12,029,743
Greater Atlantic Beach Water Reclamation District	2,297,360	208,716		\$ 1,400	2,087,244	1,808,403	14,491	(264,350)	(2,045,671)	(2,310,021)
	<u>\$ 22,702,659</u>	<u>\$ 6,559,247</u>	<u>\$ 41,942</u>	<u>\$ 1,400</u>	<u>\$ 17,000,070</u>	<u>\$ 13,793,364</u>	<u>\$ 856,053</u>	<u>\$ (2,350,653)</u>	<u>\$ 25,578,583</u>	<u>\$ 23,227,930</u>

The condensed statements noted above do not include the 2019 financial information of the Town of Hempstead Housing Authority as it was not available.

Complete financial statements of the individual nonmajor component units can be obtained from their respective administrative offices:

- | | |
|---|---|
| <p>1) Town of Hempstead Industrial Development Agency
350 Front Street
Hempstead, NY 11550</p> <p>3) Lakeview Public Library District
P.O. Box 177
Franklin Square, NY 11570</p> <p>5) Uniondale Public Library District
400 Uniondale Avenue
Uniondale, NY 11553</p> <p>7) Franklin Square Water District
P.O. Box 177
Franklin Square, NY 11570</p> <p>9) Greater Atlantic Beach Water Reclamation District
2150 Bay Blvd.
Atlantic Beach, NY 11509</p> | <p>2) Town of Hempstead Housing Authority
760 Jerusalem Avenue
Uniondale, NY 11553</p> <p>4) Roosevelt Public Library District
27 West Fulton Street
Roosevelt, NY 11575</p> <p>6) Cathedral Gardens Water District
150 Westminster Road
West Hempstead, NY 11552</p> <p>8) West Hempstead - Hempstead Gardens Water District
575 Birch Street
West Hempstead, NY 11550</p> |
|---|---|

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

7. CHANGES TO PREVIOUSLY ISSUED REPORT

Effects of Changes to Net Position/Fund Balance

The chart below summarizes the effects on restating net position of the discretely presented component units pertaining to an overstatement of beginning capital assets and net position:

	Discretely Presented Component Units
Net position, as originally reported	\$ 26,732,231
Restate to reflect that the 2019 Town of Hempstead Housing Authority's financial information was not available and is excluded from this report	(647,642)
Restate capital assets opening balance and other amounts	(481,712)
Restate accounts payable	(24,294)
Net position, as restated	\$ 25,578,583

SUBSEQUENT EVENTS

Economic Conditions

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public-Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic based on the rapid increase in exposure globally. New York City and surrounding areas were particularly hard hit by the coronavirus. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, forced closures for certain types of public places and businesses. The coronavirus and actions taken globally and especially in New York State to mitigate it, have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area the Town operates. While it is unknown how long these conditions will last and what the complete financial impact to the Town will be, the Town is expecting it to negatively impact its revenues and expenditures.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Town's future operations and results of its operations. As of the date of this report (December 21, 2020), the Town is unable to estimate the effects of the COVID-19 outbreak on the future results of its operations.

Special Grants

Subsequent to year end, at the request from the Town, the U.S. Department of Housing and Urban Development ("HUD") approved the transfer of the Section 8 Housing Choice Program and associated federal budget from the Town to the New York State Homes and Community Renewal Agency ("HCR"). The effective date of the transfer was September 1, 2020 and the related residual unrestricted cash was transferred to the HCR and the restricted cash was transferred to HUD.

In 2020, pursuant to the Coronavirus Aid, Relief and Economic Security Act ("CARES ACT"), the Town, as an eligible recipient, was awarded \$133 million to cover costs that are necessary expenditures due to public health emergency with respect to COVID-19, were not accounted for in the budget most recently approved as of March 27, 2020 for the Town and were incurred during the period March 1, 2020 and December 30, 2020. The funds may not be used to fill shortfalls in Towns revenues to cover expenditures that would not otherwise qualify under the statute.

Bond Issuances

In December 2020, the Town issued \$33,270,000 million in bond anticipation notes for public improvement purposes. The bonds bear interest at 1.25% and will mature in December 2021.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

8. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board ("GASB") has issued the following Statements which are to be implemented in subsequent years:

Statement No. 83, "*Certain Assets Retirement Obligations*", as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. It also addresses that measurement of both the asset retirement obligation and deferred outflows of resources should be based on the estimated of the current value of expected outlays. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019.

Statement No. 84, "*Fiduciary Activities*", as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", establishes criteria for identifying fiduciary activities of all state and local governments. The criteria focus is generally on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. The Statement establishes the four fiduciary funds that should be reported (as applicable): (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. This Statement also provides guidance for the recognition of a liability when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, "*Leases*", as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", establishes accounting and financial reporting of leases. It requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For leases with terms in-excess of 12 months, the Statement requires the leases to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*", as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", was issued to improve information disclosed in the notes to financial statements related to debt and clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019.

Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*", as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", requires that interest costs incurred before the end of a construction period be recognized as an expense. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset recorded in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, "*Majority Equity Interests - an Amendment of GASB Statements No. 14 and 61*", as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", provides guidance regarding the accounting and financial reporting of a government's majority equity interest in a legally separate organization. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

9. NEW PRONOUNCEMENTS (continued)

Statement No. 91, *"Conduit Debt Obligations"*, as amended by Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*, was issued to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *"Omnibus 2020"*, as amended by Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*, was issued to enhance comparability in accounting and financial reporting and consistency of authoritative language on various topics. The requirements of this Statement are effective for reporting periods as follows: paragraphs 4,5,6,7,8,9,10 and 12 effective years beginning after June 15, 2021.

Statement No. 93, *"Replacement of Interbank Offered Rates"*, as amended by Statement No. 95, *"Postponement of the Effective Dates of Certain Authoritative Guidance"*, amends certain provisions of GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments"* as amended) and 87, *"Leases"*. It has been issued to address the various accounting and reporting implications that will result from the replacement of LIBOR, as LIBOR will cease to exist in 2021. The requirements of this Statement, except for paragraph 11b, 13 and 14, are effective for reporting periods beginning after June 15, 2020. The requirement of paragraph 11b is effective for reporting periods ending after December 31, 2021 and paragraphs 13 and 14 are effective for years beginning after June 15, 2021.

Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*, this Statement has been issued to improve financial reporting related to public-private and public-public partnership arrangements, in which one a government (transferor) contracts with an operator (governmental or nongovernmental entity) to provide public services by conveying the right to operate or use a nonfinancial assets. The requirements of this Statement are effective for years beginning after June 15, 2022.

Statement No. 96, *"Subscription-Based Information Technology Arrangements"*, this Statement has been issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *"Leases"*, as amended. The requirements of this Statement are effective for years beginning after June 15, 2022.

Statement No. 97, *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84 and a suppression of GASB Statement No. 32"*, this Statement has been issued to (1) increase consistency in reporting of fiduciary component units in instances where the potential component unit does not have a governing board and the primary government performs the duties of a governing board (effective upon issuance); (2) mitigate costs associated with the reporting of certain defined contribution plans and employee benefits plans other than pension plans or OPEB plans as fiduciary component units (effective upon issuance), and (3) enhances relevance and consistency of accounting and financial reporting for Internal Revenue Service Section 457 deferred compensation plans that meet the definition of a pension plan for benefits provided through those plans (effective for years beginning after June 15, 2021).

The Town is currently evaluating the impact of the above pronouncements.

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**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Schedules of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Major Governmental Funds**

**Schedule of Changes in Total Other Postemployment Benefits Liability and Related
Ratio**

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Pension Liability – Length of Service Award Program Plan

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The Capital Projects and Special Grant Funds are budgeted on a project or grant basis.

TOWN OF HEMPSTEAD

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 29,255,813	\$ 29,255,813	\$ 29,216,076	\$ (39,737)
Real property tax items	2,451,535	2,451,535	2,362,364	(89,171)
Non-property tax items	41,350,000	41,350,000	41,588,290	238,290
Departmental income	8,567,000	8,567,000	7,069,497	(1,497,503)
Intergovernmental charges	30,000	30,000	45,029	15,029
Use of money and property	1,270,000	1,270,000	1,157,564	(112,436)
Licenses and permits	2,261,750	2,261,750	2,664,226	402,476
Fines and forfeitures	10,000	10,000	20,800	10,800
Sale of property and compensation for loss	82,100	82,100	151,992	69,892
Miscellaneous revenue	275,000	275,000	3,792,793	3,517,793
Interfund revenues	61,897,174	61,897,174	61,946,337	49,163
State aid	25,783,885	25,783,885	24,964,339	(819,546)
Federal aid			233,697	233,697
Total Revenues	173,234,257	173,234,257	175,213,004	1,978,747
EXPENDITURES				
Current:				
General government support	87,839,172	90,858,302	89,671,926	1,186,376
Education	7,600,000	9,343,393	9,343,393	-0-
Public safety	15,331,586	16,020,552	15,544,782	475,770
Transportation	1,173,173	1,198,561	1,198,557	4
Economic assistance and opportunity	4,154,369	4,384,838	4,269,817	115,021
Culture and recreation	135,000	49,133	49,133	-0-
Home and community services	9,760,760	10,013,522	10,010,592	2,930
Employee benefits	40,520,486	40,206,353	40,206,350	3
Debt service:				
Principal - capital lease	211,335	211,335	211,334	1
Interest - capital lease	32,291	32,291	32,290	1
Total Expenditures	166,758,182	172,318,280	170,538,174	1,780,106
Excess of Revenues Over Expenditures	6,476,075	915,977	4,674,830	3,758,853
Other Financing Sources (Uses)				
Transfers in			48,293	48,293
Transfers out	(8,588,813)	(9,798,813)	(9,778,492)	20,321
Premiums on bonds	350,000	350,000	964,916	614,916
Total Other Financing Sources (Uses)	(8,238,813)	(9,448,813)	(8,765,283)	683,530
Net Change in Fund Balances*	\$ (1,762,738)	\$ (8,532,836)	(4,090,453)	\$ 4,442,383
Fund Balances at Beginning of Year			26,745,614	
Fund Balances at End of Year			\$ 22,655,161	
* Budgeted net change in fund balance: The net change in fund balances was included in the budget as an appropriation of fund balance and purchase orders brought forward.		<u>(1,762,738)</u>		

**TOWN OF HEMPSTEAD
HIGHWAY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 61,814,741	\$ 61,814,741	\$ 61,814,740	\$ (1)
Real property tax items	2,606,705	2,606,705	2,371,746	(234,959)
Intergovernmental charges	3,000	3,000	6,250	3,250
Use of money and property	142,000	142,000	943,145	801,145
Sale of property and compensation for loss	63,000	63,000	62,582	(418)
Miscellaneous revenue	350,250	350,250	240,094	(110,156)
State aid	150,000	150,000		(150,000)
Federal aid				
Total Revenues	<u>65,129,696</u>	<u>65,129,696</u>	<u>65,438,557</u>	<u>308,861</u>
EXPENDITURES				
Current:				
Transportation	29,581,097	32,084,538	32,081,710	2,828
Employee benefits	12,452,917	12,136,649	12,136,645	4
Total Expenditures	<u>42,034,014</u>	<u>44,221,187</u>	<u>44,218,355</u>	<u>2,832</u>
Excess of Revenues Over Expenditures	<u>23,095,682</u>	<u>20,908,509</u>	<u>21,220,202</u>	<u>311,693</u>
Other Financing Sources (Uses)				
Transfers in	2,800,000	2,800,000	6,421,038	3,621,038
Transfers out	(25,069,964)	(24,943,363)	(24,943,362)	1
Issuance of debt			2,500,000	2,500,000
Premiums on bonds	100,000	100,000	2,352,349	2,252,349
Total Other Financing Sources (Uses)	<u>(22,169,964)</u>	<u>(22,043,363)</u>	<u>(13,669,975)</u>	<u>8,373,388</u>
Net Change in Fund Balances*	<u>\$ 925,718</u>	<u>\$ (1,134,854)</u>	<u>7,550,227</u>	<u>\$ 8,685,081</u>
Fund Balances at Beginning of Year			<u>15,426,520</u>	
Fund Balances at End of Year			<u>\$ 22,976,747</u>	
* Budgeted net change in fund balance:				
Revenues raised to restore fund balance per fund balance policy, less purchase orders brought forward, as applicable	<u>\$ 925,718</u>			

TOWN OF HEMPSTEAD

PARK DISTRICTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 54,911,218	\$ 54,911,218	\$ 54,911,218	\$ -0-
Real property tax items	2,965,618	2,965,618	2,849,057	(116,561)
Departmental income	2,696,585	2,696,585	2,604,941	(91,644)
Intergovernmental charges	817,330	817,330	811,666	(5,664)
Use of money and property	401,451	401,451	573,214	171,763
Fines and forfeitures	2,500	2,500	1,150	(1,350)
Sale of property and compensation for loss	300	300	49,373	49,073
Miscellaneous revenue	275,000	295,000	605,205	310,205
Interfund revenues	32,677,641	32,677,641	32,677,641	-0-
State aid	165,000	859,250	115,719	(743,531)
Total Revenues	94,912,643	95,626,893	95,199,184	(427,709)
EXPENDITURES				
Current:				
Culture and recreation	59,541,886	62,508,788	61,926,399	582,389
Employee benefits	23,723,216	23,640,605	23,640,602	3
Total Expenditures	83,265,102	86,149,393	85,567,001	582,392
Excess of Revenues Over Expenditures	11,647,541	9,477,500	9,632,183	154,683
Other Financing Sources (Uses)				
Transfers out	(4,423,736)	(4,421,836)	(4,414,364)	7,472
Premiums on bonds	75,000	75,000	453,656	378,656
Total Other Financing Sources (Uses)	(4,348,736)	(4,346,836)	(3,960,708)	386,128
Net Change in Fund Balances*	\$ 7,298,805	\$ 5,130,664	5,671,475	\$ 540,811
Fund Balances at Beginning of Year			13,938,590	
Fund Balances at End of Year			\$ 19,610,065	
* Budgeted net change in fund balance:				
Revenues raised to restore fund balance per fund balance policy, less purchase orders brought forward, as applicable	\$ 7,298,805			

TOWN OF HEMPSTEAD
REFUSE AND GARBAGE DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 88,408,888	\$ 88,408,888	\$ 88,408,888	\$ -0-
Real property tax items	1,562,543	1,562,543	1,472,330	(90,213)
Departmental income	12,528,250	12,528,250	13,096,625	568,375
Intergovernmental charges	3,200,000	3,200,000	3,363,409	163,409
Use of money and property	4,486,200	4,486,200	5,437,804	951,604
Licenses & permits	30,000	30,000	38,520	8,520
Sale of property and compensation for loss	305,000	305,000	229,962	(75,038)
Miscellaneous revenue	6,535,425	6,535,425	6,686,440	151,015
Interfund revenues	500,000	500,000	869,918	369,918
Total Revenues	<u>117,556,306</u>	<u>117,556,306</u>	<u>119,603,896</u>	<u>2,047,590</u>
EXPENDITURES				
Current:				
Home and community services:				
Cost of refuse and garbage collections	80,918,150	83,632,614	83,614,834	17,780
Employee benefits	23,591,884	23,139,927	23,139,924	3
Total Expenditures	<u>104,509,834</u>	<u>106,772,541</u>	<u>106,754,758</u>	<u>17,783</u>
Excess of Revenues Over Expenditures	<u>13,046,472</u>	<u>10,783,765</u>	<u>12,849,138</u>	<u>2,065,373</u>
Other Financing Sources (Uses)				
Transfers out	(12,273,314)	(12,270,990)	(12,270,987)	3
Issuance of debt			800,000	800,000
Premiums on bonds	10,000	10,000	204,511	194,511
Total Other Financing Sources (Uses)	<u>(12,263,314)</u>	<u>(12,260,990)</u>	<u>(11,266,476)</u>	<u>994,514</u>
Net Change in Fund Balances*	<u>\$ 783,158</u>	<u>\$ (1,477,225)</u>	<u>1,582,662</u>	<u>\$ 3,059,887</u>
Fund Balances at Beginning of Year			<u>40,936,484</u>	
Fund Balances at End of Year			<u>\$ 42,519,146</u>	
* Budgeted net change in fund balance:				
Revenues raised to restore fund balance per fund balance policy, less purchase orders brought forward, as applicable	<u>\$ 783,158</u>			

TOWN OF HEMPSTEAD

WATER DISTRICTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 5,627,373	\$ 5,627,373	\$ 5,627,373	\$ -0-
Real property tax items	321,645	321,645	282,817	(38,828)
Departmental income	15,477,000	15,477,000	14,722,718	(754,282)
Intergovernmental charges	222,700	222,700	230,850	8,150
Use of money and property	893,463	893,463	1,401,648	508,185
Sale of property and compensation for loss	4,600	4,600	5,669	1,069
Miscellaneous revenue	2,000	2,000	9,524	7,524
Interfund revenues	30,225	30,225	28,125	(2,100)
Total Revenues	22,579,006	22,579,006	22,308,724	(270,282)
EXPENDITURES				
Current:				
Home and community services	13,687,131	13,687,131	13,497,535	189,596
Employee benefits	3,819,563	3,819,563	3,728,141	91,422
Total Expenditures	17,506,694	17,506,694	17,225,676	281,018
Excess of Revenues Over Expenditures	5,072,312	5,072,312	5,083,048	10,736
Other Financing Sources (Uses)				
Transfers out	(3,840,491)	(3,840,491)	(3,837,108)	3,383
Premiums on bonds	5,000	5,000	189,652	184,652
Total Other Financing Sources (Uses)	(3,835,491)	(3,835,491)	(3,647,456)	188,035
Net Change in Fund Balances*	\$ 1,236,821	\$ 1,236,821	1,435,592	\$ 198,771
Fund Balances at Beginning of Year			20,416,653	
Fund Balances at End of Year			\$ 21,852,245	
* Budgeted net change in fund balance:				
Revenues raised to restore fund balance per fund balance policy, less purchase orders brought forward, as applicable	\$ 1,236,821			

TOWN OF HEMPSTEAD
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIO
Last Two Years
December 31, 2019

	2019	2018
Total OPEB liability:		
Balance, beginning of year, as originally reported	\$ 1,093,863,073	\$ 514,862,234
Cumulative effect of implementation of GASB Statement No. 75		536,966,008
Balance, beginning of year, as restated	1,093,863,073	1,051,828,242
Changes for the year:		
Service costs	51,671,609	33,041,631
Interest	36,229,424	42,439,313
Effects of legislative change, repeal of excise tax	(127,765,245)	
Changes in assumptions	287,304,327	
Benefit payments	(34,543,513)	(33,446,113)
Balance, end of year	\$ 1,306,759,675	\$ 1,093,863,073
Covered-employee payroll	\$ 148,811,366	\$ 145,893,496
Total OPEB liability as a percentage of covered-employee payroll	878.13%	749.77%

Notes to the Schedule:

Measurement date	December 31, 2019	December 31, 2018
Discount rate	2.66%	4.10%

There are no assets accounted in a trust which meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

This schedule is intended to present information for ten years, additional years' information will be present as it becomes available.

Significant Changes:

The 2018 actuarial valuation includes the effects of the cadallic health care excise tax and in 2019 as the tax was repealed, the effects of the excise tax were removed from the liability.

TOWN OF HEMPSTEAD
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Six Years
December 31, 2019

	March 31st.					
	2019	2018	2017	2016	2015	2014
Town's proportion of the employees' retirement system net pension liability	0.5509447%	0.5742699%	0.5993282%	0.6106243%	0.5928557%	0.5928557%
Town's proportionate share of the net pension liability (asset)	\$ 39,036,111	\$ 18,534,246	\$ 56,314,216	\$ 98,006,897	\$ 20,028,115	\$ 26,790,317
Covered payroll	\$ 153,604,900	\$ 154,912,394	\$ 161,468,153	\$ 161,514,609	\$ 159,642,317	\$ 165,680,963
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.41%	11.96%	34.88%	60.68%	12.55%	16.17%
Plan fiduciary net position as a percentage of total pension liability	96.27%	98.24%	94.70%	90.70%	97.95%	97.20%

Notes to the Schedule:

Amounts presented were determined as the System's measurement date of March 31st.

This schedule is intended to present information for ten years, additional years' information will be presented as it becomes available.

There were changes to the discount rate each Plan year.

TOWN OF HEMPSTEAD
SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2019

Years Ended December 31,	Contractually required contributions	Contributions recognized by the plan in relation to the contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2019	\$ 22,663,403	\$ 22,663,403	\$ -0-	\$ 152,035,283	14.91%
2018	23,392,433	23,392,433	-0-	154,166,633	15.17%
2017	24,872,922	24,872,922	-0-	154,973,392	16.05%
2016	26,629,215	25,174,401	1,454,814	165,451,834	15.22%
2015	29,683,529	23,549,087	6,134,442	161,046,536	14.62%
2014	30,858,504	23,458,504	7,400,000	161,151,978	14.56%
2013	34,338,009	26,238,009	8,100,000	163,074,266	16.09%
2012	28,657,945	20,807,945	7,850,000	152,991,647	13.60%
2011	22,012,137	17,362,137	4,650,000	146,149,304	11.88%
2010	15,329,190	15,329,190	-0-	145,130,782	10.56%

Note to the Schedule:

Amounts presented for each year were determined as of December 31st and the contractually required contributions are based on the amounts invoiced by the New York State and Local Employees' Retirement System.

TOWN OF HEMPSTEAD
SCHEDULE OF PENSION LIABILITY - LENGTH OF SERVICE AWARD PROGRAM PLAN
 Last Three Years
 December 31, 2019

Measurement date	December 31, 2019	December 31, 2018	December 31, 2017
Total pension liability:			
Service cost	\$ 159,492	\$ 167,974	\$ 135,034
Interest	191,219	176,402	173,996
Changes in assumptions	863,957	(357,895)	619,043
Differences between expected and actual experience	36,167	(39,634)	(33,394)
Benefit payments	(173,270)	(67,508)	(200,138)
Total pension liability - beginning of year	<u>5,240,783</u>	<u>5,361,444</u>	<u>4,666,903</u>
Total pension liability - end of year	<u>\$ 6,318,348</u>	<u>\$ 5,240,783</u>	<u>\$ 5,361,444</u>
Covered payroll	N/A	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

Notes to the Schedule:

There are no assets accounted in a trust which meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

Information prior to December 31, 2017 is not available, additional year will be included as it becomes available.

Covered payroll and total pension liability as a percentage of covered payroll is not applicable as since the participants are volunteer firefighters.

Discount rate used in measuring the total pension liability	2.75%	3.71%	3.31%
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OTHER SUPPLEMENTARY INFORMATION

**Combining Fund Statements – Nonmajor Governmental Funds:
Combining Balance Sheet
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances**

**Schedules of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual - Nonmajor
Special Revenue Funds**

Statement of Changes in Agency Assets and Liabilities- Fiduciary Funds

**Discretely Presented Nonmajor Component Units:
Combining Statement of Net Position
Combining Statement of Activities**

TOWN OF HEMPSTEAD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019

	Special Revenue Funds			
	Town Outside Village	Special Grants	Fire Protection Districts	Street Lighting District
ASSETS				
Cash and cash equivalents	\$ 4,193,507		\$ 1,771,760	\$ 4,617,869
Cash and cash equivalents - restricted	439,612	\$ 439,226	521,713	55,686
Receivable, net of allowance of uncollectibles	2,389,255		7,580	19,719
Due from other funds	151,798		50,601	91,733
Due from other governments	71,984	1,937,892	97,151	115,539
Inventory				275,539
Prepaid items	255,508	152,760		
Length of service award program plan assets			3,192,678	
Other assets	25,100			
Total Assets	<u>\$ 7,526,764</u>	<u>\$ 2,529,878</u>	<u>\$ 5,641,483</u>	<u>\$ 5,176,085</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 680,541	\$ 1,470,113	\$ 251,357	\$ 302,433
Due to other funds	17,517	700,000		1,422
Total Liabilities	<u>698,058</u>	<u>2,170,113</u>	<u>251,357</u>	<u>303,855</u>
Fund Balances				
Nonspendable	255,508	152,760		275,539
Restricted	28,474	207,005	3,714,391	55,686
Assigned	6,544,724		1,675,735	4,541,005
Total Fund Balances	<u>6,828,706</u>	<u>359,765</u>	<u>5,390,126</u>	<u>4,872,230</u>
Total Liabilities and Fund Balances	<u>\$ 7,526,764</u>	<u>\$ 2,529,878</u>	<u>\$ 5,641,483</u>	<u>\$ 5,176,085</u>

Public Parking Districts	Library Funding Districts	Permanent Fund	
		Permanent Fund	Total Nonmajor Governmental Funds
\$ 2,753,995	\$ 144,513	\$ 1,337,867	\$ 13,481,644
1,565			2,795,669
6,131	858		2,423,543
35,685	8,506		338,323
5,146	69,794		2,297,506
			275,539
9,992			418,260
			3,192,678
			25,100
<u>\$ 2,812,514</u>	<u>\$ 223,671</u>	<u>\$ 1,337,867</u>	<u>\$ 25,248,262</u>
\$ 43,057			\$ 2,747,501
			718,939
<u>43,057</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>3,466,440</u>
9,992		1,337,867	2,031,666
1,565			4,007,121
<u>2,757,900</u>	<u>223,671</u>		<u>15,743,035</u>
<u>2,769,457</u>	<u>223,671</u>	<u>1,337,867</u>	<u>21,781,822</u>
<u>\$ 2,812,514</u>	<u>\$ 223,671</u>	<u>\$ 1,337,867</u>	<u>\$ 25,248,262</u>

TOWN OF HEMPSTEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	Special Revenue Funds			
	Town Outside Village	Special Grants	Fire Protection Districts	Street Lighting District
Revenues				
Real property taxes	\$ 3,577,931		\$ 5,261,853	\$ 9,816,788
Real property tax items	138,001		208,443	611,170
Non-property tax items	11,052,576			
Departmental income	15,296,089	\$ 31,287		
Use of money and property	37,306	2,139	194,109	116,304
Fines and forfeitures	1,311,550			
Sale of property and compensation for loss	1,008			24,786
Miscellaneous revenue	1,213,158	407,990		
Interfund revenues				
State aid	54,512			
Federal aid				
Total Revenues	<u>32,682,131</u>	<u>10,375,619</u>	<u>5,664,405</u>	<u>10,569,048</u>
Expenditures				
Current:				
General government support	322,283			
Public safety	20,050,654		4,978,758	
Transportation				6,859,123
Economic assistance and opportunity		6,635,983		
Culture and recreation	65			
Home and community services	5,732,414	5,461,702		
Employee benefits	6,223,227		478,714	
Debt Service:				
Principal - capital lease				1,665,058
Interest- capital lease				309,218
Total Expenditures	<u>32,328,643</u>	<u>12,097,685</u>	<u>5,457,472</u>	<u>8,833,399</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>353,488</u>	<u>(1,280,650)</u>	<u>206,933</u>	<u>1,735,649</u>
Other Financing Sources (Uses)				
Transfers in		1,210,000		
Transfers out	(161,728)		(69,391)	(1,164,699)
Premiums on bonds	4,288		521,713	55,686
Total Other Financing Sources (Uses)	<u>(157,440)</u>	<u>1,210,000</u>	<u>452,322</u>	<u>(1,109,013)</u>
Net Change in Fund Balances	196,048	(70,650)	659,255	626,636
Fund Balances at Beginning of Year	<u>6,632,658</u>	<u>430,415</u>	<u>4,730,871</u>	<u>4,245,594</u>
Fund Balances at End of Year	<u>\$ 6,828,706</u>	<u>\$ 359,765</u>	<u>\$ 5,390,126</u>	<u>\$ 4,872,230</u>

		Permanent Fund			
Public Parking Districts	Library Funding Districts	Permanent Fund	Total Nonmajor Governmental Funds		
\$ 3,639,462	\$ 1,370,022		\$ 23,666,056		
78,948	73,559		1,110,121		
			11,052,576		
17,768			15,345,144		
85,699	11,242	\$ 18,987	465,786		
			1,311,550		
			25,794		
1,270			1,622,418		
2,878,272			2,878,272		
			54,512		
			10,375,619		
<u>6,701,419</u>	<u>1,454,823</u>	<u>18,987</u>	<u>67,907,848</u>		
			322,283		
			25,029,412		
4,863,697			11,722,820		
	1,440,163		6,635,983		
			1,440,228		
			11,194,116		
231,330			6,933,271		
			1,665,058		
			309,218		
<u>5,095,027</u>	<u>1,440,163</u>	<u>-0-</u>	<u>65,252,389</u>		
<u>1,606,392</u>	<u>14,660</u>	<u>18,987</u>	<u>2,655,459</u>		
			1,210,000		
(1,174,894)		(18,987)	(2,589,699)		
1,565			583,252		
<u>(1,173,329)</u>	<u>-0-</u>	<u>(18,987)</u>	<u>(796,447)</u>		
433,063	14,660	-0-	1,859,012		
<u>2,336,394</u>	<u>209,011</u>	<u>1,337,867</u>	<u>19,922,810</u>		
\$ 2,769,457	\$ 223,671	\$ 1,337,867	\$ 21,781,822		

TOWN OF HEMPSTEAD
TOWN OUTSIDE VILLAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,577,931	\$ 3,577,931	\$ 3,577,931	\$ -0-
Real property tax items	153,081	153,081	138,001	(15,080)
Non-property tax items	11,100,000	11,100,000	11,052,576	(47,424)
Departmental income	13,475,000	13,475,000	15,296,089	1,821,089
Use of money and property	24,000	24,000	37,306	13,306
Fines and forfeitures	1,750,000	1,750,000	1,311,550	(438,450)
Sale of property and compensation for loss	2,500	2,500	1,008	(1,492)
Miscellaneous revenue	932,500	932,500	1,213,158	280,658
Interfund revenues	10,000	10,000		(10,000)
State aid	204,500	204,500	54,512	(149,988)
Total Revenues	<u>31,229,512</u>	<u>31,229,512</u>	<u>32,682,131</u>	<u>1,452,619</u>
EXPENDITURES				
Current:				
General government support	377,500	469,650	322,283	147,367
Public safety	19,858,326	20,062,505	20,050,654	11,851
Culture and recreation	1,500	1,500	65	1,435
Home and community services	5,479,278	5,863,973	5,732,414	131,559
Employee benefits	6,595,015	6,595,014	6,223,227	371,787
Total Expenditures	<u>32,311,619</u>	<u>32,992,642</u>	<u>32,328,643</u>	<u>663,999</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,082,107)</u>	<u>(1,763,130)</u>	<u>353,488</u>	<u>2,116,618</u>
Other Financing Sources (Uses)				
Transfers out	(163,600)	(163,600)	(161,728)	1,872
Premiums on bonds	1,000	1,000	4,288	3,288
Total Other Financing Sources (Uses)	<u>(162,600)</u>	<u>(162,600)</u>	<u>(157,440)</u>	<u>5,160</u>
Net Change in Fund Balances*	<u>\$ (1,244,707)</u>	<u>\$ (1,925,730)</u>	<u>196,048</u>	<u>\$ 2,121,778</u>
Fund Balances at Beginning of Year			<u>6,632,658</u>	
Fund Balances at End of Year			<u>\$ 6,828,706</u>	
* Budgeted net change in fund balance: The net change in fund balances was included in the budget as an appropriation of fund balance and purchase orders brought forward.	<u>(1,244,707)</u>			

TOWN OF HEMPSTEAD

FIRE PROTECTION DISTRICTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 5,261,852	\$ 5,261,852	\$ 5,261,853	\$ 1
Real property tax items	679,607	679,607	208,443	(471,164)
Use of money and property	21,450	21,450	194,109	172,659
Total Revenues	<u>5,962,909</u>	<u>5,962,909</u>	<u>5,664,405</u>	<u>(298,504)</u>
EXPENDITURES				
Current:				
Public safety	5,089,140	5,095,640	4,978,758	116,882
Employee benefits	659,000	659,000	478,714	180,286
Total Expenditures	<u>5,748,140</u>	<u>5,754,640</u>	<u>5,457,472</u>	<u>297,168</u>
Excess of Revenues Over Expenditures	<u>214,769</u>	<u>208,269</u>	<u>206,933</u>	<u>(1,336)</u>
Other Financing (Uses)				
Transfers out	(69,391)	(69,391)	(69,391)	-0-
Premiums on bonds			521,713	521,713
Total Other Financing (Uses)	<u>(69,391)</u>	<u>(69,391)</u>	<u>452,322</u>	<u>521,713</u>
Net Change in Fund Balances*	<u>\$ 145,378</u>	<u>\$ 138,878</u>	<u>659,255</u>	<u>\$ 520,377</u>
Fund Balances at Beginning of Year			<u>4,730,871</u>	
Fund Balances at End of Year			<u>\$ 5,390,126</u>	
* Budgeted net change in fund balance:				
Revenues raised to restore fund balance per fund balance policy, less purchase orders brought forward, as applicable	<u>\$ 145,378</u>			

TOWN OF HEMPSTEAD
STREET LIGHTING DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 9,816,783	\$ 9,816,783	\$ 9,816,788	\$ 5
Real property tax items	636,415	636,415	611,170	(25,245)
Use of money and property	51,000	51,000	116,304	65,304
Sale of property and compensation for loss	75,000	75,000	24,786	(50,214)
Miscellaneous revenue				
Total Revenues	<u>10,579,198</u>	<u>10,579,198</u>	<u>10,569,048</u>	<u>(10,150)</u>
EXPENDITURES				
Current:				
Transportation	7,252,103	7,252,103	6,859,123	392,980
Debt service:				
Principal - capital lease	1,665,058	1,665,058	1,665,058	-0-
Interest - capital lease	309,218	309,218	309,218	-0-
Total Expenditures	<u>9,226,379</u>	<u>9,226,379</u>	<u>8,833,399</u>	<u>392,980</u>
Excess of Revenues Over Expenditures	<u>1,352,819</u>	<u>1,352,819</u>	<u>1,735,649</u>	<u>382,830</u>
Other Financing Sources (Uses)				
Transfers out	(1,168,275)	(1,168,275)	(1,164,699)	3,576
Premiums on bonds	5,000	5,000	55,686	50,686
Total Other Financing Sources (Uses)	<u>(1,163,275)</u>	<u>(1,163,275)</u>	<u>(1,109,013)</u>	<u>54,262</u>
Net Change in Fund Balances*	<u>\$ 189,544</u>	<u>\$ 189,544</u>	626,636	<u>\$ 437,092</u>
Fund Balances at Beginning of Year			<u>4,245,594</u>	
Fund Balances at End of Year			<u>\$ 4,872,230</u>	
* Budgeted net change in fund balance:				
Revenues raised to restore fund balance per fund balance policy, less purchase orders brought forward	<u>\$ 189,544</u>			

TOWN OF HEMPSTEAD
PUBLIC PARKING DISTRICTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,639,462	\$ 3,639,462	\$ 3,639,462	\$ -0-
Real property tax items	112,164	112,164	78,948	(33,216)
Departmental income	18,500	18,500	17,768	(732)
Use of money and property	24,410	24,410	85,699	61,289
Miscellaneous revenue			1,270	1,270
Interfund revenues	2,878,272	2,878,272	2,878,272	-0-
Total Revenues	<u>6,672,808</u>	<u>6,672,808</u>	<u>6,701,419</u>	<u>28,611</u>
EXPENDITURES				
Current:				
Transportation	5,073,512	5,073,512	4,863,697	209,815
Employee benefits	267,032	267,032	231,330	35,702
Total Expenditures	<u>5,340,544</u>	<u>5,340,544</u>	<u>5,095,027</u>	<u>245,517</u>
Excess of Revenues Over Expenditures	<u>1,332,264</u>	<u>1,332,264</u>	<u>1,606,392</u>	<u>274,128</u>
Other Financing Sources (Uses)				
Transfers out	(1,179,934)	(1,179,934)	(1,174,894)	5,040
Premiums on bonds	12,000	12,000	1,565	(10,435)
Total Other Financing Sources (Uses)	<u>(1,167,934)</u>	<u>(1,167,934)</u>	<u>(1,173,329)</u>	<u>(5,395)</u>
Net Change in Fund Balances*	<u>\$ 164,330</u>	<u>\$ 164,330</u>	433,063	<u>\$ 268,733</u>
Fund Balances at Beginning of Year			<u>2,336,394</u>	
Fund Balances at End of Year			<u>\$ 2,769,457</u>	
* Budgeted net change in fund balance:				
Revenues raised to restore fund balance per fund balance policy, less purchase orders brought forward	<u>\$ 164,330</u>			

TOWN OF HEMPSTEAD
LIBRARY FUNDING DISTRICTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 1,370,022	\$ 1,370,022	\$ 1,370,022	\$ -0-
Real property tax items	77,431	77,431	73,559	(3,872)
Use of money and property	6,550	6,550	11,242	4,692
Total Revenues	<u>1,454,003</u>	<u>1,454,003</u>	<u>1,454,823</u>	<u>820</u>
EXPENDITURES				
Current:				
Culture and recreation	1,416,551	1,442,682	1,440,163	2,519
Total Expenditures	<u>1,416,551</u>	<u>1,442,682</u>	<u>1,440,163</u>	<u>2,519</u>
Excess of Revenues Over Expenditures	<u>37,452</u>	<u>11,321</u>	<u>14,660</u>	<u>3,339</u>
Net Change in Fund Balances*	<u>\$ 37,452</u>	<u>\$ 11,321</u>	<u>14,660</u>	<u>\$ 3,339</u>
Fund Balances at Beginning of Year			<u>209,011</u>	
Fund Balances at End of Year			<u>\$ 223,671</u>	

* Budgeted net change in fund balance:
Revenues raised to restore fund balance
per fund balance policy, less purchase
orders brought forward

\$ 37,452

TOWN OF HEMPSTEAD
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
Year Ended December 31, 2019

	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019
<u>ASSETS</u>				
Town Agency				
Cash and cash equivalents	\$ 10,213,637	\$ 386,756,388	\$ 387,263,078	\$ 9,706,947
Total Assets - Town	<u>10,213,637</u>	<u>386,756,388</u>	<u>387,263,078</u>	<u>9,706,947</u>
Town Clerk Agency Fund				
Cash and cash equivalents	220,071	1,668,468	1,701,271	187,268
Total Assets - Town Clerk	<u>220,071</u>	<u>1,668,468</u>	<u>1,701,271</u>	<u>187,268</u>
Town Receiver of Taxes Agency Fund				
Cash and cash equivalents	29,864,730	6,452,755,977	6,451,344,523	31,276,184
Total Assets - Town Receiver of Taxes	<u>29,864,730</u>	<u>6,452,755,977</u>	<u>6,451,344,523</u>	<u>31,276,184</u>
Total Assets	<u>\$ 40,298,438</u>	<u>\$ 6,841,180,833</u>	<u>\$ 6,840,308,872</u>	<u>\$ 41,170,399</u>
<u>LIABILITIES</u>				
Town Agency Fund	\$ 10,213,637	\$ 386,756,388	\$ 387,263,078	\$ 9,706,947
Total Liabilities - Town	<u>10,213,637</u>	<u>386,756,388</u>	<u>387,263,078</u>	<u>9,706,947</u>
Town Clerk Agency Funds	220,071	1,668,468	1,701,271	187,268
Total Liabilities - Town Clerk	<u>220,071</u>	<u>1,668,468</u>	<u>1,701,271</u>	<u>187,268</u>
Town Receiver of Taxes Agency Funds	29,864,730	6,452,755,977	6,451,344,523	31,276,184
Total Liabilities - Town Receiver of Taxes	<u>29,864,730</u>	<u>6,452,755,977</u>	<u>6,451,344,523</u>	<u>31,276,184</u>
Total Liabilities	<u>\$ 40,298,438</u>	<u>\$ 6,841,180,833</u>	<u>\$ 6,840,308,872</u>	<u>\$ 41,170,399</u>

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
Year ended December 31, 2019

	Town of Hempstead Industrial Development Agency	Lakeview Public Library District	Roosevelt Public Library District	Uniondale Public Library District
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 8,905,534	\$ 2,824,780	\$ 634,847	\$ 5,181,185
Cash and cash equivalents restricted				
Receivables	20,759		2,161	211,330
Due from other governments		155		928
Prepaid items		19,652	79,151	95,921
Total Current Assets	<u>8,926,293</u>	<u>2,844,587</u>	<u>716,159</u>	<u>5,489,364</u>
Non-current Assets:				
Capital assets, net of depreciation	25,126	2,201,838	11,485,515	5,632,450
Total Non-Current Assets	<u>25,126</u>	<u>2,201,838</u>	<u>11,485,515</u>	<u>5,632,450</u>
Total Assets	<u>8,951,419</u>	<u>5,046,425</u>	<u>12,201,674</u>	<u>11,121,814</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>143,794</u>	<u>105,839</u>	<u>334,572</u>	<u>1,106,773</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	5,612	53,005	258,103	157,492
Accrued interest payable			84,485	
Other accrued liabilities				
Due to other governments	5,824,784			
Unearned revenue			156,383	106,333
Non-current liabilities due within one year				
General obligations bonds payable			270,568	
Pension related debt				
Compensated absences			36,475	
Direct borrowings - other loans				5,646
Non-current Liabilities due in more than one year:				
General obligation bonds payable			5,551,889	
Unamortized bond premium			373,077	
Compensated absences	65,513	21,855	145,902	175,492
Direct borrowings - other notes payable				22,988
Total other postemployment benefits liability	786,162		199,053	4,389,465
Employees' retirement system net pension liability	70,748	122,780	220,847	375,931
Total Liabilities	<u>6,752,819</u>	<u>197,640</u>	<u>7,296,782</u>	<u>5,233,347</u>
DEFERRED INFLOWS OF RESOURCES	<u>30,372</u>	<u>44,683</u>	<u>72,990</u>	<u>392,519</u>
NET POSITION				
Net investment in capital assets	25,126	2,201,838	5,289,981	5,603,816
Restricted		1,000		16,871
Unrestricted (deficit)	2,286,896	2,707,103	(123,507)	982,034
Total Net Position	<u>\$ 2,312,022</u>	<u>\$ 4,909,941</u>	<u>\$ 5,166,474</u>	<u>\$ 6,602,721</u>

Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District	Greater Atlantic Beach Water Reclamation District	Totals
\$ 186,585	\$ 1,186,107	\$ 1,610,780	\$ 245,789	\$ 20,775,607
	1,334,098	2,772,346	1,022,225	5,128,669
	456,237	985,604		1,676,091
	67,054	259,440		327,577
	31,448	96,213	43,086	365,471
186,585	3,074,944	5,724,383	1,311,100	28,273,415
	5,570,006	21,738,831	3,491,006	50,144,772
-0-	5,570,006	21,738,831	3,491,006	50,144,772
186,585	8,644,950	27,463,214	4,802,106	78,418,187
-0-	224,540	391,606	807,099	3,114,223
8,410	275,026	1,089,625	307,659	2,154,932
		66,005	30,164	180,654
		47,800		47,800
		1,728,528		7,553,312
				262,716
	245,969	224,737	130,952	872,226
		19,676		19,676
		111,712		148,187
				5,646
	6,142,226	5,694,670	1,689,284	19,078,069
	320,759	99,191		793,027
	292,138	525,809	97,252	1,323,961
				22,988
	6,806,215	5,757,760	5,300,998	23,239,653
	285,278	341,556	159,308	1,576,448
8,410	14,367,611	15,707,069	7,715,617	57,279,295
-0-	163,004	118,008	203,609	1,025,185
	(1,076,746)	14,090,896	1,257,566	27,392,477
	1,334,098	2,724,546	1,022,225	5,098,740
178,175	(5,918,477)	(4,785,699)	(4,589,812)	(9,263,287)
\$ 178,175	\$ (5,661,125)	\$ 12,029,743	\$ (2,310,021)	\$ 23,227,930

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year ended December 31, 2019

	Town of Hempstead Industrial Development Agency	Lakeview Public Library District	Roosevelt Public Library District	Uniondale Public Library District
REVENUES				
Program revenues:				
Charges for services	\$ 876,572	\$ 81,585	\$ 24,486	\$ 40,998
Operating grants and contributions		3,015	38,927	
Capital grants and contributions				
Real property taxes		1,404,240	3,039,345	3,600,217
Other real property tax items			83,169	556,907
Use of money and property - interest and earnings	50,188	7,636	8,481	72,418
Sale of property and compensation for loss				
Miscellaneous local sources		1,087		21,485
State aid - unrestricted				34,276
Total Revenues	<u>926,760</u>	<u>1,497,563</u>	<u>3,194,408</u>	<u>4,326,301</u>
EXPENSES				
Economic assistance and opportunity	811,133			
Culture and recreation		1,142,718	3,539,306	4,310,447
Home and community services				
Total Expenses	<u>811,133</u>	<u>1,142,718</u>	<u>3,539,306</u>	<u>4,310,447</u>
Change in Net Position	<u>115,627</u>	<u>354,845</u>	<u>(344,898)</u>	<u>15,854</u>
Net Position - Beginning of Year	2,196,395	4,555,096	5,511,372	6,586,867
Restatement (Note 7)				
Net Position at Beginning of Year as Restated	<u>2,196,395</u>	<u>4,555,096</u>	<u>5,511,372</u>	<u>6,586,867</u>
Net Position - End of Year	<u>\$ 2,312,022</u>	<u>\$ 4,909,941</u>	<u>\$ 5,166,474</u>	<u>\$ 6,602,721</u>

Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District	Greater Atlantic Beach Water Reclamation District	Totals
\$ 4,125	\$ 1,733,984	\$ 2,688,781	\$ 208,716	\$ 5,659,247
				41,942
			1,400	1,400
65,460	1,064,587	2,137,857	1,808,403	13,120,109
		33,179		673,255
98	109,044	486,586	7,914	742,365
	2,541			2,541
	72	47,650	6,577	76,871
				34,276
<u>69,683</u>	<u>2,910,228</u>	<u>5,394,053</u>	<u>2,033,010</u>	<u>20,352,006</u>
				811,133
				8,992,471
59,130	4,213,067	6,329,498	2,297,360	12,899,055
<u>59,130</u>	<u>4,213,067</u>	<u>6,329,498</u>	<u>2,297,360</u>	<u>22,702,659</u>
10,553	(1,302,839)	(935,445)	(264,350)	(2,350,653)
167,622	(3,871,831)	12,984,739	(2,045,671)	26,084,589
	(486,455)	(19,551)		(506,006)
<u>167,622</u>	<u>(4,358,286)</u>	<u>12,965,188</u>	<u>(2,045,671)</u>	<u>25,578,583</u>
\$ 178,175	\$ (5,661,125)	\$ 12,029,743	\$ (2,310,021)	\$ 23,227,930

APPENDIX C

FORM OF BOND COUNSEL OPINION

_____, 2021

The Town Board of the
Town of Hempstead, in the
County of Nassau, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Hempstead (the “Town”), in the County of Nassau, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$22,280,000 Public Improvement Refunding Serial Bonds-2021 (the “Bonds”) of the Town, dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and legally binding general obligations of the Town for which the Town has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Town is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuous compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the Town will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Town represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Town's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) continuing compliance by the Town with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Bonds.

Very truly yours,

Phillips Lytle LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

"Annual Information" shall mean the information specified in Section 3 hereof.

"EMMA" shall mean the Electronic Municipal Market Access System implemented by the MSRB.

"Financial Obligation" shall mean "financial obligation" as such term is defined in the Rule 15c2-12, which definition, subject to certain exceptions, as of the date hereof defines Financial Obligation to mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of a financial obligation described in (a) or (b) of this clause. The term Financial Obligation shall not include municipal, securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"Holder" shall mean any registered owner of the Securities and any beneficial owner of the Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

"Issuer" shall mean the Town of Hempstead, in the County of Nassau, a municipal corporation of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB under this Undertaking.

"Purchaser" shall mean the financial institution referred to in the Certificate of Award, executed by the Supervisor as of _____, 2021.

"Rule 15c2-12" shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

"SEC" shall mean the United States Securities and Exchange Commission.

"Securities" shall mean the Issuer's \$22,280,000 Public Improvement Refunding Serial Bonds-2021 dated February 16, 2021 and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, to the EMMA System or to any successor thereto or to the functions of MSRB under this Undertaking:

- (i) (A) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2021, the Annual Information relating to such fiscal year, and (B) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2021, the audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to the EMMA System within sixty (60) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933; and
- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
 - (7) modifications to rights of Holders of the Securities, if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution, or sale of property securing repayment of the Securities, if material;
 - (11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) 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 Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

(iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Information required by Section 3 hereof.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does

(d) not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form

generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the headings: "THE TOWN", "DEMOGRAPHIC AND STATISTICAL INFORMATION", "INDEBTEDNESS OF THE TOWN", "DISCUSSION OF FINANCIAL MATTERS", "REAL PROPERTY TAX INFORMATION", and "LITIGATION" and in Appendix A.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which are (i) available to the public on the EMMA System or (ii) filed with the SEC. If such a document is a final official statement, it also must be available from the EMMA System.

(c) Annual Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm. The Issuer's Annual Financial Report Update Document prepared by the Issuer and filed annually with New York State in accordance with applicable law, shall not be subject to the foregoing requirements.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or
- (f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased pursuant to their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of February 16, 2021.

TOWN OF HEMPSTEAD

By: _____
Supervisor and Chief Fiscal Officer