

TOWN OF HEMPSTEAD, NEW YORK

FINANCIAL STATEMENTS

Year Ended December 31, 2018

**TOWN OF HEMPSTEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
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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, 2018, 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 statement of the blended component unit, which represents 100% of the assets, deferred inflows of resources, liabilities, deferred outflows of resources, net position, and revenues of the business-type activities and proprietary fund. The aggregate discretely presented nonmajor component units consists of nine component units, of which eight were audited and one is unaudited. We did not audit the financial statements of seven of the eight audited discretely presented nonmajor component units which represent 60.8%, 30.8% and 75.7% 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. The unaudited component unit represents 25.7%, 48.6% and 14.2%, respectively, of assets and deferred outflows of resources, net position and revenues of the aggregate discretely presented nonmajor component units.

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 ten component units (one blended and nine 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, Town of Hempstead Industrial Development Agency and the Town of Hempstead Housing Authority 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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Auditors' Responsibility (continued)

Except for the matters described in the "Basis for Qualified Opinion on Governmental Activities" and the "Basis for Disclaimer of 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

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Nonmajor Component Units	Disclaimer
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 Qualified Opinion on Governmental Activities

We were unable to substantiate the completeness of the census data and did not receive a timely actuarial valuation report to support the total other postemployment benefits liability, related amounts (deferred outflows of resources, deferred inflows of resources (if applicable)), other postemployment benefits expense and related disclosures. Therefore, we were unable to form an opinion regarding the amount of total other postemployment benefits liability, related amounts reported in the governmental activities' opinion unit and related footnote disclosures. In the financial statement of the governmental activities, the reported total other postemployment benefits liability is \$1,093,863,073 and \$-0- deferred outflows/inflows of resources (statement of net position) and other postemployment expense is \$75,480,944 (statement of activities).

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Nonmajor Component Units

The financial statements of the West Hempstead – Hempstead Gardens Water District have not been audited. We were not engaged to audit the financial statements of West Hempstead – Hempstead Gardens Water District's financial statements as part of the audit of the Town of Hempstead, New York's basic financial statements as a discretely presented nonmajor component unit, and represents 26.7%, 48.6% and 14.2% of the assets and deferred outflows of resources, net position and revenues, respectively, of the Town's aggregate discretely presented nonmajor component units.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the Town of Hempstead, New York as of December 31, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Nonmajor Component Units" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented nonmajor component units of the Town of Hempstead, New York. Accordingly, we do not express an opinion on these financial statements.

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 business-type activities, each major fund and the aggregate remaining fund information of the Town of Hempstead, New York as of December 31, 2018, 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.

Emphasis of Matter

As described in Notes 1H and 7 to the basic financial statements, during the year ended December 31, 2018 the Town adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Accordingly, the net position of the governmental activities and discretely presented nonmajor component units have been restated as of January 1, 2018. Additionally, during 2018, with respect to the discretely present nonmajor component units, net position of January 1, 2018 was restated as another entity was identified as a component unit of the Town. Our opinions are not modified with respect to these matters.

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, except that we were unable to apply certain limited procedures to the schedule of changes in total other postemployment benefits liability and related ratio in accordance with auditing standards generally accepted in the United States of America, refer to "Basis of Qualified Opinion on Governmental Activities" paragraph. 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 27, 2019, 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.

Albert H. Vignone, Zach and Coopers, P.C.

Hauppauge, New York
December 27, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

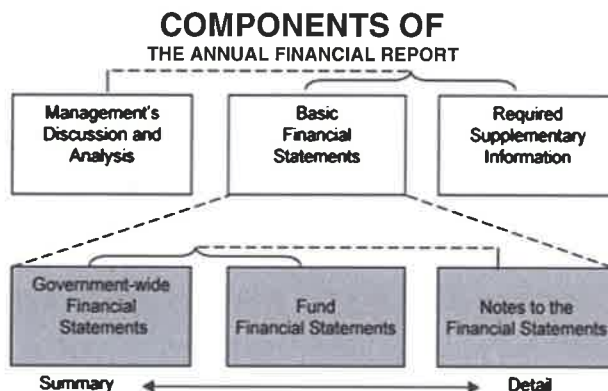
As management of the Town of Hempstead (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2018. This section is only an introduction and should be read in conjunction with the Town's financial statements, 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 2018 by \$895,653,518 resulting in a negative net position. This is primarily the result implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which has resulted in a reported total other postemployment liability of \$1,093,863,073.
- The Town's total net position related to its governmental activities decreased by \$544,634,561, of which \$7,668,553 stems from operations (expenses exceeding revenues) and \$536,966,008 stems from the cumulative effect of change in accounting principle pertaining to the implementation of GASB Statement No. 75 noted above.
- The assets of the Town's primary government's business-type activities exceeded it liabilities at the close of 2018 by \$2,243,303.
- As of the close of 2018 the Town's governmental funds reported combined ending fund balances of \$165,951,770. However, the combined ending fund balances excluding the Capital Projects Fund deficit, totaled \$138,808,337 of which \$17,783,099 is not in spendable form, and \$121,025,238, or 89.28%, 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 2018, the Town's total fund balance for the General Fund was \$26,745,614, which increased by \$3,740,332 from the prior year, as revenues and other financing sources of \$177,278,634 exceeded expenditures and other financing uses of \$173,538,302.
- The Town's governmental activities long-term bond debt was \$403,676,828, which was an increase of 27.02% from the prior year. During 2018, the Town issued \$127,996,774 of general obligation bonds to finance various capital projects and repaid \$41,699,791 of general obligation bonds. The Town also issued \$22,476,876 of refunding bonds which refunded \$22,900,739 of general obligation bonds. The Town's business-type activities has no debt.
- The Town's governmental activities long-term liabilities includes a \$1,093,863,073 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, 2018

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 are reported here, including: 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). All of the Town's component units are deemed to be nonmajor. During 2018, the Town of Hempstead Housing Authority was identified as a component unit of the Town.

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, 2018

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 Water Districts 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 Grant 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, 2018

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, 2018, the Town's governmental activities liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$895,653,518 and the Town's business-type activities assets exceeded its liabilities by \$2,243,303.

Condensed Statements of Net Position
as of December 31, 2018 and 2017

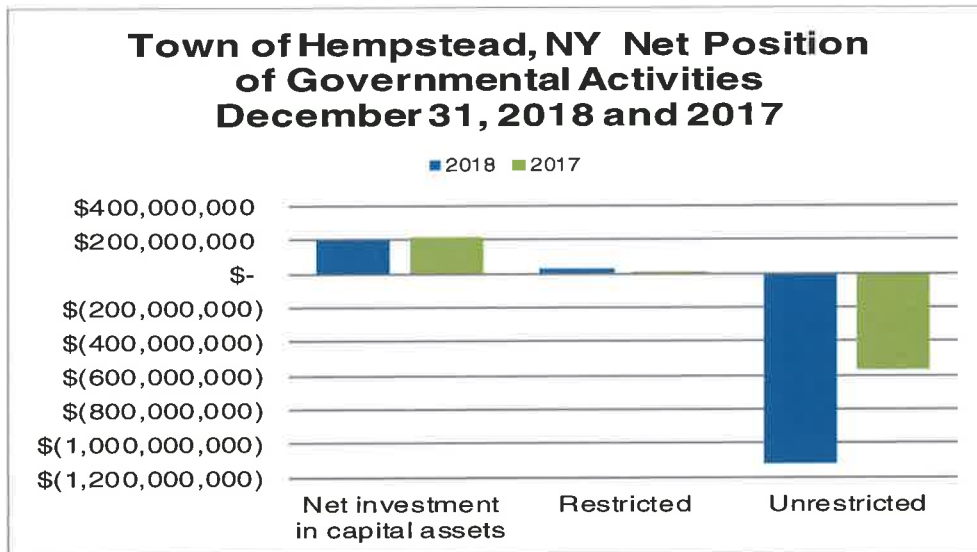
	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Current and other assets:				
Current assets	\$ 206,912,133	\$ 151,591,410	\$ 2,251,826	\$ 2,075,576
Capital assets	545,723,314	552,815,997		
Other non-current assets	57,042,033	60,904,955		
Total assets	<u>809,677,480</u>	<u>765,312,362</u>	<u>2,251,826</u>	<u>2,075,576</u>
Deferred outflows of resources	<u>67,529,514</u>	<u>54,905,049</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>877,206,994</u>	<u>820,217,411</u>	<u>2,251,826</u>	<u>2,075,576</u>
Current and other liabilities				
Current liabilities	106,932,032	177,804,607	8,523	3,328
Long-term liabilities	<u>1,603,550,882</u>	<u>983,317,569</u>		
Total liabilities	<u>1,710,482,914</u>	<u>1,161,122,176</u>	<u>8,523</u>	<u>3,328</u>
Total deferred inflows of resources	<u>62,377,598</u>	<u>10,114,192</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities and deferred inflows of resources	<u>1,772,860,512</u>	<u>1,171,236,368</u>	<u>-0-</u>	<u>-0-</u>
Net position:				
Net investment in capital assets	198,568,432	217,153,934		
Restricted	30,178,818	3,263,297		
Unrestricted	<u>(1,124,400,768)</u>	<u>(571,436,188)</u>	<u>2,243,303</u>	<u>2,072,248</u>
Total net position	<u>\$ (895,653,518)</u>	<u>\$ (351,018,957)</u>	<u>\$ 2,243,303</u>	<u>\$ 2,072,248</u>

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The Town's governmental activities net investment in capital assets portion of net position, \$198,568,432 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, 2018 was a negative \$895,653,518 a decrease of \$544,634,561 (of which \$536,966,008 is due to a cumulative effect of change in accounting principle) over the prior year. Net position consists of a) \$198,568,432 net investment in capital assets, b) net position restricted by statute or specific purposes of \$30,178,818 and c) unrestricted balance/(deficit) of \$(1,124,400,768)

Total governmental activities net position was again decreased in the current year and will continue to decrease in subsequent years due to the ongoing recognition of the Town's other postemployment benefits costs. During 2018, the Town implemented GASB Statement No. 75, which resulted in a restatement of the total OPEB liability at January 1, 2018 to \$1,051,828,242, (an increase of \$536,966,008 from the previously reported balance. Additionally, during 2018 recognition of OPEB expense of \$75,480,944 less benefit payments of \$33,446,113, increased the liability by \$42,034,831 to a balance of \$1,093,863,073 at December 31, 2018.

Business-type activities net position increased slightly by \$171,055 to \$2,243,303 at December 31, 2018.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in Net Position

For the years ended December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Program Revenues				
Charges for services	\$ 69,342,408	\$ 68,137,173	\$ 210,636	\$ 639,190
Operating grants and contributions	8,507,310	10,193,096		
Capital grants and contributions	9,216,795	6,836,585		
	<u>87,066,513</u>	<u>85,166,854</u>	<u>210,636</u>	<u>639,190</u>
General Revenues				
Real property taxes	274,331,023	268,644,264		
Real property tax items	11,114,281	10,994,237		
Non-property tax items	51,308,200	50,199,805		
Interest earnings and financing income	2,587,883	961,501	6,092	
Mortgage tax	22,940,984	22,759,668		
State aid - unrestricted	3,848,885	3,848,885		
Other	901,554	2,136,993		
	<u>367,032,810</u>	<u>359,545,353</u>	<u>6,092</u>	<u>-0-</u>
Total Revenues	<u>454,099,323</u>	<u>444,712,207</u>	<u>216,728</u>	<u>639,190</u>
Program Expenses				
General government support	89,709,405	93,428,814		
Education	9,131,823	10,501,587		
Public safety	51,677,219	54,422,147		
Transportation	48,960,258	58,900,172		
Economic assistance and opportunity	12,763,869	15,280,379	45,673	30,873
Culture and recreation	91,238,137	94,570,902		
Home and community services	146,515,396	176,785,421		
Interest and other debt related costs	11,771,769	8,484,891		
	<u>461,767,876</u>	<u>512,374,313</u>	<u>45,673</u>	<u>30,873</u>
Total Expenses	<u>461,767,876</u>	<u>512,374,313</u>	<u>45,673</u>	<u>30,873</u>
Change in Net Position	<u>(7,668,553)</u>	<u>(67,662,106)</u>	<u>171,055</u>	<u>608,317</u>
Net Position - Beginning	(351,018,957)	(281,400,521)	2,072,248	
Cumulative effect of change in accounting principle*	(536,966,008)	(1,956,330)	-	1,463,931
Net Position - Beginning as Restated	<u>(887,984,965)</u>	<u>(283,356,851)</u>	<u>2,072,248</u>	<u>1,463,931</u>
Net Position - Ending	<u>\$ (895,653,518)</u>	<u>\$ (351,018,957)</u>	<u>\$ 2,243,303</u>	<u>\$ 2,072,248</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 is not available to restate net position of fiscal year 2017.

* Business-type activities: During 2017, the Town of Hempstead Local Development Corporation ("TOHLDC") was determined to be a component unit of the town. In accordance with GASB Statement No. 80, "Blending Requirements for Certain Component Units", it is presented as a blended component unit and therefore the December 31, 2016 reported net position as been restated.

Certain 2017 expenses were reclassified to conform to the 2018 presentation.

Net position for the years ended December 31, 2018 and 2017, from all governmental activities, decreased by \$7,668,553 (excluding the effects of the cumulative effect of change in accounting principle) and \$67,662,106, respectively.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Key elements of the governmental activities are:

- Total program revenues increased by \$1,899,659 from the prior year. Charges for services of \$69,342,408 increased by \$1,205,235 primarily due to a \$993,399 increase in home and community fees primarily related to refuse and garbage fees; a \$678,100 increase in culture and recreation charges due to increase revenues from various parks and recreation programs, a \$477,782 increase in transportation charges related to special assessments; and a \$922,068 decrease in general government support charges primarily related to rental fees and street opening permit fees. Operating grants and contributions of \$8,507,310 decreased by \$1,685,786 from the prior year due to less grant proceeds received primarily related to the Workforce Innovation and Opportunity, Community Development Block Grant and Rental Assistance programs. Capital grants and contributions of \$9,216,795 increased by \$2,380,210 from the prior year primarily related to increases the transportation grants (Consolidated Highway Local Street and Highway Improvement Program grant) and home and community grants (Community Development Block Grant – Disaster Assistance).
- General revenues increased by \$7,487,457 from the prior year, which primarily consists of a \$5,686,759 increase in real property taxes, a \$1,108,395 increase in non-property taxes (primarily sales tax), \$1,626,382 increase in interest earnings (higher interest rates), a decrease in other income of \$1,235,439 (gifts and donations, refunds of prior year expenses and other).
- Overall expenses of \$461,767,876 decreased by \$50,606,437 from the prior year. The \$3,719,409 decrease in general government support is primarily due to the following: a \$2,881,676 decrease in employee benefits (OPEB, retirement, retirement incentive and compensated absences benefits), \$2,274,170 less in pollution remediation expenses, a \$958,411 reduction in depreciation expense, and an increase in judgment and claims of \$2,747,170. Education costs decreased by \$1,369,764 simply due to the amount Nassau County billed for the chargeback of college tuition paid on behalf of Town residents. Public safety costs decreased by \$2,744,928 from the prior year primarily due to a \$2,311,373 decrease in employee benefits costs (OPEB, retirement and compensated absences benefits), a decrease in personnel costs of \$1,590,954, increase in animal control costs of \$625,468. Transportation expenses decreased by \$9,939,914 from the prior year primarily due to the following: \$2,572,432 decrease in employee benefits (OPEB, retirement and compensated absences benefits), \$768,676 less in depreciation expense, \$3,000,000 less in judgment and claims, \$658,141 less in pollution remediation costs, \$1,390,863, decrease in contractual costs (snow removal, street maintenance, and machinery costs), \$1,747,519 less per personnel service costs. Economic assistance and opportunity costs decreased by \$2,516,510 primarily related to a decrease in employee benefits of \$555,721 and decreased grant fund expenditures (Workforce Innovation and Opportunity, Community Development Block Grant and Rental Assistance programs) of \$1,552,007. Culture and recreation costs decreased by \$3,332,765 primarily due to a \$3,382,383 decrease in employee benefits (OPEB, retirement and compensated absences benefits) which was offset by a \$1,488,636 increase in depreciation allocation. Home and community expenses decreased \$30,270,025 from the prior year due to a decrease in judgments and claims for the accrued settlement of the utility companies ligation of \$23,496,716, a \$5,303,610 decrease in employee benefits (OPEB, retirement and compensated absences benefits), a \$1,894,737 decrease in safety inspection costs, a \$1,744,280 increase in refuse and garbage operational costs (payroll and contractual), and a \$4,301,283 an increase in pollution remediation costs.

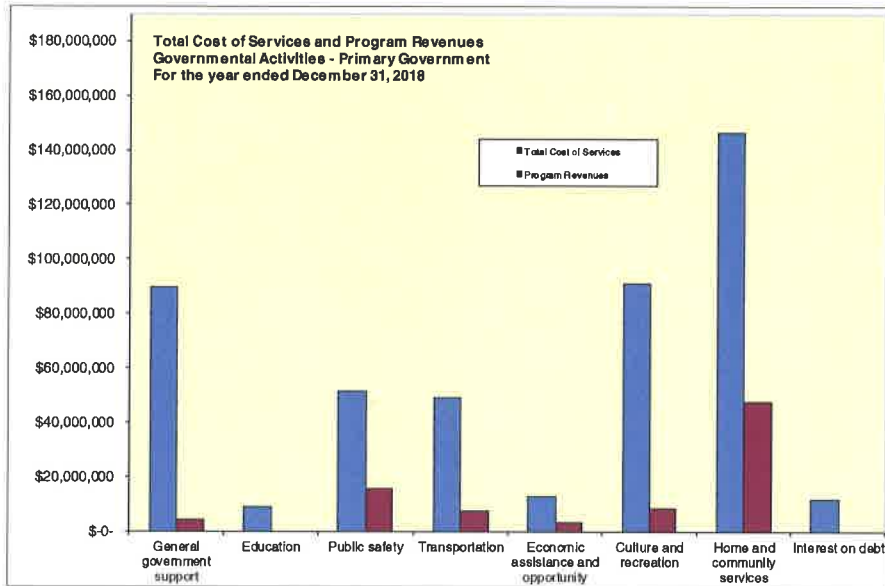
The following chart illustrates the total expenses by program function for the Town's governmental activities:

Net Cost of Services
Governmental Activities
For the years ended December 31, 2018 and 2017

	Total Cost (Expense) of Services		Program Revenues		Net Cost (Revenue) of Services	
	2018	2017	2018	2017	2018	2017
General government support	\$ 89,709,405	\$ 93,428,814	\$ 4,208,269	\$ 5,193,753	\$ 85,501,136	\$ 88,235,061
Education	9,131,823	10,501,587			9,131,823	10,501,587
Public safety	51,677,219	54,422,147	15,643,198	15,734,519	36,034,021	38,687,628
Transportation	48,960,258	58,900,172	7,633,607	5,177,552	41,326,651	53,722,620
Economic assistance and opportunity	12,763,869	15,280,379	3,410,721	4,579,705	9,353,148	10,700,674
Culture and recreation	91,238,137	94,570,902	8,472,448	8,068,956	82,765,689	86,501,946
Home and community services	146,515,396	176,785,421	47,698,270	46,412,369	98,817,126	130,373,052
Interest on debt	11,771,769	8,484,891			11,771,769	8,484,891
	\$ 461,767,876	\$ 512,374,313	\$ 87,066,513	\$ 85,166,854	\$ 374,701,363	\$ 427,207,459

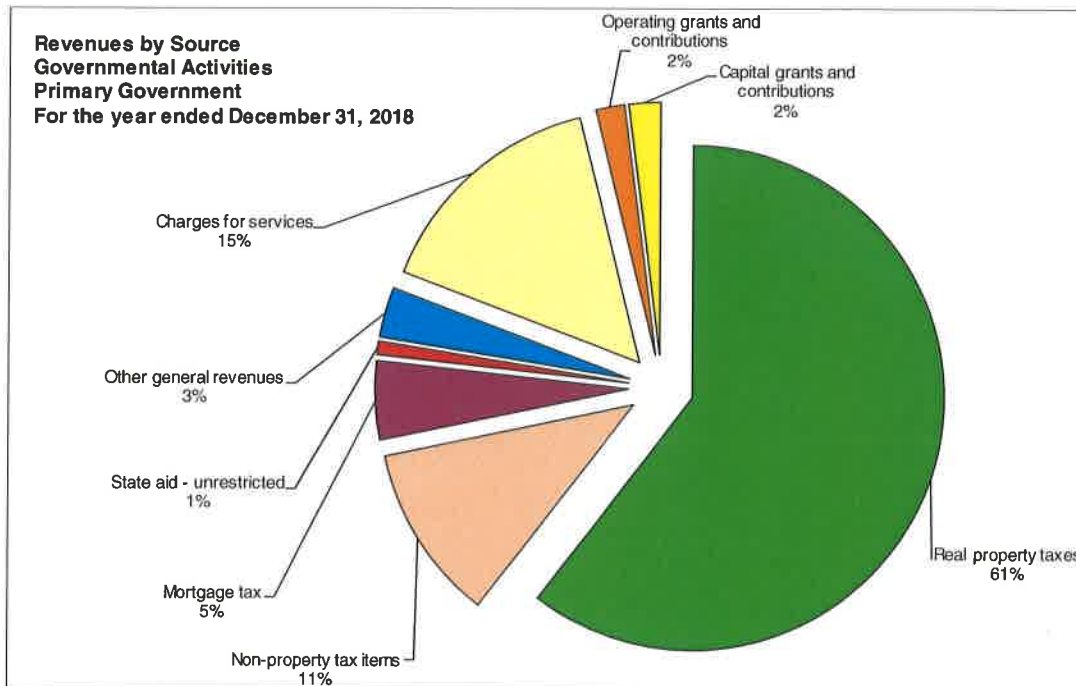
TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



The total cost of all governmental activities this year was \$461,767,876. The net cost of these services after being subsidized by program revenues of \$87,066,513 was \$374,701,363.

The following chart illustrates the revenues by source for the Town's governmental funds.



TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Revenue by Source

For the years ended December 31, 2018 and 2017

	2018	2017
Real property taxes	\$ 274,331,023	\$ 268,644,264
Non-property tax items	51,308,200	50,199,805
Mortgage tax	22,940,984	22,759,668
State aid - unrestricted	3,848,885	3,848,885
Other general revenues	14,603,718	14,092,731
Charges for services	69,342,408	68,137,173
Operating grants and contributions	8,507,310	10,193,096
Capital grants and contributions	9,216,795	6,836,585
	<u>\$ 454,099,323</u>	<u>\$ 444,712,207</u>

The business-type activities revenues exceeded operating expenses by \$171,055 in the current year. Program revenues, fees for services, decreased by \$428,554, due to the number and size of projects it closed during the year, while expenses remained consistent with the prior year.

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, 2018, the Town's governmental funds reported total ending fund balances of \$165,951,770, an increase of \$48,369,913 in comparison with the prior year. Of the \$48,369,913 increase in fund balance, \$29,400,658 pertains to the Capital Projects Fund. Additionally, the General Fund, Highway Fund, Park Districts Fund, Refuse and Garbage Districts Fund, and Water Districts Fund reported increases in fund balance from the prior year by \$3,740,332, \$2,286,375, \$4,456,355, and \$5,591,607, and \$2,651,880 respectively. These increases were offset by a decrease in the Debt Service Fund of \$127,085. The aggregate nonmajor funds' fund balance increased by \$405,791.

During 2018, the Town issued \$150,473,650 of general obligation bonds of which \$72,895,000 was issued to finance litigation settlement costs, \$55,101,774 was issued to finance various public improvements and \$22,476,876 were issued to currently refund \$22,900,739 of general obligation bonds. In conjunction with the bond issuances, the Town received \$14,899,973 of premiums on issuance. Of the premiums received, \$9,514,781 was used to partially finance the aforementioned litigation costs and \$1,038,572 was utilized for the current refunding of bonds and the remaining \$4,346,620 will be used for debt service requirements.

The category breakdown of fund balance is as follows:

- **Nonspendable fund balance** – \$17,783,099 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** – \$34,184,376 (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** – \$96,498,593 (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 funds other than the General Fund.
- **Unassigned fund balance** – \$17,485,702 is the total residual fund balance in the General Fund.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$26,745,614, a positive change of \$3,740,332 or 16.26% from the prior year. Of the total fund balance, \$6,574,355 not in spendable form (inventory, prepaid items and long-term receivables), \$922,819 is restricted for future debt service requirement and \$1,762,738 is assigned for the subsequent year's budget and for purchases on order. There is a remaining unassigned fund balance of \$17,485,702.

The General Fund operated at a surplus of \$3,740,332. Revenues and other financing sources decreased by \$827,620 from the prior year to \$177,278,634, while expenditures and other financing uses decreased by \$664,485 from the prior year to \$173,538,302.

The decrease in revenues and other financing sources of \$827,620 was primarily due to reductions in net bond issuance proceeds and premiums of \$3,226,243, real property tax items of \$617,949, interfund revenues of \$448,169 and licenses and permit fees of \$328,575. These decreases offset by increases real property taxes \$2,122,556, non-property taxes (sales tax) of \$1,393,344 and use of money and property of \$339,532.

The decrease in expenditures and other financing uses of \$664,485 is primarily due to a \$1,369,764 decrease in education billings/chargeback from Nassau County to the Town which is recognized based on timing of when billed by the Nassau County and the time-period the tuition charges pertain, a \$1,101,688 decrease in home and community costs (conservation and waterways personnel costs), a \$390,936 decrease in transportation costs (administration personnel cost of street maintenance and traffic control) and a \$438,321 decrease in economic assistance and opportunity costs (program for the aging personnel costs). These cost savings were offset by a \$725,973 increase in general government support expenditures (contractual costs), a \$601,230 increase in public safety costs (primarily cost of providing for the control of animals) a \$538,895 increase in employee benefits and (health insurance premium) a \$714,678 increase in the amount transferred to the Debt Service Fund (debt service requirements) and Special Grants Fund (deficit funding for the prior year's payout of compensated absences and retirement incentive).

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$15,426,520 an increase of \$2,286,375, or 17.40%, from the prior year. Of this the total fund balance, \$5,472,360 is not in spendable form (inventory and prepaid items) and \$808,497 is restricted for future debt service. The remaining \$9,145,663 of the fund balance is in spendable form as follows: \$30,009 is assigned for purchase orders and \$9,115,654 is assigned for highway purposes.

The Highway Fund's total revenues and other financing sources exceeded expenditures and financing uses by \$2,286,375 for the year. Revenues and other financing sources decreased slightly by \$452,297 from the prior year to \$72,648,478 while expenditures and other financing uses increased by \$1,010,606 from the prior year to \$70,362,103.

The decrease in revenues and financing sources of \$452,297 is primarily attributable to a \$1,264,944 decrease in real property taxes, a \$155,554 decrease in sale of property and compensation for loss, and a decrease in bond issuance proceeds and premiums of \$169,864. These decreases were offset by increases in revenue from miscellaneous sources (special assessments) \$371,557, use of money and property of \$364,600 (higher interest rates) and transfers from the Capital Projects of \$336,036 (unspent bond proceeds).

The increase in expenditures and financing uses of \$1,010,606 is attributable to an increase in transfers to the Debt Service and Capital Projects Fund for debt service requirements of \$1,870,284 and a decrease in operations of maintaining the roads and highways (street maintenance, snow removal, related equipment costs and employee benefits) of \$771,923.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

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 \$13,938,590, an increase of \$4,456,355 from the prior year. Of the total fund balance, \$1,803,162 is not in spendable form (inventory and prepaid items) and \$12,135,428 is in spendable form as follows: \$195,465 is assigned for purchase orders and the remaining \$11,939,963 is assigned for park fund purposes.

The Park Districts Fund's revenues and other financing sources exceeded total expenditures and other financing uses by \$4,465,355 for the year. Revenues and other financing sources increased by \$5,029,179 from the prior year to \$95,739,999 while expenditures and other financing uses increased slightly by \$379,373 from the prior year to \$91,283,644.

The increase in revenues and financing sources of \$5,029,179 is primarily attributable to increases in all revenue categories except for fines and forfeitures and sale of property and compensation for loss and decreases in other financing sources transfers in and debt issuance proceeds. The noteworthy increases in revenue are as follows: \$5,347,393 in real property taxes and \$1,705,452 in interfund revenues. Transfers in from the Capital Projects Fund (unspent bond proceeds) decreased by \$347,330 and proceeds from bond issuance and premiums decreased by \$1,663,506.

The slight increase in expenditures and financing uses of \$379,373 is attributable to increases in the parks, recreation and special facility contractual operational costs including equipment purchases of \$1,275,781 and transfers to the Debt Service Fund of \$111,506. These increases were offset by a \$1,007,914 decrease in personnel costs.

Refuse and Garbage Districts Fund

At the end of the current year, the total fund balance of the Refuse and Garbage Districts Fund was \$40,936,484, an increase of \$5,591,607 or 15.82%, from the prior year. Of the total fund balance, \$1,037,116 is not in spendable form (inventory and prepaid items) and \$21,974 is restricted for future debt service requirements. The remaining \$39,877,394 of the fund balance is in spendable form, of which \$37,252 is assigned for purchase orders and \$39,840,142 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 \$5,591,607 for the year. Revenues and other financing sources increased by \$83,532,067 from the prior year to \$197,446,248 and expenditures and other financing uses increased by \$84,527,002 from the prior year to \$191,854,641.

The increase in revenues and financing sources of \$83,532,067 is primarily attributable to an increase in bond issuance proceeds and premiums of \$81,298,931 (purposes with which was to finance the utility case litigation payments) and a \$2,088,793 increase in departmental revenue for refuse and garbage fees.

The increase in expenditures and financing uses of \$84,527,002 is primarily attributable to a \$82,863,155 payment to settle the garbage tax and local utilities litigation (see Notes 4A and B), and an increase in refuse and garbage collection costs of \$3,855,781 and a decrease in personnel costs of \$1,957,801.

Water Districts Fund

At the end of the current year, the total fund balance of the Water Districts Fund was \$20,416,653, an increase of \$2,615,880 or 14.70%, from the prior year. Of this amount, \$852,011 is not in spendable form (inventory and prepaid items) and \$130,919 is restricted for future debt service requirements. The remaining \$19,433,723 of the fund balance is in spendable form, of which \$24,753 is assigned for purchase orders and \$19,408,970 is assigned for water service purposes.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

The Water Districts Fund's total revenues and other financing sources exceeded expenditures and other financing uses by \$2,615,880 for the year. Revenues and other financing sources decreased by \$983,056 from the prior year to \$23,320,315 while expenditures and other financing uses increased by \$470,643 from the prior year to \$20,704,435.

The decrease in revenues and financing sources of \$983,056 is primarily attributable to decreases in real property taxes of \$500,130, use of money and property \$434,498 (rental of property) and proceeds from bond issuance and premiums of \$320,178 and offset by an increase in departmental revenue (charges for water service) of \$325,253.

The slight increase in expenditures and financing uses of \$470,643, with slight increases in water administration costs of \$105,745 and transfer to the Debt Service fund of \$331,919.

Capital Projects Fund

At the end of the current year, the Capital Projects Fund had a total fund balance of 27,143,433, an increase of \$29,400,658 from the prior year.

During 2018, the Capital Projects Fund received \$55,101,774 of debt proceeds, and revenues of \$7,385,087 from primarily grants and local sources, while expending \$30,214,690 for capital outlay. The Capital Fund also received \$330,537 from various operating funds to assist with financing specific capital project costs and also transferred \$3,202,050 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 \$1,421,666, all of which is restricted for future debt service. Debt service expenditures of \$53,838,726 increased by \$4,915,688 from the prior year. To finance the debt service payments, the operating funds transferred \$53,060,938 in 2018, an increase of \$4,302,255 from the prior year. During 2018, the Town issued \$22,476,876 of refunding bonds and together with the premium received of \$1,038,572, currently refunded \$22,900,739 of Series 2007, 2008 A and 2008B general obligation bonds. The refunding resulted in cash flow savings of approximately \$1.4 million.

Nonmajor Governmental Funds

The net change in fund balances was an increase of \$405,791, of which \$423,072 is attributable to the Town Outside Village Fund, \$394,777 to the Special Grant Fund, and \$49,732 to the Street Lighting District Fund which was offset by decreases of \$5,784 from the Fire Protection Districts Fund, \$240,363 from the Public Parking Districts Fund, and \$215,643 Library Funding Districts Fund. Total revenues and other financing sources were \$66,213,080, which is a decrease of \$1,549,142 from the prior year. The only noteworthy change from the prior year is a decrease in grant proceeds (federal and state aid) of \$1,602,420. Total expenditures and other financing uses decreased by \$3,809,631 from the prior year to \$65,807,289. The decrease in expenditures is primarily due to a \$2,645,521 decrease in salaries and related benefits stemming from the early retirements and termination payments of compensated absences payouts in 2017 and \$604,545 decrease in costs pertaining to providing safety inspection and zoning services.

Proprietary Fund

Town of Hempstead Local Development Corporation

The Town of Hempstead Local Development Corporation revenues exceeded operating expenses by \$171,055 in the current year. Program revenues, fees for services, decreased by \$428,554, due to the number and size of projects it closed during the year, while expenses remained consistent with the prior year.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the 2018 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year there was a \$9,767,112 or 5.85% increase in the General Fund's appropriations between the original and final amended budget. The \$9,767,112 supplemental appropriations was approved by the Town Board primarily to fund the following: \$3,264,207 for additional personnel costs (salaries and employee benefits) resulting from early retirement and termination payouts of compensated absences, \$4,131,823 for additional tuition costs billed by Nassau County, a \$119,816 for transfers to the Capital Project Fund to finance certain capital outlay costs, a \$762,880 transfer the Special Grants Fund to finance certain admin costs for the Department of Occupational Resources and \$1,085,705 of unanticipated costs for professional fees and services. 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

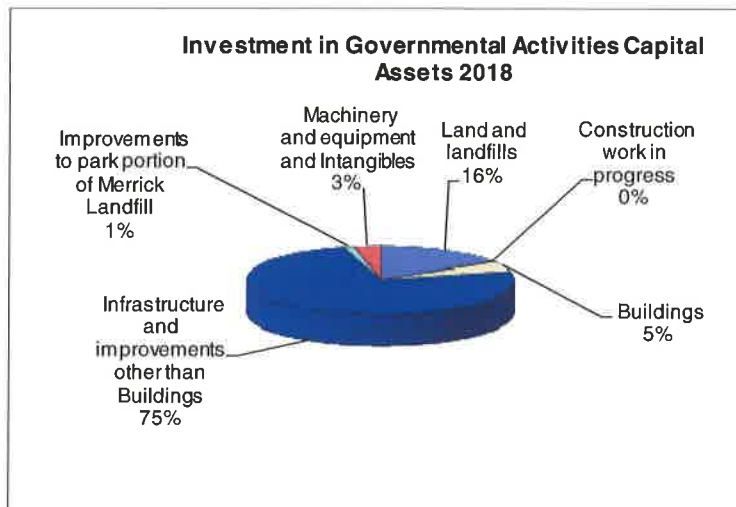
The Town's investment in capital assets, net of accumulated depreciation for its governmental type activities as of December 31, 2018, amounts to \$545,723,314. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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		Business-Type Activities	
	2018	2017	2018	2017
Land and landfills	\$ 86,967,285	\$ 86,967,285		
Construction work in progress	1,285,291	572,885		
Buildings	25,252,387	27,494,903		
Infrastructure and improvements other than building	407,597,188	411,131,338		
Improvements to park portion of Merrick landfill	7,017,204	7,557,759		
Machinery and equipment	16,064,306	17,732,875	\$ -0-	\$ -0-
Intangibles- Software	1,539,653	1,358,952		
Total Net Capital Assets	\$ 545,723,314	\$ 552,815,997	\$ -0-	\$ -0-

The composition of capital assets by percentage at December 31, 2018 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.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of the current year, the Town has total long-term bonded debt outstanding of \$403,676,828. 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	
	2018	2017
General obligation bonds	\$ 403,676,828	\$ 317,803,708
Total	\$ 403,676,828	\$ 317,803,708

In 2018 the Town's total debt increased by \$85,873,120 or 27.02%. As mentioned previously during 2018, the Town issued general obligation bonds totaling \$150,473,650 and received \$14,899,973 related premiums on issuance. Of the \$150,473,650, \$22,476,876 of bonds were issued to refund \$22,900,739 of Series 2007 and 2008 bonds to yield \$1.4 million in savings, \$72,895,000 was issued to finance the settlement of the refuse and garbage assessed taxes on various local utilities and \$55,101,774 was issued to finance public improvements.

During 2018, S&P Global Ratings ('S&P') assigned the following bond ratings to the Town's 2018 bonds issued: Series A, B and D "AA/positive outlook; uninsured Series C "AA/positive outlook" and insured Series C "AA/stable". In July 2019, S&P assigned an AA-/positive outlook to the Town's 2019 Series A and B bond issuances.

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, 2018, and July 18, 2019, the Town's debt contracting limitation amount was \$6,680,810,120 and \$6,497,114,917, respectively, and the percentage of debt contracting exhausted was 3.62% and 4.9%, respectively.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town's elected and appointed officials considered many factors when preparing the 2019 budget. The Town's statistical data continues to compare favorably to New York State and the United States. The Town's 2018 average unemployment rate of 3.7% compares favorably to New York State's 4.1% and the United States' 3.9%. Household income in the Town also compares favorably to both the state and the nation. More than half of households in the Town – 50.8% – have annual incomes of \$100,000 or more, compared to 31.1% in New York State and 26.2% nationwide. According to the U.S. Census Bureau, mean household income in the Town of Hempstead is \$126,525, compared to New York State's \$93,443 and the United States' \$81,283. 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 44% 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.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

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

- 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 2019 budget reduces taxes by over \$10 million, or 3.5% compared to the 2018 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. While overall spending will increase by about \$13.7 million in the 2019 budget, discretionary spending is being closely monitored through numerous internal controls, such as the implementation of several levels of approvals for purchases, as well as inventory control to prevent unnecessary purchases. Savings from reducing reliance on outside legal counsel by handling more legal matters in-house, elimination of limited circulation weekly newspapers for legal notices, and joining with a private sector partner to manage the Town's Workers' Compensation cases have also been included in the 2019 budget. These factors form the basis of estimating the 2019 budget lines.
- 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.
- The adopted budget for the fiscal year beginning January 1, 2019 included a 3.5% 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 2019.
- 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 2001-2020. The Town has included \$41,350,000 of local government assistance for the expected shared sales tax revenue in its 2019 budget. After 2020, 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, 2018

	Primary Government			Nonmajor Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 142,434,858	\$ 2,251,826	\$ 144,686,684	\$ 17,289,673
Cash and cash equivalents- restricted	2,549,427		2,549,427	4,561,121
Receivables	12,151,385		12,151,385	1,653,994
Due from other governments	27,289,209		27,289,209	123,184
Due from primary government				3,677,109
Prepaid items	12,136,511		12,136,511	892,105
Inventory of material and supplies	9,826,852		9,826,852	221,248
Other assets	523,891		523,891	
Total Current Assets	<u>206,912,133</u>	<u>2,251,826</u>	<u>209,163,959</u>	<u>28,418,434</u>
Non-Current Assets:				
Receivables, service concession arrangements	525,000		525,000	
Due from other governments	53,496,760		53,496,760	
Length of service award program plan assets	3,020,273		3,020,273	
Non-depreciable capital assets	88,252,576		88,252,576	8,246,471
Depreciable capital assets, net of depreciation	<u>457,470,738</u>		<u>457,470,738</u>	<u>57,087,309</u>
Total Non-Current Assets	<u>602,765,347</u>	<u>-0-</u>	<u>602,765,347</u>	<u>65,333,780</u>
Total Assets	<u>809,677,480</u>	<u>2,251,826</u>	<u>811,929,306</u>	<u>93,752,214</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension - employees' retirement system	67,315,714		67,315,714	3,906,593
Pension - length of service award program	213,800		213,800	
Total Deferred Outflows of Resources	<u>67,529,514</u>	<u>-0-</u>	<u>67,529,514</u>	<u>3,906,593</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	20,122,520	8,523	20,131,043	2,014,774
Accounts payable - capital related debt	7,000,604		7,000,604	
Accrued interest payable	3,900,181		3,900,181	210,579
Due to other governments	812,797		812,797	1,586,909
Due to component units	3,677,109		3,677,109	
Unearned revenue	3,983		3,983	254,024
Other liabilities- escrow payable			-0-	611,810
Non-current liabilities due within one year:				
General obligation bonds payable	40,067,123		40,067,123	969,651
Capital leases	1,738,346		1,738,346	
Pension related debt	3,619,935		3,619,935	74,935
Compensated absences	5,405,502		5,405,502	218,945
Claims and judgments payable	11,799,000		11,799,000	
Estimated liability for landfill closure and postclosure care costs	60,800		60,800	
Pollution remediation obligations	8,724,132		8,724,132	
Total Current Liabilities	<u>106,932,032</u>	<u>8,523</u>	<u>106,940,555</u>	<u>5,941,627</u>
Non-Current Liabilities due in more than one year:				
General obligation bonds payable	392,473,698		392,473,698	20,933,685
Capital leases	9,753,571		9,753,571	
Pension related debt	15,351,663		15,351,663	267,810
Employees' retirement system net pension liability	18,534,246		18,534,246	1,114,543
Length of service award program plan pension liability	5,240,783		5,240,783	
Compensated absences	41,113,443		41,113,443	2,161,752
Claims and judgments payable	24,874,151		24,874,151	
Estimated liability for landfill closure and postclosure care costs	957,653		957,653	
Pollution remediation obligations	1,388,601		1,388,601	
Total other postemployment benefits liability	<u>1,093,863,073</u>		<u>1,093,863,073</u>	<u>34,741,087</u>
Total Non-Current Liabilities	<u>1,603,550,882</u>	<u>-0-</u>	<u>1,603,550,882</u>	<u>59,218,877</u>
Total Liabilities	<u>1,710,482,914</u>	<u>8,523</u>	<u>1,710,491,437</u>	<u>65,160,504</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on refunding bonds	1,686,227		1,686,227	
Pension - employees' retirement system	59,977,697		59,977,697	3,675,157
Pension - length of service award program	70,474		70,474	
Deferred service concession arrangement receipts	643,200		643,200	
Other postemployment benefits				2,090,915
Total Deferred Inflows of Resources	<u>62,377,598</u>	<u>0</u>	<u>62,377,598</u>	<u>5,766,072</u>
NET POSITION				
Net investment in capital assets	198,568,432		198,568,432	47,458,247
Restricted for:				
Capital projects	27,143,433		27,143,433	
Culture and recreation				15,995
Home and community and economic assistance and opportunity	275,852		275,852	7,049,560
Debt service	1,421,666		1,421,666	
Permanent fund, nonexpendable	1,337,867		1,337,867	
Unrestricted (deficit)	<u>(1,124,400,768)</u>	<u>2,243,303</u>	<u>(1,122,157,465)</u>	<u>(27,791,571)</u>
Total Net Position	<u>\$ (895,653,518)</u>	<u>\$ 2,243,303</u>	<u>\$ (893,410,215)</u>	<u>\$ 26,732,231</u>

See notes to financial statements

TOWN OF HEMPSTEAD
GOVERNMENT - WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General government support	\$ 89,709,405	\$ 4,032,525	\$ 175,744	
Education	9,131,823			
Public safety	51,677,219	15,343,259	299,939	
Transportation	48,960,258	896,493	7,131	\$ 6,729,983
Economic assistance and opportunity	12,763,869	26,336	3,384,385	
Culture and recreation	91,238,137	8,178,741	288,707	5,000
Home and community services	146,515,396	40,865,054	4,351,404	2,481,812
Interest and other debt related costs	11,771,769			
Total Governmental Activities	461,767,876	69,342,408	8,507,310	9,216,795
Business-Type Activities:				
Economic assistance and opportunity	45,673	210,636		
Total Business-Type Activities	45,673	210,636	-0-	-0-
Total Primary Government	\$ 461,813,549	\$ 69,553,044	\$ 8,507,310	\$ 9,216,795
Nonmajor Component Units				
Economic assistance and opportunity	\$ 13,729,788	\$ 7,699,392	\$ 3,750,953	\$ 272,877
Culture and recreation	8,471,186	74,899	46,853	35,430
Home and community services	10,022,782	4,131,085	71,719	-0-
Total Component Units	\$ 32,223,756	\$ 11,905,376	\$ 3,869,525	\$ 308,307

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

Cumulative Effect of Change in Accounting
Principle and Change in Reporting Entity (See 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	
\$ (85,501,136)		\$ (85,501,136)	
(9,131,823)		(9,131,823)	
(36,034,021)		(36,034,021)	
(41,326,651)		(41,326,651)	
(9,353,148)		(9,353,148)	
(82,765,689)		(82,765,689)	
(98,817,126)		(98,817,126)	
(11,771,769)		(11,771,769)	
<u>(374,701,363)</u>	\$ -0-	<u>(374,701,363)</u>	
	164,963	164,963	
<u>-0-</u>	<u>164,963</u>	<u>164,963</u>	
\$ (374,701,363)	\$ 164,963	(374,536,400)	
			\$ (2,006,566)
			(8,314,004)
			<u>(5,819,978)</u>
			<u>\$ (16,140,548)</u>
\$ 274,331,023		\$ 274,331,023	\$ 12,607,423
11,114,281		11,114,281	703,020
40,156,541		40,156,541	
11,151,659		11,151,659	
2,587,883	\$ 6,092	2,593,975	875,290
22,940,984		22,940,984	
3,848,885		3,848,885	
901,554		901,554	575,742
<u>367,032,810</u>	<u>6,092</u>	<u>367,038,902</u>	<u>14,761,475</u>
<u>(7,668,553)</u>	<u>171,055</u>	<u>(7,497,498)</u>	<u>(1,379,073)</u>
(351,018,957)	2,072,248	(348,946,709)	37,818,275
<u>(536,966,008)</u>	<u>-0-</u>	<u>(536,966,008)</u>	<u>(9,706,971)</u>
<u>(887,984,965)</u>	<u>2,072,248</u>	<u>(885,912,717)</u>	<u>28,111,304</u>
<u>\$ (895,653,518)</u>	<u>\$ 2,243,303</u>	<u>\$ (893,410,215)</u>	<u>\$ 26,732,231</u>

**TOWN OF HEMPSTEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018**

	MAJOR FUNDS			
	General	Highway	Park Districts	Refuse and Garbage Districts
ASSETS				
Cash and cash equivalents	\$ 7,039,821	\$ 8,060,328	\$ 12,782,231	\$ 43,476,579
Cash and cash equivalent - restricted				
Receivables	425,798	685,936	247,838	1,978,151
Due from other funds	6,588,876	3,504,688	64,087	2,341,276
Due from other governments	14,588,660		947,499	585,348
Inventory of material and supplies	3,474,462	4,757,417	687,843	40,798
Prepaid items	2,799,893	714,943	1,115,319	996,318
Length of service award program plan assets				
Other assets	224,491	45,900	150,900	57,300
Total Assets	\$ 35,142,001	\$ 17,769,212	\$ 15,995,717	\$ 49,475,770
LIABILITIES				
Accounts payable and accrued liabilities	\$ 6,793,771	\$ 1,053,086	\$ 1,993,592	\$ 8,200,430
Accounts payable - capital related debt				
Due to other funds	604,312	704,202	63,535	333,616
Due to other governments	811,540			1,257
Due to component units				
Unearned revenue				3,983
Total Liabilities	8,209,623	1,757,288	2,057,127	8,539,286
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - fees	186,764			
Unavailable revenue - water fees				
Unavailable revenue - sidewalk repair		585,404		
Total Deferred Inflows of Resources	186,764	585,404	-0-	-0-
FUND BALANCES				
Nonspendable	6,574,355	5,472,360	1,803,162	1,037,116
Restricted	922,819	808,497		21,974
Assigned	1,762,738	9,145,663	12,135,428	39,877,394
Unassigned	17,485,702			
Total Fund Balances	26,745,614	15,426,520	13,938,590	40,936,484
Total Liabilities and Fund Balances	\$ 35,142,001	\$ 17,769,212	\$ 15,995,717	\$ 49,475,770

Water Districts	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 14,320,184	\$ 43,705,412		\$ 13,050,303	\$ 142,434,858
6,353,641			2,549,427	2,549,427
332,946	532,838		2,341,821	12,033,185
86,028	3,975,149	\$ 1,421,666	264,267	13,628,978
588,365			1,177,410	22,781,760
263,646			277,967	9,826,852
			428,261	6,318,380
			3,020,273	3,020,273
20,200			25,100	523,891
<u>\$ 21,965,010</u>	<u>\$ 48,213,399</u>	<u>\$ 1,421,666</u>	<u>\$ 23,134,829</u>	<u>\$ 213,117,604</u>
\$ 391,016			\$ 1,690,625	\$ 20,122,520
9,666	\$ 7,000,604			7,000,604
	10,392,253		1,521,394	13,628,978
				812,797
	3,677,109			3,677,109
				3,983
<u>400,682</u>	<u>21,069,966</u>	<u>\$ -0-</u>	<u>3,212,019</u>	<u>45,245,991</u>
				186,764
1,147,675				1,147,675
				585,404
<u>1,147,675</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,919,843</u>
852,011			2,044,095	17,783,099
130,919	27,143,433	1,421,666	3,735,068	34,184,376
19,433,723			14,143,647	96,498,593
				17,485,702
<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>
<u>\$ 21,965,010</u>	<u>\$ 48,213,399</u>	<u>\$ 1,421,666</u>	<u>\$ 23,134,829</u>	<u>\$ 213,117,604</u>

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TOWN OF HEMPSTEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2018

Total Fund Balances - Governmental Funds \$ 165,951,770

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	\$ 88,252,576	
Capital assets - depreciable	933,565,785	
Accumulated depreciation	(476,095,047)	545,723,314

Prepaid items included in the statement of net position. 5,818,131

Long-term receivables not available to pay for current-period expenditures 60,567,252

Deferred outflows of resources not reported in the governmental fund statements:

Pension - employees' retirement system	67,315,714	
Pension - length of service award program	213,800	67,529,514

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	(403,676,828)	
Capital leases	(11,491,917)	
Pension related debt	(18,971,598)	
Employees' retirement system net pension liability	(18,534,246)	
Length of service award program plan pension liability	(5,240,783)	
Compensated absences	(46,518,945)	
Claims and judgments	(36,673,151)	
Estimated liability for landfill closure and postclosure care costs	(1,018,453)	
Pollution remediation obligations	(10,112,733)	
Total other postemployment benefits liability	(1,093,863,073)	(1,646,101,727)

Deferred inflows of resources not reported in governmental fund statements:

Deferred gain on debt refunding	(1,686,227)	
Pension - employees' retirement system	(59,977,697)	
Pension - length of service award program	(70,474)	
Service concession arrangements	(643,200)	(62,377,598)

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 debt issuance included in the statement of net position		(28,863,993)
---	--	--------------

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.

(3,900,181)

Net Position of Governmental Activities

\$ (895,653,518)

TOWN OF HEMPSTEAD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	MAJOR FUNDS			
	General	Highway	Park Districts	Refuse and Garbage Districts
REVENUES				
Real property taxes	\$ 35,185,454	\$ 62,806,210	\$ 56,518,503	\$ 90,364,815
Real property tax items	2,271,913	2,528,931	2,825,308	1,528,496
Non-property tax items	40,156,541			
Departmental income	7,351,480		2,699,085	13,066,681
Intergovernmental charges	46,234	3,000	871,625	3,318,458
Use of money and property	1,380,089	555,384	442,140	4,684,274
Licenses and permits	2,093,889			39,884
Fines and forfeitures	27,350		1,200	
Sale of property and compensation for loss	45,820	21,626	45,777	345,621
Miscellaneous revenue	84,352	779,850	239,772	698,596
Interfund revenues	60,354,087		31,664,977	848,245
State aid	26,730,417	156,543	213,707	
Federal aid	199,781	589		
Total Revenues	<u>175,927,407</u>	<u>66,852,133</u>	<u>95,522,094</u>	<u>114,895,070</u>
EXPENDITURES				
Current:				
General government support	85,595,542			
Education	9,131,823			
Public safety	15,072,949			
Transportation	1,214,119	31,029,506		
Economic assistance and opportunity	4,256,066			
Culture and recreation	80,691		61,841,150	
Home and community services	9,248,280			164,421,629
Employee benefits	39,259,279	12,392,799	23,429,642	23,933,463
Capital Outlay				
Debt Service:				
Principal	69,283			
Interest	43,990			
Debt issuance costs				
Total Expenditures	<u>163,972,022</u>	<u>43,422,305</u>	<u>85,270,792</u>	<u>188,355,092</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,955,385</u>	<u>23,429,828</u>	<u>10,251,302</u>	<u>(73,460,022)</u>
Other Financing Sources (Uses)				
Transfers in	207,098	3,038,933		141,397
Transfers out	(9,566,280)	(26,939,798)	(6,012,852)	(3,499,549)
Payments to refunded bond escrow agent- debt service principal				
Issuance of debt				72,895,000
Refunding bonds issued				
Premiums on debt issuance	1,144,129	2,757,412	217,905	9,514,781
Total Other Financing Sources (Uses)	<u>(8,215,053)</u>	<u>(21,143,453)</u>	<u>(5,794,947)</u>	<u>79,051,629</u>
Net Change in Fund Balances	<u>3,740,332</u>	<u>2,286,375</u>	<u>4,456,355</u>	<u>5,591,607</u>
Fund Balance (Deficit) at Beginning of Year	<u>23,005,282</u>	<u>13,140,145</u>	<u>9,482,235</u>	<u>35,344,877</u>
Fund Balance at End of Year	<u>\$ 26,745,614</u>	<u>\$ 15,426,520</u>	<u>\$ 13,938,590</u>	<u>\$ 40,936,484</u>

Water Districts	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,059,517			\$ 23,396,524	\$ 274,331,023
326,654			1,632,979	11,114,281
15,171,494			11,151,659	51,308,200
237,138	\$ 126,532	\$ 35,994	13,357,513	51,646,253
1,220,331	1,305		346,450	4,638,981
				8,629,973
				2,133,773
			1,729,427	1,757,977
15,868			60,081	534,793
6,575	50,032		1,389,592	3,248,769
28,125			2,552,560	95,447,994
1,671	3,278,733		204,512	30,585,583
15,035	3,928,485		9,617,916	13,761,806
<u>23,082,408</u>	<u>7,385,087</u>	<u>35,994</u>	<u>65,439,213</u>	<u>549,139,406</u>
			401,184	85,996,726
				9,131,823
			23,514,952	38,587,901
			11,682,264	43,925,889
			3,747,876	8,003,942
			1,593,995	63,515,836
12,598,064			11,931,184	198,199,157
3,808,324			6,916,631	109,740,138
	30,214,690			30,214,690
		41,699,791	1,616,447	43,385,521
		11,963,737	357,829	12,365,556
		175,198		175,198
<u>16,406,388</u>	<u>30,214,690</u>	<u>53,838,726</u>	<u>61,762,362</u>	<u>643,242,377</u>
6,676,020	(22,829,603)	(53,802,732)	3,676,851	(94,102,971)
21,720	330,537	53,060,938	762,880	57,563,503
(4,298,047)	(3,202,050)	(22,900,739)	(4,044,927)	(57,563,503)
	55,101,774			(22,900,739)
		22,476,876		127,996,774
		1,038,572		22,476,876
216,187			10,987	14,899,973
(4,060,140)	52,230,261	53,675,647	(3,271,060)	142,472,884
<u>2,615,880</u>	<u>29,400,658</u>	<u>(127,085)</u>	<u>405,791</u>	<u>48,369,913</u>
17,800,773	(2,257,225)	1,548,751	19,517,019	117,581,857
<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>

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, 2018

Net Change in Fund Balances - Total Governmental Funds		\$ 48,369,913
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	\$ 29,775,303	
Depreciation expense	<u>(36,867,986)</u>	(7,092,683)
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		(454,090)
Net change in deferred outflows of resources not reported in the governmental fund statements:		
Pension - employees' retirement system	13,029,708	
Pension - length of service award program	<u>(405,243)</u>	12,624,465
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Unavailable revenue - water fees and sidewalk repair	407,911	
Premiums on bond issuances, net of amortization	(13,359,631)	
Amortization of deferred gains on debt refunding	<u>43,236</u>	(12,908,484)
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:		
Debt issued	(150,473,650)	
Repayment of debt principal	<u>64,600,530</u>	(85,873,120)
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	3,416,305	
Employees' retirement system net pension liability	37,779,970	
Length of service award program plan pension liability	120,660	
Compensated absences	1,943,124	
Claims and judgments, net of estimated recoveries	82,745,220	
Estimated liability for landfill closure and postclosure care costs	405,501	
Pollution remediation obligations	2,680,137	
Total other postemployment benefits liability	(42,034,831)	
Capital lease debt payments	1,685,730	
Accrued interest and accrued liabilities payable	<u>19,009</u>	88,760,825
Net change in deferred inflows of resources not reported in the governmental fund statements:		
Pension - employees' retirement system	(51,058,299)	
Pension - length of service award program	<u>(37,080)</u>	(51,095,379)
Change in Net Position of Governmental Activities		<u>\$ (7,668,553)</u>

TOWN OF HEMPSTEAD
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2018

	<u>Town of Hempstead Local Development Corporation</u>
ASSETS	
Cash and cash equivalents	\$ 2,251,826
Total Assets	<u>\$ 2,251,826</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 8,523
Total Liabilities	<u>\$ 8,523</u>
NET POSITION	
Unrestricted	\$ 2,243,303
Total Net Position	<u>\$ 2,243,303</u>

TOWN OF HEMPSTEAD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2018

	<u>Town of Hempstead Local Development Corporation</u>
OPERATING REVENUES	
Fees for services	\$ 210,636
Total Operating Revenues	<u>210,636</u>
OPERATING EXPENSES	
Contractual and professional fees	16,007
Rent	15,000
Compensation and related costs	7,643
Advertising	3,000
Office, meeting and travel	4,023
Total Operating Expenses	<u>45,673</u>
Income from operations	164,963
NON-OPERATING INCOME	
Interest income	<u>6,092</u>
Net Change in Net Position	171,055
Net Position at Beginning of Year	<u>2,072,248</u>
Net Position at End of Year	<u>\$ 2,243,303</u>

TOWN OF HEMPSTEAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2018

	<u>Town of Hempstead Local Development Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from services provided	\$ 210,636
Payments to suppliers and service providers	<u>(40,478)</u>
Net Cash Provided by Operating Activities	<u>170,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>6,092</u>
Net Cash Provided by Investing Activities	<u>6,092</u>
Net Increase in Cash and Cash Equivalents	176,250
Cash and Cash Equivalents at Beginning of Year	<u>2,075,576</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,251,826</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 164,963
Adjustments to reconcile operating income to net cash provided by operations:	
Increase in accounts payable and accrued liabilities	<u>5,195</u>
Net Cash Provided by Operating Activities	<u>\$ 170,158</u>

TOWN OF HEMPSTEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2018

		<u>Total Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$	<u>40,298,438</u>
Total Assets	\$	<u><u>40,298,438</u></u>
 LIABILITIES		
Other agency liabilities	\$	<u>10,213,637</u>
Due to other governments		<u>30,084,801</u>
Total Liabilities	\$	<u><u>40,298,438</u></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.

During 2018, the Town of Hempstead Housing Authority was determined to be a component unit of the Town.

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 Agency, (the "Housing Authority"), a municipal housing authority for the Town, (identified as a component unit in 2018), was established pursuant to the Housing Statues 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. (See Note 7 for additional information).

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 non-major 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 Fund – 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 Funds – 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	

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, where by 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 Funds

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 nonoperating expenses.

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

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.

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

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 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.

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 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, capital leases, pension related debt, net pension liabilities, length of service award program plan pension liability, compensated absences, claims and judgments, liability for landfill closure and postclosure care costs, pollution remediation, 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. 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 NYSEERS" 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 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 2018 which had an impact of the Town's financial statements:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this Statement resulted in a restatement of net position and expanded the related footnote disclosure and required supplementary information. See Note 7 for additional information.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date of the financial statements. 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".
- 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.

In order to show the full legal level of budgetary compliance for the General and certain Special Revenue Funds, detailed individual statements of revenues, expenditures and changes in fund balances – budget and actual, are presented in a separate budget report.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION (continued)

- 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 lasting through at least June 15, 2020. 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 2.33% tax levy cap for the 2018 Adopted Budget. On October 17, 2017, the members of the Town Board adopted the 2018 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:									
Long-term receivables	\$ 300,000								\$ 300,000
Inventory	3,474,462	\$ 4,757,417	\$ 687,843	\$ 40,798	\$ 588,365			\$ 277,967	9,826,852
Prepaid items	2,799,893	714,943	1,115,319	996,318	263,646			428,261	6,318,380
Permanent fund principal								1,337,867	1,337,867
Total Nonspendable	6,574,355	5,472,360	1,803,162	1,037,116	852,011	\$ -0-	\$ -0-	2,044,095	17,783,099
Restricted for:									
Debt service	922,819	808,497		21,974	130,919		1,421,666	27,805	3,333,680
Capital projects						\$ 27,143,433			27,143,433
Length of service award program plan benefits								3,020,273	3,020,273
Grantors and donor restrictions								275,852	275,852
Other reserves								411,138	411,138
Total Restricted	922,819	808,497	-0-	21,974	130,919	27,143,433	1,421,666	3,735,068	34,184,376
Assigned to:									
Subsequent year's budget	1,537,465							1,149,133	2,686,598
Purchases on order or contractual obligations	225,273	30,009	195,465	37,252	24,753			105,403	618,155
Special revenue funds		9,115,654	11,939,963	39,840,142	19,408,970			12,889,111	93,193,840
Total Assigned	1,762,738	9,145,663	12,135,428	39,877,394	19,433,723	-0-	-0-	14,143,647	96,498,593
Unassigned, reported in:									
General Fund	17,485,702								17,485,702
	17,485,702	-0-	-0-	-0-	-0-	-0-	-0-	-0-	17,485,702
Total Fund Balances	\$ 26,745,614	\$ 15,426,520	\$ 13,938,590	\$ 40,936,484	\$ 20,416,653	\$ 27,143,433	\$ 1,421,666	\$ 19,922,810	\$ 165,951,770

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, 2018 the Town's deposits were \$185,264,823. This amount is inclusive of fiduciary fund deposits of \$40,298,438 and restricted cash of \$2,549,427 but exclusive of petty cash of \$17,900 and the blended component unit cash of \$2,251,826. The related bank balances totaled \$192,134,011. Of the bank balance, \$111,704,713 was covered by federal deposit insurance, and \$80,429,298 was covered by collateral with a fair value of \$160,057,552, held by the Town's agent, a third-party financial institution, in the Town's name.

Restricted cash and cash equivalents consist of \$1,337,867 of monies held in the Permanent Fund which may not be spent and \$1,211,560 of monies restricted pursuant to grant agreements.

The bank balances of the blended component unit totaled \$2,253,737, of which \$250,000 was covered by federal deposit insurance and \$2,003,737 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 percent or more in securities of a single issuer.

As of December 31, 2018, 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, 2018, the LOSAP Plan assets consist of \$2,842,333 of investments in guaranteed annuity contracts and a \$177,940 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 \$2,842,333 are reported as amortized cost which approximates fair value. These are considered unallocated insurance contracts.

Limited Partnership

The LOSAP plan's \$177,940 investment in a limited partnership ("Partnership") is measured at net asset value ("NAV") per share (or its equivalent) as of December 31, 2018, 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, 2018 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	\$ 6,588,876	\$ 604,312
Highway	3,504,688	704,202
Park Districts	64,087	63,535
Refuse & Garbage Districts	2,341,276	333,616
Water Districts	332,946	9,666
Capital Projects	532,838	10,392,253
<u>Nonmajor Governmental Funds:</u>		
Town Outside Village	92,365	19,752
Special Grant		1,500,000
Fire Protection Districts	33,562	
Street Lighting District	86,736	1,642
Public Parking Districts	35,452	
Library Funding Districts	16,152	
	\$ 13,628,978	\$ 13,628,978

For cash flow purposes, 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 2019.

At December 31, 2018 individual fund interfund transfers balances for the primary government's governmental activities primarily represent receipt and payment of debt service and capital projects expenditures, and are stated as follows:

	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General	\$ 207,098	\$ 9,566,280
Highway	3,038,933	26,939,798
Park Districts		6,012,852
Refuse & Garbage Districts	141,397	3,499,549
Water Districts	21,720	4,298,047
Capital Projects	330,537	3,202,050
Debt Service	53,060,938	
<u>Nonmajor Governmental Funds:</u>		
Town Outside Village		177,051
Special Grant	762,880	
Fire Protection Districts		409,809
Street Lighting District		1,470,512
Public Parking Districts		1,975,625
Permanent		11,930
	\$ 57,563,503	\$ 57,563,503

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

C. DUE FROM OTHER GOVERNMENTS

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, 2018, the outstanding balance was \$58,004,209 and is reported in statement of net position as due from other governments and which \$52,203,788 is considered a long-term receivable. See Note 4B.

Additionally, due from other governments includes amounts pertaining to grants, mortgage tax revenue, sales tax revenue and special assessments, of which \$1,292,972 is considered long-term and \$27,289,209 is considered current.

D. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2018 are as follows:

Primary Government	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
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	572,885	\$ 712,406		1,285,291
Total capital assets not being depreciated	<u>87,540,170</u>	<u>712,406</u>	<u>\$ -0-</u>	<u>88,252,576</u>
Depreciable capital assets				
Infrastructure and improvements other than buildings	728,065,061	23,494,340	4,085,728	747,473,673
Buildings	43,128,659	735,675	213,809	43,650,525
Improvement to park portion of Merrick landfill	15,741,484			15,741,484
Machinery and equipment	117,966,575	4,199,688	1,499,196	120,667,067
Intangibles - software	5,399,842	633,194		6,033,036
Total depreciable capital assets	<u>910,301,621</u>	<u>29,062,897</u>	<u>5,798,733</u>	<u>933,565,785</u>
Less accumulated depreciation				
Infrastructure and improvements other than buildings	316,933,723	27,028,490	4,085,728	339,876,485
Buildings	15,633,756	2,978,191	213,809	18,398,138
Improvements to park portion of Merrick landfill	8,183,725	540,555		8,724,280
Machinery and equipment	100,233,700	5,868,257	1,499,196	104,602,761
Intangibles - software	4,040,890	452,493		4,493,383
Total accumulated depreciation	<u>\$ 445,025,794</u>	<u>\$ 36,867,986</u>	<u>\$ 5,798,733</u>	<u>476,095,047</u>
Total net depreciable capital assets				<u>457,470,738</u>
Total net capital assets - governmental activities				<u>\$ 545,723,314</u>
	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Business-Type Activities				
Depreciable capital assets				
Machinery and equipment	\$ 1,896			\$ 1,896
Furniture and fixtures	2,472			2,472
Total depreciable capital assets	<u>4,368</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>4,368</u>
Less accumulated depreciation				
	<u>\$ 4,368</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>4,368</u>
Total net capital assets - business-type activities				<u>\$ -0-</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	\$ 3,245,855	
Public safety	645,760	
Transportation	19,270,786	
Economic assistance and opportunity	38,325	
Culture and recreation	7,450,508	
Home and community services	6,216,752	
Total primary government depreciation expense	<u>\$ 36,867,986</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, 2018, the Town has not recorded any such impairment losses.

	(As Restated) Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Discretely Presented Nonmajor Component Units				
Capital assets not being depreciated				
Land	\$ 3,801,965			\$ 3,801,965
Construction in progress	330,924	\$ 4,187,417	\$ 73,835	4,444,506
Total capital assets not being depreciated	<u>4,132,889</u>	<u>4,187,417</u>	<u>73,835</u>	<u>8,246,471</u>
Depreciable capital assets				
Buildings	79,510,590	278,923		79,789,513
Improvements other than buildings	31,955,478	229,102		32,184,580
Machinery and equipment	17,942,860	119,648	32,040	18,030,468
Software	1,347	1,021,748	8,070	1,015,025
Infrastructure	13,718,368	41,159	650	13,758,877
Total depreciable capital assets	<u>143,128,643</u>	<u>1,690,580</u>	<u>40,760</u>	<u>144,778,463</u>
Less total accumulated depreciation	<u>\$ 83,741,596</u>	<u>\$ 3,985,286</u>	<u>\$ 35,728</u>	87,691,154
Total net depreciable capital assets				<u>57,087,309</u>
Total net capital assets				<u>\$ 65,333,780</u>

See Note 7 for additional information about changes to previously issued report.

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, 2018 is as follows:

	(As Restated) Beginning Balance 1/1/2018	New Issues/ Additions	Maturities/ Reductions	Ending Balance 12/31/2018	Non-current liabilities due within one year	Non-current liabilities
Primary Government						
Governmental Activities:						
Bonds Payable						
General obligation bonds	\$ 317,803,708	150,473,650	\$ 64,600,530	\$ 403,676,828	\$ 40,067,123	\$ 363,609,705
Plus premiums on issuance	17,233,825	14,899,973	3,269,805	28,863,993		28,863,993
Total Bonds Payable	335,037,533	\$ 165,373,623	67,870,335	432,540,821	40,067,123	392,473,698
Capital leases	13,177,647		1,685,730	11,491,917	1,738,346	9,753,571
Pension related debt	22,387,903		3,416,305	18,971,598	3,619,935	15,351,663
Employees' retirement system net pension liability	56,314,216	37,813,687	75,593,657	18,534,246		18,534,246
Length of service award program plan pension liability	5,361,443	344,376	465,036	5,240,783		5,240,783
Compensated absences	48,462,069	28,642,797	30,585,921	46,518,945	5,405,502	41,113,443
Claims and judgments	117,597,162	21,511,811	102,435,822	36,673,151	11,799,000	24,874,151
Estimated liability for landfill closure and postclosure care costs	1,423,954		405,501	1,018,453	60,800	957,653
Pollution remediation obligations	12,792,870	1,249,918	3,930,055	10,112,733	8,724,132	1,388,601
Total other postemployment benefits liability	1,051,828,242	75,480,944	33,446,113	1,093,863,073		1,093,863,073
Total non-current liabilities	<u>\$ 1,664,383,039</u>	<u>\$ 330,417,156</u>	<u>\$ 319,834,475</u>	<u>\$ 1,674,965,720</u>	<u>\$ 71,414,838</u>	<u>\$ 1,603,550,882</u>
Nonmajor Component Units:						
Bonds Payable						
General obligation bonds	\$ 15,276,291	15,318,124	\$ 9,094,469	\$ 21,499,946	\$ 969,651	\$ 20,530,295
Plus premiums on issuance	137,852	276,053	10,515	403,390		403,390
Total Bonds Payable	15,414,143	\$ 15,594,177	9,104,984	21,903,336	969,651	20,933,685
Pension related debt	418,302		75,557	342,745	74,935	267,810
Employees' retirement system net pension liability	3,137,227		2,022,684	1,114,543		1,114,543
Compensated absences	2,446,001	312,097	377,401	2,380,697	218,945	2,161,752
Total other postemployment benefits liability	35,951,492	2,183,601	3,394,006	34,741,087		34,741,087
Total non-current liabilities	<u>\$ 57,367,165</u>	<u>\$ 18,089,875</u>	<u>\$ 14,974,632</u>	<u>\$ 60,482,408</u>	<u>\$ 1,263,531</u>	<u>\$ 59,218,877</u>

See Note 7 for additional information about changes to previously issued report.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

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. 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%.

A summary of these bonds are as follows:

	Balance 1/1/2018	Issued	Redeemed	Balance 12/31/2018
Primary Government, Governmental Activities:				
Capital Projects Fund:				
General	\$ 58,119,691	\$ 15,782,358	\$ 8,339,619	\$ 65,562,430
Highway	153,329,802	45,028,759	32,088,124	166,270,437
Park Districts	37,114,818	8,398,597	10,543,247	34,970,168
Refuse and Garbage Districts	19,371,343	75,917,973	4,410,955	90,878,361
Part-town	909,898	135,166	258,844	786,220
Fire Districts	1,023,336		361,959	661,377
Lighting District	7,512,750	1,129,108	2,330,358	6,311,500
Parking Districts	9,247,690	534,141	2,107,452	7,674,379
Water District	29,625,629	3,547,548	4,032,887	29,140,290
Other	1,548,751		127,085	1,421,666
Total primary government	<u>317,803,708</u>	<u>150,473,650</u>	<u>64,600,530</u>	<u>403,676,828</u>
Nonmajor Component units:				
Library Districts	7,261,754	4,376,256	5,268,784	6,369,226
Water Districts	8,014,537	10,941,868	3,825,685	15,130,720
Total nonmajor component units	<u>15,276,291</u>	<u>15,318,124</u>	<u>9,094,469</u>	<u>21,499,946</u>
Total general obligation bonds	<u>\$ 333,079,999</u>	<u>\$ 165,791,774</u>	<u>\$ 73,694,999</u>	<u>\$ 425,176,774</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)

Future principal and interest payments to maturity are as follows:

Primary Government, Governmental Activities:

		Principal	Interest	Total Principal and Interest
Years Ending December 31,	2019	\$ 40,067,123	\$ 16,939,719	\$ 57,006,842
	2020	43,342,774	13,337,257	56,680,031
	2021	41,652,055	11,566,592	53,218,647
	2022	39,694,479	9,925,039	49,619,518
	2023	41,133,760	8,474,765	49,608,525
	2024-2028	164,420,737	22,184,740	186,605,477
	2029-2033	31,962,642	1,900,064	33,862,706
	2034-2038	1,403,258	140,670	1,543,928
	Total primary government		<u>403,676,828</u>	<u>84,468,846</u>

Nonmajor Component Units:

		Principal	Interest	Total Principal and Interest
Years Ending December 31,	2019	\$ 969,651	\$ 755,698	\$ 1,725,349
	2020	937,226	740,312	1,677,538
	2021	977,945	700,777	1,678,722
	2022	1,005,521	659,930	1,665,451
	2023	1,051,240	617,904	1,669,144
	2024-2028	5,829,263	2,432,616	8,261,879
	2029-2033	5,532,358	1,340,362	6,872,720
	2034-2038	5,196,742	503,367	5,700,109
	Total nonmajor component units		<u>21,499,946</u>	<u>7,750,966</u>
Total Principal and Interest		<u>\$ 425,176,774</u>	<u>\$ 92,219,812</u>	<u>\$ 517,396,586</u>

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, 2018.

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)

Outstanding Bond Issues

Issue	Average Rate	Original Amount	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-2010, Series A	2.99083%	\$ 73,377,025	\$ 32,305,000	April 15, 2035
General Obligation Serial Bonds-2011, Series A	3.02130%	49,840,320	30,250,000	August 1, 2027
General Obligation Serial Bonds-2011, Series B	3.32884%	6,300,000	4,320,000	August 1, 2030
NYS EFC Refunding Bonds - Series A	2.81598%	920,000	110,000	June 15, 2019
General Obligation Serial Bonds-2012, Series A	2.99083%	49,869,000	30,305,000	August 15, 2037
General Obligation Serial Bonds-2014, Series A	2.55402%	46,254,170	34,470,000	January 1, 2026
General Obligation Serial Bonds-2015 Series A	2.44205%	67,144,108	55,680,000	December 15, 2028
General Obligation Serial Bonds-2017 Series A	2.66126%	75,735,000	75,055,000	April 1, 2030
General Obligation Serial Bonds-2018 Series A	2.39110%	72,895,000	72,895,000	June 15, 2028
General Obligation Serial Bonds-2018 Series B	2.72100%	55,101,774	55,101,774	September 15, 2031
General Obligation Serial Bonds-2018 Series C	3.17230%	7,600,000	7,600,000	September 15, 2038
General Obligation Refunding Serial Bonds-2018 Series D	2.90460%	30,195,000	27,085,000	August 15, 2038
		<u>\$ 535,231,397</u>	<u>\$ 425,176,774</u>	

Current Refunding

During 2018, the Town issued \$30,195,000 of Public Improvement Refunding Bonds for the Town and its component units with interest rates ranging from 2.125% to 5.000% and matures in 2038. Of the \$30,195,000 bonds issued, \$22,476,876 was for the refunding of Town debt and \$7,718,124 was for the refunding of component unit debt. The proceeds were used to currently refund \$30,600,000 of outstanding 2007 Series A, 2008 Series A and B public improvement bonds (\$22,900,739 relates to the Town and \$7,699,261 relates to component units) which had interest rates ranging from 4.0% to 5.0%.

The total net proceeds of \$31,210,376 (including \$1,247,061 premium and after payment of \$231,685 in underwriting and other issuance costs) were used to current refund \$30,600,000 of debt (\$22,900,739 of Town debt and \$7,699,261 of component unit debt), plus accrued interest of \$610,376. The current refunding was done in order to reduce debt payments in the short-term. The refunding decreased total debt service payments by \$2,761,380 of which \$1,430,493 related to the Town and \$1,330,887 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 \$2,224,622 of which \$1,152,433 related to the Town and \$1,072,189 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, 2018 there are no outstanding bonds considered defeased.

CAPITAL LEASES

During December 2016, the Town entered into a lease agreement for financing the acquisition of street lighting equipment. Under the terms of the agreement, the lessor will purchase \$800,000 of street lighting equipment, which will be leased to the Town through December 2026. The Town is required to make semi-annual installments of \$113,273, including interest at 5.699%, through December 2026. As street lighting equipment will be purchased in installments, the lessor initially deposited \$800,000 in an escrow account. As purchases are made in the name of the lessor, the escrow account is reduced. As of December 31, 2018, \$647,997 of purchases have been made, and the cash escrow balance, including interest is \$155,103 at December 31, 2018. The equipment has been reported in infrastructure and improvements classification of capital assets and has accumulated depreciation of \$25,920 at December 31, 2018. The Town recognized depreciation expense of \$25,920 of depreciation expense related to this asset during 2018.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

CAPITAL LEASES (continued)

During 2015, the Town entered into a lease agreement for financing the acquisition of street lighting equipment. Under the terms of the agreement, the lessor will purchase \$15,289,045 of street lighting equipment, which will be leased to the Town through December 2024. The Town will make semi-annual installments of \$1,974,276 including interest at 2.985%, through December 2024. As the street lighting equipment is being purchased in installments, the lessor initially deposited \$15,253,726 in an escrow account, in the name of the Town. As purchases were made in the name of the lessor, the escrow cash balance was reduced. As of December 31, 2018, \$15,253,726 of street lighting equipment has been purchased and the escrow balance is \$-0-. The equipment has been reported in infrastructure assets and has accumulated depreciation of \$1,468,205 at December 31, 2018. The Town recognized \$608,028 of depreciation expense related to these assets during 2018.

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, are as follows:

Years ending December 31, 2019	\$ 2,087,549
2020	2,087,549
2021	2,087,549
2022	2,087,549
2023	2,087,549
2024-2026	<u>2,314,095</u>
Total minimum lease payments	12,751,840
Less: amount representing interest	<u>(1,259,923)</u>
Present value of minimum lease payments	<u>\$ 11,491,917</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, 2018, the outstanding debt induced by the TOHLDC and TOHIDA and issued by other entities amount to approximately \$522,355,000 and \$90,950,592, respectively.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM

Plan Description

The Town participates in the New York State and Local Employees' Retirement System ("NYSERS" or the "System"), a cost sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits Provided

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

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit, there is no minimum service requirement. 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 NYSRSSL, Tier 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. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least 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. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% 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 ERS 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: 1) all pensioners who have attained age 62 and have been retired for five years; 2) all pensioners who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime 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

The System is noncontributory except for employees who joined the System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3% of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending upon salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller certifies annually the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems fiscal year ending March 31st.

The required contributions, for the Town for the current year and two preceding years were:

Annual Required Contribution - ERS						
	Amount	Credits & Miscellaneous Adjustments	Prepayment Discount	Amortization Payments	Total Payment	
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	
2016	25,764,915	88,077	-0-	4,267,444	30,120,436	

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 percent 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 one percent 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, 2018 is \$18,971,598. 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, 2019	\$ 3,619,935	\$ 629,972	\$ 4,249,907
2020	3,741,252	508,655	4,249,907
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
2024-2025	2,139,938	89,643	2,229,581
	\$ 18,971,598	\$ 2,012,950	\$ 20,984,548

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

At December 31, 2018, the Town reported a liability of \$18,534,246 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2018	\$ 18,534,246	0.57426990%

There was no significant change in the Town's proportionate share of 0.59932820% at March 31, 2017 to 0.57426990% at March 31, 2018.

The net pension liability for the nonmajor components units totaled \$1,114,543.

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, 2018, the Town recognized pension expense of \$23,630,181 in the government-wide statement of activities - governmental activities. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,610,564	\$ 5,462,722
Changes of assumptions	12,289,736	
Net difference between projected and actual earnings on pension plan investments	26,919,524	53,136,439
Changes in proportion and differences between the Town's contribution and proportionate share of contributions	4,292,133	1,378,536
Town's contributions subsequent to the measurement date, net of prepaid amounts	<u>17,203,757</u>	
Total	<u><u>\$ 67,315,714</u></u>	<u><u>\$ 59,977,697</u></u>

The Town's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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, 2019	\$	5,190,850
2020		4,144,147
2021		(13,059,177)
2022		<u>(6,141,560)</u>
	<u>\$</u>	<u>(9,865,740)</u>

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, 2017
Interest rate	7.00%
Salary increase	3.80%
Cost of living adjustment	1.30%
Inflation Rate	2.50%

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, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

Asset Type:	<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%	75.00%
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)	\$ 140,235,096	\$ 18,534,246	\$ (84,419,810)
Nonmajor component unit's proportionate share of the collective net pension liability (asset)	\$ 8,004,508	\$ 1,114,543	\$ (4,818,617)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the respective valuation dates were as follows:

Valuation Date	(Dollars in Thousands)	
	April 1, 2017	
Employers' total pension liability	\$	(183,400,590)
Plan net position		180,173,145
Employers' net pension liability	\$	(3,227,445)
Ratio of plan net position to the Employers' total pension liability		98.24%

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 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, 2018, the LOSAP Plans' measurement date, the following participants were covered by the benefit terms:

Inactive participants receiving benefits	26
Inactive participants entitled to, but not yet receiving benefits	63
Active participants	113
 Total	 202

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, 2018, the Town contributed \$222,828 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 assets have been placed in a grantor/rabbi trust and therefore the 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, 2018 measurement date was determined using an actuarial valuation as of that same date.

Actuarial Assumptions

The total pension liability as of December 31, 2018 (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	3.71%
Inflation rate	1.8%
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)

Mortality rates were based on the RP-2000 Mortality Table projected for mortality improvement to the year 2019. 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 3.71% for the December 31, 2018 actuarial valuation and 3.31% for the December 31, 2017 actuarial valuation.

LOSAP Total Pension Liability

The Town's total pension liability related to the LOSAP plan totaled \$5,240,783 at December 31, 2018.

Below summarizes the change in the total pension liability from December 31, 2017 to December 31, 2018:

Balance at beginning of year	\$	5,361,443
Service costs		167,974
Interest		176,402
Changes of assumptions or other inputs		(357,895)
Differences between expected and actual experience		(39,634)
Benefit payments		(67,507)
		(67,507)
Balance at end of year	\$	5,240,783

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 3.71%, 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 (2.71%) or 1-percentage point higher (4.71%) than the current rate:

	1% Decrease 2.71%	Current Assumption 3.71%	1% Decrease 4.71%
Total pension liability	\$ 6,371,000	\$ 5,240,783	\$ 4,348,000

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

For the year ended December 31, 2018, the Town recognized LOSAP pension expense of \$365,362.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the LOSAP pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 70,474
Changes in assumptions	\$ 213,800	
	\$ 213,800	\$ 70,474
Total	\$ 213,800	\$ 70,474

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, 2019	\$	14,651
2020		14,651
2021		14,651
2022		14,651
2023		14,651
Thereafter		70,071
	<u>\$</u>	<u>143,326</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 2018 and the plan's statement of receives and disbursements for 2018.

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, 2017		\$	2,782,089
Changes during the year:			
(+) Plan contributions	\$		222,828
(+) Investment income earned			108,663
(+/-) Changes in fair market value of investments			(17,074)
(-) Plan benefit withdrawals			67,507
(-) Administrative and other fees/charges			8,726
			238,184
Plan assets, December 31, 2018		\$	3,020,273

Contributions and Administration Fees

Amount of sponsor's required contribution for 2018:	Minimum	\$	217,713
	Maximum	\$	233,454

Amount of sponsor's actual contribution:

Plan contributions	\$	222,828	
Administrative fees		1,330	
Amount paid to the plan			\$ 224,158

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 1, 2018 (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 mortality tables male projected to 2018
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 (Unaudited)

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.

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 6 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 \$2,040 in 2018, 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 (Unaudited) (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 \$1,093,863,073 was measured as of December 31, 2018 (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 noncurrent 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, 2018, was determined using the following actuarial assumptions and other inputs:

Census collection date	January 1, 2018
Discount rate	4.10%
Healthcare cost trend rates (pre 65/post 65)	2.75%/9.25%, 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)

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

I. OTHER POSTEMPLOYMENT BENEFITS (Unaudited) (continued)

Changes in the Total OPEB Liability

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

Balance at the beginning of year, as originally reported	\$	514,862,234
Cumulative effect of implementation of GASB Statement No. 75		536,966,008
Total OPEB liability, December 31, 2017 measurement date		1,051,828,242
Changes for the year:		
Service costs		33,041,631
Interest		42,439,313
Benefit payments		(33,446,113)
Balance as of the December 31, 2018 measurement date	\$	1,093,863,073

The total OPEB liability for the nonmajor component units totaled \$34,741,087.

Sensitivity of the Total OPEB liability to Changes

The following presents the total OPEB liability at December 31, 2018, 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 3.10%	Current Assumption 4.10%	1% Increase 5.10%
	Town's total OPEB liability	\$ 1,222,424,709	\$ 1,093,863,073
Nonmajor component units			
total OPEB liability	40,662,900	34,741,087	29,207,736

The following presents the total OPEB liability at December 31, 2018, 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 1.75% to 4.0%	Current Assumption 2.75% to 5.0%	1% Increase 3.75% to 6.0%
	Town's total OPEB liability	\$ 916,476,415	\$ 1,093,863,073
Nonmajor component units			
total OPEB liability	29,130,994	34,741,087	41,515,641

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2018, the Town recognized OPEB expense of \$75,480,944.

At December 31, 2018, the Town reported no deferred outflows and inflows of resources related to OPEB.

A copy of the Town of Hempstead Retiree Medical Program 2018 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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

J. COMPENSATED ABSENCES (continued)

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, 2018, the liability of the compensated absences was \$46,518,945 for the primary government's governmental activities. The liability for compensated absences for the nonmajor component units amounted to \$2,380,697.

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, 2018 was \$11,930. The amount of total net position restricted as nonexpendable, in the Permanent Fund, for the Greenfield Cemetery at December 31, 2018 was \$1,337,867.

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	
	2018	2017	2018	2017	2018	2017
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 30,288,699	\$ 29,290,743	\$ 7,047,463	\$ 6,316,432	\$ 80,261,000	\$ 8,008,309
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	12,940,417	12,016,994	5,325,401	3,227,048	3,245,993	72,252,691
Total incurred claims and claim adjustment expenditures	12,940,417	12,016,994	5,325,401	3,227,048	3,245,993	72,252,691
Payments						
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	11,725,467	11,019,038	7,847,200	2,496,017	82,863,155	-0-
Total unpaid claims and claim adjustment expenditures at the end of the year	\$ 31,503,649	\$ 30,288,699	\$ 4,525,664	\$ 7,047,463	\$ 643,838	\$ 80,261,000

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES

A. RISK RETENTION (continued)

There is no reported judgment and claims reported for the Town's business-type activities.

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 not 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 has 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 and await an argument date as of December, 2019.

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.

The Town had a total receivable under the Town/County Agreement dated September 27, 2016 of \$58,004,209.

The Town has demanded reimbursement from the County subject to the Town/County agreement. The County made its first annual installment payment to the Town under the Town/County agreement in April of 2019 in the amount of \$5,800,421, leaving a long-term receivable balance of 52,203,788 as of December 31, 2018.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

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 the parties are awaiting an oral argument date from the Court. All payments have been made to the County, accordingly, there is no provision in judgment and claims liability for this matter.

Personal Injury

A personal inquiry lawsuit brought in 2014 against the Town, claims multiple serious and permanent injuries stemming from a collision during a snow storm between the Plaintiff's truck and a Town owned snow plow. At December 31, 2017, the Town had reported a \$3 million liability related to this case, in 2018 the Town paid \$2.5 million to settle this matter, accordingly there is no provision in judgment and claims for this specific matter.

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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

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.

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, 2018 the Town has recorded a liability of \$1,018,453 in the government-wide financial statements, which represents the provision to be made in future budgets for unfunded closure and postclosure care landfill costs. As the liability is based on 100% of capacity there are no estimated costs of 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, 2018 has commitments for capital acquisitions and improvements of \$51,204,932 in the Capital Projects Fund that it is anticipated will be paid for by the issuance of general obligation bonds.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

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, 2018, 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	\$ 225,273
Highway	30,009
Park Districts	195,465
Refuse and Garbage Districts	37,252
Water Districts	24,753
Nonmajor Funds:	
Town Outside Village	95,573
Street Lighting District	9,830
	<u>\$ 618,155</u>

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, 2018, the Town's governmental activities has estimated pollution remediation obligations amounts at \$10,112,733 of which \$8,724,132 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, 2018, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$630,000.

In 2013, the Town entered into an agreement with Mohizif Café and Restaurant, Inc. for the management and maintenance of the restaurant and food service facilities in the Town Hall complex for the next two years. The agreement included options for five one-year extensions. Under the agreement Mohizif Café and Restaurant, Inc. will pay the Town an annual license fee of \$13,200. The value of these payments is estimated to be \$92,400 over the life of the agreement. The Town reports the restaurant and food service facilities in the Town Hall Complex as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2018, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$13,200.

In 2009 the Town entered into an agreement with Dover Gourmet Corp. for the management and maintenance of the Malibu Beach Park for the next ten years. Dover Gourmet will pay the Town an annual license fee of \$400,000, 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 \$4,000,000 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, 2018, the Town reports a receivable in the government-wide statement of net position and the General Fund balance sheet and deferred inflow of resources in the General Fund in the amount of \$186,764.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

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.

5. TAX ABATEMENTS

The Town is subject to tax abatements granted by 1) Nassau County Industrial Development Agency, an entity created by Nassau County and 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, 2018, 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, 2018, 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	\$ 7,188,366	\$ 1,506,822	\$ 262,386	\$ 8,957,574
PILOTs received	3,464,701	749,712	98,285	4,312,698
Net	<u>\$ 3,723,665</u>	<u>\$ 757,110</u>	<u>\$ 164,101</u>	<u>\$ 4,644,876</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, 2017, the tax lien date for the 2018 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, 2018:

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	\$ 2,885,504	\$ 33,166	\$ 199,693	\$ 559	\$ 805,835	\$ 115,574	\$ 33,166		\$ 2,163,229
Town of Hempstead Housing Authority	2,558,194	20,561,429	1,069,029	2,835,820	17,859,459	2,845,731	20,561,429		(19,913,787)
Lakeview Public Library District	2,440,553	2,238,459	196,671	57,032	77,955	185,600	2,238,459	\$ 1,000	2,315,637
Roosevelt Public Library District	571,147	12,121,477	452,085	704,993	6,630,482	297,862	5,632,570		(121,198)
Uniondale Public Library District	4,992,357	5,817,770	626,537	344,063	3,634,265	871,469	5,817,770	14,995	754,102
Cathedral Gardens Water District	175,436			7,814					167,622
Franklin Square Water District	4,314,397	5,606,657	424,782	1,024,553	12,712,603	480,511	28,476	1,511,413	(5,411,720)
West Hempstead - Hempstead Gardens Water District - Unaudited	9,087,691	15,342,761	640,872	619,228	10,958,103	509,254	11,823,425	4,519,283	(3,357,969)
Greater Atlantic Beach Water Reclamation District	1,393,155	3,612,061	296,924	347,565	6,540,175	460,071	1,322,952	1,018,864	(4,387,487)
	<u>\$ 28,418,434</u>	<u>\$ 65,333,780</u>	<u>\$ 3,906,593</u>	<u>\$ 5,941,627</u>	<u>\$ 59,218,877</u>	<u>\$ 5,766,072</u>	<u>\$ 47,458,247</u>	<u>\$ 7,065,555</u>	<u>\$ (27,791,571)</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 1/1/2018	12/31/2018
Town of Hempstead Industrial Development Agency	\$ 912,588	\$ 777,049			\$ 135,539		\$ 15,079	\$ (120,460)	\$ 2,316,855	\$ 2,196,395
Town of Hempstead Housing Authority	12,817,200	6,922,343	\$ 3,750,953	\$ 272,877	1,871,027		463,457	(1,407,570)	2,055,212	647,642
Lakeview Public Library District	1,142,913	7,458	4,191		1,131,264	1,355,163	88,907	312,806	4,242,290	4,555,096
Roosevelt Public Library District	3,528,792	25,933	29,492		3,473,367	3,023,289	36,266	(413,812)	5,925,184	5,511,372
Uniondale Public Library District	3,799,481	41,508	13,170	35,430	3,709,373	4,348,985	66,825	706,437	5,980,430	6,586,867
Cathedral Gardens Water District	70,605	4,125			66,480	49,507	163	(16,810)	184,432	167,622
Franklin Square Water District	3,084,822	1,748,078			1,336,744	1,039,662	244,103	(52,979)	(3,818,852)	(3,871,831)
West Hempstead - Hempstead Gardens Water District - Unaudited	4,752,744	2,171,106			2,581,638	1,683,764	533,675	(364,199)	13,348,938	12,984,739
Greater Atlantic Beach Water Reclamation District	2,114,611	207,776	71,719		1,835,116	1,810,073	2,557	(22,486)	(2,023,185)	(2,045,671)
	<u>\$ 32,223,756</u>	<u>\$ 11,905,376</u>	<u>\$ 3,869,525</u>	<u>\$ 308,307</u>	<u>\$ 16,140,548</u>	<u>\$ 13,310,443</u>	<u>\$ 1,451,032</u>	<u>\$ (1,379,073)</u>	<u>\$ 28,111,304</u>	<u>\$ 26,732,231</u>

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

Cumulative Effect of Change in Accounting Principle

During 2018, the Town implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The implementation of this Statement resulted in the retroactive reporting of assets, deferred outflows of resources, total OPEB liability and deferred inflows of resources related to the Town's defined benefit plan for healthcare.

Reporting Entity

During 2018 the Town of Hempstead Housing Authority was identified as a component unit of the Town and it is reported as a nonmajor discretely presented component unit.

Effects of Changes to Net Position/Fund Balance

The chart below summarizes the effects on restating net position and fund balances as of January 1, 2018 for the change in reporting entity and the implementation of GASB Statement No. 75:

	Primary Government Governmental Activities	Discretely Presented Component Units
Net position, as originally reported	\$ (351,018,957)	\$ 37,818,275
Cumulative effect of change in accounting principle: GASB Statement No. 75:	(536,966,008)	(22,289,212)
Change in reporting entity		12,582,241
Net position, as restated	\$ (887,984,965)	\$ 28,111,304

8. SUBSEQUENT EVENTS

In January 2019, the Town issued \$24.685 million, of 2019 Serial bonds at interest rates ranging from 3.0% to 5.00% and mature in 2035. The bonds were issued to currently refund \$26.405 million of 2010 Series A bonds related to the Town and its component units. The net proceeds (including premium on issuance less issuance costs) from the 2019 Series A bonds of \$26.913 million were placed in escrow to currently refund the 2010 Series A bonds. This refunding bond was issued to provide approximately \$1.6 million in cash flow savings to the Town and a net present value savings of approximately \$1.5 million. Bonds maturing in 2028 are subject to redemption prior to maturity date on any date after April 15, 2027 at 100% of the par amount plus accrued interest to the date of redemption.

In July 2019, the Town issued 2019 Series A and B Serial Bonds in the amount of \$72.572 million, and which bear interest at rates ranging from 2.125% to 5.000% and matures in years 2020-2032. Of the total bonds issued, \$45.507 million (Series A) were issued to finance various public improvements/capital projects and \$27.065 million (Series B) was issued to refund 2011 Series A and B bonds totaling \$31,290 million. The net proceeds (including premium on issuance less issuance costs) of the 2019 Series B refunding bonds of \$31.372 million was placed in escrow deposit for the current refunding of the 2011 Series A and B bonds. The refunding bonds were issued to provide approximately \$3.254 million in cash flow savings and a net present value savings of approximately \$3.091 million.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

8. SUBSEQUENT EVENTS (continued)

Bonds maturing in 2027 and thereafter will be subject to redemption prior to maturity on any date after August 15, 2026 (Series A) and August 1, 2026 (Series B) at 100% of the par amount plus accrued interest to the date of redemption.

9. 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 Asset Retirement Obligations*," the objective of which is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of the new Statement become effective for the Town for the year ended December 31, 2019.

Statement No. 84, "*Fiduciary Activities*," the objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of the new Statement become effective for the Town for the year ending December 31, 2019.

Statement No. 87, "*Leases*," requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for the Town for the year ending December 31, 2020.

Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*," the objective of which is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement 1) defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established, 2) requires that additional information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses, and 3) requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the Town for the year ending December 31, 2019.

Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*," the objectives of which are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for the Town for the year ending December 31, 2020.

Statement No. 90, "*Majority Equity Interests – an Amendment of GASB Statements No. 14 and 61*", the objective of which is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of information for certain component unit. This Statement defines and provides guidance for reporting majority interests in a legally separate entity. The requirements of this Statement are effective for the Town for the year ending December 31, 2019.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS

9. NEW PRONOUNCEMENTS (continued)

Statement No. 91, "*Conduit Debt Obligations*", the objective of which is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice 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 the Town for the year ending December 31, 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.

The Town adopts the budget and establishes legal level of control of the budget at the object level expenditures. The object level identifies expenditures by the article purchased or service obtained to carry out a function.

TOWN OF HEMPSTEAD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 34,556,748	\$ 34,556,748	\$ 35,185,454	\$ 628,706
Real property tax items	2,540,444	2,540,444	2,271,913	(268,531)
Non-property tax items	39,350,000	39,350,000	40,156,541	806,541
Departmental income	6,578,550	6,578,550	7,351,480	772,930
Intergovernmental charges	30,000	30,000	46,234	16,234
Use of money and property	1,081,000	1,081,000	1,380,089	299,089
Licenses and permits	2,392,260	2,392,260	2,093,889	(298,371)
Fines and forfeitures	20,000	20,000	27,350	7,350
Sale of property and compensation for loss	94,250	94,250	45,820	(48,430)
Miscellaneous revenue	322,000	322,000	84,352	(237,648)
Interfund revenues	60,180,825	60,180,825	60,354,087	173,262
State aid	25,783,885	25,783,885	26,730,417	946,532
Federal aid	-0-	-0-	199,781	199,781
Total Revenues	<u>172,929,962</u>	<u>172,929,962</u>	<u>175,927,407</u>	<u>2,997,445</u>
EXPENDITURES				
Current:				
General government support	86,032,058	87,843,200	85,595,542	2,247,658
Education	5,000,000	9,131,823	9,131,823	-0-
Public safety	13,474,423	15,183,540	15,072,949	110,591
Transportation	1,373,451	1,373,451	1,214,119	159,332
Economic assistance and opportunity	3,997,595	4,397,915	4,256,066	141,849
Culture and recreation	135,000	80,691	80,691	-0-
Home and community services	9,575,622	9,691,622	9,248,280	443,342
Employee benefits	38,489,179	39,259,502	39,259,279	223
Debt service:				
Principal	69,284	69,283	69,283	-0-
Interest	43,989	43,990	43,990	-0-
Total Expenditures	<u>158,190,601</u>	<u>167,075,017</u>	<u>163,972,022</u>	<u>3,102,995</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,739,361</u>	<u>5,854,945</u>	<u>11,955,385</u>	<u>6,100,440</u>
Other Financing Sources (Uses)				
Transfers in			207,098	207,098
Transfers out	(8,693,554)	(9,576,250)	(9,566,280)	9,970
Premiums on debt issuance	300,000	300,000	1,144,129	844,129
Total Other Financing Sources (Uses)	<u>(8,393,554)</u>	<u>(9,276,250)</u>	<u>(8,215,053)</u>	<u>1,081,197</u>
Net Change In Fund Balances*	<u>\$ 6,345,807</u>	<u>\$ (3,421,305)</u>	<u>3,740,332</u>	<u>\$ 7,161,637</u>
Fund Balances at Beginning of Year			<u>23,005,282</u>	
Fund Balances at End of Year			<u>\$ 26,745,614</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>\$ 6,345,807</u>			

TOWN OF HEMPSTEAD
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 62,805,869	\$ 62,805,869	\$ 62,806,210	\$ 341
Real property tax items	2,533,886	2,533,886	2,528,931	(4,955)
Intergovernmental charges	3,000	3,000	3,000	-0-
Use of money and property	143,500	143,500	555,384	411,884
Sale of property and compensation for loss	65,500	65,500	21,626	(43,874)
Miscellaneous revenue	375,250	375,250	779,850	404,600
State aid	150,000	150,000	156,543	6,543
Federal aid	-0-	-0-	589	589
Total Revenues	<u>66,077,005</u>	<u>66,077,005</u>	<u>66,852,133</u>	<u>775,128</u>
EXPENDITURES				
Current:				
Transportation	29,373,889	31,630,942	31,029,506	601,436
Employee benefits	11,905,583	12,392,801	12,392,799	2
Debt service:				
Interest	16,000			-0-
Total Expenditures	<u>41,295,472</u>	<u>44,023,743</u>	<u>43,422,305</u>	<u>601,438</u>
Excess of Revenues Over Expenditures	<u>24,781,533</u>	<u>22,053,262</u>	<u>23,429,828</u>	<u>1,376,566</u>
Other Financing Sources (Uses)				
Transfers in	2,800,000	2,800,000	3,038,933	238,933
Transfers out	(26,595,114)	(26,941,972)	(26,939,798)	2,174
Premiums on debt issuance	50,000	50,000	2,757,412	2,707,412
Total Other Financing Sources (Uses)	<u>(23,745,114)</u>	<u>(24,091,972)</u>	<u>(21,143,453)</u>	<u>2,948,519</u>
Net Change In Fund Balances*	<u>\$ 1,036,419</u>	<u>\$ (2,038,710)</u>	<u>2,286,375</u>	<u>\$ 4,325,085</u>
Fund Balances at Beginning of Year			<u>13,140,145</u>	
Fund Balances at End of Year			<u>\$ 15,426,520</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>\$ 1,036,419</u>			

TOWN OF HEMPSTEAD
PARK DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 56,518,480	\$ 56,518,480	\$ 56,518,503	\$ 23
Real property tax items	2,842,823	2,842,823	2,825,308	(17,515)
Departmental income	2,903,250	2,903,250	2,699,085	(204,165)
Intergovernmental charges	710,456	710,456	871,625	161,169
Use of money and property	245,949	245,950	442,140	196,190
Fines and forfeitures	7,500	7,500	1,200	(6,300)
Sale of property and compensation for loss	3,100	3,100	45,777	42,677
Miscellaneous revenue	220,000	344,366	239,772	(104,594)
Interfund revenues	31,664,977	31,664,977	31,664,977	-0-
State aid	165,000	490,000	213,707	(276,293)
Total Revenues	<u>95,281,535</u>	<u>95,730,902</u>	<u>95,522,094</u>	<u>(208,808)</u>
EXPENDITURES				
Current:				
Culture and recreation	60,135,158	62,434,212	61,841,150	593,062
Employee benefits	23,112,466	23,429,644	23,429,642	2
Total Expenditures	<u>83,247,624</u>	<u>85,863,856</u>	<u>85,270,792</u>	<u>593,064</u>
Excess of Revenues Over Expenditures	<u>12,033,911</u>	<u>9,867,046</u>	<u>10,251,302</u>	<u>384,256</u>
Other Financing Sources (Uses)				
Transfers out	(6,036,820)	(6,034,480)	(6,012,852)	21,628
Premiums on debt issuance	10,000	10,000	217,905	207,905
Total Other Financing Sources (Uses)	<u>(6,026,820)</u>	<u>(6,024,480)</u>	<u>(5,794,947)</u>	<u>229,533</u>
Net Change In Fund Balances*	<u>\$ 6,007,091</u>	<u>\$ 3,842,566</u>	<u>4,456,355</u>	<u>\$ 613,789</u>
Fund Balances at Beginning of Year			<u>9,482,235</u>	
Fund Balances at End of Year			<u>\$ 13,938,590</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>\$ 6,007,091</u>			

TOWN OF HEMPSTEAD
REFUSE AND GARBAGE DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 90,364,817	\$ 90,364,817	\$ 90,364,815	\$ (2)
Real property tax items	1,513,918	1,513,918	1,528,496	14,578
Departmental income	11,553,250	11,553,250	13,066,681	1,513,431
Intergovernmental charges	3,000,000	3,000,000	3,318,458	318,458
Use of money and property	4,077,300	4,077,300	4,684,274	606,974
Licenses & permits	30,000	30,000	39,884	9,884
Sale of property and compensation for loss	210,500	210,500	345,621	135,121
Miscellaneous revenue	735,000	735,000	698,596	(36,404)
Interfund revenues	1,000,000	1,000,000	848,245	(151,755)
Total Revenues	<u>112,484,785</u>	<u>112,484,785</u>	<u>114,895,070</u>	<u>2,410,285</u>
EXPENDITURES				
Current:				
Home and community services:				
Cost of refuse and garbage collections	80,245,877	81,599,298	81,558,474	40,824
Litigation settlement - utility companies	-0-	82,863,155	82,863,155	-0-
Employee benefits	23,474,676	23,933,465	23,933,463	2
Total Expenditures	<u>103,720,553</u>	<u>188,395,918</u>	<u>188,355,092</u>	<u>40,826</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,764,232</u>	<u>(75,911,133)</u>	<u>(73,460,022)</u>	<u>2,451,111</u>
Other Financing Sources (Uses)				
Transfers in			141,397	141,397
Transfers out	(3,566,169)	(3,499,551)	(3,499,549)	2
Issuance of debt	-0-	72,895,000	72,895,000	-0-
Premiums on debt issuance	26,500	26,500	9,514,781	9,488,281
Total Other Financing Sources (Uses)	<u>(3,539,669)</u>	<u>69,421,949</u>	<u>79,051,629</u>	<u>9,629,680</u>
Net Change In Fund Balances*	<u>\$ 5,224,563</u>	<u>\$ (6,489,184)</u>	<u>5,591,607</u>	<u>\$ 12,080,791</u>
Fund Balances at Beginning of Year			<u>35,344,877</u>	
Fund Balances at End of Year			<u>\$ 40,936,484</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>\$ 5,224,563</u>			

TOWN OF HEMPSTEAD
WATER DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 6,059,517	\$ 6,059,517	\$ 6,059,517	\$ -0-
Real property tax items	377,643	377,643	326,654	(50,989)
Departmental income	15,364,900	15,364,900	15,171,494	(193,406)
Intergovernmental charges	222,700	222,700	237,138	14,438
Use of money and property	1,064,700	1,064,700	1,220,331	155,631
Sale of property and compensation for loss	4,100	4,100	15,868	11,768
Miscellaneous revenue	2,000	2,000	6,575	4,575
Interfund revenues	30,225	30,225	28,125	(2,100)
State aid	-0-	-0-	1,671	1,671
Federal aid			15,035	15,035
Total Revenues	<u>23,125,785</u>	<u>23,125,785</u>	<u>23,082,408</u>	<u>(43,377)</u>
EXPENDITURES				
Current:				
Home and community services	12,344,147	12,869,851	12,598,064	271,787
Employee benefits	3,902,555	3,902,555	3,808,324	94,231
Total Expenditures	<u>16,246,702</u>	<u>16,772,406</u>	<u>16,406,388</u>	<u>366,018</u>
Excess of Revenues Over Expenditures	<u>6,879,083</u>	<u>6,353,379</u>	<u>6,676,020</u>	<u>322,641</u>
Other Financing Sources (Uses)				
Transfers in			21,720	21,720
Transfers out	(4,303,506)	(4,301,342)	(4,298,047)	3,295
Premiums on debt issuance	3,500	3,500	216,187	212,687
Total Other Financing Sources (Uses)	<u>(4,300,006)</u>	<u>(4,297,842)</u>	<u>(4,060,140)</u>	<u>237,702</u>
Net Change in Fund Balances*	<u>\$ 2,579,077</u>	<u>\$ 2,055,537</u>	<u>2,615,880</u>	<u>\$ 560,343</u>
Fund Balances at Beginning of Year			<u>17,800,773</u>	
Fund Balances at End of Year			<u>\$ 20,416,653</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>\$ 2,579,077</u>			

TOWN OF HEMPSTEAD
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIO
December 31, 2018

Total OPEB liability:	
Balance, beginning of year, as originally reported	\$ 514,862,234
Cumulative effect of implementation of GASB Statement No. 75	536,966,008
Balance, beginning of year, as restated	<u>1,051,828,242</u>
Changes for the year:	
Service costs	33,041,631
Interest	42,439,313
Benefit payments	<u>(33,446,113)</u>
Balance, end of year	<u><u>\$ 1,093,863,073</u></u>
Covered-employee payroll	\$ 145,893,496
Total OPEB liability as a percentage of covered-employee payroll	749.77%

Notes to the schedule:	
Measurement date	December 31, 2018
Discount rate	4.10%

There are no assets accounted in a trust which meets the criteria in GASB Statement No. 75 to pay related benefits.

This schedule is intended to present information for ten years, additional years' information will be present as it becomes available.

Changes of assumptions:

The discount rate used to measure the restated total OPEB liability at December 31, 2017 was 3.44%.

TOWN OF HEMPSTEAD
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2018

	March 31st,				
	2018	2017	2016	2015	2014
Town's proportion of the employees' retirement system net pension liability	0.5742699%	0.5993282%	0.6106243%	0.5928557%	0.5928557%
Town's proportionate share of the net pension liability (asset)	\$ 18,534,246	\$ 56,314,216	\$ 98,006,897	\$ 20,028,115	\$ 26,790,317
Covered payroll	\$ 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	11.96%	34.88%	60.68%	12.55%	16.17%
Plan fiduciary net position as a percentage of total pension liability	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 present as it becomes available.

TOWN OF HEMPSTEAD
SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2018

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
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%
2009	10,482,429	10,482,429	-0-	141,775,562	7.39%
2008	11,964,508	11,964,508	-0-	137,975,941	8.67%

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
December 31, 2018

Measurement date	December 31, 2018	December 31, 2017
Total pension liability:		
Service cost	\$ 167,974	\$ 135,034
Interest	176,402	173,996
Changes in assumptions	(357,895)	619,043
Differences between expected and actual experience	(39,634)	(33,394)
Benefit payments	(67,508)	(200,138)
Total pension liability - beginning of year	5,361,444	4,666,903
Total pension liability - end of year	\$ 5,240,783	\$ 5,361,444
 Covered payroll	N/A	N/A
 Total pension liability as a percentage of covered-employee payroll	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	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, 2018

	Special Revenue Funds			
	Town Outside Village	Special Grant	Fire Protection Districts	Street Lighting District
ASSETS				
Cash and cash equivalents	\$ 4,372,626		\$ 1,785,559	\$ 4,100,448
Cash and cash equivalents - restricted		\$ 1,211,560		
Accounts receivable	2,306,524		7,580	20,728
Due from other funds	92,365		33,562	86,736
Due from other governments	106,587	1,070,823		
Inventory				277,967
Prepaid items	263,398	154,563		
Length of service award program plan assets			3,020,273	
Other assets	25,100			
Total Assets	<u>\$ 7,166,600</u>	<u>\$ 2,436,946</u>	<u>\$ 4,846,974</u>	<u>\$ 4,485,879</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 514,190	\$ 506,531	\$ 116,103	\$ 238,643
Due to other funds	19,752	1,500,000		1,642
Total Liabilities	<u>533,942</u>	<u>2,006,531</u>	<u>116,103</u>	<u>240,285</u>
Fund Balances				
Nonspendable	263,398	154,563		277,967
Restricted	438,943	275,852	3,020,273	
Assigned	5,930,317		1,710,598	3,967,627
Total Fund Balances	<u>6,632,658</u>	<u>430,415</u>	<u>4,730,871</u>	<u>4,245,594</u>
Total Liabilities and Fund Balances	<u>\$ 7,166,600</u>	<u>\$ 2,436,946</u>	<u>\$ 4,846,974</u>	<u>\$ 4,485,879</u>

Public Parking Districts		Library Funding Districts		Permanent Fund	Total Nonmajor Governmental Funds
				Permanent Fund	
\$	2,313,848	\$	477,822	\$	13,050,303
	6,131		858		2,549,427
	35,452		16,152		2,341,821
					264,267
	10,300				1,177,410
					277,967
					428,261
					3,020,273
					25,100
<u>\$</u>	<u>2,365,731</u>	<u>\$</u>	<u>494,832</u>	<u>\$</u>	<u>23,134,829</u>
\$	29,337	\$	285,821		\$
					1,690,625
					1,521,394
	29,337	\$	285,821	\$	3,212,019
	10,300			1,337,867	2,044,095
	2,326,094	209,011			3,735,068
					14,143,647
	2,336,394	209,011		1,337,867	19,922,810
<u>\$</u>	<u>2,365,731</u>	<u>\$</u>	<u>494,832</u>	<u>\$</u>	<u>23,134,829</u>

TOWN OF HEMPSTEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	Special Revenue Funds			
	Town Outside Village	Special Grant	Fire Protection Districts	Street Lighting District
Revenues				
Real property taxes	\$ 3,518,379		\$ 4,948,315	\$ 9,818,350
Real property tax items	147,560		683,843	611,529
Non-property tax items	11,151,659			
Departmental income	13,330,999	\$ 11,533		
Use of money and property	28,952	2,203	130,503	100,404
Fines and forfeitures	1,728,827	600		
Sale of property and compensation for loss	4,731			55,350
Miscellaneous revenue	893,245	496,094		174
Interfund revenues				
State aid	204,512			
Federal aid	208,351	9,409,565		
Total Revenues	<u>31,217,215</u>	<u>9,919,995</u>	<u>5,782,661</u>	<u>10,585,807</u>
Expenditures				
Current:				
General government support	401,184			
Public safety	18,576,510		4,938,442	
Transportation				7,096,184
Economic assistance and opportunity		3,747,876		
Culture and recreation	65			
Home and community services	5,390,962	6,540,222		
Employee benefits	6,250,401		420,194	
Debt Service:				
Principal				1,616,447
Interest				357,829
Total Expenditures	<u>30,619,122</u>	<u>10,288,098</u>	<u>5,358,636</u>	<u>9,070,460</u>
Excess of Revenues Over Expenditures	<u>598,093</u>	<u>(368,103)</u>	<u>404,025</u>	<u>1,515,347</u>
Other Financing Sources (Uses)				
Transfers in		762,880		
Transfers out	(177,051)		(409,809)	(1,470,512)
Premiums on debt issuance	2,030			4,897
Total Other Financing Sources (Uses)	<u>(175,021)</u>	<u>762,880</u>	<u>(409,809)</u>	<u>(1,465,615)</u>
Net Change in Fund Balances	423,072	394,777	(5,784)	49,732
Fund Balances at Beginning of Year	<u>6,209,586</u>	<u>35,638</u>	<u>4,736,655</u>	<u>4,195,862</u>
Fund Balances at End of Year	<u>\$ 6,632,658</u>	<u>\$ 430,415</u>	<u>\$ 4,730,871</u>	<u>\$ 4,245,594</u>

		Permanent Fund			
Public Parking Districts	Library Funding Districts	Permanent Fund	Total Nonmajor Governmental Funds		
\$ 3,830,447	\$ 1,281,033		\$ 23,396,524		
111,521	78,526		1,632,979		
			11,151,659		
14,981			13,357,513		
53,730	18,728	\$ 11,930	346,450		
			1,729,427		
			60,081		
79			1,389,592		
2,552,560			2,552,560		
			204,512		
			9,617,916		
<u>6,563,318</u>	<u>1,378,287</u>	<u>11,930</u>	<u>65,439,213</u>		
			401,184		
			23,514,952		
4,586,080			11,682,264		
	1,593,930		3,747,876		
			1,593,995		
			11,931,184		
246,036			6,916,631		
			1,616,447		
			357,829		
<u>4,832,116</u>	<u>1,593,930</u>	<u>-0-</u>	<u>61,762,362</u>		
<u>1,731,202</u>	<u>(215,643)</u>	<u>11,930</u>	<u>3,676,851</u>		
			762,880		
(1,975,625)		(11,930)	(4,044,927)		
4,060			10,987		
<u>(1,971,565)</u>	<u>-0-</u>	<u>(11,930)</u>	<u>(3,271,060)</u>		
(240,363)	(215,643)	-0-	405,791		
<u>2,576,757</u>	<u>424,654</u>	<u>1,337,867</u>	<u>19,517,019</u>		
<u>\$ 2,336,394</u>	<u>\$ 209,011</u>	<u>\$ 1,337,867</u>	<u>\$ 19,922,810</u>		

TOWN OF HEMPSTEAD
TOWN OUTSIDE VILLAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,518,384	\$ 3,518,384	\$ 3,518,379	\$ (5)
Real property tax items	153,149	153,149	147,560	(5,589)
Non-property tax items	11,800,000	11,800,000	11,151,659	(648,341)
Departmental income	13,350,000	13,350,000	13,330,999	(19,001)
Use of money and property	8,000	8,000	28,952	20,952
Fines and forfeitures	1,700,000	1,700,000	1,728,827	28,827
Sale of property and compensation for loss			4,731	4,731
Miscellaneous revenue	1,010,000	1,010,000	893,245	(116,755)
Interfund revenues	10,000	10,000		(10,000)
State aid	200,000	200,000	204,512	4,512
Federal aid			208,351	208,351
Total Revenues	<u>31,749,533</u>	<u>31,749,533</u>	<u>31,217,215</u>	<u>(532,318)</u>
EXPENDITURES				
Current:				
General government support	478,000	401,186	401,184	2
Public safety	19,223,490	19,223,490	18,576,510	646,980
Culture and recreation	1,500	1,500	65	1,435
Home and community services	5,461,181	5,811,181	5,390,962	420,219
Employee benefits	5,921,925	6,250,405	6,250,401	4
Debt service:				
Interest	5,000			-0-
Total Expenditures	<u>31,091,096</u>	<u>31,687,762</u>	<u>30,619,122</u>	<u>1,068,640</u>
Excess of Revenues Over Expenditures				
	<u>658,437</u>	<u>61,771</u>	<u>598,093</u>	<u>536,322</u>
Other Financing Sources (Uses)				
Transfers out	(177,605)	(177,052)	(177,051)	1
Premiums on debt issuance	1,000	1,000	2,030	1,030
Total Other Financing Sources (Uses)	<u>(176,605)</u>	<u>(176,052)</u>	<u>(175,021)</u>	<u>1,031</u>
Net Change in Fund Balances*	<u>\$ 481,832</u>	<u>\$ (114,281)</u>	423,072	<u>\$ 537,353</u>
Fund Balances at Beginning of Year			<u>6,209,586</u>	
Fund Balances at End of Year			<u>\$ 6,632,658</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>\$ 481,832</u>			

TOWN OF HEMPSTEAD
FIRE PROTECTION DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 4,948,314	\$ 4,948,314	\$ 4,948,315	\$ 1
Real property tax items	692,914	692,914	683,843	(9,071)
Use of money and property	9,380	9,380	130,503	121,123
Total Revenues	<u>5,650,608</u>	<u>5,650,608</u>	<u>5,762,661</u>	<u>112,053</u>
EXPENDITURES				
Current:				
Public safety	5,009,140	5,079,946	4,938,442	141,504
Employee benefits	658,500	605,862	420,194	185,668
Total Expenditures	<u>5,667,640</u>	<u>5,685,808</u>	<u>5,358,636</u>	<u>327,172</u>
Excess of Revenues Over Expenditures	<u>(17,032)</u>	<u>(35,200)</u>	<u>404,025</u>	<u>439,225</u>
Other Financing (Uses)				
Transfers out	(409,809)	(409,809)	(409,809)	-0-
Total Other Financing (Uses)	<u>(409,809)</u>	<u>(409,809)</u>	<u>(409,809)</u>	<u>-0-</u>
Net Change in Fund Balances*	<u>\$ (426,841)</u>	<u>\$ (445,009)</u>	<u>(5,784)</u>	<u>\$ 439,225</u>
Fund Balances at Beginning of Year			<u>4,736,655</u>	
Fund Balances at End of Year			<u>\$ 4,730,871</u>	

* The net change in fund balances was included in the budget as an appropriation of fund balance.

TOWN OF HEMPSTEAD
STREET LIGHTING DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 9,818,341	\$ 9,818,341	\$ 9,818,350	\$ 9
Real property tax items	618,184	618,184	611,529	(6,655)
Use of money and property	20,010	20,010	100,404	80,394
Sale of property and compensation for loss	50,000	50,000	55,350	5,350
Miscellaneous revenue			174	174
Total Revenues	<u>10,506,535</u>	<u>10,506,535</u>	<u>10,585,807</u>	<u>79,272</u>
EXPENDITURES				
Current:				
Transportation	7,143,345	7,143,345	7,096,184	47,161
Debt service:				
Principal - installment purchase debt	1,616,447	1,616,447	1,616,447	-0-
Interest - installment purchase debt	357,829	357,829	357,829	-0-
Total Expenditures	<u>9,117,621</u>	<u>9,117,621</u>	<u>9,070,460</u>	<u>47,161</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,388,914</u>	<u>1,388,914</u>	<u>1,515,347</u>	<u>126,433</u>
Other Financing Sources (Uses)				
Transfers out	(1,476,469)	(1,476,469)	(1,470,512)	5,957
Premiums on debt issuance	5,000	5,000	4,897	(103)
Total Other Financing Sources (Uses)	<u>(1,471,469)</u>	<u>(1,471,469)</u>	<u>(1,465,615)</u>	<u>5,854</u>
Net Change in Fund Balances*	<u>\$ (82,555)</u>	<u>\$ (82,555)</u>	49,732	<u>\$ 132,287</u>
Fund Balances at Beginning of Year			<u>4,195,862</u>	
Fund Balances at End of Year			<u>\$ 4,245,594</u>	

The net change in fund balances was included in the subsequent year budget as an appropriation of fund balance and purchase orders brought forward.

TOWN OF HEMPSTEAD
PUBLIC PARKING DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,830,438	\$ 3,830,438	\$ 3,830,447	\$ 9
Real property tax items	103,479	103,479	111,521	8,042
Departmental income	17,000	17,000	14,981	(2,019)
Use of money and property	12,905	12,905	53,730	40,825
Miscellaneous revenue			79	79
Interfund revenues	2,552,560	2,552,560	2,552,560	-0-
Total Revenues	<u>6,516,382</u>	<u>6,516,382</u>	<u>6,563,318</u>	<u>46,936</u>
EXPENDITURES				
Current:				
Transportation	4,526,946	4,664,517	4,586,080	78,437
Employee benefits	202,975	246,037	246,036	1
Total Expenditures	<u>4,729,921</u>	<u>4,910,554</u>	<u>4,832,116</u>	<u>78,438</u>
Excess of Revenues Over Expenditures	<u>1,786,461</u>	<u>1,605,828</u>	<u>1,731,202</u>	<u>125,374</u>
Other Financing Sources (Uses)				
Transfers out	(1,977,766)	(1,978,791)	(1,975,625)	3,166
Premiums on debt issuance			4,060	4,060
Total Other Financing Sources (Uses)	<u>(1,977,766)</u>	<u>(1,978,791)</u>	<u>(1,971,565)</u>	<u>7,226</u>
Net Change in Fund Balances*	<u>\$ (191,305)</u>	<u>\$ (372,963)</u>	<u>(240,363)</u>	<u>\$ 132,600</u>
Fund Balances at Beginning of Year			<u>2,576,757</u>	
Fund Balances at End of Year			<u>\$ 2,336,394</u>	

* The net change in fund balances was included in the budget as an appropriation of fund balance.

TOWN OF HEMPSTEAD
LIBRARY FUNDING DISTRICTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 1,281,032	\$ 1,281,032	\$ 1,281,033	\$ 1
Real property tax items	79,030	79,030	78,526	(504)
Use of money and property	2,815	2,815	18,728	15,913
Total Revenues	<u>1,362,877</u>	<u>1,362,877</u>	<u>1,378,287</u>	<u>15,410</u>
EXPENDITURES				
Current:				
Culture and recreation	1,426,551	1,620,117	1,593,930	26,187
Total Expenditures	<u>1,426,551</u>	<u>1,620,117</u>	<u>1,593,930</u>	<u>26,187</u>
Excess of Revenues Over Expenditures				
	<u>(63,674)</u>	<u>(257,240)</u>	<u>(215,643)</u>	<u>41,597</u>
Net Change in Fund Balances*	<u>\$ (63,674)</u>	<u>\$ (257,240)</u>	<u>(215,643)</u>	<u>\$ 41,597</u>
Fund Balances at Beginning of Year			<u>424,654</u>	
Fund Balances at End of Year			<u>\$ 209,011</u>	

* The net change in fund balances was included in the budget as an appropriation of fund balance.

TOWN OF HEMPSTEAD
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
<u>ASSETS</u>				
Town Agency				
Cash and cash equivalents	\$ 12,408,151	\$ 526,922,453	\$ 529,116,967	\$ 10,213,637
Total Assets - Town	<u>12,408,151</u>	<u>526,922,453</u>	<u>529,116,967</u>	<u>10,213,637</u>
Town Clerk Agency Fund				
Cash and cash equivalents	204,390	1,651,155	1,635,474	220,071
Total Assets - Town Clerk	<u>204,390</u>	<u>1,651,155</u>	<u>1,635,474</u>	<u>220,071</u>
Town Receiver of Taxes Agency Fund				
Cash and cash equivalents	76,782,790	6,366,658,031	6,413,576,091	29,864,730
Total Assets - Town Receiver of Taxes	<u>76,782,790</u>	<u>6,366,658,031</u>	<u>6,413,576,091</u>	<u>29,864,730</u>
Total Assets	<u>\$ 89,395,331</u>	<u>\$ 6,895,231,639</u>	<u>\$ 6,944,328,532</u>	<u>\$ 40,298,438</u>
<u>LIABILITIES</u>				
Town Agency Fund	\$ 12,408,151	\$ 526,922,453	\$ 529,116,967	\$ 10,213,637
Total Liabilities - Town	<u>12,408,151</u>	<u>526,922,453</u>	<u>529,116,967</u>	<u>10,213,637</u>
Town Clerk Agency Funds	204,390	1,651,155	1,635,474	220,071
Total Liabilities - Town Clerk	<u>204,390</u>	<u>1,651,155</u>	<u>1,635,474</u>	<u>220,071</u>
Town Receiver of Taxes Agency Funds	76,782,790	6,366,658,031	6,413,576,091	29,864,730
Total Liabilities - Town Receiver	<u>76,782,790</u>	<u>6,366,658,031</u>	<u>6,413,576,091</u>	<u>29,864,730</u>
Total Liabilities	<u>\$ 89,395,331</u>	<u>\$ 6,895,231,639</u>	<u>\$ 6,944,328,532</u>	<u>\$ 40,298,438</u>

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
December 31, 2018

	Town of Hempstead Industrial Development Agency	Town of Hempstead Housing Authority	Lakeview Public Library District	Roosevelt Public Library District
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,870,981	\$ 830,909	\$ 2,405,234	\$ 494,461
Cash and cash equivalents restricted		654,538		
Receivables	14,523	324,765	12,772	4,631
Due from other governments			2,655	
Due from primary government				17,792
Prepaid items		526,734	19,892	54,263
Inventory of materials and supplies		221,248		
Total Current Assets	<u>2,885,504</u>	<u>2,558,194</u>	<u>2,440,553</u>	<u>571,147</u>
Non-current Assets:				
Capital assets, net of depreciation	33,166	20,561,429	2,238,459	12,121,477
Total Non-Current Assets	<u>33,166</u>	<u>20,561,429</u>	<u>2,238,459</u>	<u>12,121,477</u>
Total Assets	<u>2,918,670</u>	<u>23,119,623</u>	<u>4,679,012</u>	<u>12,692,624</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>199,693</u>	<u>1,069,029</u>	<u>196,671</u>	<u>452,085</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	559	414,575	57,032	205,759
Accrued interest payable				87,001
Retainage payable				
Other accrued liabilities				
Due to other governments		1,586,909		
Escrow payable		611,810		
Unearned revenue		52,058		95,633
Non-current liabilities due within one year				
General obligations bonds payable				287,247
Pension related debt		67,198		
Compensated absences		103,270		29,353
Non-current Liabilities due in more than one year:				
General obligation bonds payable				6,081,979
Unamortized bond premium				119,681
Compensated absences	48,547	929,430	21,334	117,412
Total other postemployment benefits liability	722,876	16,280,047		218,042
Pension related debt		267,810		
Employees' retirement system net pension liability	34,412	382,172	56,621	93,368
Total Liabilities	<u>806,394</u>	<u>20,695,279</u>	<u>134,987</u>	<u>7,335,475</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>115,574</u>	<u>2,845,731</u>	<u>185,600</u>	<u>297,862</u>
NET POSITION				
Net investment in capital assets	33,166	20,561,429	2,238,459	5,632,570
Restricted			1,000	
Unrestricted (deficit)	2,163,229	(19,913,787)	2,315,637	(121,198)
Total Net Position	<u>\$ 2,196,395</u>	<u>\$ 647,642</u>	<u>\$ 4,555,096</u>	<u>\$ 5,511,372</u>

Uniondale Public Library District	Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District - Unaudited	Greater Atlantic Beach Water Reclamation District	Totals
\$ 4,902,468	\$ 171,311	\$ 1,538,107	\$ 3,728,356	\$ 347,846	\$ 17,289,673
		1,314,525	1,688,345	903,713	4,561,121
	4,125	453,239	839,939		1,653,994
927		4,451		115,151	123,184
		974,241	2,685,076		3,677,109
88,962		29,834	145,975	26,445	892,105
					221,248
<u>4,992,357</u>	<u>175,436</u>	<u>4,314,397</u>	<u>9,087,691</u>	<u>1,393,155</u>	<u>28,418,434</u>
5,817,770		5,606,657	15,342,761	3,612,061	65,333,780
<u>5,817,770</u>	<u>-0-</u>	<u>5,606,657</u>	<u>15,342,761</u>	<u>3,612,061</u>	<u>65,333,780</u>
10,810,127	175,436	9,921,054	24,430,452	5,005,216	93,752,214
<u>626,537</u>	<u>-0-</u>	<u>424,782</u>	<u>640,872</u>	<u>296,924</u>	<u>3,906,593</u>
227,771	7,814	748,671	246,525	17,054	1,925,760
			91,613	31,965	210,579
		41,214			41,214
			47,800		47,800
					1,586,909
106,333					611,810
					254,024
		234,668	180,593	267,143	969,651
			7,737		74,935
9,959			44,960	31,403	218,945
		6,423,195	5,919,407	2,105,714	20,530,295
		179,297	104,412		403,390
197,231		280,284	488,130	79,384	2,161,752
3,258,746		5,696,075	4,285,083	4,280,218	34,741,087
					267,810
<u>178,288</u>		<u>133,752</u>	<u>161,071</u>	<u>74,859</u>	<u>1,114,543</u>
<u>3,978,328</u>	<u>7,814</u>	<u>13,737,156</u>	<u>11,577,331</u>	<u>6,887,740</u>	<u>65,160,504</u>
<u>871,469</u>	<u>-0-</u>	<u>480,511</u>	<u>509,254</u>	<u>460,071</u>	<u>5,766,072</u>
5,817,770		28,476	11,823,425	1,322,952	47,458,247
14,995		1,511,413	4,519,283	1,018,864	7,065,555
754,102	167,622	(5,411,720)	(3,357,969)	(4,387,487)	(27,791,571)
<u>\$ 6,586,867</u>	<u>\$ 167,622</u>	<u>\$ (3,871,831)</u>	<u>\$ 12,984,739</u>	<u>\$ (2,045,671)</u>	<u>\$ 26,732,231</u>

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year ended December 31, 2018

	Town of Hempstead Industrial Development Agency	Town of Hempstead Housing Authority	Lakeview Public Library District	Roosevelt Public Library District
REVENUES				
Program revenues:				
Charges for services	\$ 777,049	\$ 6,922,343	\$ 7,458	\$ 25,933
Operating grants and contributions		3,750,953	4,191	29,492
Capital grants and contributions		272,877		
Real property taxes			1,355,163	2,930,692
Other real property tax items				92,597
Use of money and property - interest and earnings	15,079	288	82,797	1,784
Sale of property and compensation for loss				
Miscellaneous local sources		463,169	6,110	34,482
Total Revenues	<u>792,128</u>	<u>11,409,630</u>	<u>1,455,719</u>	<u>3,114,980</u>
EXPENSES				
Economic assistance and opportunity	912,588	12,817,200		
Culture and recreation			1,142,913	3,528,792
Home and community services				
Total Expenses	<u>912,588</u>	<u>12,817,200</u>	<u>1,142,913</u>	<u>3,528,792</u>
Change in Net Position	<u>(120,460)</u>	<u>(1,407,570)</u>	<u>312,806</u>	<u>(413,812)</u>
Net Position - Beginning of Year	2,456,335	-0-	4,242,290	5,939,653
Cumulative Effect of Change in Accounting Principle and Change in Reporting Entity (Note 7)	(139,480)	2,055,212		(14,469)
Net Position at Beginning of Year as Restated	<u>2,316,855</u>	<u>2,055,212</u>	<u>4,242,290</u>	<u>5,925,184</u>
Net Position - End of Year	<u>\$ 2,196,395</u>	<u>\$ 647,642</u>	<u>\$ 4,555,096</u>	<u>\$ 5,511,372</u>

Uniondale Public Library District	Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District - Unaudited	Greater Atlantic Beach Water Reclamation District	Totals
\$ 41,508	\$ 4,125	\$ 1,748,078	\$ 2,171,106	\$ 207,776	\$ 11,905,376
13,170				71,719	3,869,525
35,430					308,307
3,771,482	49,507	1,039,662	1,650,844	1,810,073	12,607,423
577,503			32,920		703,020
31,150	163	243,865	498,357	1,807	875,290
		204			204
35,675		34	35,318	750	575,538
<u>4,505,918</u>	<u>53,795</u>	<u>3,031,843</u>	<u>4,388,545</u>	<u>2,092,125</u>	<u>30,844,683</u>
					13,729,788
3,799,481					8,471,186
	70,605	3,084,822	4,752,744	2,114,611	10,022,782
<u>3,799,481</u>	<u>70,605</u>	<u>3,084,822</u>	<u>4,752,744</u>	<u>2,114,611</u>	<u>32,223,756</u>
706,437	(16,810)	(52,979)	(364,199)	(22,486)	(1,379,073)
8,312,218	184,432	995,265	13,710,688	1,977,394	37,818,275
(2,431,788)		(4,814,117)	(361,750)	(4,000,579)	(9,706,971)
<u>5,880,430</u>	<u>184,432</u>	<u>(3,818,852)</u>	<u>13,348,938</u>	<u>(2,023,185)</u>	<u>28,111,304</u>
<u>\$ 6,586,867</u>	<u>\$ 167,622</u>	<u>\$ (3,871,831)</u>	<u>\$ 12,984,739</u>	<u>\$ (2,045,671)</u>	<u>\$ 26,732,231</u>