

TOWN OF HEMPSTEAD, NEW YORK
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended December 31, 2020

TOWN OF HEMPSTEAD
FINANCIAL STATEMENTS
Year Ended December 31, 2020
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FINANCIAL SECTION

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, the 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended component unit, which represents 100% of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues of the business-type activities and proprietary fund. The aggregate discretely presented nonmajor component units consists of eight component units. We did not audit the financial statements of seven of the eight audited discretely presented nonmajor component units which represent 88.13%, 77.97% and 84.34%, respectively, of the assets and deferred outflows of resources, net position and revenues of the aggregate discretely presented nonmajor component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those seven audited component units, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Of the nine component units (one blended and eight discretely presented), three of the financial statements of the component units in these financial statements were audited in accordance with *Government Auditing Standards*. The Town of Hempstead Local Development Corporation, the Town of Hempstead Industrial Development Agency and the Greater Atlantic Beach Water Reclamation District were audited in accordance with *Government Auditing Standards*, all remaining components units were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Auditors' Responsibility (continued)

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

Summary of Opinions

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

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

The Town's aggregate discretely presented nonmajor component units column does not include the financial statements of the Town of Hempstead Housing Authority ("Housing Authority"). Accounting principles generally accepted in the United States of America require the financial statements of the Housing Authority be reported with the financial data of the Town unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component units. We were not engaged to prepare and the Town has not issued such reporting entities financial statements. Because of the departure from accounting principles generally accepted in the United States of America, the assets and deferred outflows, liabilities and deferred inflows, net position, revenues, and expenses of the aggregately discretely presented component units could not be determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Nonmajor Component Units" paragraph, the financial statements referred to in the first paragraph pertaining to the aggregate discretely presented nonmajor component units of the Town of Hempstead, New York do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and the changes in financial position as of December 31, 2020 and for the year then ended.

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hempstead, New York as of December 31, 2020, 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 Matters

Restatement of Net Position - Discretely Presented Component Units

As described in Note 7 in the notes to the financial statements, the Town of Hempstead, New York's discretely presented component units' net position was restated. Our opinion is not modified with respect to this matter.

New Accounting Guidance

As described in Note 1.H in the notes to the financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement. No. 84, "Fiduciary Activities". Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports 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 17, 2021 on our consideration of the Town'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 solely 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's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Hauppauge, New York

December 17, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2020

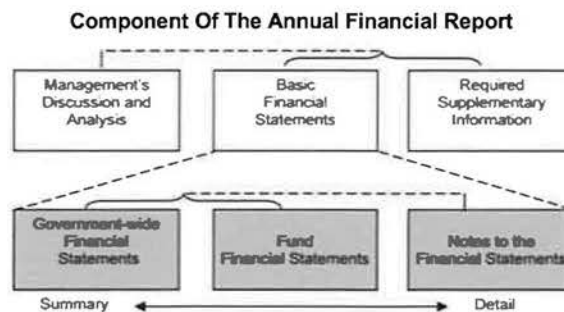
As management of the Town of Hempstead (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2020. This section is only an introduction and should be read in conjunction with the Town's financial statements, 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 2020 by \$1,007,697,731 resulting in a negative net position. This is primarily due to the recognition of the total other postemployment benefits liability of \$1,392,474,232.
- The Town's total net position related to its governmental activities decreased by \$38,575,798 as the 2020 expenses exceeded revenues, and which is largely due to recognizing other postemployment benefits ("OPEB") expense, the estimated cost of providing future healthcare benefits to its retirees, of \$119,378,154.
- The Town's governmental activities long-term bond debt was \$358,801,931, which was a decrease of 11.13% from the prior year, and the short-term bond anticipation notes was \$33,270,000. The Town's business-type activities has no debt.
- The assets of the Town's primary government's business-type activities exceeded its liabilities at the close of 2020 by \$2,413,048.
- In response to the Coronavirus Disease ("COVID-19"), which was declared a global pandemic, the U.S. Congress signed into law the Coronavirus, Relief, and Economic Security Act ("CARES Act"). The Town was awarded \$133,832,095 in Coronavirus Relief Fund grant funds pursuant to the CARES Act and in 2020 recognized revenues of \$114,985,212.
- The Town adopted Governmental Standards Board ("GASB") Statement No. 84, "Fiduciary Activities". This statement established criteria for identifying and reporting fiduciary activities for all governments. As a result of implementing this statement, certain amounts (cash and liabilities) previously reported in the former Trust and Agency Funds were reclassified to the governmental funds and amounts pertaining to parties outside the Town are reported in the Town's Custodial Fund, a fiduciary fund.
- As of the close of 2020, the Town's governmental funds reported combined ending fund balances of \$195,726,969 and increase of \$22,905,593 from the prior year. The combined ending fund balances excluding the Capital Projects Fund balance, totaled \$220,402,283, of which \$14,293,944 is not in spendable form, and \$206,108,339, or 93.51%, 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 2020, the Town's total fund balance for the General Fund was \$41,691,922, which increased by \$19,036,761 from the prior year, revenues and other financing sources of \$230,521,353 exceeded expenditures and other financing uses of \$211,484,592.

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 Year Ended December 31, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

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

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

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

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

Governmental Activities

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

Business-Type Activities

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

Component Units

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

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

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2020

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 Highway Fund and the Debt Service Fund as major funds, given the significance of the fund activity.

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

Proprietary Funds

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Fiduciary funds are not reflected in the government-wide financial statements as those resources are not available to support the Town's programs. The Town maintains only one type of fiduciary fund that is known as a Custodial Fund.

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2020

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, 2020, the Town's governmental activities liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,007,697,731 and the Town's business-type activities assets exceeded its liabilities by \$2,413,048.

Condensed Statements of Net Position
as of December 31, 2020 and 2019

	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
Current and other assets:				
Current assets	\$ 333,266,929	\$ 217,985,784	\$2,422,036	\$ 2,346,901
Capital assets	590,204,252	560,495,835		
Other non-current assets	71,539,459	52,912,545		
Total assets	<u>995,010,640</u>	<u>831,394,164</u>	<u>2,422,036</u>	<u>2,346,901</u>
Deferred outflows of resources	354,586,816	273,209,418	-0-	-0-
Total assets and deferred outflows of resources	<u>1,349,597,456</u>	<u>1,104,603,582</u>	<u>2,422,036</u>	<u>2,346,901</u>
Current and other liabilities:				
Current liabilities	231,092,112	109,310,824	8,988	9,259
Long-term liabilities	1,990,627,213	1,837,814,656		
Total liabilities	<u>2,221,719,325</u>	<u>1,947,125,480</u>	<u>8,988</u>	<u>9,259</u>
Deferred inflows of resources	135,575,862	126,600,035	-0-	-0-
Total liabilities and deferred inflows of resources	<u>2,357,295,187</u>	<u>2,073,725,515</u>	<u>8,988</u>	<u>9,259</u>
Net position:				
Net investment in capital assets	222,828,771	208,659,855		
Restricted	3,774,022	23,123,822		
Unrestricted (deficit)	(1,234,300,524)	(1,200,905,610)	2,413,048	2,337,642
Total net position	<u>\$ (1,007,697,731)</u>	<u>\$ (969,121,933)</u>	<u>\$2,413,048</u>	<u>\$ 2,337,642</u>

During 2020, the Town implemented the provisions of GASB Statement No. 84, "Fiduciary Activities". As a result of the adoption of this Statement, certain transactions previously recorded in the Fiduciary Fund are now reflected in the governmental activities financial statements. The adoption of this Statement did not result in a restatement of net position as of January 1, 2020. The condensed statement of net position as of December 31, 2019, has not been restated for the implementation of GASB Statement No. 84.

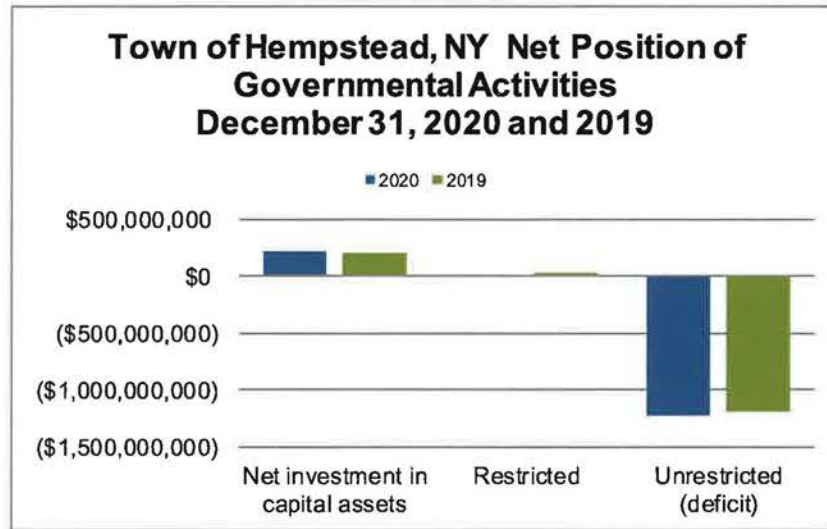
TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The Town's governmental activities net investment in capital assets portion of net position, \$222,828,771 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, 2020 was a negative \$1,007,697,731, an increase to the deficit of \$38,575,798 from the prior year. Net position consists of (a) \$222,828,771 investment in capital assets, (b) net position restricted by statute or specific purposes of \$3,774,022, and (c) unrestricted deficit of \$1,234,524.

Total governmental activities net position deficit balance increased \$38,575,798 in the current year primarily due to the ongoing recognition of the Town's other postemployment benefits costs. During 2020, the Town recognized other postemployment benefits expense of \$119,378,154.

Business-type activities net position increased slightly by \$75,406 to \$2,413,048 at December 31, 2020.

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in Net Position

For the years ended December 31, 2020 and 2019

	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
Program Revenues:				
Charges for services	\$ 61,158,415	\$ 71,126,465	\$ 225,726	\$ 230,709
Operating grants and contributions	106,525,399	10,367,960		
Capital grants and contributions	27,175,752	11,291,931		
	<u>194,859,566</u>	<u>92,786,356</u>	<u>225,726</u>	<u>230,709</u>
General Revenues:				
Real property taxes	253,561,677	263,644,351		
Real property tax items	9,854,585	10,448,435		
Non-property tax items	50,312,619	52,640,866		
Interest earnings and financing income	2,225,513	4,092,667	2,143	12,015
State aid - mortgage tax	31,712,525	24,711,452		
Other	4,667,164	5,204,811		
	<u>352,334,083</u>	<u>360,742,582</u>	<u>2,143</u>	<u>12,015</u>
Total Revenues	<u>547,193,649</u>	<u>453,528,938</u>	<u>227,869</u>	<u>242,724</u>
Program Expenses:				
General government support	145,025,245	104,006,323		
Education	8,686,505	9,343,393		
Public safety	62,530,405	59,518,919		
Transportation	59,447,418	56,832,385		
Economic assistance and opportunity	15,083,130	17,022,499	152,463	148,385
Culture and recreation	105,163,935	105,116,557		
Home and community services	178,208,946	159,093,956		
Interest and other debt related costs	11,623,863	16,063,321		
	<u>585,769,447</u>	<u>526,997,353</u>	<u>152,463</u>	<u>148,385</u>
Total Expenses	<u>585,769,447</u>	<u>526,997,353</u>	<u>152,463</u>	<u>148,385</u>
Change in Net Position	(38,575,798)	(73,468,415)	75,406	94,339
Net Position - Beginning	(969,121,933)	(895,653,518)	2,337,642	2,243,303
Net Position - Ending	<u>\$ (1,007,697,731)</u>	<u>\$ (969,121,933)</u>	<u>\$ 2,413,048</u>	<u>\$ 2,337,642</u>

Net position deficit balance for the years ended December 31, 2020 and 2019, from all governmental activities, increased by \$38,575,798 and \$73,468,415, respectively. Net position from the business-type activities for the years ended December 31, 2020 and 2019, increased by \$75,406 and \$94,339, respectively.

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Key elements of the governmental activities are:

- Total program revenues increased by \$102,073,210 or 110.01% from the prior year. This is primarily due to \$114,985,212 of Coronavirus Relief Fund federal aid received pursuant to the CARES Act, which is allocated to the governmental activities' functions based on expenses incurred that were substantially dedicated to the COVID-19 pandemic. Charges for services of \$61,158,415 decreased by \$9,968,050 across all functions due to the impact of COVID-19 and measures taken to mitigate the spread of the virus. Operating grants and contributions increased by \$96,157,439 from the prior year to \$106,525,399 due to the Coronavirus Relief Fund aid of \$97,479,376. This increase was offset by decreases in federal aid pertaining to the Workforce Innovation and Opportunity Grant, Community Development Block Grant and Section 8 Housing Choice Voucher Program. During 2020, the Town transferred the Section 8 Housing Choice Voucher Program to a state agency to administer going forward. Capital grants and contributions of \$27,175,752 increased by \$15,883,821 from the prior year primarily due to \$17,505,837 of Coronavirus Relief Fund aid revenue and net decrease in other federal and state aid for transportation purposes of \$638,279 and \$901,467 for home and community aid purposes.
- General revenues decreased by \$8,408,499 from the prior year, which was primarily due to a \$10,082,674 decrease in real property taxes, a \$2,328,247 decrease in non-property taxes (sales tax and franchise fees), a \$1,867,154 decrease in interest earnings (lower interest rates), an increase in mortgage taxes of \$7,001,073.
- Overall expenses of \$585,769,447 increased by \$58,772,094 from the prior year in all functional areas except for education (COVID-19 related), economic assistance and opportunity (transfer of Section 8 Housing Choice Voucher Program mid-year and impact of COVID-19 on administering various federal grants), and interest (effects of prior debt refundings). Of the \$58,772,094 increase in expenses from the prior year, \$44,773,214 were unanticipated costs incurred due to the public health emergency with respect to COVID-19 and employee benefits increased by \$34,294,053 (primarily retirement and compensated absence/paid time off benefits).
- **Noteworthy changes** from the prior year, by function, are as follows:
 - General government support - The \$41,018,922 increase in general government support is primarily due to the following increases: \$26,088,753 of costs incurred in response to the COVID-19 pandemic, a \$7,531,072 in employee benefits, and \$5,641,222 in judgment and claims expense.
 - Public safety - The \$3,011,486 increase in public safety expenses is primarily due to \$4,064,623 increase in employee benefits costs and \$443,608 increase in depreciation. These increases were offset by decreases in the operational costs of the police, traffic control and control of animals totaling \$1,519,752. These decreases stem primarily from a decrease in salaries and cost of providing healthcare to animals.
 - Transportation - The \$2,615,033 increase in transportation expenses is primarily due to the following: \$3,327,169 increase in employee benefits, \$1,941,162 in depreciation, and \$762,140 of small tools and equipment not meeting the capitalization policy. These increases were offset by a \$3,510,033 decrease in maintain the Town's roadways including street maintenance, snow removal, maintenance of highway equipment due to less inclement weather and effects of COVID-19.
 - Economic assistance and opportunity - The \$1,939,369 decrease in economic assistance and opportunity expenses is primarily due the following: decreases in Workforce Innovation and Opportunity grant expenses of \$2,651,143 and Program for the Aging of \$272,678 due to the effects of COVID-19 on administering these federal programs and an increase of \$1,010,134 in employee benefits.

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

- **Noteworthy changes** from the prior year, by function, are as follows: (continued)
 - Culture and recreation - The culture and recreation expenses remained consistent with that of the prior, increasing only \$47,378. However, the significant fluctuations are as follows: increases of \$7,293,264 in employee benefits, \$1,025,825 additional costs as a result of COVID-19 pandemic and measures taken to reduce the spread of the virus and \$681,506 of pollution remediation costs; and decrease of \$4,862,489 in depreciation expense, \$1,806,912 in administering the Town's parks system, and \$2,283,814 less in noncapitalizable small tools, equipment and improvements.
 - Home and community services - The \$19,114,990 increase in home and community expenses is primarily related the following increases: \$11,052,395 in employee benefits, \$7,165,715 in judgment and claims (utility cases), \$1,674,114 in pollution remediation costs, \$919,495 additional costs incurred to mitigate the spread of COVID-19, and \$795,548 of depreciation. These increases were offset by a decrease in costs associated with the Section 8 Housing Choice Voucher program which was transferred to a state agency mid-year and decreases in the Community Development Block Grant expenses due to the impact of COVID-19.

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, 2020 and 2019

	Total Cost (Expense) of Services		Program Revenues		Net Cost (Revenue) of Services	
	2020	2019	2020	2019	2020	2019
General government support	\$ 145,025,245	\$ 104,006,323	\$ 42,098,913	\$ 4,853,728	\$ 102,926,332	\$ 99,152,595
Education	8,686,505	9,343,393			8,686,505	9,343,393
Public safety	62,530,405	59,518,919	20,508,756	17,049,389	42,021,649	42,469,530
Transportation	59,447,418	56,832,385	9,968,611	10,675,488	49,478,807	46,156,897
Economic assistance and opportunity	15,083,130	17,022,499	4,243,167	5,807,698	10,839,963	11,214,801
Culture and recreation	105,163,935	105,116,557	15,123,863	7,749,758	90,040,072	97,366,799
Home and community services	178,208,946	159,093,956	102,900,817	46,616,843	75,308,129	112,477,113
Interest and other debt related costs	11,623,863	16,063,321	15,439	33,452	11,608,424	16,029,869
	<u>\$ 585,769,447</u>	<u>\$ 526,997,353</u>	<u>\$ 194,859,566</u>	<u>\$ 92,786,356</u>	<u>\$ 390,909,881</u>	<u>\$ 434,210,997</u>

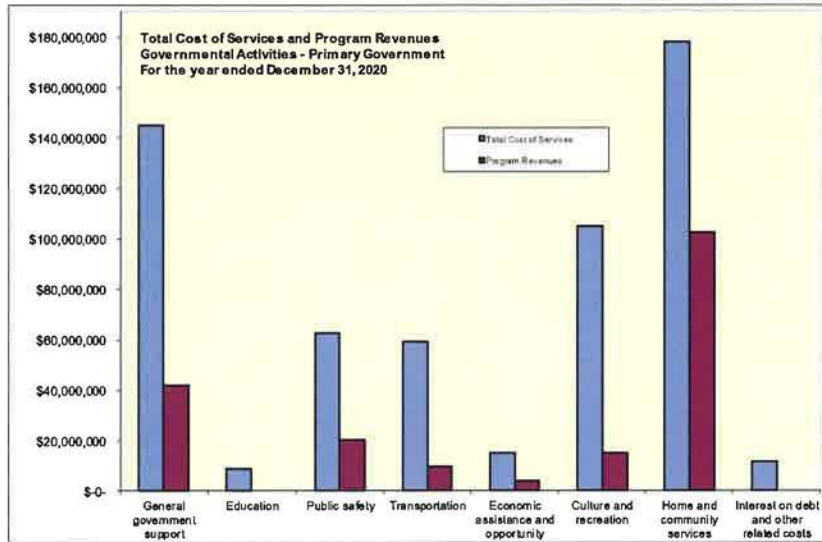
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TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2020

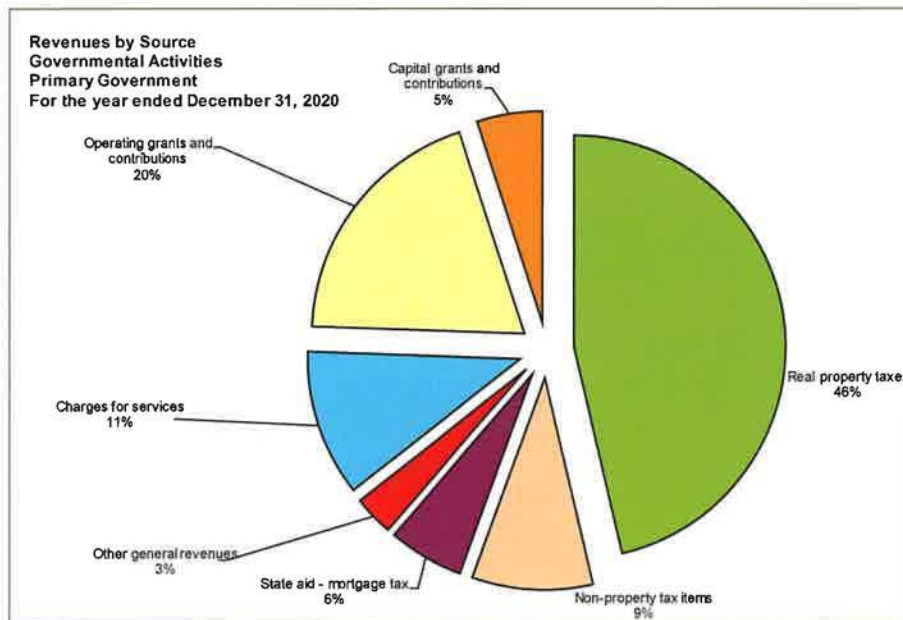
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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



The total cost of all governmental activities this year was \$585,769,447. The net cost of these services after being subsidized by program revenues of \$194,859,566 was \$390,909,881.

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



TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Revenue by Source

For the years ended December 31, 2020 and 2019

	2020	2019
Real property taxes	\$ 253,561,677	\$ 263,644,351
Non-property tax items	50,312,619	52,640,866
State aid - mortgage tax	31,712,525	24,711,452
Other general revenues	16,747,262	19,745,913
Charges for services	61,158,415	71,126,465
Operating grants and contributions	106,525,399	10,367,960
Capital grants and contributions	27,175,752	11,291,931
	<u>\$ 547,193,649</u>	<u>\$ 453,528,938</u>

The business-type activities revenues exceeded operating expenses by \$75,406 in the current year. Program revenues, fees for services, decreased by \$4,983, due to the number and size of projects it closed during the year and interest income decreased by \$9,872 due to lower interest rates. Expenses increased by \$4,078 from the prior year, primarily due to an increase in compensation and related costs.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds

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

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

At December 31, 2020, the Town's governmental funds reported total ending fund balances of \$195,726,969, an increase of \$22,905,593 in comparison with the prior year. The Town's major operating funds consisting of the General Fund, Highway Fund, Park Districts Fund, Refuse and Garbage Districts Fund, and Water Districts Fund reported increases/(decreases) in fund balance from the prior year by \$19,036,761, \$653,654, \$1,533,035, \$37,796,722, and \$10,293,907, respectively. These net increases were offset by decreases in the Debt Service Fund of \$130,705 and Capital Projects Fund of \$44,808,532. The aggregate nonmajor funds' fund balance decreased by \$1,469,249.

The category breakdown of fund balance is as follows:

- **Nonspendable fund balance** - \$14,293,944 (inherently nonspendable) includes balances that cannot be spent, such as inventory and prepaid items, as well as the portion of net resources that cannot be spent because they must be maintained intact (permanent funds).
- **Restricted fund balance** - \$6,340,828 (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** - \$178,733,656 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making and the remaining positive fund balance amounts in special revenue funds other than the General Fund.
- **Unassigned fund balance** - \$(3,641,459) is the total residual fund balance in the General Fund of \$21,733,194 and deficit balance of the Capital Projects Fund unassigned balance of \$(25,374,653).

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2020

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

General Fund

The General Fund is the main operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$41,691,922, an increase of \$19,036,761 or 84.03% from the prior year. Of the total fund balance, \$5,371,577 is not in spendable form (inventory and prepaid items), \$14,587,151 is assigned for the subsequent year's budget and for purchases on order. There is a remaining unassigned fund balance of \$21,733,194.

The General Fund's total revenues and other financing sources exceeded expenditures and other financing uses by \$19,036,761 for the year. Revenues and other financing sources increased by \$54,295,140 from the prior year to \$230,521,353, while expenditures and other financing uses increased by \$31,167,926 from the prior year to \$211,484,592.

The increase in revenues and other financing sources of \$54,295,140 was primarily due to an increase in revenues of \$55,298,618 and a decrease in other financing sources of \$1,003,478. The increase in revenues primarily stems from the following increases: federal aid of \$51,207,683 (Coronavirus Relief Fund aid/CARES Act) and state aid of \$7,093,194 (mortgage taxes), departmental income of \$610,027 (\$1,025,877 cemetery fees and decrease in all other departmental income due to COVID-19), and \$642,685 use of money and property (rental of property). These increases were offset by the following decreases: real property taxes (planned by management) of \$1,128,176, non-property taxes of \$1,830,539 (franchise fees and sales tax), and licenses and permits of \$882,791 (street opening permits). The \$1,003,478 decrease in other financing sources is due \$964,916 less in premiums on debt issuance and \$38,562 less in transfers from other funds.

The increase in expenditures and other financing uses of \$31,167,926 is attributable to an increase in total expenditures of \$31,244,743 and a decrease in other financing uses of \$76,817. Notable increases are as follows: \$32,179,003 of general government support costs and \$2,271,276 of home and community primarily due to costs incurred due to the public health emergency resulting from COVID-19. Those increases were offset by the following notable decreases: education of \$656,888 (lower enrollment due COVID-19), public safety costs of \$1,519,751 (lower salaries and health care of animals), and \$540,331 of employee benefits (health and dental insurance).

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$23,630,401, an increase of \$653,654 or 2.84% from the prior year. Of this, the total fund balance, \$3,394,568 is not in spendable form (inventory and prepaid items) and the remaining \$20,235,833 of the fund balance is in spendable form as follows: \$1,042,704 is assigned for the subsequent year's budget, \$1,896,289 is assigned for purchase orders, and \$17,296,840 is assigned for highway purposes.

The Highway Fund's total revenues and other financing sources exceeded expenditures and other financing uses by \$653,654 for the year. Revenues and other financing sources decreased by \$9,744,844 from the prior year to \$66,967,100 while expenditures and other financing uses decreased by \$2,848,271 from the prior year to \$66,313,446.

The decrease in revenues and financing sources of \$9,744,844 is primarily attributable to decreases in other financing sources of \$5,977,768 and a decrease in total revenues of \$3,767,076. The decrease in other financing sources is attributable to decreases of \$1,403,166 of transfers from other funds (from capital for unspent bond proceeds), \$2,500,000 less from issuance of debt, and \$2,074,602 less in premiums on issuance. Notable changes pertaining to the decrease in total revenues are: \$3,216,430 of property taxes and \$591,191 of use of money and property (lower interest rates).

The decrease in expenditures and financing uses of \$2,848,271 is attributable to a decrease of \$4,694,954 in the operations of maintaining the roads and highways (street maintenance, snow removal, related equipment costs and employee benefits) and an offsetting increase in transfers out for debt service requirements of \$1,846,683. The decrease of \$4,694,954 in highway operations noted above, primarily consists of savings in street maintenance of \$774,275, maintenance of machinery and equipment of \$1,425,505 and snow removal of \$1,310,553 (less inclement weather) and employee benefits of \$1,184,621 (workers compensation and health insurance).

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2020

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

Park Districts Fund

At the end of the current year, the total fund balance of the Park Districts Fund was \$21,143,100, an increase of \$1,533,035 from the prior year. Of the total fund balance, \$1,717,142 is not in spendable form (inventory and prepaid items) and \$19,425,958 is in is assigned for park fund purposes.

The Park Districts Fund's total revenues and other financing sources exceeded expenditures and other financing uses by \$1,533,035 for the year. Revenues and other financing sources increased by \$3,698,793 from the prior year to \$99,351,633 while expenditures and other financing uses increased by \$7,837,233 from the prior year to \$97,818,598.

The increase in revenues and financing sources of \$3,698,793 is primarily attributable to increases in federal aid of \$9,134,886 (Coronavirus Relief Fund) and \$382,027 in interfund revenues. These increases were offset by the following notable decreases: real property taxes of \$3,195,180, departmental income of \$1,356,712 (effects of COVID 19), miscellaneous revenue of \$571,370 (effects of COVID 19), use of money and property of \$212,718 (lower interest rates), and other financing uses of \$453,471 (premiums on bond issuance).

The increase in expenditures and financing uses of \$7,837,233 is primarily attributable to an \$8,235,354 increase in the costs of administering the parks department activities during the pandemic to ensure public safety including additional maintenance and building retrofit costs and a \$367,662 increase in transfers to the debt service fund. Those increases were offset by a decrease in employee benefits of \$765,783.

Refuse and Garbage Districts Fund

At the end of the current year, the total fund balance of the Refuse and Garbage Districts Fund was \$80,315,868, an increase of \$37,796,722 or 88.89% from the prior year. Of the total fund balance, \$934,702 is not in spendable form (inventory and prepaid items) and the remaining \$79,381,166 is in spendable form as follows: \$6,743,891 is assigned for the subsequent year's budget and \$72,637,275 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 \$37,796,722 for the year. Revenues and other financing sources increased by \$36,588,268 from the prior year to \$157,196,675, and expenditures and other financing uses increased slightly by \$374,208 from the prior year to \$119,399,953.

The increase in revenues and financing sources of \$36,588,268 consists of an increase of \$43,838,629 of federal aid (Coronavirus Relief Fund), and decreases in real property taxes of \$1,961,314, departmental income of \$2,245,558 (impact of COVID-19), intergovernmental charges of \$1,567,753 (impact of COVID-19), use of money \$775,177 (lower interest rates) and other financing sources of \$1,004,511 (no bond issuance in 2020 for this fund).

Total expenditures and financing uses of \$119,399,953 was consistent with the prior year of \$119,025,745. The cost of providing refuse and garbage collection services totaled \$83,473,849, which decreased slightly by \$140,985 from the prior year, while the employee benefits costs increased by \$381,829 from the prior year to \$23,521,753. Transfers to the Debt Service Fund totaled \$12,404,351 and \$12,270,987 in 2020 and 2019, respectively.

Water Districts Fund

At the end of the current year, the total fund balance of the Water Districts Fund was \$32,146,152, an increase of \$10,293,907 or 47.11%, from the prior year. Of this amount, \$809,938 is not in spendable form (inventory and prepaid items) and the remaining \$31,336,214 of the fund balance is assigned for water service purposes.

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2020

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

Water Districts Fund (continued)

The Water Districts Fund's total revenues and other financing sources exceeded expenditures and other financing uses by \$10,293,907 for the year. Revenues and other financing sources increased by \$11,082,274 from the prior year to \$33,580,650 while expenditures and other financing uses increased by \$2,223,959 from the prior year to \$23,286,743.

The increase in revenues and financing sources of \$11,082,274 consists of an increase in federal aid from the Coronavirus Relief Fund of \$10,239,559 and departmental income of \$1,229,661 (primarily water meter sales) and a decrease in use of money and property of \$190,064 (lower interest rates). The increase expenditures and financing uses of \$2,223,959 primarily consists of a \$2,114,689 increase in costs of providing water services to its residents (additional contractual costs incurred due to COVID 19) and a \$109,270 increase in transfers out for debt service requirements.

Capital Projects Fund

At the end of the current year, the Capital Projects Fund had a total deficit fund balance of \$24,675,314, a decrease of \$44,808,532 from the prior year. During 2020, the Capital Projects Fund received \$9,636,381 of revenues primarily from federal and state grants, while expending \$49,572,910 for various capital/public improvement projects. The Capital Fund transferred \$5,023,962 to various operating funds for unspent bond proceeds associated with closed/completed projects. The prior year revenues and expenditures totaled \$10,477,538 and \$53,244,592, respectively.

Debt Service Fund

At the end of the current year, the Debt Service Fund has a total fund balance \$1,162,267, which is restricted for future debt service. Debt service expenditures of \$60,363,030 increased by \$2,921,446 from the prior year. The increase in debt service costs of \$2,921,446 consists of an increase in principal payments of \$4,867,833 and decreases in interest payments of \$1,707,232 and debt issuance costs of \$239,155. To finance the debt service payments, during 2020 the operating funds transferred to the Debt Service Fund \$60,216,886, an increase of \$3,611,861 from the prior year. During 2019, the Town issued \$47,550,000 of refunding bonds and together with the premium received of \$6,044,413, currently refunded \$52,920,000 of Series 2010A and 2011A and B general obligation bonds. During 2020, there were no refunding bonds issued.

Nonmajor Governmental Funds

The net change in fund balances was a decrease of \$1,469,249 which is attributable to: Town Outside Village Fund of (\$2,112,954), Fire Protection Districts Fund of (\$215,762), Street Lighting Districts Fund of \$304,931, Public Parking Districts Fund of \$303,172, Library Funding Districts Fund of \$36,580 and \$214,784 of Special Grants Fund. Total revenues and other financing sources were \$60,280,363, which is a decrease of \$9,420,737 from the prior year. The decreases in departmental income of \$3,124,927, fines and forfeitures of \$889,620 and interfund revenues of \$490,232 are due to effects of COVID-19 and mitigating measures taken. Other noteworthy changes from the prior year are as follows: decrease in federal aid of \$1,770,369 (transfer of Section 8 Housing Choice Voucher Program to a state agency and effects of COVID-19), reduction of real property taxes of \$581,486, decrease in non-property tax items of \$497,708 (franchise fees) and a decrease in miscellaneous revenue of \$490,711. The decrease in other financing sources is attributable to \$910,000 less in transfers to the Special Grants Fund to fund deficits and \$583,252 less in premiums on debt issuance received.

Total expenditures and other financing uses decreased by \$6,092,476 from the prior year to \$61,749,612. This decrease is across all funds, except for the Street Lighting Fund and Fire Protection Districts Fund. The notable decreases in expenditures (excluding other financing uses) are as follows: Town Outside Village Fund \$2,493,778 (less in administrative charge back fees, legal settlement cost and worker compensation cost), Special Grants Fund \$3,107,783 (effects of COVID-19 and mitigating measures taken, especially on schools and transfer of the Section 8 Housing Choice Vouchers Program to a state agency), and Public Parking Districts Fund \$937,466 (less in administrative charge back fees).

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2020

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Proprietary Fund

Town of Hempstead Local Development Corporation

The Town of Hempstead Local Development Corporation revenues exceeded operating expenses by \$75,406 in the current year. Program revenues, fees for services, decreased by \$4,983, due to the number and size of projects it closed during the year, and interest income decreased by \$9,872 due to lower interest rates. Expenses increased by \$4,078 from the prior year, primarily due to an increase in compensation and related costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the 2020 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year, there was a \$40,926,752 or 23.26% increase in the General Fund's appropriations between the original and final amended budget. However, budgeted federal aid revenue was increased by \$51,431,940, resulting in a budgeted surplus of \$9,371,777. The federal aid revenue was increased to reflect the General Fund's estimated portion of the Coronavirus Relief Fund award.

Of the \$40,926,752 supplemental appropriations, \$2,157,763 of fund balance was appropriated to fund additional salaries costs resulting from early retirement and termination payouts of compensated absences, \$786,256 of additional tuition costs billed by Nassau County, \$300,000 of transfers to the Special Grants Fund to finance certain administrative costs for the Department of Occupational Resources, and \$1,232,704 of unanticipated costs for workers compensation. The remainder of the supplemental appropriations was for COVID-19 related expenditures. 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, 2020, amounts to \$590,204,252. 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.

	Governmental Activities	
	2020	2019
Land and landfills	\$ 86,967,285	\$ 86,967,285
Construction work in progress	3,701,748	2,881,676
Buildings	33,831,901	23,305,978
Infrastructure and improvements other than building	441,925,675	425,056,703
Improvements to park portion of Merrick landfill	5,936,094	6,476,649
Machinery and equipment	16,659,502	14,290,466
Intangibles - Software	1,182,047	1,517,078
Total Net Capital Assets	\$ 590,204,252	\$ 560,495,835

The net book value of business-type activities capital assets was \$-0- as of December 31, 2020 and 2019, and there was no depreciation expense reported in the business-type activities capital assets.

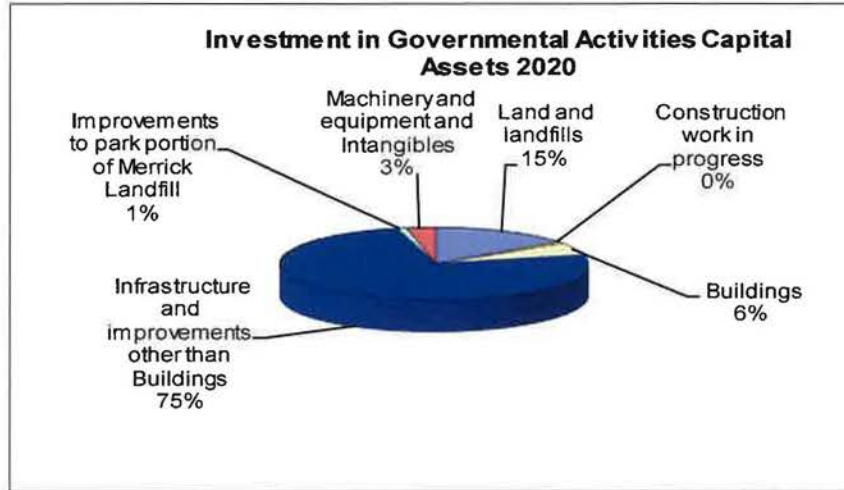
TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

The composition of capital assets by percentage at December 31, 2020 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.

Debt Administration

Short-Term Debt

During 2020, the Town issued \$33,270,000 of bond anticipation notes payable ("BANs"). The BANs were issued to temporarily finance various capital improvement projects and payment of a judgment. At December 31, 2020 and 2019, the balance of BANs outstanding totaled \$33,270,000 and \$-0-, respectively. The debt is backed by the full faith and credit of the Town. The business-type activities has no debt outstanding. See Note 3E for additional information.

Long-Term Debt

At the end of the current year, the Town has total long-term bonded debt outstanding of \$358,801,931. The entire debt is backed by the full faith and credit of the Town. The Town's business-type activities has no debt outstanding. The outstanding long-term debt at December 31, 2020 and 2019 is as follows:

	Governmental Activities	
	2020	2019
General obligation bonds	\$ 358,801,931	\$ 403,741,887
Total	\$ 358,801,931	\$ 403,741,887

In 2020, the Town's total debt decreased by \$44,939,956 or 11.13% as no long term debt was issued during the year. In 2019, the Town's total debt increased by \$65,059 or 0.02%, as the Town issued general obligation bonds totaling \$93,057,182.

In December 2020, Moody's Investor Service assigned an Aa1/stable outlook to the 2020 bond anticipation note. In September 2021, S&P Global assigned an AA rating to the Town's 2021 bond issuance.

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration (continued)

Debt Limit

State statutes limit the amount of general obligation a governmental entity may issue to 7% of a 5-year average full valuation. For 2020, the five year average full valuation is \$107,020,848. The current debt limitation (7% of average full valuation) for the Town is \$7,491,459,364, which is significantly in excess of the Town's outstanding debt. The percentage of debt contracting power exhausted as of December 31, 2020 is 4.677%.

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 2021 budget. The Coronavirus pandemic changed the way of life for many residents who found themselves seeking financial and food assistance, especially those living on fixed incomes and tight budgets. The COVID-19 surge in New York took a major toll on public health. To prevent the spread of the pandemic, New York State imposed a lockdown that virtually froze our economy, except for essentials such as grocery stores and pharmacies. For months, businesses remained shuttered, normally bustling offices and downtowns were quiet, and schools stayed closed. The federal unemployment rate in August 2020 was more than double the percentage that it was in January.
- As America's largest township with over 770,000 residents - a population larger than the state of Vermont and the City of Boston - the Town of Hempstead received an allotment of \$133.8 million in CARES Act funds to be used for expenses related to the Coronavirus response. Of the \$133.8 million CARES Act award, the Town recognized \$115 million of related revenue in 2020, the remaining \$18.8 million is expected to be recognized as revenue in 2021. Through these funds, the Town of Hempstead has given back to the community by establishing pop-up food banks to address food insecurity issues, free PPE kits for businesses, grant monies to hospitals and local villages, funding for local colleges and universities for a safe reopening, and a comprehensive public COVID-19 testing and education program through Northwell Health.
- In keeping with our mission to preserve town programs and services while demonstrating the highest regard for taxpayers, the Town's 2021 spending plan freezes the total property tax burden borne by residents at the same amount as the 2020 budget, \$253.1 million, and cuts expenses by 2.5 percent, an \$11.4 million decrease compared to 2020 projections. With 2020 expenditures projected at \$464.9 million, the Town is cutting expenses to \$453.5 million in the 2021 budget. To achieve this tax-freeze budget the Town Board enacted a severance incentive that has resulted in a cost savings of over \$6 million in salaries and benefits. The 2021 budget includes a total of 1,795 employees, a 2 percent or 37-person reduction over the 2020 budgeted personnel count. In addition, payroll for the Supervisor's staff was cut by nearly \$1 million, and "take-home" vehicles for department heads and commissioners were eliminated, saving a projected \$616,000. Furthermore, the Town continues to control debt to manageable levels. Indeed, debt service, projected at \$59 million, or 13 percent of the proposed 2021 budget, has decreased by 1 percent as compared to the 2020 budget. What's more, the Town refinanced debt, realizing an additional savings of \$750,000 for taxpayers.
- It is incumbent on government to lead by example at all times, but especially as families struggle during difficult economic periods like the Coronavirus pandemic, which was so abrupt and unexpected. Throughout the pandemic the Town of Hempstead's dedicated team of workers has continued to provide essential services to our residents. Across all departments, the Town has maintained vital services even during the toughest times. In total, the Town's tax-freeze 2021 budget demonstrates how the Town of Hempstead continues to deliver quality services at the lowest cost while providing the community with the assistance it needs during the most difficult of times.

TOWN OF HEMPSTEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2020

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

- 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, 2021 freezes the total property tax levy at the same amount as the 2020 budget.
- When all these factors are considered, the Town's combined fund balances are expected to improve by the close of 2021.
- Chapter 1262-e of Article 29 of New York Tax Law, Establishment of Local Government Assistance Programs in Nassau County was enacted on January 1, 1998. This local government assistance program provides for the towns and cities within Nassau County a revenue sharing source equal to one-third of the revenues received by the County from its imposition of the three-quarters percent sales and use tax during the years 2001-2023. The Town has included \$38,125,000 of local government assistance for the expected shared sales tax revenue in its 2021 budget. After 2023, the legislation providing for this County local assistance/shared sales tax revenue assistance expires.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF HEMPSTEAD

**GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
Year Ended December 31, 2020**

	Primary Government			Nonmajor Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 261,521,836	\$ 2,420,036	\$ 263,941,872	\$29,995,518
Cash and cash equivalents- restricted	2,407,000		2,407,000	5,568,330
Receivables	13,445,678	2,000	13,447,678	1,803,146
Due from other governments	35,893,053		35,893,053	190,823
Due from component units	1,370,622		1,370,622	
Due from primary government				2,970,021
Prepaid items	11,213,250		11,213,250	453,209
Inventories	7,415,490		7,415,490	
Total Current Assets	<u>333,266,929</u>	<u>2,422,036</u>	<u>335,688,965</u>	<u>40,981,047</u>
Non-Current Assets:				
Receivables, service concession arrangements	8,159,067		8,159,067	
Due from other governments	59,854,385		59,854,385	
Length of service award program plan assets	3,526,007		3,526,007	
Non-depreciable capital assets	90,669,033		90,669,033	8,097,526
Depreciable capital assets, net of depreciation	499,535,219		499,535,219	45,835,770
Total Non-Current Assets	<u>661,743,711</u>	<u>-0-</u>	<u>661,743,711</u>	<u>53,933,296</u>
Total Assets	<u>995,010,640</u>	<u>2,422,036</u>	<u>997,432,676</u>	<u>94,914,343</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension - employees' retirement system	103,968,914		103,968,914	4,380,088
Pension - length of service award program	2,384,115		2,384,115	
Other postemployment benefits	248,233,787		248,233,787	4,386,324
Total Deferred Outflows of Resources	<u>354,586,816</u>	<u>-0-</u>	<u>354,586,816</u>	<u>8,766,412</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	61,782,208	8,988	61,791,196	3,228,457
Bond anticipation notes payable	33,270,000		33,270,000	8,837,700
Due to other governments	3,792,683		3,792,683	10,781,372
Due to primary government			-0-	1,370,622
Due to component units	2,970,021		2,970,021	
Unearned revenue	18,929,633		18,929,633	96,682
Other liabilities	3,836,368		3,836,368	
Guarantee, bid and escrow deposits liabilities	5,719,771		5,719,771	
Non-current liabilities due within one year	100,791,428		100,791,428	1,046,728
Total Current Liabilities	<u>231,092,112</u>	<u>8,988</u>	<u>231,101,100</u>	<u>25,361,561</u>
Non-Current Liabilities				
Due in more than one year	1,990,627,213		1,990,627,213	52,873,005
Total Non-Current Liabilities	<u>1,990,627,213</u>	<u>-0-</u>	<u>1,990,627,213</u>	<u>52,873,005</u>
Total Liabilities	<u>2,221,719,325</u>	<u>8,988</u>	<u>2,221,728,313</u>	<u>78,234,566</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on refunding bonds	4,768,511		4,768,511	
Pension - employees' retirement system	4,620,245		4,620,245	268,614
Deferred service concession arrangement receipts	8,824,358		8,824,358	
Other postemployment benefits	117,362,748		117,362,748	1,517,568
Total Deferred Inflows of Resources	<u>135,575,862</u>	<u>-0-</u>	<u>135,575,862</u>	<u>1,786,182</u>
NET POSITION				
Net investment in capital assets	222,828,771		222,828,771	26,115,534
Restricted for:				
Capital projects	699,339		699,339	
Culture and recreation				15,214
Home and community services and economic assistance and opportunity	574,549		574,549	5,520,530
Debt service	1,162,267		1,162,267	
Home and community services - cemetery, nonexpendable	1,337,867		1,337,867	
Unrestricted (deficit)	<u>(1,234,300,524)</u>	<u>2,413,048</u>	<u>(1,231,887,476)</u>	<u>(7,991,271)</u>
Total Net Position	<u>\$ (1,007,697,731)</u>	<u>\$ 2,413,048</u>	<u>\$ (1,005,284,683)</u>	<u>\$23,660,007</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD

**GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Nonmajor Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General government support	\$ 145,025,245	\$ 3,734,850	\$ 31,912,504	\$ 6,451,559	\$ (102,926,332)		\$ (102,926,332)	
Education	8,686,505				(8,686,505)		(8,686,505)	
Public safety	62,530,405	12,707,796	7,800,960		(42,021,649)		(42,021,649)	
Transportation	59,447,418	272,540	30,667	9,665,404	(49,478,807)		(49,478,807)	
Economic assistance and opportunity	15,083,130	20,020	4,223,147		(10,839,963)		(10,839,963)	
Culture and recreation	105,163,935	5,837,584	2,242,647	7,043,632	(90,040,072)		(90,040,072)	
Home and community services	178,208,946	38,585,625	60,300,035	4,015,157	(75,308,129)		(75,308,129)	
Interest and other debt related costs	11,623,863		15,439		(11,608,424)		(11,608,424)	
Total Governmental Activities	585,769,447	61,158,415	106,525,399	27,175,752	(390,909,881)	\$ -0-	(390,909,881)	
Business-Type Activities:								
Economic assistance and opportunity	152,463	225,726				73,263	73,263	
Total Business-Type Activities	152,463	225,726	-0-	-0-	-0-	73,263	73,263	
Total Primary Government	\$ 585,921,910	\$ 61,384,141	\$ 106,525,399	\$ 27,175,752	(390,909,881)	73,263	(390,836,618)	
Nonmajor Component Units								
Economic assistance and opportunity	\$ 861,465	\$ 973,595						\$ 112,130
Culture and recreation	8,606,494	15,783	223,730					(8,366,981)
Home and community services	11,629,879	5,018,895		24,647				(6,586,337)
Total Component Units	\$ 21,097,838	\$ 6,008,273	\$ 223,730	\$ 24,647				(14,841,188)
General Revenues								
Real property taxes					253,561,677		253,561,677	13,602,854
Real property tax items					9,854,585		9,854,585	623,734
Non-property taxes:								
Sales tax distribution by county, unrestricted					39,757,751		39,757,751	
Franchise fees					10,554,868		10,554,868	
Interest earnings - unrestricted					2,225,513	2,143	2,227,656	985,365
State aid - mortgage tax					31,712,525		31,712,525	
State aid - other unrestricted								22,391
Other					4,667,164		4,667,164	53,110
Total General Revenues					352,334,083	2,143	352,336,226	15,287,454
Change in Net Position								
					(38,575,798)	75,406	(38,500,392)	448,266
Net Position at Beginning of Year, as originally reported								
					(969,121,933)	2,337,642	(966,784,291)	23,227,930
Adjustment to opening liabilities (Note 7)								
							-0-	(14,189)
Net Position at Beginning of Year, as restated								
					(969,121,933)	2,337,642	(966,784,291)	23,213,741
Net Position at End of Year								
					\$ (1,007,697,731)	\$ 2,413,048	\$ (1,005,284,683)	\$ 23,660,007

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020**

	MAJOR FUNDS							Nonmajor Governmental Funds	Total Governmental Funds
	General	Highway	Park Districts	Refuse and Garbage Districts	Water Districts	Capital Projects	Debt Service		
ASSETS									
Cash and cash equivalents	\$ 78,822,601	\$ 12,760,849	\$ 19,547,550	\$ 81,204,837	\$ 27,974,340	\$ 27,006,443		\$ 14,205,216	\$ 261,521,836
Cash and cash equivalent - restricted								2,407,000	2,407,000
Receivables	756,727	548,495	475,762	2,744,201	6,237,120			2,018,082	12,780,387
Due from other funds	8,165,489	10,814,017	6,650,995	7,462,860	2,110,685	154,754		376,779	35,735,579
Due from other governments	19,319,165	132,681	2,482,908	372,512	114,312	5,572,281	\$ 1,162,267	1,965,655	31,121,781
Due from component units	146,382	256,695	260,422	532,767	10,623			163,733	1,370,622
Inventories	2,995,195	2,804,630	612,217	24,085	513,544			465,819	7,415,490
Prepaid items	2,376,382	589,938	1,104,925	910,617	296,394			262,331	5,540,587
Length of service award program plan assets								3,526,007	3,526,007
Total Assets	\$ 112,581,941	\$ 27,907,305	\$ 31,134,779	\$ 93,251,879	\$ 37,257,018	\$ 32,733,478	\$ 1,162,267	\$ 25,390,622	\$ 361,419,289
LIABILITIES									
Accounts payable and accrued liabilities	\$ 24,566,743	\$ 1,170,803	\$ 8,931,060	\$ 12,065,074	\$ 2,766,657	\$ 5,204,069		\$ 3,706,008	\$ 58,410,414
Bond anticipation notes payable		1,365,000				31,905,000			33,270,000
Due to other funds	14,999,019	1,095,631	458,790	476,346	310,092	17,257,540		1,138,161	35,735,579
Due to other governments	3,792,683								3,792,683
Due to component units						2,970,021			2,970,021
Unearned revenue	18,846,882			10,589		72,162			18,929,633
Other liabilities	2,638,157	190,498	339,752	384,002	50,079			233,880	3,836,368
Guarantee, bid and escrow deposits liabilities	5,719,771								5,719,771
Total Liabilities	70,563,255	3,821,932	9,729,602	12,936,011	3,126,828	57,408,792	\$ -0-	5,078,049	162,664,469
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - fees	326,764		262,077						588,841
Unavailable revenue - water fees					1,984,038				1,984,038
Unavailable revenue - sidewalk repair		454,972							454,972
Total Deferred Inflows of Resources	326,764	454,972	262,077	-0-	1,984,038	-0-	-0-	-0-	3,027,851
FUND BALANCES									
Nonspendable	5,371,577	3,394,568	1,717,142	934,702	809,938			2,066,017	14,293,944
Restricted						699,339	1,162,267	4,479,222	6,340,828
Assigned	14,587,151	20,235,833	19,425,958	79,381,166	31,336,214			13,767,334	178,733,656
Unassigned	21,733,194					(25,374,653)			(3,641,459)
Total Fund Balances	41,691,922	23,630,401	21,143,100	80,315,868	32,146,152	(24,675,314)	1,162,267	20,312,573	195,726,969
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 112,581,941	\$ 27,907,305	\$ 31,134,779	\$ 93,251,879	\$ 37,257,018	\$ 32,733,478	\$ 1,162,267	\$ 25,390,622	\$ 361,419,289

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
December 31, 2020**

Total Fund Balances - Governmental Funds		\$ 195,726,969
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	\$ 90,669,033	
Capital assets - depreciable	1,036,469,008	
Accumulated depreciation	<u>(536,933,789)</u>	590,204,252
Prepaid items included in the statement of net position.		5,672,663
Assets not available to pay for current-period expenditures, and therefore, revenue has not been recognized in the governmental fund statements.		76,477,866
Deferred outflows of resources not reported in the governmental fund statements:		
Pension - employees' retirement system	103,968,914	
Pension - length of service award program	2,384,115	
Other postemployment benefits	<u>248,233,787</u>	354,586,816
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	(358,801,931)	
Capital leases	(7,840,129)	
Pension related debt	(11,610,410)	
Employees' retirement system net pension liability	(141,909,890)	
Length of service award program plan pension liability	(8,094,868)	
Compensated absences	(61,201,925)	
Claims and judgments	(70,470,820)	
Estimated liability for landfill closure and postclosure care costs	(913,625)	
Pollution remediation obligations	(7,644,500)	
Total other postemployment benefits liability	<u>(1,392,474,232)</u>	(2,060,962,330)
Deferred inflows of resources not reported in governmental fund statements:		
Deferred gain on debt refundings	(4,768,511)	
Pension - employees' retirement system	(4,620,245)	
Service concession arrangements	(8,824,358)	
Other postemployment benefits	<u>(117,362,748)</u>	(135,575,862)
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Premiums on bonds included in the statement of net position		(30,456,311)
Interest payable and accrued liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However, these liabilities are included in the statement of net position.		<u>(3,371,794)</u>
Net Position of Governmental Activities		<u>\$ (1,007,697,731)</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2020**

	MAJOR FUNDS						Nonmajor Governmental Funds	Total Governmental Funds	
	General	Highway	Park Districts	Refuse and Garbage Districts	Water Districts	Capital Projects			Debt Service
REVENUES									
Real property taxes	\$ 28,087,900	\$ 58,598,310	\$ 51,716,038	\$ 86,447,574	\$ 5,627,284		\$ 23,084,570	\$ 253,561,676	
Real property tax items	2,077,570	2,330,322	2,779,841	1,303,723	271,117		1,092,012	9,854,585	
Non-property tax items	39,757,751						10,554,868	50,312,619	
Departmental income	7,679,524		1,248,229	10,851,067	15,952,379		12,220,217	47,951,416	
Intergovernmental charges	97,397	45,016	864,562	1,795,656	230,950		\$ 15,439	3,049,020	
Use of money and property	1,800,249	351,954	360,496	4,662,627	1,211,584		290,223	8,677,133	
Licenses and permits	1,781,435			27,009				1,808,444	
Fines and forfeitures	14,650		2,500				421,930	439,080	
Sale of property and compensation for loss	259,388	103,601		259,170	19,381		137,093	778,633	
Miscellaneous revenue	3,757,159	205,206	33,835	6,676,190	271	\$ 12,756	1,131,707	11,817,124	
Interfund revenues	61,699,686		33,059,668	1,335,030	28,125		2,388,040	98,510,549	
State aid	32,057,533		151,393			6,014,480	54,453	38,277,859	
Federal aid	51,441,380	37,072	9,134,886	43,838,629	10,239,559	3,609,145	8,605,250	126,905,921	
Total Revenues	230,511,622	61,671,481	99,351,448	157,196,675	33,580,650	9,636,381	15,439	59,980,363	651,944,059
EXPENDITURES									
Current:									
General government support	121,850,929						153,091	122,004,020	
Education	8,686,505							8,686,505	
Public safety	14,025,031						23,606,119	37,631,150	
Transportation	1,215,826	28,571,377					10,952,057	40,739,260	
Economic assistance and opportunity	3,957,170						3,984,840	7,942,010	
Culture and recreation	11,180		70,161,753				1,417,043	71,589,976	
Home and community services	12,281,868			83,473,849	15,635,552		8,980,268	120,371,537	
Employee benefits	39,666,019	10,952,024	22,874,819	23,521,753	3,704,813		7,633,722	108,353,150	
Capital Outlay						49,572,910		49,572,910	
Debt Service:									
Principal	60,265						44,939,956	1,715,131	
Interest	28,124						15,423,074	259,145	
Total Expenditures	201,782,917	39,523,401	93,036,572	106,995,602	19,340,365	49,572,910	60,363,030	58,701,416	629,316,213
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,728,705	22,148,080	6,314,876	50,201,073	14,240,285	(39,936,529)	(60,347,591)	1,278,947	22,627,846
Other Financing Sources (Uses)									
Transfers in	9,731	5,017,872	185			151,959	60,216,886	300,000	65,696,633
Transfers out	(9,701,675)	(26,790,045)	(4,782,026)	(12,404,351)	(3,946,378)	(5,023,962)		(3,048,196)	(65,696,633)
Premium on bonds		277,747							277,747
Total Other Financing Sources (Uses)	(9,691,944)	(21,494,426)	(4,781,841)	(12,404,351)	(3,946,378)	(4,872,003)	60,216,886	(2,748,196)	277,747
Net Change in Fund Balances	19,036,761	653,654	1,533,035	37,796,722	10,293,907	(44,808,532)	(130,705)	(1,469,249)	22,905,593
Fund Balance at Beginning of Year	22,655,161	22,976,747	19,610,065	42,519,146	21,852,245	20,133,218	1,292,972	21,781,822	172,821,376
Fund Balance at End of Year	\$ 41,691,922	\$ 23,630,401	\$ 21,143,100	\$ 80,315,868	\$ 32,146,152	\$ (24,675,314)	\$ 1,162,267	\$ 20,312,573	\$ 195,726,969

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$	22,905,593
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	\$ 66,012,919	
Depreciation expense	<u>(36,304,502)</u>	29,708,417
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		(25,973)
Net change in deferred outflows of resources not reported in the governmental fund statements:		
Pension - employees' retirement system	65,719,079	
Pension - length of service award program	1,326,568	
Other postemployment benefits	<u>14,331,751</u>	81,377,398
Differences in revenue recognition in the statement of activities and governmental funds due to measurement focus/basis of accounting differences:		
Amortization/installment of amounts due from other governments	(5,800,421)	
Increase in due from other governments	18,222,290	
Unavailable revenue - water fees, sidewalk repair and park fees	(439,440)	
Premiums on bonds, net of amortization	3,549,890	
Amortization of deferred gains on debt refunding	<u>325,218</u>	15,857,537
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:		
Principal payment of bonds	44,939,956	
Principal payment of capital leases	<u>1,775,396</u>	46,715,352
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	3,741,252	
Employees' retirement system net pension liability	(102,873,779)	
Length of service award program plan pension liability	(1,776,520)	
Compensated absences	(13,800,908)	
Claims and judgments, net of estimated recoveries	(31,492,511)	
Estimated liability for landfill closure and postclosure care costs	(71,177)	
Pollution remediation obligations	(350,199)	
Total other postemployment benefits liability	(85,714,557)	
Accrued interest payable	<u>493,807</u>	(231,844,592)
Net change in deferred inflows of resources not reported in the governmental fund statements:		
Pension - employees' retirement system	10,047,412	
Pension - length of service award program	28,748	
Other postemployment benefits	<u>(13,345,690)</u>	(3,269,530)
Change in Net Position of Governmental Activities	\$	<u>(38,575,798)</u>

The notes to financial statement are an integral part of this statement.

TOWN OF HEMPSTEAD
PROPRIETARY FUND
STATEMENT OF NET POSITION
December 31, 2020

		Town of Hempstead Local Development Corporation
ASSETS		
Cash and cash equivalents	\$	2,420,036
Accounts receivable		2,000
Total Assets		2,422,036
 LIABILITIES		
Accounts payable and accrued liabilities		8,988
Total Liabilities		8,988
 NET POSITION		
Unrestricted		2,413,048
Total Net Position	\$	2,413,048

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2020

	Town of Hempstead Local Development Corporation
OPERATING REVENUES	
Fees for services	\$ 225,726
Total Operating Revenues	225,726
OPERATING EXPENSES	
Contractual and professional fees	16,857
Rent	15,000
Compensation and related costs	110,928
Advertising	5,000
Office, meeting and travel	4,678
Total Operating Expenses	152,463
Income from operations	73,263
NON-OPERATING INCOME	
Interest income	2,143
Net Change in Net Position	75,406
Net Position at Beginning of Year	2,337,642
Net Position at End of Year	\$ 2,413,048

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

		Town of Hempstead Local Development Corporation
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from services provided	\$	223,726
Payments for personal services and employee benefits		(110,928)
Payments to suppliers and service providers		(41,806)
Net Cash from Operating Activities		70,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income		2,143
Net Cash from Investing Activities		2,143
Net Change in Cash and Cash Equivalents		73,135
Cash and Cash Equivalents at Beginning of Year		2,346,901
Cash and Cash Equivalents at End of Year	\$	2,420,036
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$	73,263
Adjustments to reconcile operating income to net cash from operations:		
Increase in accounts receivable		(2,000)
Decrease in accounts payable and accrued liabilities		(271)
Net Cash from Operating Activities	\$	70,992

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2020

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 46,439,635
Taxes Receivable - school districts	1,091,771,959
Total Assets	\$ 1,138,211,594
 LIABILITIES	
Due to other governments	\$ 1,138,211,594
Total Liabilities	\$ 1,138,211,594

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD

**FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended December 31, 2020**

	<u>Custodial Fund</u>
ADDITIONS	
Real property taxes collected for other governments	\$2,767,098,691
Other taxes collected for other governments	<u>67,917</u>
Total Additions	<u>2,767,166,608</u>
DEDUCTIONS	
Payment of real property taxes to other governments	<u>2,767,166,608</u>
Total Deductions	<u>2,767,166,608</u>
Net Change in Fiduciary Net Position	-0-
Net Position at Beginning of Year	<u>-0-</u>
Net Position at End of Year	<u>\$ -0-</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

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TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

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 specific purposes.

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

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

A. REPORTING ENTITY

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

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

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

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

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

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

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

The Town of Hempstead Housing Authority, (the "Housing Authority"), a municipal housing authority for the Town was established pursuant to the Housing 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. The 2020 financial information was not available, and therefore, is not included in this report. The omission of the Housing Authority's financial information from the aggregate discretely-presented component units opinion financial statements is deemed to be a material departure from GAAP.

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 Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

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. Governmental 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.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Governmental Funds (continued)

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.

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	

Street Lighting District Fund

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.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Proprietary Fund (continued)

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.

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 Fund - Fiduciary Funds are used to account for assets (and changes thereof) held by the Town on behalf of others. The Town's fiduciary fund consists of a custodial fund, and it is primarily used to account for real property taxes billed and collected on behalf of other governments and the distribution of such amounts.

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	

** 2020 financial information not available and therefore not included in this report.

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

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

Government-Wide

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

Governmental Funds

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental Funds (continued)

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. However, revenue water meter sales are considered available when billed to the customer.

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, and eligibility requirements have been met.

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

Proprietary Fund

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

Fiduciary Fund

Fiduciary funds utilize the accrual basis of accounting.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. CASH AND CASH EQUIVALENTS

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

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

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

2. RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables include amounts due from Federal, State, and other governments or entities for services provided by the Town, as well as amounts due pursuant to contractual agreements or revenue sharing arrangements. Receivables and revenues are recognized as earned or as specific program expenditures are incurred, and within governmental funds statements, the revenue meets the Town's period of availability policy. At December 31, 2020, management has determined that no allowance for doubtful accounts is necessary.

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
Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. INVENTORY AND PREPAID ITEMS

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

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

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

6. CAPITAL ASSETS

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

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

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

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

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

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

Infrastructure assets, consisting of certain improvements other than buildings, including roads, curbs, sidewalks, drainage systems, street lighting and park structures, are capitalized along with other capital assets. Intangible assets lack physical substance, are nonfinancial in nature, and have an estimated useful life extending beyond a single reporting period. The term depreciation, as used in these footnotes, includes amortization of intangible assets.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

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. GUARANTEE, BID AND ESCROW DEPOSITS, AND OTHER LIABILITIES

The guarantee, bid and escrow deposits, and other liabilities consists of deposits received from banks owning vacant properties to ensure the property is maintained in accordance with the Town Code, potential vendors, or vendors, in an amount determined by the Town, to guarantee satisfactory performance with the terms of a contract as well as amounts pursuant to a contract. The deposits are held in escrow and will be returned to customer, bank, or vendor upon the Town's approval of performance with the terms of the contract. The deposit may be forfeited to the Town if the work is not completed satisfactorily, or contract obligations are not fulfilled.

9. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

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

10. UNEARNED REVENUES

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements and fund financial statements, unearned revenues consist of grant awards received in advance and/or amounts received from grants received before eligibility requirements have been met.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. LONG-TERM OBLIGATIONS

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, direct borrowings - capital leases, pension related debt, employees' retirement systems net pension liabilities, length of service award program plan pension liability, compensated absences, claims and judgments, estimated liability for landfill closure and postclosure care costs, pollution remediation obligations, and total other postemployment benefits liability are recognized in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis.

Bonds payable are reported net of applicable bond premium or discount, if applicable. Debt issuance costs are recognized as an outflow of resources in the period incurred.

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

12. 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).

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

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

- 1) 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.
- 2) 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.
- 3) 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.
- 4) Unassigned fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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.

13. 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 OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES/EXPENSES (continued)

1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES (continued)

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.

3. COMPENSATED ABSENCES

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

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

4. PENSIONS

Employees' Retirement System Net Pension Liability

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES/EXPENSES (continued)

4. PENSIONS (continued)

Length of Service Award Program Plan Pension Liabilities

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

5. EDUCATION EXPENSE

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

F. ENCUMBRANCES

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

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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 ("Coronavirus") pandemic and the mitigation responses, and such differences may be material.

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 on January 1, 2020 which had an impact of the Town's financial statements:

GASB Statement No. 84, "*Fiduciary Activities*", establishes criteria for identifying fiduciary activities of all state and local governments. The criterial focus is generally on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement establishes the four fiduciary funds that should be reported (as applicable); (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRINCIPLES (continued)

This Statement also provides guidance for the recognition of a liability when an event has occurred that completes the government to disburse fiduciary resources. In accordance with the provisions of this Statements, the Town's financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position for the Town's custodial fund. As a result of implementing this Statement, certain transactions previously reported within Fiduciary funds are now reflected within the governmental funds.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through December 17, 2021. 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.
- 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.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. No local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); subject to certain limited exceptions and adjustments, however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Town did not vote to override the tax levy cap for the 2020 Adopted Budget. On November 4, 2019, the members of the Town Board adopted the 2020 budget.

B. FUND EQUITY

FUND BALANCE

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

	General Fund	Highway Fund	Park Districts Fund	Refuse and Garbage Districts Fund	Water Districts Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Fund Balances:									
Nonspendable:									
Inventory	\$ 2,995,195	\$ 2,804,630	\$ 612,217	\$ 24,085	\$ 513,544			\$ 465,819	\$ 7,415,490
Prepaid items	2,376,382	589,938	1,104,925	910,617	296,394			262,331	5,540,587
Permanent fund principal								1,337,867	1,337,867
Total Nonspendable	5,371,577	3,394,568	1,717,142	934,702	809,938	\$ -0-	\$ -0-	2,066,017	14,293,944
Restricted for:									
Debt service							1,162,267		1,162,267
Capital projects						699,339			699,339
Length of service award program plan benefits								3,526,007	3,526,007
Grantors and donor restrictions								574,549	574,549
Other reserves								378,666	378,666
Total Restricted	-0-	-0-	-0-	-0-	-0-	699,339	1,162,267	4,479,222	6,340,828
Assigned to:									
Subsequent year's budget	13,749,627	1,042,704		6,743,891				256,761	21,792,983
Purchases on order or contractual obligations	837,524	1,896,289							2,733,813
Special revenue funds		17,296,840	19,425,958	72,637,275	31,336,214			13,510,573	154,206,860
Total Assigned	14,587,151	20,235,833	19,425,958	79,381,166	31,336,214	-0-	-0-	13,767,334	178,733,656
Unassigned, reported in:									
General Fund	21,733,194								21,733,194
Capital Projects						(25,374,653)			(25,374,653)
	21,733,194	-0-	-0-	-0-	-0-	(25,374,653)	-0-	-0-	(3,641,459)
Total Fund Balances	\$41,691,922	\$23,630,401	\$ 21,143,100	\$80,315,868	\$32,146,152	\$(24,675,314)	\$ 1,162,267	\$ 20,312,573	\$195,726,969

The deficit in the Capital Projects Fund resulted from the timing difference of when expenditures were incurred and the receipt of long-term financing. The fund balance deficit will be eliminated when the Town issues general obligation bonds to fund the various capital improvement projects.

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.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

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, 2020, the Town's cash and cash equivalents totaled \$310,342,846. This amount is inclusive of fiduciary fund deposits of \$46,439,635 and restricted cash of \$2,407,000 but exclusive of petty cash of \$25,625 and the blended component unit cash of \$2,420,036. The related bank balances totaled \$310,280,019. Of the bank balance, \$121,950,836 was covered by federal deposit insurance, and \$199,329,182 was covered by collateral with a fair value of \$419,722,904, held by the Town's agent, a third-party financial institution, in the Town's name.

Restricted cash and cash equivalents of \$2,407,000 consists of \$1,337,867 of monies held in the Permanent Fund which may not be spent, \$1,069,133 of monies restricted pursuant to grant agreements.

The bank balances of the blended component unit totaled \$2,422,505, of which \$250,000 was covered by federal deposit insurance and \$2,172,505 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 – Concentration of credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5% or more in securities of a single issuer.

As of December 31, 2020, the Town did not have any cash and cash equivalents subject to credit risk, interest-rate risk or concentration of credit risk.

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, 2020, LOSAP Plan assets of \$3,526,007 consist of \$3,336,297 of investments in guaranteed annuity contracts and a \$189,710 of a limited partnership interest.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Restricted Investments - Primary Government (continued)

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 \$3,336,297 are reported as amortized cost which approximates fair value. These are considered unallocated insurance contracts.

Limited Partnership

The LOSAP plan's \$189,710 investment in a limited partnership ("Partnership") is measured at net asset value ("NAV") per share (or its equivalent) as of December 31, 2020, the measurement date. The primary activity of the Partnership is investing portfolios. The Partnership's investment objective is 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
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Restricted Investments - Primary Government (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, 2020, 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, are expected to be repaid early in the subsequent year, and are stated as follows:

	Receivables	Payables
<u>Major Governmental Funds:</u>		
General	\$ 8,165,489	\$ 14,999,019
Highway	10,814,017	1,095,631
Park Districts	6,650,995	458,790
Refuse & Garbage Districts	7,462,860	476,346
Water Districts	2,110,685	310,092
Capital Projects	154,754	17,257,540
<u>Nonmajor Governmental Funds:</u>		
Town Outside Village	260,403	335,356
Special Grant		800,143
Fire Protection Districts	44,073	
Street Lighting District	49,900	2,086
Public Parking Districts	18,366	576
Library Funding Districts	4,037	
	\$ 35,735,579	\$ 35,735,579

At December 31, 2020, individual fund interfund transfers balances for the primary government's governmental activities primarily represent funding of debt service and capital projects expenditures, and are stated as follows:

	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General	\$ 9,731	\$ 9,701,675
Highway	5,017,872	26,790,045
Park Districts	185	4,782,026
Refuse & Garbage Districts		12,404,351
Water Districts		3,946,378
Capital Projects	151,959	5,023,962
Debt Service	60,216,886	
<u>Nonmajor Governmental Funds:</u>		
Town Outside Village		162,002
Special Grant	300,000	
Fire Protection Districts		550,037
Street Lighting District		1,182,921
Public Parking Districts		1,149,410
Permanent		3,826
	\$ 65,696,633	\$ 65,696,633

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

C. DUE FROM OTHER GOVERNMENTS

The statement of net position reports \$95,747,438 due from other governments, of which \$35,893,053 is current and \$59,854,385 is long-term. The receivable balance consists of the following amounts:

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 in equal installments of \$5,800,421. In 2020, as a result of an additional judgment against the Town pertaining to the garbage taxes and local utility companies' litigation, the receivable balance from the County increased by an additional \$18,222,290, which is payable in ten annual installments of \$1,822,229 commencing in March 2022 through March 2031. As of December 31, 2020, the outstanding balance was \$64,625,657 and is reported in statement of net position as due from other governments and which \$58,825,236 is considered a long-term receivable and \$5,800,421 is current (see Note 4B).

Additionally, due from other governments includes receivable balances pertaining to grants, mortgage tax revenue, sales tax revenue, special assessments and intergovernmental charges, of which \$1,029,149 is considered long-term and \$30,092,632 is considered current. These amounts are also reported in the governmental funds balance sheet.

D. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2020 are as follows:

Primary Government	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
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 in progress	2,881,676	\$ 820,072		3,701,748
Total capital assets not being depreciated	<u>89,848,961</u>	<u>820,072</u>	<u>\$ -0-</u>	<u>90,669,033</u>
Depreciable capital assets:				
Infrastructure and improvements other than buildings	791,832,243	43,800,671	1,482,956	834,149,958
Buildings	38,895,043	11,909,674		50,804,717
Improvement to park portion of Merrick landfill	15,741,484			15,741,484
Machinery and equipment	124,022,997	9,354,214	2,697,406	130,679,805
Intangibles - software	6,364,756	128,288	1,400,000	5,093,044
Total depreciable capital assets	<u>976,856,523</u>	<u>65,192,847</u>	<u>5,580,362</u>	<u>1,036,469,008</u>
Less accumulated depreciation:				
Infrastructure and improvements other than buildings	366,775,540	26,931,699	1,482,956	392,224,283
Buildings	15,589,065	1,383,751		16,972,816
Improvements to park portion of Merrick landfill	9,264,835	540,555		9,805,390
Machinery and equipment	109,732,531	6,985,178	2,697,406	114,020,303
Intangibles - software	4,847,678	463,319	1,400,000	3,910,997
Total accumulated depreciation	<u>\$ 506,209,649</u>	<u>\$ 36,304,502</u>	<u>\$ 5,580,362</u>	<u>536,933,789</u>
Total net depreciable capital assets				<u>499,535,219</u>
Total net capital assets - governmental activities				<u>\$ 590,204,252</u>

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

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	\$ 3,765,893	\$ -0-
Public safety	1,389,204	
Transportation	21,926,390	
Economic assistance and opportunity	62,754	
Culture and recreation	2,865,480	
Home and community services	6,294,781	
Total primary government depreciation expense	\$ 36,304,502	\$ -0-

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, 2020, the Town has not recorded any such impairment losses.

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Discretely Presented Nonmajor Component Units				
Capital assets not being depreciated:				
Land	\$ 1,493,185			\$ 1,493,185
Construction in progress	10,109,710	\$ 4,965,529	\$ 8,470,898	6,604,341
Total capital assets not being depreciated	11,602,895	4,965,529	8,470,898	8,097,526
Depreciable capital assets:				
Buildings	18,709,019			18,709,019
Improvements other than buildings	26,283,469	1,116,308		27,399,777
Machinery and equipment	16,995,995	8,693,312		25,689,307
Software	1,347	61,206	6,450	56,103
Infrastructure	13,794,771	142,329		13,937,100
Total depreciable capital assets	75,784,601	10,013,155	6,450	85,791,306
Less: total accumulated depreciation	\$ 37,242,725	\$ 2,719,261	\$ 6,450	39,955,536
Total net depreciable capital assets				45,835,770
Total net capital assets				\$ 53,933,296

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TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS

SHORT-TERM DEBT

Bond Anticipation Notes (BANs) - Bond anticipation notes are used as a temporary means of financing expenditures. State law requires that BANs issued for capital purposes to be converted to long-term obligations within five years after the original issuance date, unless a portion is redeemed within two years and within each 12 month period thereafter. During 2020, the Town issued BANs to temporarily finance various capital projects (\$31,905,000) and to finance the settlement of specific judgment and claims (\$1,365,000). The BANs bear interest at 1.25% and mature on December 15, 2021.

A summary of bond anticipation notes activity is as follows:

	Balance 1/1/2020	Issued	Redeemed	Balance 12/31/2020
Primary Government, Governmental Activities:				
Highway Fund	\$ -0-	\$ 1,365,000	\$ -0-	\$ 1,365,000
Capital Projects Fund		31,905,000		31,905,000
Total primary government	-0-	33,270,000	-0-	33,270,000
Component units:				
Capital Projects Fund		8,837,700		8,837,700
Total component units	-0-	8,837,700	-0-	8,837,700
Total bond anticipation notes	\$ -0-	\$ 42,107,700	\$ -0-	\$ 42,107,700

LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2020 is as follows:

	Beginning Balance 1/1/2020	New Issues/ Additions	Maturities/ Reductions	Ending Balance 12/31/2020	Non-Current Liabilities Due Within One Year	Non-Current Liabilities
Primary Government						
Governmental Activities:						
Bonds Payable:						
General obligation bonds	\$ 403,741,887	\$ -0-	\$ 44,939,956	\$ 358,801,931	\$ 43,407,055	\$ 315,394,876
Plus premiums on bonds	34,006,201		3,549,890	30,456,311		30,456,311
Total Bonds Payable	437,748,088		48,489,846	389,258,242	43,407,055	345,851,187
Direct Borrowing - capital leases	9,615,525		1,775,396	7,840,129	1,830,458	6,009,671
Pension related debt	15,351,662		3,741,252	11,610,410	3,866,672	7,743,738
Employees' retirement system net pension liability	39,036,111	151,373,343	48,499,564	141,909,890		141,909,890
Length of service award program plan pension liability	6,318,348	1,815,068	38,548	8,094,868		8,094,868
Compensated absences	47,401,017	42,628,625	28,827,717	61,201,925	6,120,000	55,081,925
Claims and judgments	38,978,309	44,935,898	13,443,387	70,470,820	39,696,843	30,773,977
Estimated liability for landfill closure and postclosure care costs	842,448	112,012	40,835	913,625	66,700	846,925
Pollution remediation obligations	7,294,301	1,657,568	1,307,369	7,644,500	5,803,700	1,840,800
Total other postemployment benefits liability	1,306,759,675	165,435,270	79,720,713	1,392,474,232		1,392,474,232
Total Non-Current Liabilities	\$ 1,909,345,484	\$ 407,957,784	\$ 225,884,627	\$ 2,091,418,641	\$ 100,791,428	\$ 1,990,627,213

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

CHANGES IN LONG-TERM LIABILITIES (continued)

(continued)

	Beginning Balance 1/1/2020	New Issues/ Additions	Maturities/ Reductions	Ending Balance 12/31/2020	Non-Current Liabilities Due Within One Year	Non-Current Liabilities
Nonmajor Component Units:						
Bonds Payable:						
General obligation bonds	\$ 19,950,295	\$ -0-	\$ 872,226	\$ 19,078,069	\$ 912,945	\$ 18,165,124
Plus premiums on issuance	1,092,694	12,522	77,329	1,027,887		1,027,887
Total Bonds Payable	21,042,989	12,522	949,555	20,105,956	912,945	19,193,011
Direct borrowings - other loans	28,634		5,646	22,988	5,736	17,252
Pension related debt	19,676		19,676	-0-		
Employees' retirement system net pension liability	1,576,448	4,163,249	51,886	5,687,811		5,687,811
Compensated absences	1,472,148	347,631	160,290	1,659,489	128,047	1,531,442
Total other postemployment benefits liability	23,239,653	6,184,597	2,980,761	26,443,489		26,443,489
Total Non-Current Liabilities	\$ 47,379,548	\$ 10,707,999	\$ 4,167,814	\$ 53,919,733	\$ 1,046,728	\$ 52,873,005

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, but the cost will ultimately be borne by the General, Water, Sanitation and Highway Funds. The length of service award program plan pension liability will be liquidated through budgetary appropriation in the Fire Protection Districts Fund. Long-term liabilities for compensated absences, other postemployment health care benefits, employees' retirement system net pension liability and pension related debt are liquidated through future budgetary appropriation in the following funds: General, Highway, Park Districts, Refuse and Garbage Districts, Town Outside Village, Public Parking Districts, Water Districts and Special Grant, depending upon which fund gave rise to the liability.

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

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

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TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

A summary of these bonds are as follows:

	Balance 1/1/2020	Issued	Redeemed	Balance 12/31/2020
Primary Government, Governmental Activities:				
General	\$ 67,510,776	\$ -0-	\$ 6,873,875	\$ 60,636,901
Highway	167,292,896		20,408,858	146,884,038
Park Districts	35,714,442		3,590,582	32,123,860
Refuse and Garbage Districts	85,743,106		8,636,772	77,106,334
Part-town	663,292		135,986	527,306
Fire Districts	5,617,565		334,237	5,283,328
Lighting District	5,632,793		972,449	4,660,344
Parking Districts	6,561,839		902,364	5,659,475
Water District	27,712,206		2,954,128	24,758,078
Other	1,292,972		130,705	1,162,267
Total Primary Government	<u>403,741,887</u>	<u>-0-</u>	<u>44,939,956</u>	<u>358,801,931</u>
Nonmajor Component Units:				
Library Districts	5,822,457		270,568	5,551,889
Water Districts	14,127,838		601,658	13,526,180
Total Nonmajor Component Units	<u>19,950,295</u>	<u>-0-</u>	<u>872,226</u>	<u>19,078,069</u>
Total General Obligation Bonds	<u>\$ 423,692,182</u>	<u>\$ -0-</u>	<u>\$ 45,812,182</u>	<u>\$ 377,880,000</u>

Future principal and interest payments to maturity are as follows:

		Principal	Interest	Total Principal and Interest
Primary Government, Governmental Activities:				
Years Ending December 31,	2021	\$ 43,407,055	\$ 13,508,605	\$ 56,915,660
	2022	41,664,479	11,651,452	53,315,931
	2023	43,333,760	9,970,503	53,304,263
	2024	38,347,472	8,383,723	46,731,195
	2025	39,898,609	6,885,612	46,784,221
	2026-2030	136,160,553	13,569,466	149,730,019
	2031-2035	15,123,176	693,438	15,816,614
	2036-2038	866,827	56,947	923,774
Total Primary Government		<u>358,801,931</u>	<u>64,719,746</u>	<u>423,521,677</u>
Nonmajor Component Units:				
Years Ending December 31,	2021	\$ 912,945	\$ 715,114	\$ 1,628,059
	2022	945,521	669,967	1,615,488
	2023	996,240	623,941	1,620,181
	2024	1,027,528	584,515	1,612,043
	2025	1,071,391	534,513	1,605,904
	2026-2030	6,049,447	1,936,584	7,986,031
	2031-2035	4,961,824	981,315	5,943,139
	2036-2038	3,113,173	202,153	3,315,326
Total Nonmajor Component Units		<u>19,078,069</u>	<u>6,248,102</u>	<u>25,326,171</u>
Total Principal and Interest		<u>\$ 377,880,000</u>	<u>\$ 70,967,848</u>	<u>\$ 448,847,848</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, 2020.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

Outstanding Bond Issue	Average Rate	Original Amount	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-2012, Series A	2.99083%	\$ 49,869,000	\$ 22,220,000	August 15, 2037
General Obligation Serial Bonds-2014, Series A	2.55402%	46,254,170	26,385,000	January 1, 2026
General Obligation Serial Bonds-2015, Series A	2.44205%	67,144,108	45,520,000	December 15, 2028
General Obligation Serial Bonds-2017, Series A	2.66126%	75,735,000	64,910,000	April 1, 2030
General Obligation Serial Bonds-2018, Series A	2.39110%	72,895,000	61,970,000	June 15, 2028
General Obligation Serial Bonds-2018, Series B	2.72100%	55,101,774	49,005,000	September 15, 2031
General Obligation Serial Bonds-2018, Series C	3.17230%	7,600,000	7,095,000	September 15, 2038
General Obligation Refunding Serial Bonds-2018, Series D	2.90460%	27,085,000	14,530,000	August 15, 2038
General Obligation Refunding Serial Bonds - 2019	4.85000%	24,685,000	19,060,000	April 15, 2035
General Obligation Serial Bonds - 2019 Series A	3.28000%	45,507,182	42,880,000	August 15, 2032
General Obligation Refunding Serial Bonds - 2019 Series B	4.68000%	27,065,000	24,305,000	August 1, 2030
		<u>\$ 498,941,234</u>	<u>\$ 377,880,000</u>	

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, 2020, there are no outstanding bonds considered defeased.

LEGAL DEBT MARGIN

The Town is subject to legal limitations on the amount of debt that it may issue. The Town's legal debt margin is 7% of the five year average full valuation of taxable real property. At December 31, 2020, that amount was \$7,491,459,364. As of December 31, 2020, the total outstanding debt applicable to the limit was \$334,686,915, which is 4.677% of the total debt limit.

DIRECT BORROWINGS - CAPITAL LEASES

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

The Town recognized \$640,157 of depreciation expense related to these assets during 2020.

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2020, are as follows:

Primary Government, Governmental Activities:	
Years Ending December 31, 2021	\$ 2,062,664
2022	2,062,664
2023	2,062,664
2024	2,062,664
2025	88,388
2026	94,252
	<hr/>
Total minimum lease payments	8,433,296
Less: amount representing interest	(593,167)
Present value of minimum lease payments	<u>\$ 7,840,129</u>

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

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, 2020, the outstanding debt induced by the TOHLDC and TOHIDA and issued by other entities amount to approximately \$500,080,000 and \$60,940,000, respectively.

G. RETIREMENT SYSTEM

Plan Description

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

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

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

Vesting

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

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 aged 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tiers 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

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

Tiers 3, 4 and 5

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

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. Tiers 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tiers 3 and 4 members aged 55 or older with 30 or more years of service can retire with no reduction in benefits.

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

Tier 6

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

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

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

Disability Retirement Benefits

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

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

Contributions

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Contributions (continued)

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

Primary Government, Governmental Activities:

Annual Required Contribution - ERS					
Amount	Credits & Miscellaneous Adjustments	Prepayment Discount	Amortization Payments	Total Payment	
2020	\$22,541,069	\$ 51,953	\$ (202,562)	\$ 4,267,445	\$ 26,657,905
2019	22,651,118	16,013	(208,430)	4,267,445	26,726,146
2018	23,097,163	35,998	(212,356)	4,267,445	27,188,250

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, 2020 is \$11,610,410. 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:

Primary Government, Governmental Activities:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2021	\$ 3,866,672	\$ 383,239	\$ 4,249,911
2022	3,241,406	253,585	3,494,991
2023	2,362,398	147,856	2,510,254
2024	1,471,860	68,198	1,540,058
2025	668,074	21,445	689,519
	\$ 11,610,410	\$ 874,323	\$ 12,484,733

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

At December 31, 2020, the Town reported a liability of \$141,909,890 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as April 1, 2019. 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.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

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)

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

<u>Measurement Date</u>	<u>Net Pension Liability</u>	<u>Allocation of the System's Total Net Liability</u>
March 31, 2020	\$ 141,909,890	0.53950180%

There was no significant change in the Town's proportionate share of 0.55094470% at March 31, 2019 to 0.53950180% at March 31, 2020.

The net pension liability for the nonmajor component units totaled \$5,687,811.

For the year ended December 31, 2020, the Town recognized pension expense of \$49,504,129 in the government-wide statement of activities - governmental activities. At December 31, 2020, 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	\$ 8,351,970	
Changes of assumptions	2,857,393	\$ 2,467,311
Net difference between projected and actual earnings on pension plan investments	72,749,908	
Changes in proportion and differences between the Town's contribution and proportionate share of contributions	3,242,289	2,152,934
Town's contributions subsequent to the measurement date, net of prepaid amounts	<u>16,767,354</u>	
Total	<u>\$ 103,968,914</u>	<u>\$ 4,620,245</u>

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

Years Ending December 31, 2021	\$ 14,241,586
2022	20,675,135
2023	26,400,031
2024	<u>21,264,563</u>
	<u>\$ 82,581,315</u>

The pension related deferred outflows of resources and deferred inflows of resources for the nonmajor component units totaled \$4,380,088 and \$268,614, respectively.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

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, 2019
Interest rate	6.80%
Salary increase	4.20%
Cost of living adjustment	1.30%
Inflation rate	2.50%
Decrement tables	April 1, 2010 - March 2015 System Experience Scale MP 2018

The interest rate decreased from 7.0% to 6.8% in April 1, 2019 actuarial valuation. 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, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity:		
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Alternatives:		
Private equity	10.00%	6.75%
Real estate	10.00%	4.95%
Other	8.00%	3.25%-5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation indexed bonds	4.00%	0.50%
	100.00%	

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% 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
Year Ended December 31, 2020

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 6.8%, 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 (5.8%) or 1-percentage point higher (7.8%) than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Town's proportionate share of the collective net pension liability	\$ 260,444,716	\$ 141,909,890	\$ 32,738,815
Nonmajor component unit's proportionate share of the collective net pension liability	\$ 10,438,743	\$ 5,687,811	\$ 1,312,186

Pension Plan Fiduciary Net Position

The components of the current year net pension liability (measured as of March 31, 2020) of the employers as of the respective valuation dates were as follows:

	(Dollars in Thousands)
Employers' total pension liability	\$ (194,596,261)
Plan net position	168,115,682
Employers' net pension liability	\$ (26,480,579)
Ratio of plan net position to the Employers' total pension liability	86.39%

H. LENGTH OF SERVICE AWARD PROGRAM PLAN

Plan Description

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

Participation, Vesting and Service Credit

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

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 firefighter 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, 2020, the LOSAP Plans' measurement date, the following participants were covered by the benefit terms:

Inactive participants receiving benefits	27
Inactive participants entitled to, but not yet receiving benefits	64
Active participants	115
Total	206

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, 2020, the Town remitted \$257,473 to the plan, which consisted of \$252,058 of contributions and \$5,415 of administrative fees.

Trust Assets

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

Measurement of Liability

The total LOSAP Plan pension liability and the collective total pension liability at the December 31, 2020 measurement date was determined using an actuarial valuation as of that same date.

Actuarial Assumptions

The total pension liability as of December 31, 2020 (the measurement and actuarial valuation date) was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Discount rate	2.00%
Inflation rate	1.50%
Salary Scale	None Assumed

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM PLAN (continued)

Actuarial Assumptions (continued)

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

Mortality rates were based on the RP-2014 Combined Unisex Projected to 2021 Mortality Table. 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.

LOSAP Total Pension Liability

The Town's total pension liability related to the LOSAP plan totaled \$8,094,868 at December 31, 2020.

Below summarizes the change in the total pension liability from December 31, 2019 to December 31, 2020:

Balance at beginning of year	\$	6,318,348
Service costs		204,041
Interest		172,175
Changes of assumptions or other inputs		1,395,945
Differences between expected and actual experience		42,907
Benefit payments		<u>(38,548)</u>
Balance at end of year	\$	<u>8,094,868</u>

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

The following presents the Town's total pension liability calculated using the discount rate of 2.00%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.00%) or 1-percentage point higher (3.00%) than the current rate:

	1% Decrease (1.00%)	Current Assumption (2.00%)	1% Decrease (3.00%)
Total Pension Liability	<u>\$ 9,925,000</u>	<u>\$ 8,094,868</u>	<u>\$ 6,665,000</u>

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

For the year ended December 31, 2020, the Town recognized LOSAP pension expense of \$459,751.

At December 31, 2020, 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
Changes in assumptions	<u>\$ 2,384,115</u>	<u></u>
Total	<u>\$ 2,384,115</u>	<u>\$ -0-</u>

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

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, 2021	\$	197,495
2022		197,495
2023		197,495
2024		197,495
2025		197,495
Thereafter		1,396,640
	\$	<u>2,384,115</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 2020 and the plan's statement of receipts and disbursements for 2020.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM PLAN (continued)

Other Information (continued)

Receipts and Disbursements

Plan assets, December 31, 2019		\$	3,192,678
Changes during the year:			
(+)	Plan contributions	\$ 257,473	
(+)	Investment income earned	128,309	
(+/-)	Changes in fair market value of investments	(5,828)	
(-)	Plan benefit withdrawals	38,548	
(-)	Administrative and other fees/charges	8,077	
			333,329
Plan assets, December 31, 2020		\$	3,526,007

Contributions and Administration Fees

Amount of sponsor's required contribution for 2020:	Minimum	\$	252,058
	Maximum	\$	258,960

Amount of sponsor's actual contribution paid:

Plan contributions	\$	252,058	
Administrative fees		5,415	
Amount paid to the plan			\$ 257,473

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 2020 (date of actuarial valuation) to incorporate any actuarial or experience gains or losses which occurred from the previous year. The present value of accrued benefits is based on the current cost of purchasing an individual annuity. The assumptions used by the actuary to determine the sponsors contribution and actuarial present value of the benefits are as follows:

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

I. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

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

The retiree is also eligible for Medicare Part B reimbursement at rate of \$145 per month, based on the standard 2020 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 \$2,123 in 2020, 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
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

I. OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description (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

As of January 1, 2020, the effective date of the most recent OPEB valuation, there are 3,465 participants in the plan, consisting of 1,720 active employees and 1,745 of retired employees.

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 \$1,392,474,232 was measured as of December 31, 2020 (measurement date) and was determined by an actuarial valuation as of January 1, 2020, with updating procedures used to rollforward the OPEB liability to the measurement date. The total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service or 'earned', discounted to the end of the year using the current discount rate. The total OPEB liability is part of the non-current liabilities due in more than one year in the statement of net position.

Funding Policy

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

Actuarial Assumptions and Other Inputs

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

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

The total OPEB liability in the January 1, 2020 actuarial valuation and measured as of December 31, 2020, was determined using the following actuarial assumptions and other inputs:

Census collection date	January 1, 2020
Discount rate	2.12%
Healthcare cost trend rates (pre 65/post 65):	
Year 1 (Pre65/Post 65)	2.71% to 5.36% / 0.30% to 1.76%
Year 2 & thereafter	9.5%, decrease 0.5% per year to ultimate 5.0% in 2030
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-2020 (base year 2006)
Implicit rate subsidy age factors	39.71% at age 20, increasing to 164.94% at age 60

The discount rate used to measure the liability was 2.12% based on the Bond Buyer's 20-year general obligation bond index.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

I. OTHER POSTEMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability

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

Total OPEB liability, December 31, 2019 measurement date	\$	1,306,759,675
Changes for the year:		
Service costs		55,009,484
Interest		28,125,283
Assumption changes		82,300,503
Differences between expected and actual experience		(45,071,055)
Benefit payments		(34,649,658)
		(34,649,658)
Balance as of the December 31, 2020 measurement date	\$	1,392,474,232

Changes in assumptions and other inputs used in measuring the liability from December 31, 2019 to December 31, 2020 include a change in the discount rate from 2.66% in 2019 to 2.12% in 2020, change in the mortality assumption from SOA RF 2014 Adjusted to 2006 Total Dataset Mortality (SOA Scale MP 2018) to SOA RP-2014 Total Dataset Mortality with Scale MP-2020, participation rate was increased from 95% to 100%, and the tables used for retirement and termination assumptions were updated to reflect most recent tables from the New York State and Local Employee's Retirement System.

The total OPEB liability for the nonmajor component units totaled \$26,443,489.

Sensitivity of the Total OPEB liability to Changes in the Discount and Healthcare Cost Trend Rates

The following presents the total OPEB liability at December 31, 2020, 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%	Current	1%
	Decrease (1.12%)	Assumption (2.12%)	Increase (3.12%)
Town's total OPEB liability	\$ 1,669,381,235	\$ 1,392,474,232	\$ 1,174,368,638
Nonmajor component units			
total OPEB liability	32,321,803	26,443,489	22,474,608

The following presents the total OPEB liability at December 31, 2020, 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%	Current	1%
	Decrease (0.0% to 4.36%)	Assumption (0.30% to 5.36%)	Increase (1.3% to 6.36%)
Town's total OPEB liability	\$ 1,136,939,872	\$ 1,392,474,232	\$ 1,733,573,133
Nonmajor component units			
total OPEB liability	18,653,817	26,443,489	32,565,482

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

3. DETAILED NOTES ON ALL FUNDS (continued)

I. OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2020, the Town recognized OPEB expense of \$119,378,154. At December 31, 2020, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 117,362,748
Changes in assumptions	\$ 248,233,787	
Total	\$ 248,233,787	\$ 117,362,748

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

Years Ending December 31, 2021	\$ 36,243,387
2022	36,243,387
2023	36,243,387
2024	17,857,845
2025	4,283,033
	\$ 130,871,039

A copy of the Town of Hempstead Retiree Medical Program 2020 Actuarial Valuation is available by contacting the Town of Hempstead, Office of the Comptroller, Hempstead, New York.

The OPEB related deferred outflows of resources and deferred inflows of resources for the nonmajor component units totaled \$4,386,324 and \$1,517,568, respectively.

J. COMPENSATED ABSENCES

Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, and sick leave, subject to certain limitations. Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the statement of net position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave, and compensatory absences when such payments become due. As of December 31, 2020, the liability of the compensated absences was \$61,201,925 for the primary government's governmental activities. The liability for compensated absences for the nonmajor component units amounted to \$1,659,489.

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, 2020 was \$3,826. At December 31, 2020, the amount of net position restricted for Permanent fund nonexpendable purposes in the statement of net position and nonexpendable fund balance for Permanent fund principal in the governmental funds balance sheet pertaining to the Greenfield Cemetery was \$1,337,867.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

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, general liability reserves and other garbage taxes and local utilities liabilities 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	
	2020	2019	2020	2019	2020	2019
	Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 33,803,244	\$31,503,649	\$ 4,531,227	\$ 4,525,664	\$ 643,838
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	12,008,007	14,101,878	7,539,886	3,075,146		
Garbage taxes and local utilities claims					25,388,005	
Total incurred claims and claim adjustment expenditures	12,008,007	14,101,878	7,539,886	3,075,146	25,388,005	-0-
Payments:						
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	11,338,215	11,802,283	2,105,172	3,069,583	-0-	-0-
Total unpaid claims and claim adjustment expenditures at the end of the year	\$ 34,473,036	\$33,803,244	\$ 9,965,941	\$ 4,531,227	\$ 26,031,843	\$ 643,838

The Town carries insurance for property protection in excess of \$200,000,000 per occurrence and in the aggregate, except for flood and earthquake, which is \$25,000,000 per occurrence and in the aggregate. There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years.

B. LITIGATION

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

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)].

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

Garbage Taxes and Local Utilities (continued)

The Town vigorously defended all these claims. The Town had brought Nassau County into the proceedings by means of a third-party summons and complaint. In March 2014, the Appellate Division directed the Town to pay the Plaintiffs in the first instance and directed the County to reimburse the Town for the sums the Town pays the Plaintiffs.

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

The trial court issued Judgments using pre-judgment interest in the 5-6.02% range in the matters, and the Town has satisfied those Judgments subject to pending appeals and cross-appeals regarding the appropriate rate of interest. The Appellate Division reversed the trial court on those appeals, and the Town has been ordered to pay interest at 9% on those judgments. The Town has moved to reargue and for leave to appeal from the lead Verizon case, and has tentatively settled the remaining cases.

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 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. At December 31, 2020, Town has accrued an additional \$26,031,843, including interest, to satisfy the remaining liability.

Pursuant to the executed Town/County Agreement dated September 27, 2016, whereby the County will reimburse the Town 70% of the judgment, the Town has recorded a receivable (due from other governments) of \$46,403,366 for judgments it paid in previous years and a receivable of \$18,222,290 pertaining to the \$26,031,843 accrued judgment and claims noted above. The receivable totals \$64,625,657, of which \$5,800,421 is current and \$58,825,236 is long-term (see Note 3D).

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 at the Fashion Institute of Technology ("FIT") under the community college reimbursement provisions of the New York State Education Law. After four years in litigation the Court of Appeals has determined the County could charge back to the towns the amount paid for both two and four year programs at FIT. The Town has commenced an action in the Supreme Court of Nassau County challenging the method of computation of the chargeable amount utilized by the County as well as the chargeable amount itself. In July 2018, the Court denied the Town's motion for summary judgment and granted the County's cross-motion for summary judgement, finding that the County has acted in accordance with the law when charging back the Town.

In August 2018, the Town filed a Notice of Appeal of the Court's July 2018 decision. In February 2019, the Town perfected its appeal. The appeal was fully submitted to the Appellate Division in September 2019 and oral argument was held on September 24, 2020. On December 23, 2020, the Appellate Division issued a Decision & Order, which reversed the Supreme Court and: (a) denied the County's cross-motion for summary judgment seeking to dismiss the Complaint(s); (b) granted the Town's motions for summary judgment; and (c) remitted the matter to the Supreme Court to calculate the amount due to the Towns in withheld sales tax revenues. On or about January 25, 2021, the County filed a motion to reargue or for leave to appeal to the Court of Appeals from the Decision & Order. That motion has been denied.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

Tax Certiorari Claims

In common with other municipalities, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of Town taxes. Plaintiffs in these matters have asserted that their properties are over-assessed for real property tax purposes and are seeking assessment reductions. Historically, certiorari claims have been settled through negotiations, resulting in amounts, at times, substantially less than originally claims. Many settlements provide for future adjustments with no direct outlay of monies. The Town does not expect that future settlements will have a material impact on the Town's financial statements.

Other Litigation

In addition to the above referenced cases, the Town is involved in other lawsuits with claims up to seven million dollars. These cases are in various stages of litigation. The Town has accrued \$9,965,941 of general liability claims pertaining to these lawsuits. However, if the outcome cannot presently be determined, no liability has been recorded in the financial statements.

Environmental

Pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq. and New York State Common Law, the Town initiated action against the U.S. Department of the Navy and Northrop Grumman Corp to seek recovery from the aforementioned named Defendants for their actions which the Town alleges has caused the disposal and release of hazardous materials into the Town's Levittown Water District water supply. The Defendants have filed various motions to dismiss which the Court denied in late 2017. Currently, the parties are in the discovery phase of the environmental case.

C. RESOURCE RECOVERY FACILITY

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

The Facility site is owned by the Town of Hempstead Refuse Disposal District (the "District") and has been leased to the Town of Hempstead Industrial Development Agency and, in turn, sub-leased to the Company.

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

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

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

4. COMMITMENTS AND CONTINGENCIES (continued)

C. RESOURCE RECOVERY FACILITY (continued)

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, 2020, the Town has recorded a liability of \$913,625 in the government-wide financial statements, which represents the estimated costs for postclosure care (monitoring and maintenance) landfill costs to be paid in future years. As the liability is based on 100% of capacity, there are no additional estimated costs for closure or postclosure care remaining to be recognized. Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws.

E. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

The Town is committed to capital improvements to its various facilities and infrastructure. The Town at December 31, 2020 has commitments for capital acquisitions and improvements of \$56,144,971 in the Capital Projects Fund that it is anticipated will be paid for by the issuance of general obligation bonds.

F. ENCUMBRANCES

As discussed in Note 1.F, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

At December 31, 2019, the encumbrances, excluding Capital Projects, expected to be honored upon performance by the vendor in the next year were as follows:

Primary Government, Governmental Activities	
Major Funds:	
General	\$ 837,524
Highway	<u>1,896,289</u>
	<u>\$ 2,733,813</u>

These encumbrances are included in assigned fund balance as "purchases on order or contractual obligations".

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

4. COMMITMENTS AND CONTINGENCIES (continued)

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.

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, 2020, the Town's governmental activities has estimated pollution remediation obligations amounts at \$7,644,500, of which \$5,803,700 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, 2020, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$420,000.

In April 2019, the Town extended its agreement with Dover Gourmet Corp. through April 2024, for the management and maintenance of the Malibu Beach Park for the next five years. In December 2020, the agreement was amended. Pursuant to the amended agreement, Dover Gourmet will pay the Town an annual license fee of \$560,291 for fifteen years commencing in 2021. 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 \$8,404,358 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.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

4. COMMITMENTS AND CONTINGENCIES (continued)

H. SERVICE CONCESSION ARRANGEMENTS (continued)

At December 31, 2020, the Town reports a receivable and deferred inflows of resources of \$8,404,358 in the government-wide statements.

The agreement also stipulates that Dover Gourmet Corp. will pay to the Town various other amounts, including but not limited to rent, PILOTs, reimbursement of lifeguard fees, utilities, toll booth fees. At December 31, 2020, the Town reports a related receivable of \$990,311 in the governmental funds and government-wide statements, of which \$588,841 is reported as deferred inflows of resources in the governmental funds' statements.

I. OTHER

Grant Funding

The Town participates in several Federal Grant Programs, including Coronavirus Relief Fund. These programs are subject to program compliance, program compliance audits pursuant to the Uniform Grant Guidance, and compliance audits in the future by the granting agency. Accordingly, the Town's compliance with applicable grant requirements may be established at a future date. 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, (2) the Town of Hempstead Industrial Development Agency ("TOHIDA") and (collectively referred to as the IDAs), and (3) the Town of Hempstead. The IDA's offer these abatement programs to businesses to promote, retain, attract, and encourage and develop economically sound commerce and industry base to prevent unemployment and economic deterioration with Nassau County and Town of Hempstead, respectively. As of December 31, 2019, the tax abatement program which may be offered by the IDA's on qualified projects, and which impacts the Town's revenues is for real property tax abatement. Generally, a qualified project is an applicant submitted project which meet certain economic development criteria (such as job creation/retention) and which either (1) has been or will be financed by the issuance of IDA issued bonds, notes or other evidence 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 and 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.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

5. TAX ABATEMENTS (continued)

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, 2020, the agreements the IDAs and the Town ratified, resulted in the following:

	Industrial Development Agency			
	Town of Hempstead	Nassau County	Town of Hempstead	Total
Real property tax abated	\$ 6,712,366	\$ 1,668,274	\$ 84,447	\$ 8,465,087
PILOTs received	2,727,641	732,884	74,081	3,534,606
Net	\$ 3,984,725	\$ 935,390	\$ 10,366	\$ 4,930,481

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 January 1, 2020, the tax lien date for the 2020 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.

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, 2020:

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	\$15,585,599	\$ 18,700	\$ 522,594	\$ 12,160,269	\$ 1,491,393	\$ 10,581	\$ 18,700		\$ 2,445,950
Lakeview Public Library District	3,552,014	2,085,794	277,244	48,093	438,747	22,449	2,085,794	\$ 1,000	3,318,969
Roosevelt Public Library District	665,298	11,095,273	550,169	638,571	6,406,623	52,753	5,196,962		15,831
Uniondale Public Library District	6,333,592	5,517,357	1,939,991	285,634	5,958,577	934,775	5,494,369	14,214	1,103,371
Cathedral Gardens Water District	182,594			8,673					173,921
Franklin Square Water District	4,623,029	5,419,324	729,265	2,012,641	14,351,415	90,439	(1,311,725)	1,662,476	(6,033,628)
West Hempstead - Hempstead Gardens Water District - Unaudited	8,799,001	26,326,874	3,744,528	10,018,446	16,744,172	27,946	13,123,168	3,066,659	(4,109,988)
Greater Atlantic Beach Water Reclamation District	1,239,920	3,469,974	1,002,621	189,234	7,482,078	647,239	1,508,266	791,395	(4,905,697)
	\$40,981,047	\$ 53,933,296	\$ 8,766,412	\$ 25,361,561	\$ 52,873,005	\$ 1,786,182	\$ 26,115,534	\$ 5,535,744	\$ (7,991,271)

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

6. CONDENSED FINANCIAL STATEMENTS FOR THE DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS (continued)

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) 1/1/2020	12/31/2020
Town of Hempstead Industrial Development Agency	\$ 861,465	\$ 973,595			\$ (112,130)		\$ 40,498	\$ 152,628	\$ 2,312,022	\$ 2,464,650
Lakeview Public Library District	1,035,992	1,007			1,034,985	\$ 1,432,255	98,552	495,822	4,909,941	5,405,763
Roosevelt Public Library District	3,327,015	4,356	\$ 223,730		3,098,929	3,143,242	2,006	46,319	5,166,474	5,212,793
Uniondale Public Library District	4,243,487	10,420			4,233,067	4,191,337	50,963	9,233	6,602,721	6,611,954
Cathedral Gardens Water District	75,313	4,125			71,188	66,915	19	(4,254)	178,175	173,921
Franklin Square Water District	3,305,120	1,942,663			1,362,457	1,096,390	244,315	(21,752)	(5,661,125)	(5,682,877)
West Hempstead - Hempstead Gardens Water District - Unaudited	5,874,375	2,863,575			3,010,800	2,451,962	608,934	50,096	12,029,743	12,079,839
Greater Atlantic Beach Water Reclamation District	2,375,071	208,532		\$ 24,647	2,141,892	1,844,487	15,579	(281,826)	(2,324,210)	(2,606,036)
	<u>\$21,097,838</u>	<u>\$ 6,008,273</u>	<u>\$ 223,730</u>	<u>\$ 24,647</u>	<u>\$14,841,188</u>	<u>\$14,226,588</u>	<u>\$1,060,866</u>	<u>\$ 446,266</u>	<u>\$23,213,741</u>	<u>\$23,680,007</u>

The condensed statements noted above do not include the 2020 financial information of the Town of Hempstead Housing Authority as it was not available.

Complete financial statements of the individual nonmajor component units can be obtained from their respective administrative offices:

- | | |
|--|---|
| <p>1) Town of Hempstead Industrial Development Agency
350 Front Street
Hempstead, NY 11550</p> <p>3) Lakeview Public Library District
P.O Box 177
Franklin Square, NY 11570</p> <p>5) Uniondale Public Library District
400 Uniondale Avenue
Uniondale, NY 11553</p> <p>7) Franklin Square Water District
P.O. Box 177
Franklin Square, NY 11570</p> <p>9) Greater Atlantic Beach Water Reclamation District
2150 Bay Blvd.
Atlantic Beach, NY 11509</p> | <p>2) Town of Hempstead Housing Authority
760 Jerusalem Avenue
Uniondale, NY 11553</p> <p>4) Roosevelt Public Library District
27 West Fulton Street
Roosevelt, NY 11575</p> <p>6) Cathedral Gardens Water District
150 Westminster Road
West Hempstead, NY 11552</p> <p>8) West Hempstead - Hempstead Gardens Water District
575 Birch Street
West Hempstead, NY 11550</p> |
|--|---|

As mentioned previously, the Town of Hempstead Housing Authority's financials have not been included in the aggregate nonmajor discretely presented component units financial statements as it was not available at the date of issuance of the Town of Hempstead financial statement.

TOWN OF HEMPSTEAD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2020

7. CHANGES TO PREVIOUSLY ISSUED REPORT

Effects of Changes to Net Position/Fund Balance

The chart below summarizes the effects on restating net position of the discretely presented component units pertaining to an overstatement of beginning capital assets and net position:

	Discretely Presented Component Units
Net position, as originally reported	\$ 23,227,930
Restate liabilities	(14,189)
Net position, as restated	\$ 23,213,741

8. SUBSEQUENT EVENTS

Bond Issuances

Subsequent to year end, the Town issued \$19,945,000 of 2021 Series A general obligation refunding bonds, of which \$19,035,000 pertains to the Town and \$910,000 pertains to a component unit. The bond proceeds of \$22,387,224, including a premium of \$2,442,224 less issuance costs of \$112,438, were used to refund \$22,220,000 of Series 2012 general obligation bonds (and related accrued interest), of which \$21,235,000 pertains to the Town and \$985,000 pertains to the component unit. 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 \$1,128,301.

Subsequent to year end, the Town issued \$140,048,572 of 2021 Series B general obligation bonds for various public improvements, of which \$129,708,572 was issued for Town purposes and \$10,340,000 was issued on behalf of component units. In connection with the bond issuance, the Town received a premium of \$8,343,837. The bonds mature in 2045 and bear interest at rates ranging from 2.0% to 5.0%.

Subsequent to year end, the Town issued \$26,031,844 of bond anticipation notes (BANs). The proceeds of \$26,075,187 includes a premium of \$43,343, were used to finance the judgment awarded to various utility companies (see Note 4B). The BANs bears interest at 0.50%, and matures October 28, 2022. The BANs are subject to redemption prior to maturity, at the option of the Town, in whole or in part on any date on or after April 28, 2022, at a redemption price equal to the principal amount of the BANs to be redeemed plus accrued interest.

9. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board ("GASB") adopted various statements with effective dates in subsequent years and the statement(s) mentioned below are expected to have a significant impact on the Town's future financial statements:

GASB Statement No. 87, "Leases", as amended by GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", establishes a single model for lease accounting based on the concept that leases are a financing of a "right-to-use" underlying asset. As such, this Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset. A lessor will be required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the Town believes will most impact its financial statements. The Town will evaluate the impact this and other pronouncements may have on its financial statements and will implement them as applicable and when material.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Schedules of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Major Governmental Funds**

**Schedule of Changes in Total Other Postemployment Benefits Liability
and Related Ratio**

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

Schedule of Pension Liability - Length of Service Award Program Plan

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The Capital Projects and Special Grant Funds are budgeted on a project or grant basis.

TOWN OF HEMPSTEAD

**REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 28,153,416	\$ 28,153,416	\$ 28,087,900	\$ (65,516)
Real property tax items	2,503,346	2,503,346	2,077,570	(425,776)
Non-property tax items	42,400,000	42,400,000	39,757,751	(2,642,249)
Departmental income	7,919,500	7,919,500	7,679,524	(239,976)
Intergovernmental charges	35,000	35,000	97,397	62,397
Use of money and property	1,605,000	1,605,000	1,800,249	195,249
Licenses and permits	2,629,750	2,629,750	1,781,435	(848,315)
Fines and forfeitures	12,500	12,500	14,650	2,150
Sale of property and compensation for loss	80,100	80,100	259,388	179,288
Miscellaneous revenue	3,628,885	3,628,885	3,757,159	128,274
Interfund revenues	61,547,290	61,547,290	61,699,686	152,396
State aid	23,337,500	23,337,500	32,057,533	8,720,033
Federal aid		51,431,940	51,441,380	9,440
Total Revenues	<u>173,852,287</u>	<u>225,284,227</u>	<u>230,511,622</u>	<u>5,227,395</u>
EXPENDITURES				
Current				
General government support	86,597,341	123,738,974	121,850,929	1,888,045
Education	7,900,000	8,686,506	8,686,505	1
Public safety	15,714,621	15,723,049	14,025,031	1,698,018
Transportation	1,098,400	1,215,829	1,215,826	3
Economic assistance and opportunity	4,461,584	4,550,663	3,957,170	593,493
Culture and recreation	135,000	11,181	11,180	1
Home and community services	9,450,361	12,862,597	12,281,868	580,729
Employee benefits	41,223,284	40,329,865	39,666,019	663,846
Debt service:				
Principal - capital lease	60,264	60,265	60,265	-0-
Interest - capital lease	28,125	28,124	28,124	-0-
Total Expenditures	<u>166,668,980</u>	<u>207,207,053</u>	<u>201,782,917</u>	<u>5,424,136</u>
Excess of Revenues Over Expenditures	<u>7,183,307</u>	<u>18,077,174</u>	<u>28,728,705</u>	<u>10,851,531</u>
Other Financing Sources (Uses)				
Transfers in			9,731	9,731
Transfers out	(9,316,718)	(9,705,397)	(9,701,675)	3,722
Premiums on bonds	1,000,000	1,000,000	-0-	(1,000,000)
Total Other Financing Sources (Uses)	<u>(8,316,718)</u>	<u>(8,705,397)</u>	<u>(9,691,944)</u>	<u>(986,547)</u>
Net Change in Fund Balances*	<u>\$ (1,133,411)</u>	<u>\$ 9,371,777</u>	<u>19,036,761</u>	<u>\$ 9,664,984</u>
Fund Balances at Beginning of Year			<u>22,655,161</u>	
Fund Balances at End of Year			<u>\$ 41,691,922</u>	
* Budgeted net change in fund balance:				
The net change in fund balances was included in the budget as an appropriation of fund balance and purchase orders brought forward.				
	<u>\$ (1,133,411)</u>			

See independent auditors' report.

TOWN OF HEMPSTEAD

REQUIRED SUPPLEMENTARY INFORMATION
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 58,598,300	\$ 58,598,300	\$ 58,598,310	\$ 10
Real property tax items	2,658,000	2,658,000	2,330,322	(327,678)
Intergovernmental charges	6,000	6,000	45,016	39,016
Use of money and property	609,000	609,000	351,954	(257,046)
Sale of property and compensation for loss	33,000	33,000	103,601	70,601
Miscellaneous revenue	325,200	325,200	205,206	(119,994)
State aid	150,000	150,000		(150,000)
Federal aid		37,073	37,072	(1)
Total Revenues	<u>62,379,500</u>	<u>62,416,573</u>	<u>61,671,481</u>	<u>(745,092)</u>
EXPENDITURES				
Current:				
Transportation	28,702,647	29,922,737	28,571,377	1,351,360
Employee benefits	11,929,217	10,991,976	10,952,024	39,952
Total Expenditures	<u>40,631,864</u>	<u>40,914,713</u>	<u>39,523,401</u>	<u>1,391,312</u>
Excess of Revenues Over Expenditures	<u>21,747,636</u>	<u>21,501,860</u>	<u>22,148,080</u>	<u>646,220</u>
Other Financing Sources (Uses)				
Transfers in	3,000,000	3,000,000	5,017,872	2,017,872
Transfers out	(26,726,861)	(26,802,637)	(26,790,045)	12,592
Premiums on bonds	2,375,000	2,375,000	277,747	(2,097,253)
Total Other Financing Sources (Uses)	<u>(21,351,861)</u>	<u>(21,427,637)</u>	<u>(21,494,426)</u>	<u>(66,789)</u>
Net Change in Fund Balances*	<u>\$ 395,775</u>	<u>\$ 74,223</u>	<u>653,654</u>	<u>\$ 579,431</u>
Fund Balances at Beginning of Year			<u>22,976,747</u>	
Fund Balances at End of Year			<u>\$ 23,630,401</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>\$ 395,775</u>			

See independent auditors' report.

TOWN OF HEMPSTEAD

REQUIRED SUPPLEMENTARY INFORMATION
 PARK DISTRICTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 51,716,041	\$ 51,716,041	\$ 51,716,038	\$ (3)
Real property tax items	2,940,710	2,940,710	2,779,841	(160,869)
Departmental income	2,806,585	2,806,585	1,248,229	(1,558,356)
Intergovernmental charges	805,974	805,974	864,562	58,588
Use of money and property	452,301	452,301	360,496	(91,805)
Fines and forfeitures	1,000	1,000	2,500	1,500
Sale of property and compensation for loss	215	215	-0-	(215)
Miscellaneous revenue	325,000	343,534	33,835	(309,699)
Interfund revenues	33,059,668	33,059,668	33,059,668	-0-
State aid	185,000	933,750	151,393	(782,357)
Federal aid	-0-	9,134,887	9,134,886	(1)
Total Revenues	92,292,494	102,194,665	99,351,448	(2,843,217)
EXPENDITURES				
Current:				
Culture and recreation	61,435,388	71,411,832	70,161,753	1,250,079
Employee benefits	23,554,618	22,874,823	22,874,819	4
Total Expenditures	84,990,006	94,286,655	93,036,572	1,250,083
Excess of Revenues Over Expenditures	7,302,488	7,908,010	6,314,876	(1,593,134)
Other Financing Sources (Uses)				
Transfers in			185	185
Transfers out	(4,781,936)	(4,782,031)	(4,782,026)	5
Premiums on bonds	500,000	500,000	-0-	(500,000)
Total Other Financing Sources (Uses)	(4,281,936)	(4,282,031)	(4,781,841)	(499,810)
Net Change in Fund Balances*	\$ 3,020,552	\$ 3,625,979	1,533,035	\$ (2,092,944)
Fund Balances at Beginning of Year			19,610,065	
Fund Balances at End of Year			\$ 21,143,100	

* Budgeted net change in fund balance:
 Revenues raised to restore fund balance
 per fund balance policy, less purchase
 orders brought forward, as applicable.

\$ 3,020,552

See independent auditors' report.

TOWN OF HEMPSTEAD

**REQUIRED SUPPLEMENTARY INFORMATION
REFUSE AND GARBAGE DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 86,447,579	\$ 86,447,579	\$ 86,447,574	\$ (5)
Real property tax items	1,562,544	1,562,544	1,303,723	(258,821)
Departmental income	14,386,500	14,386,500	10,851,067	(3,535,433)
Intergovernmental charges	3,350,000	3,350,000	1,795,656	(1,554,344)
Use of money and property	4,859,000	4,859,000	4,662,627	(196,373)
Licenses and permits	35,000	35,000	27,009	(7,991)
Sale of property and compensation for loss	261,000	261,000	259,170	(1,830)
Miscellaneous revenue	6,637,974	6,637,974	6,676,190	38,216
Interfund revenues	450,000	450,000	1,335,030	885,030
Federal aid		43,838,633	43,838,629	(4)
Total Revenues	<u>117,989,597</u>	<u>161,828,230</u>	<u>157,196,675</u>	<u>(4,631,555)</u>
EXPENDITURES				
Current				
Home and community services:				
Cost of refuse and garbage collections	83,351,496	84,067,219	83,473,849	593,370
Employee benefits	23,274,528	23,521,755	23,521,753	2
Total Expenditures	<u>106,626,024</u>	<u>107,588,974</u>	<u>106,995,602</u>	<u>593,372</u>
Excess of Revenues Over Expenditures	<u>11,363,573</u>	<u>54,239,256</u>	<u>50,201,073</u>	<u>(4,038,183)</u>
Other Financing Sources (Uses)				
Transfers out	(12,404,352)	(12,404,352)	(12,404,351)	1
Premiums on bonds	200,000	200,000		(200,000)
Total Other Financing Sources (Uses)	<u>(12,204,352)</u>	<u>(12,204,352)</u>	<u>(12,404,351)</u>	<u>(199,999)</u>
Net Change in Fund Balances*	<u>\$ (840,779)</u>	<u>\$ 42,034,904</u>	<u>37,796,722</u>	<u>\$ (4,238,182)</u>
Fund Balances at Beginning of Year			<u>42,519,146</u>	
Fund Balances at End of Year			<u>\$ 80,315,868</u>	

*** Budgeted net change in fund balance:**

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

\$ (840,779)

See independent auditors' report.

TOWN OF HEMPSTEAD

**REQUIRED SUPPLEMENTARY INFORMATION
WATER DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 5,627,284	\$ 5,627,284	\$ 5,627,284	\$ -0-
Real property tax items	321,645	321,645	271,117	(50,528)
Departmental income	15,953,300	15,953,300	15,952,379	(921)
Intergovernmental charges	231,300	231,300	230,950	(350)
Use of money and property	1,244,233	1,244,233	1,211,584	(32,649)
Sale of property and compensation for loss	8,100	8,100	19,381	11,281
Miscellaneous revenue	2,000	2,000	271	(1,729)
Interfund revenues	30,225	30,225	28,125	(2,100)
Federal aid		10,239,562	10,239,559	(3)
Total Revenues	<u>23,418,087</u>	<u>33,657,649</u>	<u>33,580,650</u>	<u>(76,999)</u>
EXPENDITURES				
Current:				
Home and community services	13,085,240	15,874,486	15,635,552	238,934
Employee benefits	3,884,561	3,704,814	3,704,813	1
Total Expenditures	<u>16,969,801</u>	<u>19,579,300</u>	<u>19,340,365</u>	<u>238,935</u>
Excess of Revenues Over Expenditures	<u>6,448,286</u>	<u>14,078,349</u>	<u>14,240,285</u>	<u>161,936</u>
Other Financing Sources (Uses)				
Transfers out	(3,942,660)	(3,946,381)	(3,946,378)	3
Premiums on bonds	205,000	205,000		(205,000)
Total Other Financing Sources (Uses)	<u>(3,737,660)</u>	<u>(3,741,381)</u>	<u>(3,946,378)</u>	<u>(204,997)</u>
Net Change in Fund Balances*	<u>\$ 2,710,626</u>	<u>\$ 10,336,968</u>	<u>10,293,907</u>	<u>\$ (43,061)</u>
Fund Balances at Beginning of Year			<u>21,852,245</u>	
Fund Balances at End of Year			<u>\$ 32,146,152</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>\$ 2,710,626</u>			

See independent auditors' report.

TOWN OF HEMPSTEAD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIO
Year Ended December 31, 2020**

	2020	2019	2018
Total OPEB liability:			
Balance, beginning of year, as originally reported	\$ 1,306,759,675	\$ 1,093,863,073	\$ 514,862,234
Cumulative effect of implementation of GASB Statement No. 75			536,966,008
Balance, beginning of year, as restated	1,306,759,675	1,093,863,073	1,051,828,242
Changes for the year:			
Service costs	55,009,484	51,671,609	33,041,631
Interest	28,125,283	36,229,424	42,439,313
Effects of legislative change, repeal of excise tax		(127,765,245)	
Difference between expected and actual experience	(45,071,055)		
Changes in assumptions	82,300,503	287,304,327	
Benefit payments	(34,649,658)	(34,543,513)	(33,446,113)
Balance, end of year	<u>\$ 1,392,474,232</u>	<u>\$ 1,306,759,675</u>	<u>\$ 1,093,863,073</u>
Covered-employee payroll	\$ 145,505,686	\$ 148,811,366	\$ 145,893,496
Total OPEB liability as a percentage of covered-employee payroll	956.99%	878.13%	749.77%
Notes to the Schedule:			
Measurement date	December 31, 2020	December 31, 2019	December 31, 2018
Changes to assumptions:			
Discount rate	2.12%	2.66%	4.10%

The 2018 actuarial valuation includes the effects of the cadallic health care excise tax and in 2019 as the tax was repealed, the effects of the excise tax were removed from the liability.

There are no assets accounted in a trust which meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

This Schedule is presented to illustrate the requirements to show information for 10 years. However, until the full 10 year trend is compiled, the Town presents information for those years for which information is available.

See independent auditors' report.

TOWN OF HEMPSTEAD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended December 31, 2020**

As of March 31st,	Proportion of the Employees' Retirement System Net Pension Liability	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as Percentage of Total Pension Liability
2020	0.5395018%	\$ 141,909,890	\$ 151,638,298	93.58%	86.39%
2019	0.5509447%	39,036,111	153,604,900	25.41%	96.27%
2018	0.5742699%	18,534,246	154,912,394	11.96%	98.24%
2017	0.5993282%	56,314,216	161,468,153	34.88%	94.70%
2016	0.6106243%	98,006,897	161,514,609	60.68%	90.70%
2015	0.5928557%	20,023,115	159,642,317	12.54%	97.95%
2014	0.5928557%	26,790,317	165,680,983	16.17%	97.20%

Notes to the Schedule:

Amounts presented were determined as the System's measurement date of March 31st.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until the full 10 year trend is compiled, the Town presents information for those years for which information is available.

Changes of assumptions or other inputs:

The discount rate used to measure the proportionate share of the pension liability is based on projection of cash flows and assumes that contributions from plan members will be made at statutorily required rates, actuarially.

Discount rates for the current and previous year is as follows:

2020	6.80%
2016-2019	7.00%
2014-2015	7.50%

The increase in proportionate share of the net pension liability as of March 31, 2020 is mainly attributable to the decrease in fiduciary net position due to investment losses.

See independent auditors' report.

TOWN OF HEMPSTEAD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
Year Ended December 31, 2020**

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
2020	\$ 22,382,445	\$ 22,382,445	\$ -0-	\$ 122,198,527	18.32%
2019	22,663,403	22,663,403	-0-	152,035,283	14.91%
2018	23,392,433	23,392,433	-0-	154,166,633	15.17%
2017	24,872,922	24,872,922	-0-	154,973,392	16.05%
2016	26,629,215	25,174,401	1,454,814	165,451,834	15.22%
2015	29,683,529	23,549,087	6,134,442	161,046,536	14.62%
2014	30,858,504	23,458,504	7,400,000	161,151,978	14.56%
2013	34,338,009	26,238,009	8,100,000	163,074,266	16.09%
2012	28,657,945	20,807,945	7,850,000	152,991,647	13.60%
2011	22,012,137	17,362,137	4,650,000	146,149,304	11.88%

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.

See independent auditors' report.

TOWN OF HEMPSTEAD

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION LIABILITY - LENGTH OF SERVICE AWARD PROGRAM PLAN
Year Ended December 31, 2020**

Measurement date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total pension liability:				
Service cost	\$ 204,041	\$ 159,492	\$ 167,974	\$ 135,034
Interest	172,175	191,219	176,402	173,996
Changes in assumptions	1,395,945	863,957	(357,895)	619,043
Differences between expected and actual experience	42,907	36,167	(39,634)	(33,394)
Benefit payments	(38,548)	(173,270)	(67,508)	(200,138)
Total pension liability - beginning of year	<u>6,318,348</u>	<u>5,240,783</u>	<u>5,361,444</u>	<u>4,666,903</u>
Total pension liability - end of year	<u>\$ 8,094,868</u>	<u>\$ 6,318,348</u>	<u>\$ 5,240,783</u>	<u>\$ 5,361,444</u>
Covered payroll	N/A	N/A	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Notes to the Schedule:

There are no assets accounted in a trust which meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

This Schedule is presented to illustrate the requirements to show information for 10 years. However, until the full 10 year trend is compiled, the Town presents information for those years for which information is available.

Covered payroll and total pension liability as a percentage of covered payroll is not applicable as since the participants are volunteer firefighters.

Changes of assumptions or other inputs:

The discount rate used to measure the total LOSAP plan liability was based on the yield to maturity of the Fidelity 20-yr GO AA Bond Index as follows:

Discount rate used in measuring the total LOSAP plan liability	2.00%	2.75%	3.71%	3.31%
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See independent auditors' report.

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

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, 2020

	Special Revenue Funds						Permanent Fund	Total Nonmajor Governmental Funds
	Town Outside Village	Special Grants	Fire Protection Districts	Street Lighting District	Public Parking Districts	Library Funding Districts		
ASSETS								
Cash and cash equivalents	\$ 3,756,193		\$ 2,145,984	\$ 4,871,783	\$ 3,089,522	\$ 341,734		\$ 14,205,216
Cash and cash equivalents - restricted		\$ 1,069,133					\$ 1,337,867	2,407,000
Receivables	1,988,186		6,671	16,979	5,612	634		2,018,082
Due from other funds	260,403		44,073	49,900	18,366	4,037		376,779
Due from other governments	40,201	1,925,454						1,965,655
Due from component units	15,462		50,331	57,899	2,223	37,818		163,733
Inventory				465,819				465,819
Prepaid items	252,458				9,873			262,331
Length of service award program plan assets			3,526,007					3,526,007
Total Assets	\$ 6,312,903	\$ 2,994,587	\$ 5,773,066	\$ 5,462,380	\$ 3,125,596	\$ 384,223	\$ 1,337,867	\$ 25,390,622
LIABILITIES								
Accounts payable and accrued liabilities	\$ 1,188,147	\$ 1,473,258	\$ 597,787	\$ 274,200	\$ 48,644	\$ 123,972		\$ 3,706,008
Due to other funds	335,356	800,143		2,086	576			1,138,161
Other liabilities	73,848	146,637	915	8,933	3,747			233,880
Total Liabilities	1,597,151	2,420,038	598,702	285,219	52,967	123,972	\$ -0-	5,078,049
Fund Balances								
Nonspendable	252,458			465,819	9,873		1,337,867	2,066,017
Restricted	378,666	574,549	3,526,007					4,479,222
Assigned	4,084,628		1,648,357	4,711,342	3,062,756	260,251		13,767,334
Total Fund Balances	4,715,752	574,549	5,174,364	5,177,161	3,072,629	260,251	1,337,867	20,312,573
Total Liabilities and Fund Balances	\$ 6,312,903	\$ 2,994,587	\$ 5,773,066	\$ 5,462,380	\$ 3,125,596	\$ 384,223	\$ 1,337,867	\$ 25,390,622

See independent auditors' report.

TOWN OF HEMPSTEAD

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2020**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Town Outside Village	Special Grants	Fire Protection Districts	Street Lighting District	Public Parking Districts	Library Funding Districts	Permanent Fund	
Revenues								
Real property taxes	\$ 3,531,585		\$ 5,260,580	\$ 9,816,534	\$ 3,105,857	\$ 1,370,014		\$ 23,084,570
Real property tax items	135,499		212,224	609,684	55,350	79,255		1,092,012
Non-property tax items	10,554,868							10,554,868
Departmental income	12,044,945	\$ 162,867			12,405			12,220,217
Use of money and property	12,255	854	168,254	53,023	47,722	4,289	\$ 3,826	290,223
Fines and forfeitures	421,930							421,930
Sale of property and compensation for loss	3,275	130,000		3,818				137,093
Miscellaneous revenue	867,666	263,152		120	769			1,131,707
Interfund revenues					2,388,040			2,388,040
State aid	54,453							54,453
Federal aid	257,437	8,347,813						8,605,250
Total Revenues	27,883,913	8,904,686	5,641,058	10,483,179	5,610,143	1,453,558	3,826	59,980,363
Expenditures								
Current:								
General government support	153,091							153,091
Public safety	18,605,242		5,000,877					23,606,119
Transportation				7,021,051	3,931,006			10,952,057
Economic assistance and opportunity		3,984,840						3,984,840
Culture and recreation	65					1,416,978		1,417,043
Home and community services	5,087,114	3,893,154						8,980,268
Employee benefits	5,989,353	1,111,908	305,906		226,555			7,633,722
Debt Service:								
Principal - capital lease				1,715,131				1,715,131
Interest - capital lease				259,145				259,145
Total Expenditures	29,834,865	8,989,902	5,306,783	8,995,327	4,157,561	1,416,978	-0-	58,701,416
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,950,952)	(85,216)	334,275	1,487,852	1,452,582	36,580	3,826	1,278,947
Other Financing Sources (Uses)								
Transfers in		300,000						300,000
Transfers out	(162,002)		(550,037)	(1,182,921)	(1,149,410)		(3,826)	(3,048,196)
Total Other Financing Sources (Uses)	(162,002)	300,000	(550,037)	(1,182,921)	(1,149,410)	-0-	(3,826)	(2,748,196)
Net Change in Fund Balances	(2,112,954)	214,784	(215,762)	304,931	303,172	36,580	-0-	(1,469,249)
Fund Balances at Beginning of Year	6,828,706	359,765	5,390,126	4,872,230	2,769,457	223,671	1,337,867	21,781,822
Fund Balances at End of Year	\$ 4,715,752	\$ 574,549	\$ 5,174,364	\$ 5,177,161	\$ 3,072,629	\$ 260,251	\$ 1,337,867	\$ 20,312,573

See independent auditors' report.

TOWN OF HEMPSTEAD

**TOWN OUTSIDE VILLAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,531,583	\$ 3,531,583	\$ 3,531,585	\$ 2
Real property tax items	153,520	153,520	135,499	(18,021)
Non-property tax items	11,100,000	11,100,000	10,554,868	(545,132)
Departmental income	14,175,000	14,175,000	12,044,945	(2,130,055)
Use of money and property	35,500	35,500	12,255	(23,245)
Fines and forfeitures	1,750,000	1,750,000	421,930	(1,328,070)
Sale of property and compensation for loss	2,500	2,500	3,275	775
Miscellaneous revenue	888,000	888,000	867,666	(20,334)
Interfund revenues	10,000	10,000		(10,000)
State aid	204,500	204,500	54,453	(150,047)
Federal aid		257,437	257,437	
Total Revenues	<u>31,850,603</u>	<u>32,108,040</u>	<u>27,883,913</u>	<u>(4,224,127)</u>
EXPENDITURES				
Current:				
General government support	377,500	377,500	153,091	224,409
Public safety	19,291,018	19,548,455	18,605,242	943,213
Culture and recreation	1,500	1,500	65	1,435
Home and community services	4,925,449	5,087,190	5,087,114	76
Employee benefits	6,658,571	6,658,571	5,989,353	669,218
Total Expenditures	<u>31,254,038</u>	<u>31,673,216</u>	<u>29,834,865</u>	<u>1,838,351</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>596,565</u>	<u>434,824</u>	<u>(1,950,952)</u>	<u>(2,385,776)</u>
Other Financing Sources (Uses)				
Transfers out	(162,003)	(162,003)	(162,002)	1
Premiums on bonds	1,000	1,000		(1,000)
Total Other Financing Sources (Uses)	<u>(161,003)</u>	<u>(161,003)</u>	<u>(162,002)</u>	<u>(999)</u>
Net Change in Fund Balances*	<u>\$ 435,562</u>	<u>\$ 273,821</u>	<u>(2,112,954)</u>	<u>\$ (2,386,775)</u>
Fund Balances at Beginning of Year			<u>6,828,706</u>	
Fund Balances at End of Year			<u>\$ 4,715,752</u>	

*** Budgeted net change in fund balance:**

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

\$ 435,562

See independent auditors' report.

TOWN OF HEMPSTEAD

**FIRE PROTECTION DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 5,260,580	\$ 5,260,580	\$ 5,260,580	\$ -0-
Real property tax items	679,607	679,607	212,224	(467,383)
Use of money and property	40,975	40,975	168,254	127,279
Total Revenues	<u>5,981,162</u>	<u>5,981,162</u>	<u>5,641,058</u>	<u>(340,104)</u>
EXPENDITURES				
Current:				
Public safety	5,136,900	5,136,900	5,000,877	136,023
Employee benefits	650,500	650,500	305,906	344,594
Total Expenditures	<u>5,787,400</u>	<u>5,787,400</u>	<u>5,306,783</u>	<u>480,617</u>
Excess of Revenues Over Expenditures	<u>193,762</u>	<u>193,762</u>	<u>334,275</u>	<u>140,513</u>
Other Financing (Uses)				
Transfers out	(550,038)	(550,038)	(550,037)	1
Total Other Financing (Uses)	<u>(550,038)</u>	<u>(550,038)</u>	<u>(550,037)</u>	<u>1</u>
Net Change in Fund Balances*	<u>\$ (356,276)</u>	<u>\$ (356,276)</u>	<u>(215,762)</u>	<u>\$ 140,514</u>
Fund Balances at Beginning of Year			<u>5,390,126</u>	
Fund Balances at End of Year			<u>\$ 5,174,364</u>	
* Budgeted net change in fund balance:				
The net change in fund balances was included in the budget as an appropriation of fund balance and purchase orders brought forward.	<u>\$ (356,276)</u>			

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TOWN OF HEMPSTEAD

**STREET LIGHTING DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 9,816,529	\$ 9,816,529	\$ 9,816,534	\$ 5
Real property tax items	636,236	636,236	609,684	(26,552)
Use of money and property	51,000	51,000	53,023	2,023
Sale of property and compensation for loss	75,500	75,500	3,818	(71,682)
Miscellaneous revenue			120	120
Total Revenues	<u>10,579,265</u>	<u>10,579,265</u>	<u>10,483,179</u>	<u>(96,086)</u>
EXPENDITURES				
Current:				
Transportation	7,060,420	7,222,778	7,021,051	201,727
Debt service:				
Principal - capital lease	1,715,131	1,715,131	1,715,131	-0-
Interest - capital lease	259,145	259,145	259,145	-0-
Total Expenditures	<u>9,034,696</u>	<u>9,197,054</u>	<u>8,995,327</u>	<u>201,727</u>
Excess of Revenues Over Expenditures				
	<u>1,544,569</u>	<u>1,382,211</u>	<u>1,487,852</u>	<u>105,641</u>
Other Financing Sources (Uses)				
Transfers out	(1,182,921)	(1,182,921)	(1,182,921)	-0-
Premiums on bonds	20,000	20,000		(20,000)
Total Other Financing Sources (Uses)	<u>(1,162,921)</u>	<u>(1,162,921)</u>	<u>(1,182,921)</u>	<u>(20,000)</u>
Net Change in Fund Balances*	<u>\$ 381,648</u>	<u>\$ 219,290</u>	304,931	<u>\$ 85,641</u>
Fund Balances at Beginning of Year			<u>4,872,230</u>	
Fund Balances at End of Year			<u>\$ 5,177,161</u>	
* Budgeted net change in fund balance:				
Revenues raised to restore fund balance per fund balance policy, less purchase orders brought forward.	<u>\$ 381,648</u>			

See independent auditors' report.

TOWN OF HEMPSTEAD

**PUBLIC PARKING DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,105,857	\$ 3,105,857	\$ 3,105,857	\$ -0-
Real property tax items	111,973	111,973	55,350	(56,623)
Departmental income	18,000	18,000	12,405	(5,595)
Use of money and property	63,625	63,625	47,722	(15,903)
Miscellaneous revenue			769	769
Interfund revenues	2,388,040	2,388,040	2,388,040	-0-
Total Revenues	<u>5,687,495</u>	<u>5,687,495</u>	<u>5,610,143</u>	<u>(77,352)</u>
EXPENDITURES				
Current:				
Transportation	4,101,986	4,101,986	3,931,006	170,980
Employee benefits	248,180	248,180	226,555	21,625
Total Expenditures	<u>4,350,166</u>	<u>4,350,166</u>	<u>4,157,561</u>	<u>192,605</u>
Excess of Revenues Over Expenditures	<u>1,337,329</u>	<u>1,337,329</u>	<u>1,452,582</u>	<u>115,253</u>
Other Financing Sources (Uses)				
Transfers out	(1,149,416)	(1,149,416)	(1,149,410)	6
Total Other Financing Sources (Uses)	<u>(1,149,416)</u>	<u>(1,149,416)</u>	<u>(1,149,410)</u>	<u>6</u>
Net Change in Fund Balances*	<u>\$ 187,913</u>	<u>\$ 187,913</u>	303,172	<u>\$ 115,259</u>
Fund Balances at Beginning of Year			<u>2,769,457</u>	
Fund Balances at End of Year			<u>\$ 3,072,629</u>	

* **Budgeted net change in fund balance:**
Revenues raised to restore fund balance
per fund balance policy, less purchase
orders brought forward.

\$ 187,913

See independent auditors' report.

TOWN OF HEMPSTEAD

**LIBRARY FUNDING DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 1,370,015	\$ 1,370,015	\$ 1,370,014	\$ (1)
Real property tax items	77,431	77,431	79,255	1,824
Use of money and property	18,925	18,925	4,289	(14,636)
Total Revenues	<u>1,466,371</u>	<u>1,466,371</u>	<u>1,453,558</u>	<u>(12,813)</u>
EXPENDITURES				
Current				
Culture and recreation	1,424,738	1,424,738	1,416,978	7,760
Total Expenditures	<u>1,424,738</u>	<u>1,424,738</u>	<u>1,416,978</u>	<u>7,760</u>
Excess of Revenues Over Expenditures				
	<u>41,633</u>	<u>41,633</u>	<u>36,580</u>	<u>(5,053)</u>
Net Change in Fund Balances*	<u>\$ 41,633</u>	<u>\$ 41,633</u>	<u>36,580</u>	<u>\$ (5,053)</u>
Fund Balances at Beginning of Year			<u>223,671</u>	
Fund Balances at End of Year			<u>\$ 260,251</u>	
* Budgeted net change in fund balance:				
Revenues raised to restore fund balance per fund balance policy, less purchase orders brought forward.	<u>\$ 41,633</u>			

See independent auditors' report.

TOWN OF HEMPSTEAD

**DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
December 31, 2020**

	Town of Hempstead Industrial Development Agency	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	Totals
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 15,572,111	\$ 3,534,166	\$ 551,528	\$ 6,141,616	\$ 182,594	\$ 1,130,052	\$ 2,502,432	\$ 381,019	\$29,995,518
Cash and cash equivalents restricted						1,662,476	3,114,459	791,395	5,568,330
Receivables	13,488					524,883	1,264,775		1,803,146
Due from other governments		423	8,842	105,551		76,007			190,823
Due from primary government						1,199,421	1,770,600		2,970,021
Prepaid items		17,425	104,928	86,425		30,190	146,735	67,506	453,209
Total Current Assets	15,585,599	3,552,014	665,298	6,333,592	182,594	4,623,029	8,799,001	1,239,920	40,981,047
Non-Current Assets:									
Capital assets, net of depreciation	18,700	2,085,794	11,095,273	5,517,357		5,419,324	26,326,874	3,469,974	53,933,296
Total Non-Current Assets	18,700	2,085,794	11,095,273	5,517,357	-0-	5,419,324	26,326,874	3,469,974	53,933,296
Total Assets	15,604,299	5,637,808	11,760,571	11,850,949	182,594	10,042,353	35,125,875	4,709,894	94,914,343
DEFERRED OUTFLOWS OF RESOURCES	522,594	277,244	550,169	1,939,991	-0-	729,265	3,744,528	1,002,621	8,766,412
LIABILITIES									
Current liabilities:									
Accounts payable and accrued liabilities	8,275	48,093	306,514	183,216	8,673	252,892	2,367,750	53,044	3,228,457
Due to primary government	1,370,622								1,370,622
Due to other governments	10,781,372								10,781,372
Bond anticipation notes						1,500,000	7,337,700		8,837,700
Unearned revenue				96,682					96,682
Non-current liabilities due within one year:									
General obligations bonds payable			284,243			259,749	232,763	136,190	912,945
Compensated absences			47,814				80,233		128,047
Direct borrowings - other loans				5,736					5,736
Non-current liabilities due in more than one year:									
General obligation bonds payable			5,267,646			5,882,477	5,461,907	1,553,094	18,165,124
Unamortized bond premium			346,422			315,071	93,970	272,424	1,027,887
Compensated absences	74,460	48,024	191,256	222,689		344,433	499,123	151,457	1,531,442
Direct borrowings - other notes payable				17,252					17,252
Total other postemployment benefits liability	1,161,454			4,175,913		6,733,108	9,401,792	4,971,222	26,443,489
Employees' retirement system net pension liability	255,479	390,723	601,299	1,542,723		1,076,326	1,287,380	533,881	5,687,811
Total Liabilities	13,651,662	486,840	7,045,194	6,244,211	8,673	16,364,056	26,762,618	7,671,312	78,234,566
DEFERRED INFLOWS OF RESOURCES	10,581	22,449	52,753	934,775	-0-	90,439	27,946	647,239	1,786,182
NET POSITION									
Net investment in capital assets	18,700	2,085,794	5,196,962	5,494,369		(1,311,725)	13,123,168	1,508,266	26,115,534
Restricted		1,000		14,214		1,662,476	3,066,659	791,395	5,535,744
Unrestricted (deficit)	2,445,950	3,318,969	15,831	1,103,371	173,921	(6,033,628)	(4,109,988)	(4,905,697)	(7,991,271)
Total Net Position	\$ 2,464,650	\$ 5,405,763	\$ 5,212,793	\$ 6,611,954	\$ 173,921	\$ (5,682,877)	\$ 12,079,839	\$ (2,606,036)	\$23,660,007

See independent auditors' report.

TOWN OF HEMPSTEAD

**DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

	Town of Hempstead						West Hempstead -	Greater Atlantic	
	Industrial	Lakeview Public	Roosevelt Public	Uniondale Public	Cathedral Gardens	Franklin Square	Hempstead	Beach Water	
	Development	Library District	Library District	Library District	Water District	Water District	Gardens Water	Reclamation District	Totals
	Agency						District		
REVENUES									
Program revenues:									
Charges for services	\$ 973,595	\$ 1,007	\$ 4,356	\$ 10,420	\$ 4,125	\$ 1,942,663	\$ 2,863,575	\$ 208,532	\$ 6,008,273
Operating grants and contributions			223,730						223,730
Capital grants and contributions								24,647	24,647
Real property taxes		1,432,255	3,039,332	3,671,513	66,915	1,096,390	2,451,962	1,844,487	13,602,854
Other real property tax items			103,910	519,824					623,734
Use of money and property - interest and earnings	40,498	85,802	2,006	19,842	19	242,512	586,650	8,036	985,365
Sale of property and compensation for loss						1,398			1,398
Miscellaneous local sources		8,739		12,741		405	22,284	7,543	51,712
State aid - unrestricted		4,011		18,380					22,391
Total Revenues	1,014,093	1,531,814	3,373,334	4,252,720	71,059	3,283,368	5,924,471	2,093,245	21,544,104
EXPENSES									
Economic assistance and opportunity	861,465								861,465
Culture and recreation		1,035,992	3,327,015	4,243,487					8,606,494
Home and community services					75,313	3,305,120	5,874,375	2,375,071	11,629,879
Total Expenses	861,465	1,035,992	3,327,015	4,243,487	75,313	3,305,120	5,874,375	2,375,071	21,097,838
Change in Net Position	152,628	495,822	46,319	9,233	(4,254)	(21,752)	50,096	(281,826)	446,266
Net Position - Beginning of Year	2,312,022	4,909,941	5,166,474	6,602,721	178,175	(5,661,125)	12,029,743	(2,310,021)	23,227,930
Restatement (Note 7)								(14,189)	(14,189)
Net Position at Beginning of Year as Restated	2,312,022	4,909,941	5,166,474	6,602,721	178,175	(5,661,125)	12,029,743	(2,324,210)	23,213,741
Net Position - End of Year	\$ 2,464,650	\$ 5,405,763	\$ 5,212,793	\$ 6,611,954	\$ 173,921	\$ (5,682,877)	\$ 12,079,839	\$ (2,606,036)	\$ 23,660,007

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