

**TOWN OF HEMPSTEAD
NEW YORK**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2005**

Prepared by the Office of the Town Comptroller
John A. Mastromarino, CPA

TOWN OF HEMPSTEAD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2005
TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal.....	2-5
Principal Officials	6
Organizational Chart	7
Map	8
Certificate of Achievement for Excellence in Financial Reporting.....	9

FINANCIAL SECTION

Independent Auditors' Report.....	12-13
-----------------------------------	-------

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis (MD&A).....	15-24
--	-------

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements	
Statement of Net Assets.....	26
Statement of Activities	27-28
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	29-30
Reconciliation of the Governmental Funds Balance Sheet to The Statement of Net Assets.....	32
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	33-34
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, And Changes in Fund Balances to the Statement of Activities.....	35
Fiduciary Fund Financial Statements	
Statement of Fiduciary Assets and Liabilities.....	36
Notes to Financial Statements	37-60

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund	63
Highway Fund.....	64
Parks Fund.....	65
Refuse and Garbage Fund.....	66

(Continued)

TOWN OF HEMPSTEAD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2005
TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION

COMBINING FUND STATEMENTS:

Nonmajor Governmental Funds	
Combining Balance Sheet.....	69-70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	71-72

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS**

Town Outside Village Fund	73
Fire Protection Districts Fund	74
Street Lighting Districts Fund	75
Public Parking Districts Fund.....	76
Water Districts Fund	77
Library Fund.....	78

FIDUCIARY FUND

Statement of Changes in Agency Assets and Liabilities.....	79
--	----

DISCRETELY PRESENTED COMPONENT UNITS

Combining Statement of Net Assets	81-82
Combining Statement of Activities.....	83-84

STATISTICAL SECTION

General Governmental Expenditures - Ten Year Summary	87-88
General Governmental Revenues - Ten Year Summary	89-90
Property Tax Rates Per \$100 Assessed Valuation- All Direct and Overlapping Governments - Ten Year Summary	91-92
Property Tax Levies and Collections - Ten Year Summary	93
Assessed Valuation of Taxable Real Property, State Equalization Rate and Full Valuation - Ten Year Summary	94
General Town Government, County, School Districts, Fire Districts, and Incorporated Villages Direct and Overlapping Net Debt	95
Computation of Constitutional Debt Margin	96

(Continued)

TOWN OF HEMPSTEAD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2005
TABLE OF CONTENTS

(Statistical Section Continued)

Computation of Direct and Overlapping Debt Ratios.....	97
Ratio of Net General Long-Term Debt to Assessed Valuation and Net General Long-Term Debt Per Capita – Ten Year Summary	98
Ratio of Annual Debt Service Expenditures for General Long-Term Debt to Total General Governmental Expenditures - Ten Year Summary	99
Demographic Statistics - Ten Year Summary.....	100
Number of Residential Building Permits Issued – Ten Year Summary	101
Estimated Value of Industrial and Commercial Building Permits –Issued – Ten Year Summary.....	102
Principal Taxpayers	103
Major non-Government Employers on Long Island.....	104
Average Unemployment Rates.....	105
Distribution of Tax Dollars in 000's.....	106

**INTRODUCTORY
SECTION**

KATE MURRAY
Supervisor



OFFICE OF THE SUPERVISOR
TOWN OF HEMPSTEAD
1 WASHINGTON STREET, HEMPSTEAD, N.Y. 11550-4923
(516) 489-5000

June 2, 2006

To the Honorable Town Board and Citizens of the Town of Hempstead:

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2005. It is in conformity with generally accepted accounting principles (GAAP). The statements as a whole have been audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Town of Hempstead as highlighted in the Management Discussion and Analysis contained within the financial section of this report. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Hempstead has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Hempstead's financial statements in conformity with GAAP. Naturally, the cost of internal controls should never outweigh the benefits. To this end, the Town of Hempstead's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As the chief fiscal officer, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

The goal of the audit was to provide reasonable assurance that the financial statements of the Town of Hempstead for the calendar year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Hempstead's financial statements for the fiscal year ended December 31, 2005, are presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Hempstead's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Hempstead encompasses an area of 142.6 square miles within the County of Nassau on the south shore of Long Island. It is bounded by the City of New York to the west, the Town of North Hempstead to the north, the Town of Oyster Bay to the east, and the City of Long Beach and the Atlantic Ocean to the south. The town is the most populous town in the state, with a population of 761,944 according to the Long Island Power Authority's 2005 population survey. The town accounts for approximately 55% of the total population of the county and 41% of the county's land area. Located within the town are 22 incorporated villages, and 50 unincorporated areas.

The Town of Hempstead was established in 1644 as a separate political entity vested with independent taxing and debt authority. The 22 incorporated villages located within the town have independent forms of government, while the taxable real property within these villages is subject to taxation by the town. There are also 36 independent school districts within the town that rely on their taxing powers granted by the state to raise revenues for school district purposes. Subject to the provisions of the State Constitution, the town operates pursuant to the Town Law, Local Finance Law, other laws generally applicable to the town, and any special laws applicable to the town. Under such laws, there is no authority for the town to have a charter, but pursuant to the Constitution, and the Town Law and other laws generally applicable to home rule, the town may from time to time adopt local laws. Since January 1, 1966, the town has enjoyed the status of a suburban town under applicable provisions of Town Law, enabling it to function with a degree of autonomy not accorded to "first-class" towns.

The legislative power of the town is vested in the Town Board. It consists of a Supervisor, elected for two-year term, and six Council Members, elected for four-year terms. There is no limitation as to the number of terms that may be served by board members. The Supervisor is the chief executive officer and chief fiscal officer of the town. The legal level of budgetary control is by object level.

The Town Clerk serves as custodian of the town's legal documents and papers, maintains the minutes of proceedings of the Town Board and is responsible for the publication and filing of all official notices. According to the Town Law, the Clerk is elected to serve a two-year term; the number of terms is not limited.

The Receiver of Taxes, unless otherwise provided by law, has the duty to receive and collect all county, town and school taxes and all assessments that may be levied in the town. Law prescribes a four-year elected term. The Town Board appoints the Town Comptroller, the Town Attorney, the Town Highway Commissioner and the heads of the various town departments.

The town is responsible for providing many services to its residents. Recreation is provided by 190 public parks and recreational facilities maintained by the town. The Town maintains inland waterways and marinas, is responsible for the preservation of 17,000 acres of Atlantic Ocean wetlands, operates 16 senior citizen centers and 136 senior clubs. Additional town functions include highway construction and maintenance, building inspection, zoning administration, and the maintenance and operation of a town cemetery.

Special districts within the town provide services for street lighting, fire protection, parks, refuse disposal, garbage collection, public parking and water distribution. A brief departmental description of functional services is provided on the following pages.

The Supervisor functions as the chief financial officer. In this role, the Supervisor is responsible for the town's accounting and financial reporting activities. The Town Board, as a whole, serves as the finance board of the town and is responsible for authorizing, by resolution, all material financial transactions such as operating budgets, capital projects, and bonded debt.

The Supervisor is the town's budget officer and is required by law to file a tentative budget with the Town Clerk on or before September 30th of each year. The tentative budget is submitted to the Town Board not later than October 5th. Following review and modification, a preliminary budget hearing is held. At this hearing, members of the public may express opinions that the Town Board may take under advisement. Approval of the budget is not subject to a vote of the electorate and the Town Board may make changes following the hearing process. The Town Board is required to adopt the final annual budget by November 20th. A copy of the town's annual budget shall be submitted to the County Legislature. The County shall levy and cause to be raised the amount of taxes and assessments specified in the budget. From time to time, the Town Board may make changes or modifications in the amount of annual appropriations subject to legal provisions.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Hempstead operates.

Local Economy. The Town of Hempstead generally has more favorable financial statistical data than the country, New York State, or Nassau County. The Town of Hempstead's end of year unemployment rate of 4.1% compares favorably to New York State's 5.0% and the United States' of 4.6%. The Town's financial plans continue to garner high praise from financial experts even though Nassau County, an overlapping municipality, closed the same fiscal year with a structural deficit of \$37 million when taking out "one-shot" revenue sources.¹

Median income of the Town of Hempstead indicates that over 33% of the workforce is compensated equal to or over \$100,000 -- far greater than the New York State average of 18.7%. Inflation relative to the geographic borders of the Town of Hempstead is consistent with that of the

¹ County Comptrollers News Release 2-23-06.

metropolitan area. Regional economic trends indicate a stabilization of revenues including items such as mortgage tax. Alternatively, interest percentages have been at historical lows affecting investment income.

Long Term Financial Planning. All three credit rating agencies have echoed my opinion regarding the Town of Hempstead's strong financial position as well as having a stable and diverse economic base. Our infrastructure has been addressed through a well-conceived capital program. Conservative revenue forecasting and good cost control has been the axiom with which this municipality gains its strong success. Our bond rating places us in the top 1% of all towns in New York State.

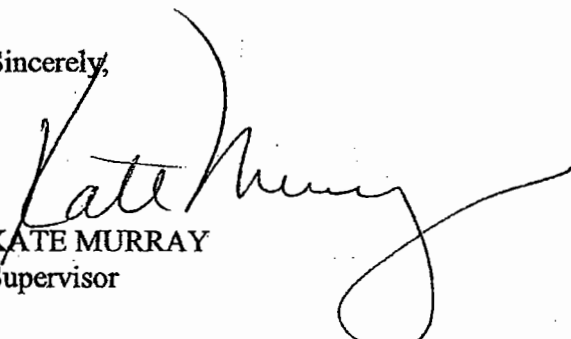
Debt Administration. The Town of Hempstead has a policy of rapid amortization of debt paying most of its outstanding principal within 10 years.

Pension Benefits and Health Insurance Costs. I have attempted to make adjustments during the year to conform to the requests of our residents. However, many expenses encountered by the Town of Hempstead are not discretionary. State mandated pension costs have increased by more than 2,800% over recent years while health insurance costs stemming from contractual obligations have risen by more than 50% during the same period.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Town Comptroller's office and the guidance of our independent auditors, Albrecht, Viggiano, Zureck & Company, P.C. I would like to express my sincere appreciation to all members of the department who assisted and contributed to this report. Credit must also be given to the Council members, Receiver of Taxes, and Town Clerk for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Hempstead's finances.

Sincerely,



KATE MURRAY
Supervisor

TOWN OF HEMPSTEAD

PRINCIPAL OFFICIALS

December 31, 2005

Executive

Kate Murray

Supervisor

Town Board

Dorothy L. Goosby

Edward A. Ambrosino

James Darcy

Anthony J. Santino

Angie M. Cullin

Gary Hudes

Mark Bonilla

Donald X. Clavin

John A. Mastromarino

Joseph Ra

1st Councilmatic District

2nd Councilmatic District

3rd Councilmatic District

4th Councilmatic District

5th Councilmatic District

6th Councilmatic District

Town Clerk

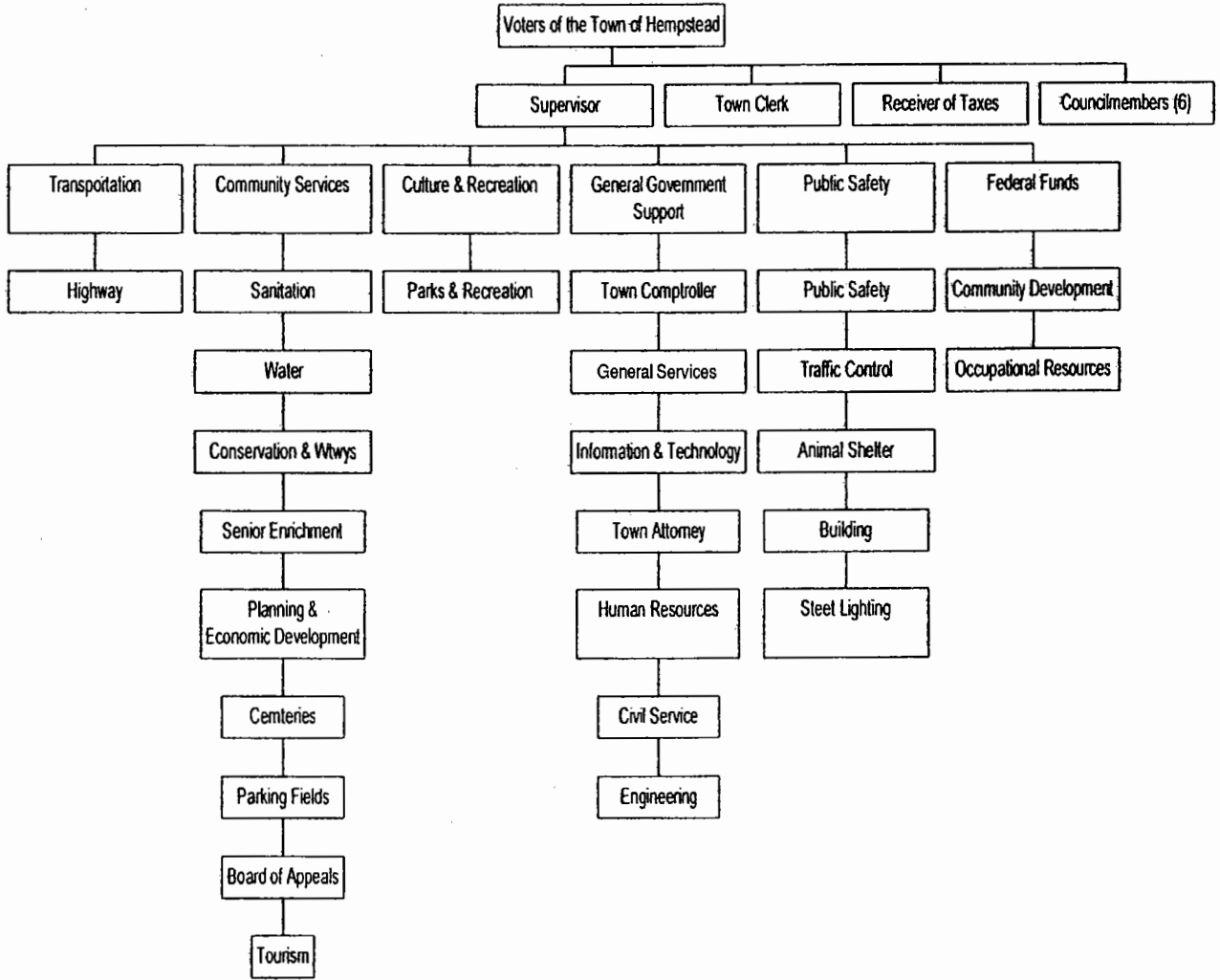
Receiver of Taxes

Town Comptroller

Town Attorney

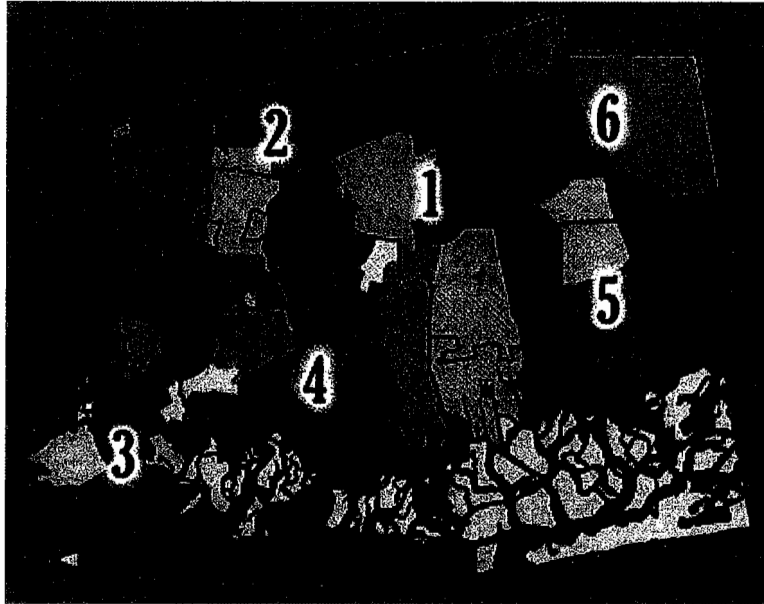
TOWN OF HEMPSTEAD

ORGANIZATIONAL CHART



Town of Hempstead

Councilmatic Districts



Councilmatic District #1: Baldwin (partial), Freeport (partial), Hempstead (partial), Lakeview, Lynbrook (partial), Roosevelt, Uniondale, West Hempstead (partial), Rockville Centre (partial), E. Garden City (partial)

Councilmatic District #2: Bellerose, Elmont (partial), Floral Park, Franklin Square (partial), Garden City (partial), Hempstead (partial), New Hyde Park, N. Valley Stream (partial), West Hempstead (partial)

Councilmatic District #3: Atlantic Beach, Cedarhurst, E. Atlantic Beach, Elmont (partial), Franklin Square (partial), Inwood, Hewlett (partial), Lawrence, Lynbrook (partial), Malverne (partial), N. Valley Stream (partial), N. Woodmere, S. Valley Stream, West Hempstead (partial), Woodmere (partial)

Councilmatic District #4: Baldwin (partial), East Rockaway, Hempstead (partial), Hewlett (partial), Island Park (partial), Lynbrook (partial), Malverne (partial), Oceanside, Rockville Centre (partial), Woodmere (partial)

Councilmatic District #5: Bellmore, Freeport (partial), Island Park (partial), Lido Beach, Merrick (partial), N. Bellmore (partial), N. Merrick (partial), Point Lookout, Seaford, Wantagh (partial)

Councilmatic District #6: Bethpage, East Meadow, Levittown, Merrick (partial), N. Bellmore (partial), N. Merrick (partial), Salisbury (Westbury), Seaford (partial), Wantagh (partial)

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Hempstead,
New York

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

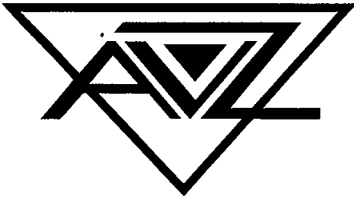
President

Jeffrey R. Emer

Executive Director

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**FINANCIAL
SECTION**



CERTIFIED PUBLIC ACCOUNTANTS, BUSINESS ADVISORS AND CONSULTANTS

25 Suffolk Court, Hauppauge, New York 11788
631.434.9500 • Fax 631.434.9518
www.avz.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hempstead, New York, as of December 31, 2005 and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of seven component units presented discretely in the financial statements. These financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for those seven 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. The financial statements of the component units presented discretely in these financial statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Hempstead, as of December 31, 2005, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison schedule are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Hempstead, New York's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2006, on our consideration of the Town of Hempstead, State of New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Hauppauge, New York
June 2, 2006

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

As management of the Town of Hempstead, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal of this report. All amounts, unless otherwise indicated, are expressed in thousand of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of 2005 by \$146.3 million. Of this amount \$26.9 million may be used to meet the government's ongoing obligations to citizens and taxpayers.
- The Town's total net assets increased by \$20.6 million.
- As of the close of the 2005, the Town's governmental funds reported combined ending fund balances of \$128.9 million, exclusive of the Capital Projects Fund, of which \$110.4 million is available for spending at the Town's discretion.
- At the end of 2005, unreserved, undesignated fund balance for the General Fund was \$51.1 million, or 48 percent of total General Fund expenditures.
- The Town's total debt decreased by \$31.1 million (9.2 percent) during 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

The reporting focus of this report is on the Town as a whole, and on the major individual funds. The report presents a more comprehensive view of the Town's financial activities and makes it easier to compare the performance of the Town of Hempstead's government to that of other governments.

The financial section of this annual report presents the Town's financial activities and position in four parts - (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information other than management's discussion and analysis, and (4) other supplementary information presenting combining statements. The report also includes statistical and economic data.

The basic financial statements include government-wide financial statements, fund financial statements, and notes that provide more detailed information to supplement the basic financial statements.

Reporting the Town as a Whole

The government-wide financial statements are designed to present an overall picture of the financial position of the Town. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private-sector companies.

The Statement of Net Assets combines and consolidates the Town's current financial resources with capital assets and long-term obligations. This statement includes all of the Town's assets and liabilities.

Net assets are the difference between the Town's assets and liabilities, and represent one measure of the Town's financial health. Over time, increases or decreases in the Town's net assets are 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 focuses on both the gross and net cost of various activities (governmental and component unit); these costs are paid by the Town's general tax and other revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific government services, and includes all current year revenues and expenses.

The Statement of Net Assets and the Statement of Activities divide the Town's activities into two types.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Governmental Activities

The Town's basic services are reported here, including: general government support; education; public safety; transportation; economic assistance and opportunity; cultural and recreation and home and community services. Property taxes, sales taxes, franchise fees, fines, 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.

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 seven separate legal entities in its report (four water districts and three library districts).

Reporting the Town's Most Significant Funds

Fund financial statements present financial information in a form more familiar to experienced users of governmental financial statements. However, these statements now focus on the most significant funds. Use these statements to find more detailed information about the Town's most significant activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The Town uses funds to keep track of sources of funding and spending related to specific activities.

Governmental Funds

The Town's activities are reported in governmental funds. Reporting of these funds focuses on how money flows into and out of the funds, and amounts remaining at year-end for future spending.

Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. This information should help you determine whether there are more or less resources available for the Town's programs. The reconciliation following the fund financial statements explains the differences between the government's activities, reported in the government-wide Statement of Net Assets and government-wide Statement of Activities, and the governmental funds. The General Fund, Highway Fund, Parks Fund, Refuse and Garbage Fund and Capital Projects Fund are reported as major funds.

Reporting the Town's Fiduciary Responsibilities

All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Our analysis below focuses on the net assets and changes in net assets of the Town of Hempstead's governmental activities.

Condensed Statement of Net Assets
Governmental Activities
as of December 31,

	2005	2004
Assets		
Current and other assets	\$ 148,747,166	\$ 165,767,642
Capital assets	406,404,315	400,329,238
Other non-current assets	2,814,204	1,202,261
Total assets	557,965,685	567,299,141
Liabilities		
Current and other liabilities	68,007,225	66,952,504
Long-term liabilities	343,648,979	374,614,306
Total liabilities	411,656,204	441,566,810
Net assets		
Invested in capital assets, net of related debt	96,395,094	90,032,156
Restricted	22,983,652	32,447,783
Unrestricted	26,930,735	3,252,392
Total net assets	\$ 146,309,481	\$ 125,732,331

Total assets of the Town of Hempstead as of December 31, 2005 were \$558 million, a decrease of \$9.3 million. Total liabilities as of December 31, 2005 were \$411.7 million, a decrease of \$29.9 million. This results in a net asset balance of \$146.3 million for 2005, an increase of \$20.6 million. Of the Town's net asset balance \$96.4 million were invested in capital assets, net of related debt; while \$23 million were restricted by statute or other specific purposes and \$26.9 million in unrestricted.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Hempstead, assets exceeded liabilities by \$146.3 million at the close of the most recent fiscal year.

By far the largest portion of the Town of Hempstead's net assets (65.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town of Hempstead uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Hempstead'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.

An additional portion of the Town of Hempstead's net assets (about 15.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$26.9 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Hempstead is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (continued)

Changes in Net Assets
Governmental Activities
for the year ended December 31,

	2005	2004
Program Revenues		
Charges for services	\$ 47,983,037	\$ 50,272,309
Operating grants and contributions	13,614,676	12,333,998
Capital grants and contributions	4,144,798	7,174,552
	65,742,511	69,780,859
General Revenues		
Real property taxes	217,822,376	193,363,827
Other real property tax items	2,794,357	3,496,200
Non-property tax items	37,397,947	36,432,949
Interest earnings and financing income	4,755,005	7,623,689
Mortgage tax	48,094,073	48,922,330
State aid - unrestricted	3,284,444	3,165,729
Other	2,063,791	1,267,672
	316,211,993	294,272,396
Total Revenues	381,954,504	364,053,255
Program Expenses		
General government support	55,220,458	56,268,692
Education	1,454,823	986,775
Public safety	25,569,922	23,767,138
Transportation	45,173,820	40,301,761
Economic assistance and opportunity	7,718,613	13,331,191
Culture and recreation	69,951,397	59,595,580
Home and community services	141,501,233	163,616,827
Interest on debt	14,787,088	14,341,532
	361,377,354	372,209,496
Total Expenses	361,377,354	372,209,496
Change in Net Assets	20,577,150	(8,156,241)
Net Assets - Beginning	125,732,331	133,888,572
Net Assets - Ending	\$ 146,309,481	\$ 125,732,331

The change in net assets from all government activities was an increase of \$20.6 million.

Other key elements of the governmental activities are:

- Property taxes increased by \$24.5 million, 12.6 percent over the prior year. There is no statutory limitation on the taxing authority of the Town of Hempstead.

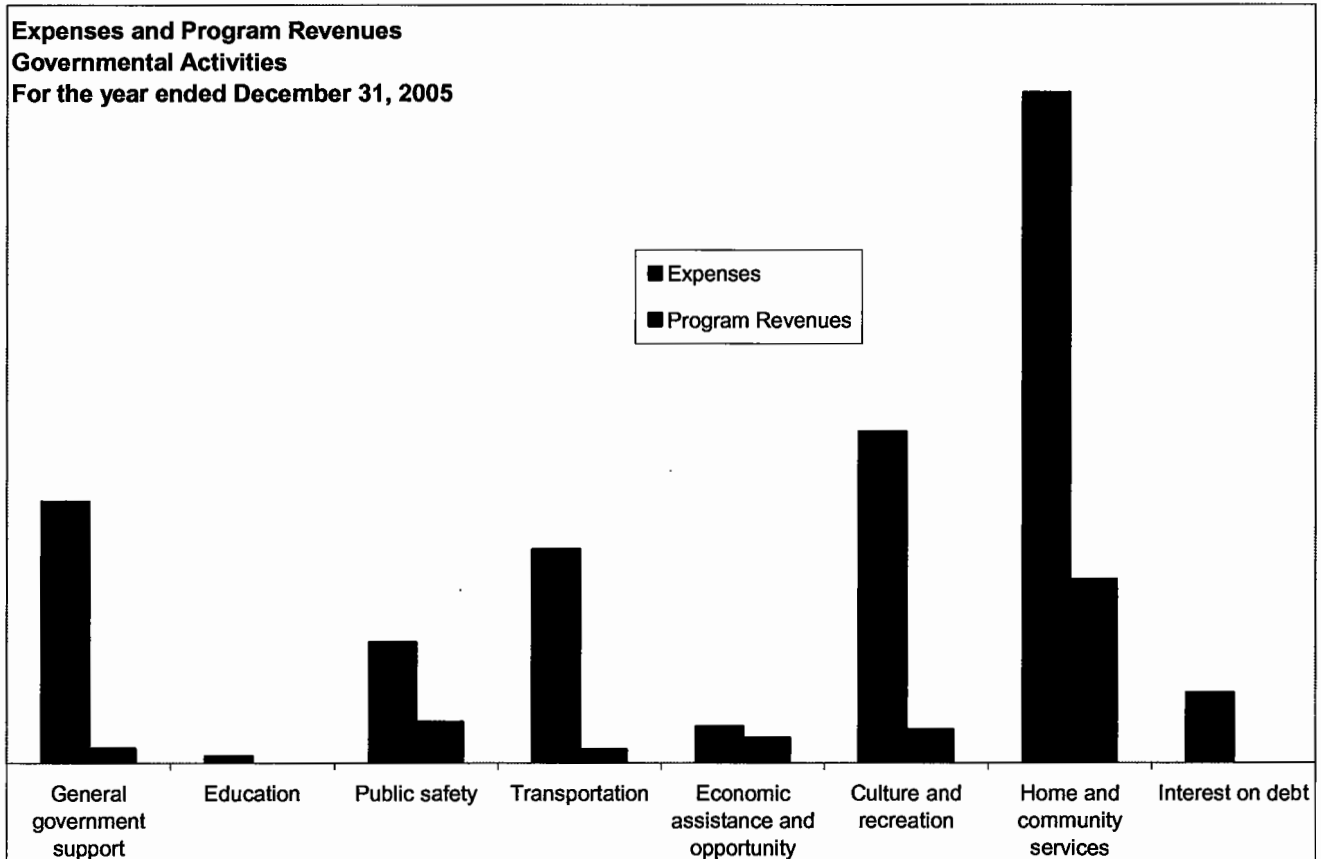
**TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005**

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (continued)

Net Cost of Services
Governmental Activities
for the year ended December 31,

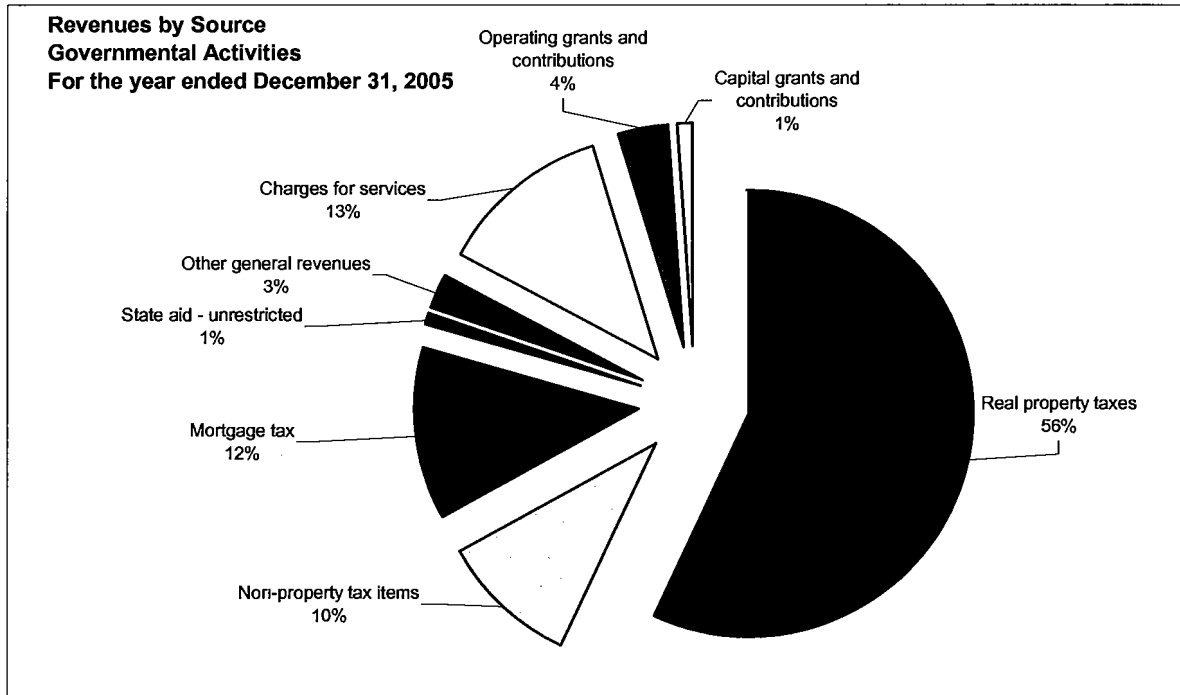
	2005	2004	2005	2004	2005	2004
	Total Cost (Expenses) of Services		Program Revenue		Net Cost (Revenue) of Services	
General government support	\$ 55,220,458	\$ 56,268,692	\$ 3,092,718	\$ 2,505,845	\$ 52,127,740	\$ 53,762,847
Education	1,454,823	986,775			1,454,823	986,775
Public safety	25,569,922	23,767,138	8,727,519	6,084,178	16,842,403	17,682,960
Transportation	45,173,820	40,301,761	2,836,230	2,029,894	42,337,590	38,271,867
Economic assistance and opportunity	7,718,613	13,331,191	5,331,487	5,964,765	2,387,126	7,366,426
Culture and recreation	69,951,397	59,595,580	7,073,308	6,961,690	62,878,089	52,633,890
Home and community services	141,501,233	163,616,827	38,681,249	46,234,487	102,819,984	117,382,340
Interest on debt	14,787,088	14,341,532			14,787,088	14,341,532
	<u>\$ 361,377,354</u>	<u>\$ 372,209,496</u>	<u>\$ 65,742,511</u>	<u>\$ 69,780,859</u>	<u>\$ 295,634,843</u>	<u>\$ 302,428,637</u>

The cost of all governmental activities this year was \$361.4 million. The net cost of these services however after being subsidized by program revenues of \$65.7, was \$295.6 million.



TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (continued)



Revenue by Source

year ended December 31,

	2005	2004
Real property taxes	\$ 217,822,376	\$ 193,363,827
Non-property tax items	37,397,947	36,432,949
Mortgage tax	48,094,073	48,922,330
State aid - unrestricted	3,284,444	3,165,729
Other general revenues	9,613,153	12,387,561
Charges for services	47,983,037	50,272,309
Operating grants and contributions	13,614,676	12,333,998
Capital grants and contributions	4,144,798	7,174,552
	<u>\$ 381,954,504</u>	<u>\$ 364,053,255</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Fund - The focus of the Town of Hempstead'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 of Hempstead's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Hempstead's governmental funds reported combined ending fund balances of \$127,498,157, a decrease of \$14,232,727 over the prior year. This change in total governmental fund balances was due to the completion of capital projects from serial bond proceeds in recognized in the 2004 Capital Projects fund.

Approximately 77 percent of the total fund balance (\$98.6 million) constitutes unreserved fund balance. Approximately 7.3 percent of this unreserved fund balance (\$9.3 million) has been designated to reduce property taxes in the subsequent year's budget. The remaining 22.7 percent of fund balance (\$28.9 million) is reserved or accounted for in different funds to indicate that it is not available for new spending because it has already been committed.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

General Fund

The General Fund is the chief operating fund of the Town of Hempstead. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$51.1 million, while total fund balance reached \$59.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 48 percent of total general fund expenditures, while total fund balance represents 55.6 percent of the same amount.

The fund balance increased in the General Fund by \$3.6 million during the current fiscal year. This is due to higher than anticipated mortgage tax collections.

Highway Fund

The fund balance increased in the Highway Fund by \$2.7 million during the current fiscal year. There were increased expenditures due to increased weather related matters; however these expenditures were more than offset by increased property and other non-property tax revenues.

Parks Fund

The fund balance increased in the Parks Fund by \$3.4 million during the current fiscal year. During the year, revenues exceeded budgetary estimates while expenditures were approximately equal to budgetary estimates thus eliminating the need to draw upon existing fund balance.

Refuse and Garbage Fund

The fund balance decreased in the Refuse and Garbage Fund by \$1.1 million during the current fiscal year, which was less than the amount budgeted.

Capital Projects Fund

The fund balance decreased in the Capital Projects Fund by \$30.9 million during the current fiscal year. Prior financing sources were utilized in the current fiscal year.

Nonmajor Governmental Funds

The net change in fund balances was \$8.0 million. This was primarily due to increased franchise tax revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor and resulted in increases in appropriations of \$2.2 million. The County of Nassau now passes on to the Town of Hempstead the cost of community college chargebacks that were previously absorbed by the county.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

The Town of Hempstead's investment in capital assets for its governmental type activities as of December 31, 2005, amounts to \$406,404,315 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridge.

Major Capital asset events during the current fiscal year included the following:

- Road reconstruction
- Heavy equipment replacement
- Information and technology upgrades
- Building improvements

Capital Assets

Capital Assets - Net of Depreciation

	Governmental Activities	
	2005	2004
Land and landfills	\$ 80,380,938	\$ 80,380,938
Construction work in progress	14,594,191	9,112,857
Buildings	289,408	301,991
Infrastructure and improvements other than building, net	286,973,969	281,823,890
Improvements of Merrick landfill, net	11,661,808	12,097,988
Machinery and equipment and capital leases, net	12,504,001	16,611,574
Total Capital Assets	\$ 406,404,315	\$ 400,329,238

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

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of the current fiscal year, the Town of Hempstead has total bonded debt outstanding of \$308,587,632. The entire debt is backed by the full faith and credit of the Town of Hempstead.

Outstanding Debt

Outstanding Debt

	Governmental Activities	
	2005	2004
General obligation bonds	\$ 308,587,632	\$ 339,736,576
Total	\$ 308,587,632	\$ 339,736,576

In continuance of the Town's policy of rapid amortization of debt, the Town of Hempstead's total debt decreased by \$31,148,944 (9.2 percent).

The Town of Hempstead maintains a "AA+" rating from Standard & Poor's, "Aa1" rating from Moody's and a "AA" rating from Fitch for general obligation debt.

State statutes limit the amount of general obligation a governmental entity may issue to 7% of a 5-year average full valuation. The current debt limitation for the Town of Hempstead is \$4,732,855,594, which is significantly in excess of the Town of Hempstead's outstanding general obligation debt.

Additional information on the Town of Hempstead's indebtedness is shown in Note C.4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town of Hempstead's elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged. One of those factors is the economy. The Town of Hempstead, located in Nassau County, New York, generally has more favorable financial statistical data than Nassau County or New York State. The Town of Hempstead's latest unemployment rate at 4.1% compares favorably to New York State's 5.0% and the United States 4.6%. The workforce also compares favorably in composition (42.4% professional/management) to New York State's (36.7%). Median income in the Town of Hempstead shows that over 33% of the workforces earns \$100,000 or more compared to the New York State average of 18.7%. These factors provide a stable tax environment enabling the Town of Hempstead to reliably project tax revenue.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005

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

- Inflation in the Town of Hempstead's geographic area is consistent with the metropolitan area and is similar though somewhat higher than national averages. Contractual increases in negotiated labor contracts are comparable with regional municipalities while providing similar fringe benefits. These factors form the basis for estimating the 2005 budget lines.
- Revenues are subject to regional economic trends and are projected to show year over year increases for 2005 for items such as mortgage tax. Interest income, however, will show the effects of historically low rates.
- When all factors are considered the Town of Hempstead's general fund balance is expected to increase by the close of 2006.

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 ASSETS
December 31, 2005

	Primary Governmental Activities	Component Units
ASSETS		
Current Assets:		
Cash and investments	\$ 116,180,464	\$ 6,621,831
Accounts receivable, net of allowances	4,851,575	552,496
Due from other governments	13,090,118	45,406
Prepays	6,777,486	138,256
Inventory of material and supplies	7,346,018	524,242
Other assets	501,505	
Total Current Assets	148,747,166	7,882,231
Non-Current Assets:		
Deferred charges, net of accumulated amortization	2,814,204	22,032
Non-depreciable capital assets	94,975,129	6,415,567
Depreciable capital assets, net of depreciation	311,429,186	18,076,661
Total Non-Current Assets	409,218,519	24,514,260
Total Assets	557,965,685	32,396,491
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	15,778,965	788,483
Accrued interest payable	5,633,853	212,712
Due to other governments		97,864
Unearned revenue	2,098,799	
Non-current liabilities due within one year		
General obligation bonds payable	34,303,645	952,478
Compensated absences	1,975,435	142,192
Claims and judgments payable	7,887,000	
Estimated liability for landfill closure and postclosure care costs	307,666	
Installment purchase debt	21,862	
Total Current Liabilities	68,007,225	2,193,729
Non-Current Liabilities due in more than one year:		
General obligation bonds payable	274,283,987	9,703,718
Compensated absences	47,438,354	730,503
Claims and judgments payable	11,635,000	
Estimated liability for landfill closure and postclosure care costs	10,291,638	
Other debt		68,570
Total Non-Current Liabilities	343,648,979	10,502,791
Total Liabilities	411,656,204	12,696,520
NET ASSETS		
Investment in capital assets, net of related debt	96,395,094	14,220,913
Restricted for:		
Capital Projects	19,687,233	
Culture and recreation		361,471
Home and community services and Economic assistance and opportunity	1,295,754	3,107,636
Debt service	662,798	
Permanent Fund	1,337,867	
Unrestricted	26,930,735	2,009,951
Total Net Assets	\$ 146,309,481	\$ 19,699,971

See notes to financial statements.

TOWN OF HEMPSTEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

Function/Program	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Government Activities:				
General government support	\$ 55,220,458	\$ 2,737,686	\$ 15,596	\$ 339,436
Education	1,454,823			
Public safety	25,569,922	8,175,454		552,065
Transportation	45,173,820	132,270		2,703,960
Economic assistance and opportunity	7,718,613	16,320	5,315,167	
Culture and recreation	69,951,397	6,820,774	252,534	
Home and community services	141,501,233	30,100,533	8,031,379	549,337
Interest on debt	14,787,088			
Total Primary Government	\$ 361,377,354	\$ 47,983,037	\$ 13,614,676	\$ 4,144,798
COMPONENT UNITS				
Culture and recreation	\$ 4,382,072	\$ 49,230		
Home and community services	6,898,302	2,848,379		
Total Component Units	\$ 11,280,374	\$ 2,897,609		

GENERAL REVENUES

Real property taxes
Other real property tax items
Non-property tax items
Interest earnings
Mortgage tax
State Aid - unrestricted
Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See notes to financial statements.

Net (Expense) Revenues and
Changes in Net Assets

Primary Government	Component Units
\$ (52,127,740)	
(1,454,823)	
(16,842,403)	
(42,337,590)	
(2,387,126)	
(62,878,089)	
(102,819,984)	
(14,787,088)	
<u>\$ (295,634,843)</u>	
	\$ (4,332,842)
	<u>(4,049,923)</u>
	\$ (8,382,765)
\$ 217,822,376	\$ 8,184,205
2,794,357	55,188
37,397,947	
4,755,005	319,902
48,094,073	
3,284,444	50,196
2,063,791	291,416
<u>316,211,993</u>	<u>8,900,907</u>
20,577,150	518,142
<u>125,732,331</u>	<u>19,181,829</u>
<u>\$ 146,309,481</u>	<u>\$ 19,699,971</u>

TOWN OF HEMPSTEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

	MAJOR FUNDS				
	General	Highway	Parks	Refuse and Garbage	Capital Projects
ASSETS					
Cash and investments	\$ 52,573,001	\$ 12,013,076	\$ 7,697,296	\$ 13,975,750	\$ 4,656,722
Accounts receivable, net of allowances		950,000	11,267	1,325,117	
Due from other funds	4,495,462	5,967			24,684
Due from other governments	738,812	950,000	3,517,058	6,962,725	
Inventory of material and supplies	1,350,105	3,004,857	1,081,428	481,783	
Prepays	1,504,315	300,350	642,805	502,372	
Other assets	206,505	45,000	150,000	55,000	
Total Assets	\$ 60,868,200	\$ 17,269,250	\$ 13,099,854	\$ 23,302,747	\$ 4,681,406
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,658,994	\$ 739,618	\$ 969,014	\$ 9,453,710	\$ 1,496,197
Due to other funds	10,260	1,005,217	4,092	18,775	4,284,936
Bond interest and matured bonds					
Deferred revenue					300,000
Total Liabilities	1,669,254	1,744,835	973,106	9,472,485	6,081,133
Fund balances:					
Reserved:					
Encumbrances	578,181	105,885	84,177	939,906	19,687,233
Inventory	337,526	751,214	270,357	120,446	
Insurance					
Debt service		662,798			
Prepaid expenses	1,504,315	300,350	642,805	502,372	
Permanent fund					
Unreserved, designated for:					
Subsequent year's budget	5,652,803	103,973	954,070	20,684	
Special revenue funds					
Unreserved, undesignated reported in:					
General fund	51,126,121				
Special revenue funds		13,600,195	10,175,339	12,246,854	
Capital projects funds					(21,086,960)
Total Fund Balances	59,198,946	15,524,415	12,126,748	13,830,262	(1,399,727)
Total Liabilities and Fund Balances	\$ 60,868,200	\$ 17,269,250	\$ 13,099,854	\$ 23,302,747	\$ 4,681,406

See notes to financial statements.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 156	\$ 25,264,463	\$ 116,180,464
	2,565,191	4,851,575
	1,034,806	5,560,919
	921,523	13,090,118
	1,427,845	7,346,018
	267,251	3,217,093
	45,000	501,505
<u>\$ 156</u>	<u>\$ 31,526,079</u>	<u>\$ 150,747,692</u>
	\$ 1,461,432	\$ 15,778,965
	237,639	5,560,919
\$ 156		156
	1,609,495	1,909,495
<u>156</u>	<u>3,308,566</u>	<u>23,249,535</u>
	433,090	21,828,472
	356,961	1,836,504
	2,807	2,807
		662,798
	264,444	3,214,286
	1,337,867	1,337,867
		6,731,530
	2,604,036	2,604,036
		51,126,121
	23,218,308	59,240,696
		(21,086,960)
	<u>28,217,513</u>	<u>127,498,157</u>
<u>\$ 156</u>	<u>\$ 31,526,079</u>	<u>\$ 150,747,692</u>

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TOWN OF HEMPSTEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
December 31, 2005

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balances - Total Governmental Funds \$ 127,498,157

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets less accumulated depreciation are included in the Statement of Net Assets:

Capital assets - non-depreciable	94,975,129
Capital assets - depreciable	671,418,333
Accumulated depreciation	(359,989,147)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds 1,909,495

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 Assets:

General obligation bonds payable	(308,587,632)
Compensated absences	(49,413,789)
Claims and judgments payable	(19,522,000)
Estimated liability for landfill closure and postclosure care costs	(10,599,304)
Installment purchase debt	(21,862)

Prepaid items included in the Statement of Net Assets 3,560,393

Deferred charges included in the Statement of Net Assets 2,814,204

Unearned revenue included in the Statement of Net Assets (2,098,799)

Interest payable 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 Assets. (5,633,697)

Net Assets of Governmental Activities \$ 146,309,481

TOWN OF HEMPSTEAD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2005

	MAJOR FUNDS				
	General	Highway	Parks	Refuse and Garbage	Capital Projects
REVENUES					
Real property taxes	\$ 16,902,707	\$ 51,941,927	\$ 39,642,553	\$ 78,986,817	
Real property tax items	1,656,386	253,868	196,174	444,594	
Non-property tax items	727,812	8,982,853	7,500,000	15,000,000	
Departmental income	5,828,932		2,271,880	10,120,497	
Intergovernmental charges	131,949	18,348	536,321	7,760,304	
Use of money and property	2,288,590	713,052	793,912	1,052,474	
Licenses & permits	565,368				
Fines & forfeitures	488,342		3,200		
Sale of property and compensation for loss	307,210	477,315	7,827	1,230,030	
Miscellaneous revenue	227,893	101,574	116,177	203,917	
Interfund revenues	36,553,141		22,965,529		
State aid	48,370,560	115,729	225,996		\$ 3,595,460
Federal aid					
Total Revenues	<u>114,048,890</u>	<u>62,604,666</u>	<u>74,259,569</u>	<u>114,798,633</u>	<u>3,595,460</u>
EXPENDITURES					
Current:					
General government support	61,748,365				
Education	1,454,823				
Public safety	6,985,036				
Transportation	849,291	24,748,213			
Economic assistance and opportunity	4,710,480				
Culture and recreation	65,872		50,916,178		
Home and community services	8,722,802			97,608,338	
Employee benefits	21,858,187	7,682,218	15,708,998	13,538,971	
Capital Outlay:					
General government support					840,995
Public safety					2,305,209
Transportation					18,684,132
Economic assistance and opportunity					349,874
Culture and recreation					5,968,806
Home and community services					4,746,654
Debt Service:					
Principal					
Interest					
Bonds issuance costs					
Advance refunding escrow					
Total Expenditures	<u>106,394,856</u>	<u>32,430,431</u>	<u>66,625,176</u>	<u>111,147,309</u>	<u>32,895,670</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>7,654,034</u>	<u>30,174,235</u>	<u>7,634,393</u>	<u>3,651,324</u>	<u>(29,300,210)</u>
Other Financing Sources (Uses)					
Transfers in	58,520	1,823,784	12,643	1,514	317,416
Transfers out	(4,154,431)	(29,288,569)	(4,204,304)	(4,731,085)	(1,923,133)
Payments to refunded bond escrow agent					
Refunding bonds issues					
Premiums on debt issuance					
Total Other Financing Sources (Uses)	<u>(4,095,911)</u>	<u>(27,464,785)</u>	<u>(4,191,661)</u>	<u>(4,729,571)</u>	<u>(1,605,717)</u>
Net Change in Fund Balances	3,558,123	2,709,450	3,442,732	(1,078,247)	(30,905,927)
Fund Balance at Beginning of Year	<u>55,640,823</u>	<u>12,814,965</u>	<u>8,684,016</u>	<u>14,908,509</u>	<u>29,506,200</u>
Fund Balance (Deficit) at End of Year	<u>\$ 59,198,946</u>	<u>\$ 15,524,415</u>	<u>\$ 12,126,748</u>	<u>\$ 13,830,262</u>	<u>\$ (1,399,727)</u>

See notes to financial statements.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	\$ 30,348,372	\$ 217,822,376
	243,335	2,794,357
	5,187,282	37,397,947
	16,397,182	34,618,491
	238,900	8,685,822
	1,208,513	6,056,541
	86,225	651,593
	296,386	787,928
	489,698	2,512,080
	816,291	1,465,852
	664,813	60,183,483
	3,051,086	55,358,831
	13,779,159	13,779,159
	<u>72,807,242</u>	<u>442,114,460</u>
	244,668	61,993,033
		1,454,823
	14,934,239	21,919,275
	9,814,056	35,411,560
		4,710,480
	5,616,151	56,598,201
	21,804,754	128,135,894
	7,762,924	66,551,298
		840,995
		2,305,209
		18,684,132
		349,874
		5,968,806
		4,746,654
\$ 30,795,673		30,795,673
15,881,280		15,881,280
314,195		314,195
1,431,333		1,431,333
<u>48,422,481</u>	<u>60,176,792</u>	<u>458,092,715</u>
(48,422,481)	12,630,450	(15,978,255)
46,676,953	26,672	48,917,502
(53,789,699)	(4,615,980)	(48,917,502)
53,436,428		(53,789,699)
2,098,799		53,436,428
<u>48,422,481</u>	<u>(4,589,308)</u>	<u>2,098,799</u>
		1,745,528
-0-	8,041,142	(14,232,727)
-0-	20,176,371	141,730,884
<u>\$ -0-</u>	<u>\$ 28,217,513</u>	<u>\$ 127,498,157</u>

TOWN OF HEMPSTEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2005

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances - Total Governmental Funds \$ (14,232,727)

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 in the current period is:

Capital outlay	33,184,167
Depreciation expense	(27,109,090)

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 charges	(326,777)
Deferred charges	1,611,943

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred Revenue	23,527
Unearned Revenue	(2,098,799)

The issuance of long-term debt and increase in obligations under capital leases provides current financial resources to governmental funds, while the repayment of the principal of long term debt and capital leases consumes the current financial resources of governmental funds.

Neither transaction has any effect on net assets.

Bonds issued	(53,436,428)
Repayment of debt principal	84,585,372
Compensated absences	(2,038,518)
Claims and judgments payable	(1,264,734)
Estimated liability for landfill closure and postclosure care costs	406,593
Installment purchase debt	44,844
Accrued interest payable	1,227,777
	1,227,777

Change in Net Assets of Governmental Activities	\$ 20,577,150
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See notes to financial statements.

TOWN OF HEMPSTEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2005

	<u>Total Agency Funds</u>
<u>ASSETS</u>	
Cash and Investments	\$ 34,160,244
Due from other governments	<u>51,375</u>
Total Assets	<u>\$ 34,211,619</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 34,211,619</u>
Total Liabilities	<u>\$ 34,211,619</u>

See notes to financial statements.

TOWN OF HEMPSTEAD
INDEX FOR NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note A – Summary of Significant Accounting Policies	
A.1 Reporting Entity	38
A.2 Basis of Presentation	39-42
A.3 Basis of Accounting/Measurement Focus.....	42-43
A.4 Assets, Liabilities and Fund Equity.....	43-45
A.5 Revenues and Expenditures	45-46
A.6 Equity Classifications	46-47
Note B – Stewardship, Compliance and Accountability	
B.1 Budgetary Data	47-48
B.2 Fund Balances	48
Note C – Detailed Notes on All Funds	
C.1 Cash and Investments.....	49
C.2 Interfund Receivables, Payables and Transfers	50
C.3 Capital Assets.....	51-52
C.4 Indebtedness	52-54
C.5 Non-Current Liabilities	54
C.6 Retirement System	54-55
C.7 Post Employment Benefits	56
C.8 Compensated Absences	56
Note D – Commitments and Contingencies	
D.1 Risk Retention	56-57
D.2 Litigation	57
D.3 Resource Recovery Facility	58
D.4 Landfill Closure and Post-Closure Care Costs	58
D.5 Construction and Other Capital Acquisition Commitments	58
D.6 Lease Commitments and Leased Assets	58
Note E – Condensed Financial Statements for the Discretely Presented Component Units	
Presented Component Units	59-60
Note F – Subsequent Events	
.....	60

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. 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 term of two years and six council members who are elected for terms of four years. The Supervisor serves as the Chief Executive Officer and Chief Fiscal Officer of the Town. The Highway Superintendent and the Heads of the various Town departments' 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.

The financial statements of the Town of Hempstead 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 government's accounting policies are described below.

1. REPORTING ENTITY

The financial reporting entity consists of: (a) the primary government, which is the Town of Hempstead; (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 as set forth in GASB Statement No. 14.

The decision to include a potential component unit in the Town of Hempstead reporting entity is based on several criteria set forth in GASB Statement No. 14 including legal standing, dependency and financial accountability. Based on the application of these criteria, the following is a summary of certain entities considered in determining the Town of Hempstead's reporting entity.

Certain special districts of the Town of Hempstead are separate legal entities and have separately elected boards of commissioners. These special districts provide water and library services to residents and businesses within the districts. Special districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. Budgets and tax rates are approved by the Town. Tax levies of the special districts are collected by the Town Receiver of Taxes. As a result of this fiscal dependency the Town is financially accountable for these special districts. Accordingly, these special districts have been determined to be component units of the Town and are presented discretely in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. Condensed financial statements along with the addresses of the administrative office, for these component units are presented in Note E.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. BASIS OF PRESENTATION

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Government-wide Financial Statements

The government-wide financial statements reports information on the Town as a whole, except fiduciary activities with separate columns for the primary governmental activities as well as the discretely presented component units.

In the government-wide Statement of Net Assets, the Town's governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts—invested in capital assets – net of related debt, restricted net assets, and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functional categories (public safety, transportation, home and community services, etc.), which are otherwise supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants to produce the net cost of each program. Program revenues include (a) charges for services and (b) operating and capital grants and contributions that are directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function) are normally covered by general revenue (property, taxes, intergovernmental revenues, interest income, etc).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Fund Financial Statements

The fund financial statements are similar to the financial statements presented in the previous model. The new emphasis is on the major funds in the fund financial statements. Nonmajor fund are summarized into a single column.

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, liabilities, fund balances, revenues, and expenditures, 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. Accordingly, the Town maintains the following fund types:

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. BASIS OF PRESENTATION (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. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Government funds are further classified as major and nonmajor funds.

The Town Reports the following major governmental funds:

General Fund - is the principal operating fund of the Town. This fund is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Highway Fund – a special revenue fund is used to account for revenues and expenditures for highway purposes.

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. Special Revenue Funds include the following:

Park Districts – a special revenue fund is used to account for parks and recreation in the Town. Park Districts are as follows:

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 – special revenue fund is used to account for garbage collection and solid waste disposal in the Town. Refuse and Garbage Districts are as follows:

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

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund – is used to account for the accumulation of resources for the payment of debt principal, interest, and related costs.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. BASIS OF PRESENTATION (continued)

Fund Financial Statements (continued)

Additionally, the Town reports the following nonmajor funds:

General Town - Outside Village - is used 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 Investment Act Program, and the 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 as follows:

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

Town of Hempstead Lighting District

Public Parking Districts as follows:

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

Water Districts as follows:

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

Library Funding Districts as follows:

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

North Lynbrook Library Funding District

Miscellaneous Recreation Fund – is used to account for donations for free shows and concerts in the parks.

Permanent Fund – is used to account for financial resources received from other parties including individuals, private organizations and other governments whereby the use of the resources are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. BASIS OF PRESENTATION (continued)

Fund Financial Statements (continued)

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

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

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

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

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

Discretely Presented Component Units

Certain special districts that have separately elected boards 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 component units, are as follows:

Lakeview Public Library District	Roosevelt Public Library District
Uniondale Public Library District	Cathedral Gardens Water District
Franklin Square Water District	West Hempstead – Hempstead Gardens
Greater Atlantic Beach Water	Water District
Reclamation District	

3. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

Measurement focus refers to what is being measured whereas the basis of accounting refers to when revenues and expenditures 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.

In the government-wide statements, governmental activities are presented using the economic resources measurement focus and are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the funds statements, governmental funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. BASIS OF ACCOUNTING/MEASUREMENT FOCUS (continued)

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (measurable and available to finance current operations). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after the year end. Revenues susceptible to accrual include Nassau County local assistance at year end on behalf of the Town, 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. In the Capital Projects Fund, long-term debt is recognized as revenue upon receipt of the proceeds. Expenditures are recorded on the accrual basis except that (a) expenditures for prepaid expenses are recognized when incurred; (b) principal and interest on indebtedness are recognized as expenditures when due; (c) compensated absences, such as vacation and sick leave, which vest or accumulate, are charged as expenditures when paid.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded for budgetary control purposes in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Appropriations for all governmental funds except the capital projects fund lapse at year-end. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year. Encumbrances are reported as reservations 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.

4. ASSETS, LIABILITIES AND FUND EQUITY

CASH AND INVESTMENTS

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months.

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 and certificates of deposit. Permissible investments include special time deposit accounts, obligations of the United States Treasury and United States agencies, obligations of New York State or its localities.

Collateral is required for demand deposits and time deposits accounts at 105% 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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. ASSETS, LIABILITIES AND FUND EQUITY (continued)

RECEIVABLES

Receivables include amounts due from Federal, State, and other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

INVENTORY – MATERIALS AND SUPPLIES

Inventory in the General and Special Revenue Funds is valued at cost. Inventory in these funds is accounted for under the consumption method, utilizing the first-in, first-out method (FIFO).

PREPAID ITEMS

Prepaid items are accounted for under the consumption method and represent funds spent as of December 31, 2005 for future expenses.

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Infrastructure assets are reported at historical cost as of 1980. Contributed assets are reported at fair market value as of 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. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

Infrastructure assets, consisting of certain improvements other than buildings including roads, curbs, sidewalks, drainage system, street lighting, water mains and sewer system are capitalized along with other capital assets.

In the fund financial statements capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition.

The Town of Hempstead 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, 2005, the Town has not recorded any such impairment losses.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. ASSETS, LIABILITIES AND FUND EQUITY (continued)

DEFERRED CHARGES

Discounts and expenses related to the issuance of long-term debt and the loss on the early retirement of refunded debt are amortized on a straight-line basis over the life of the issue (10 years), and are presented net of accumulated amortization.

UNEARNED REVENUE/DEFERRED REVENUE

Unearned revenue/deferred revenues are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met. Such amounts include collections in advance, unearned income, and amounts deemed to be "measurable" but not "available" to finance current expenses.

LONG-TERM OBLIGATIONS

The liabilities for long-term obligations consisting of general obligation bond, compensated absences, due to employee retirement system, judgments, claims and liability for landfill closure and post closure costs are recognized in the government-wide financial statements.

In the fund statements, long-term obligations are not reported as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

5. REVENUES AND EXPENDITURES

REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

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

Town and County taxes are due in two installments, 50% on January 1 and 50% on July 1, payable without penalty to February 10 and August 10, respectively. 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 amount collected, and forwards the 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.

School District property taxes in the Town are also payable in two installments; however, a separate tax bill is sent out for school tax purposes. School property taxes are due in two installments, 50% in October and 50% in April. The County is also responsible for uncollected school taxes.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. REVENUES AND EXPENDITURES (continued)

REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES (continued)

Property taxes receivable includes restored taxes from prior tax rolls received within 60 days of year end.

Real property taxes become a lien during the third week of February for both school and general taxes.

INTERFUND TRANSACTIONS

Interfund transactions have been eliminated from the government-wide financial statements. In the funds statements interfund transactions include:

a) Interfund Revenues

Interfund revenues are for interfund services (provided and used) in the general fund 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 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.

COMPENSATED ABSENCES

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements only the compensated absence liability payable from expendable available financial resources is incurred.

The amount that is expected to be liquidated with expendable available financial resources is reported as expenditures and a liability in the funds statement in the respective fund that will pay the liability. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. EQUITY CLASSIFICATIONS

In the Government-wide Statements equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt—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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. EQUITY CLASSIFICATIONS (continued)

- b) Restricted net assets—Consists of net assets 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.
- c) Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the Fund Statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Portions of fund equity are segregated for future use and therefore not available for future appropriation or expenditure. Amounts reserved for encumbrances, inventory, insurance claims and debt service, represent portions of fund equity, which are required to be segregated in accordance with state law or GAAP. Designations of fund balances in governmental funds indicates the utilization of these resources in the subsequent year’s budget or tentative plans for future use.

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. BUDGETARY DATA

The Supervisor is responsible for the preparation of the tentative annual operating and capital budgets. The Town Board reviews the tentative budgets and prepares preliminary operating and capital budgets and a public hearing is held thereon. Subsequent to the public hearing, revisions (if any) are made and the budgets are then adopted by the Town Board as final for the coming year. The budgets are not subject to referendum. Town Law provides that no expenditures may exceed budgeted appropriations. Any revisions to the annual budget proposed to accommodate changes in a department, district, or other program must be adopted by resolution of the Town Board.

Budgets for the General and certain Special Revenue are legally adopted for each year. The budgets are adopted on a basis of accounting consistent with GAAP, except that appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years. In the event that actual revenues received exceed budgeted amount, additional budgetary appropriations are made.

Annual budgets are not prepared for the Capital Projects Fund, Debt Service, Special Grant Fund, Miscellaneous Recreation 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 funds through resolutions authorizing individual projects, which remain in effect for the life of the project.

Except as indicated, budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years. Budgetary controls for the Special Grant Funds are established in accordance with the applicable grant agreement, which covers a period other than the Town’s fiscal year.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

1. BUDGETARY DATA (continued)

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

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

2. FUND BALANCES

DESIGNATION OF FUND BALANCE

Portions of the unreserved balances at December 31, 2005 were designated for the subsequent year's operating budgets as follows:

Fund	Total Fund Balance Unreserved	Fund Balance Unreserved and Designated for Subsequent Year's Budget	Fund Balance Unreserved Undesignated
Nonmajor Funds:			
Town Outside Village	5,518,401	\$ 28,218	5,490,183
Special Grant	1,295,754		1,295,754
Fire Protection	1,564,496	190,144	1,374,352
Street Lighting	1,868,405	709,401	1,159,004
Public Parking	3,882,674	293,694	3,588,980
Water	11,332,269	1,382,443	9,949,826
Library Funding	141,746	136	141,610
Miscellaneous Recreation	218,599		218,599
	<u>\$ 25,822,344</u>	<u>\$ 2,604,036</u>	<u>\$ 23,218,308</u>

FUND DEFICITS

Individual funds with unreserved and/or total fund deficits as of December 31, 2005 were as follows:

Fund	Unreserved and Undesignated	Balance (Deficit)
Major Funds:		
Capital Projects Fund	\$ (21,086,960)	\$ (1,399,727)

The Capital Projects Fund deficit resulted from differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing sources. This deficit will be eliminated in the subsequent year with the issuance of long-term bonds.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

C. DETAILED NOTES ON ALL FUNDS

1. CASH AND INVESTMENTS

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, a government will not be unable 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.

Governmental Accounting Standards Board Statement No. 40 directs that deposits 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, 2005 the Town's deposits were \$149,091,112. This amount is inclusive of Fiduciary fund deposits of \$32,918,747 and restricted cash of \$1,337,867 but exclusive of petty cash of \$8,100. The bank balance was \$159,398,030. Of the bank balance, \$1,988,054 was covered by Federal deposit insurance, and \$225,372,684 was covered by collateral held by the Town's agent, a third-party financial institution, in the Town's name.

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

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

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

As of December 31, 2005 the Town of Hempstead did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

C. DETAILED NOTES ON ALL FUNDS (continued)

2. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2005, individual fund interfund receivable and payable balances for the primary government are expected to be paid currently. These balances represent various temporary loans, recharges and reimbursements between funds and are stated as follows:

	<u>Receivable</u>	<u>Payable</u>
Primary Government		
<u>Major Funds:</u>		
General Fund	\$ 4,495,462	\$ 10,260
Highway	5,967	1,005,217
Parks		4,092
Refuse & Garbage		18,775
Capital Projects Fund	24,684	4,284,936
Debt Service		
<u>Nonmajor Funds:</u>		
Town Outside Village		36,753
Special Grant		200,000
Street Lighting	1,000,000	
Public Parking		
Water	34,806	886
	<u>\$ 5,560,919</u>	<u>\$ 5,560,919</u>

At December 31, 2005, individual fund interfund transfers balances for the primary government primarily represent receipt and payment of debt service and capital projects expenditures, and are stated as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Primary Government		
<u>Major Funds:</u>		
General Fund	\$ 58,520	\$ 4,154,431
Highway	1,823,784	29,288,569
Parks	12,643	4,204,304
Refuse & Garbage	1,514	4,731,085
Capital Projects Fund	317,416	1,923,133
Debt Service	46,676,953	
<u>Nonmajor Funds:</u>		
Town Outside Village		82,587
Fire Protection		491,543
Street Lighting	22,241	960,793
Public Parking		764,626
Water	4,431	2,316,431
	<u>\$ 48,917,502</u>	<u>\$ 48,917,502</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

C. DETAILED NOTES ON ALL FUNDS (continued)

3. CAPITAL ASSETS

	Balance 1/1/2005	Additions	Deletions	Balance 12/31/2005
Primary government				
Capital assts not being depreciated				
Land - other than landfills	\$ 49,712,153			\$ 49,712,153
Landfills	30,668,785			30,668,785
Construction work in progress	9,112,857	\$ 5,481,334		14,594,191
Total capital assets not being depreciated	89,493,795	5,481,334		\$ 94,975,129
Depreciable capital assets				
Infrastructure and Improvements other than buildings	492,544,175	25,703,226		518,247,401
Buildings	75,964,504			75,964,504
Improvement to park portion of Merrick landfill	13,406,528			13,406,528
Machinery and equipment	62,080,193	1,999,607	\$ 279,900	63,799,900
Total depreciable capital assets	643,995,400	27,702,833	279,900	671,418,333
Less accumulated depreciation				
Infrastructure and improvements other than buildings	210,720,285	20,553,147		231,273,432
Buildings	75,662,513	12,583		75,675,096
Improvements to park portion of Merrick landfill	1,308,540	436,180		1,744,720
Machinery and equipment	45,468,619	6,107,180	279,900	51,295,899
Total accumulated depreciation	\$ 333,159,957	\$ 27,109,090	\$ 279,900	359,989,147
Total net depreciable capital assets				311,429,186
Total net capital assets				\$ 406,404,315

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

C. DETAILED NOTES ON ALL FUNDS (continued)

3. CAPITAL ASSETS (continued)

	Balance 1/1/2005	Additions	Balance 12/31/2005
<u>Discretely Presented Component Units</u>			
Capital Assets not being depreciated			
Land	\$ 263,098		\$ 263,098
Construction in progress	4,830,450	\$ 1,322,019	6,152,469
Total Capital Assets not being Depreciated	5,093,548	1,322,019	6,415,567
Depreciable Capital Assets			
Buildings	11,903,641	187,802	12,091,443
Improvements other than buildings	225,903	2,800	228,703
Machinery and equipment	6,094,909	908,894	7,003,803
Infrastructure	11,564,119	2,195,572	13,759,691
Total depreciable capital assets	29,788,572	3,295,068	33,083,640
Less total accumulated depreciation	\$ 14,103,394	\$ 903,585	15,006,979
Total net depreciable capital assets			18,076,661
Total net capital assets			\$ 24,492,228

Depreciation expense was charged to governmental functions as follows:

General Government Support	\$ 2,000,835
Public Safety	14,775
Transportation	15,886,255
Economic assistance and opportunity	38,566
Culture & Recreation	4,254,321
Home and community services	4,914,338
Total governmental activities depreciation expense	\$ 27,109,090

4. INDEBTEDNESS

Summary of indebtedness transactions for the year ended December 31, 2005 is as follows:

Primary Government:	General Obligation Bonds
Balance - January 1, 2005	\$ 339,736,576
Issued - 2005	53,436,428
Redeemed - 2005	(84,585,372)
Balance - December 31, 2005	\$ 308,587,632
 Component Units:	
Balance - January 1, 2005	\$ 11,233,514
Issued - 2005	373,572
Redeemed - 2005	(950,890)
Balance - December 31, 2005	\$ 10,656,196

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

C. DETAILED NOTES ON ALL FUNDS (continued)

4. INDEBTEDNESS (continued)

General Obligation Bonds – The Town borrows money in order to acquire 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 Special Districts which are payable for tax revenues of the areas benefited. Interest rates of these bonds vary from 3.13% to 3.76%. Future principal and interest payments to maturity are as follows:

		Total Principal	Total Interest	Total Debt Service
Years Ending December 31,	2006	\$ 34,303,645	\$ 13,669,267	\$ 47,972,912
	2007	34,528,873	11,887,970	46,416,843
	2008	33,017,956	10,513,118	43,531,074
	2009	34,348,432	9,036,660	43,385,092
	2010	35,768,486	7,508,274	43,276,760
	2011-2015	106,383,371	19,534,966	125,918,337
	2016-2018	30,236,869	2,337,559	32,574,428
		<u>\$ 308,587,632</u>	<u>\$ 74,487,814</u>	<u>\$ 383,075,446</u>

Included in indebtedness at December 31, 2005 are \$10,656,196 of principal and \$3,066,419 of interest of General Obligation Bonds that are obligations of special districts with separate Boards of Commissioners.

Advance Refunding of Bonds

On April 26, 2005 the Town issued \$53,810,000 in Public Improvement (Serial) Bonds (\$53,436,428 was for the primary government and \$373,572 was for discretely component units) with an average interest rate of 4.43% (issued as Series A, \$37,210,000 and Series B, \$16,600,000) to advance refund \$37,880,000 of outstanding 1997 Series A Serial Bonds with an average rate of 4.97% through the year 2010, and \$14,475,000 in 1999 Series A Serial Bonds with an average rate of 5.08% through the year 2011, and \$1,815,000 of 1999 Series B Serial Bonds with an average rate of 5.57% through the year 2018.

The net proceeds of \$55,766,360 (the par amount of the bonds plus a premium of \$2,116,714 less Underwriter's fees, insurance and other issuance costs of \$160,354) were used to buy U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 and 1999 Serial Bonds. As a result, the 1997 and 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the non-current governmental liabilities.

The Town advance refunded the 1997 and 1999 Serial Bonds to reduce its total debt service payments over the next 14 years by \$1,008,877 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$944,085

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

C. DETAILED NOTES ON ALL FUNDS (continued)

4. INDEBTEDNESS (continued)

Prior-Year Defeasance of Debt

In prior years the Town of Hempstead 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, 2005, \$21,325,000 of outstanding bonds are considered defeased.

5. NON-CURRENT LIABILITIES

Summary of changes in long-term debt transactions for the year ended December 31, 2005 is as follows:

	Balance 1/1/2005	Increases	Reductions	Balance 12/31/2005	Non-current liabilities due within one year	Non-current liabilities
Primary Government:						
General obligation bonds	\$ 339,736,576	\$ 53,436,428	\$ 84,585,372	\$ 308,587,632	\$ 34,303,645	\$ 274,283,987
Compensated absences	47,375,271	2,038,518		49,413,789	1,975,435	47,438,354
Claims and judgments	18,257,266	1,329,000	64,266	19,522,000	7,887,000	11,635,000
Estimated liability for landfill closure and postclosure care costs	11,005,897		406,593	10,599,304	307,666	10,291,638
Installment purchase debt	66,706		44,844	21,862	21,862	
	<u>\$ 416,441,716</u>	<u>\$ 56,803,946</u>	<u>\$ 85,101,075</u>	<u>\$ 388,144,587</u>	<u>\$ 44,495,608</u>	<u>\$ 343,648,979</u>
Component Units:						
General obligation bonds	\$ 11,233,514	\$ 373,572	\$ 950,890	\$ 10,656,196	\$ 952,478	\$ 9,703,718
Compensated absences	671,529	201,166		872,695	142,192	730,503
	<u>\$ 11,905,043</u>	<u>\$ 574,738</u>	<u>\$ 950,890</u>	<u>\$ 11,528,891</u>	<u>\$ 1,094,670</u>	<u>\$ 10,434,221</u>

Liabilities for claims and judgments and landfill closure and post closure costs are liquidated through future budgetary appropriations in the General Fund. The liabilities for compensated absences and due to Employees' Retirement System are liquidated through future budgetary appropriation in the funds that gave rise to the liability.

6. RETIREMENT SYSTEM

Plan Description

The Town of Hempstead participates in the New York State and Local Employees' Retirement System (NYSERS), a cost sharing multiple public employer retirement system. The System provides a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

C. DETAILED NOTES ON ALL FUNDS (continued)

6. RETIREMENT SYSTEM (continued)

Plan Description (continued)

Obligation of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the New York State and Local Retirement System, Governor Smith State Building, Albany, NY 12244.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

Contributions consist of a group term life insurance portions (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2006 are as follows:

<u>Tier/Plan/Option</u>	<u>Rate</u>
1 75I/41J	15.1%
2 75I/41J	13.1%
3 A14/41J	10.3%
4 A15/41J	10.3%

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to 100 percent of the actuarially required amounts and also included additional contributions to fund various early retirement incentives made available to the Town employees. The credits and miscellaneous adjustments represent modification made by the NYSERS to the prior year's contributions due to differences between estimated and actual salaries for the plan year.

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

<u>Annual Required Contribution - ERS</u>				
<u>Amount</u>	<u>% of Covered Payroll</u>	<u>Early Retirement Incentive</u>	<u>Credits & Miscellaneous Adjustments</u>	<u>Total Payment</u>
2005 \$ 14,241,571	11.18%		\$ 232,183	\$ 14,473,754
2004 15,548,679	12.66%	\$ 311,243	10,258	15,870,180
2003 5,851,650	4.90%	1,099,765	60,944	7,012,359

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

C. DETAILED NOTES ON ALL FUNDS (continued)

7. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town.

Health care benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums (which amounted to approximately \$2,954,461 for 1,320 retirees and \$197,303 for 264 survivors for the 2005 year) as an expenditure in the year paid.

8. 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 statements of net assets. 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, 2005 the value of the accumulated vacation time and sick leave was \$49,413,789 for the primary government. The liability for compensated absences for the component units amounted to \$872,695.

D. COMMITMENTS AND CONTINGENCIES

1. RISK RETENTION

In common with other municipalities, the Town receives numerous notices of claims. The Town is self-insured for claims under this coverage. Although the eventual outcome of these claims cannot presently be determined, the Town Attorney has estimated unsettled claims and litigation to be \$19,522,000. 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 carries insurance for property protection in excess of \$148,880,000 per occurrence and in the aggregate, except for flood and earthquake, which is \$25,000,000 per occurrence and in the aggregate.

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.

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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

D. COMMITMENTS AND CONTINGENCIES (continued)

1. RISK RETENTION (continued)

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

	Workers' Compensation		General Liability	
	2005	2004	2005	2004
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 16,389,000	\$ 15,792,000	\$ 1,868,266	\$ 1,257,087
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	<u>8,796,867</u>	<u>6,581,369</u>	<u>1,161,957</u>	<u>1,879,618</u>
Total incurred claims and claim adjustment expenditures	<u>8,796,867</u>	<u>6,581,369</u>	<u>1,161,957</u>	<u>1,879,618</u>
Payments				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years.	<u>7,467,867</u>	<u>5,984,369</u>	<u>1,226,223</u>	<u>1,268,439</u>
Total unpaid Claims and Claim adjustment expenditures at the end of the year.	<u>\$ 17,718,000</u>	<u>\$ 16,389,000</u>	<u>\$ 1,804,000</u>	<u>\$ 1,868,266</u>

2. LITIGATION

The Town in the normal course of business is involved in various matters of litigation. In the opinion of the Town Attorney, there is not litigation by or pending against the Town that is not covered by insurance, budgetary appropriations or other reasons which could have a materially adverse impact on the financial condition of the Town.

There is litigation against the Town regarding utility garbage taxes for approximately \$15,000,000. The New York State Court of Appeals recently ruled against a neighboring Town on a similar case. It should be noted that there are legal issues in the Town of Hempstead suit not litigated in the other Town that could lead to a more favorable result. In addition, the municipalities involved in these lawsuits are pursuing legislation in Albany that could substantially reduce the Town's liability. The lawsuit against the Town is in the discovery stages and is most likely several years from resolution. As of December 31, 2005, no liability has been recorded in the financial statements on this matter.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

D. COMMITMENTS AND CONTINGENCIES (continued)

3. RESOURCE RECOVERY FACILITY

The Town has entered into an agreement with an independent company and the Town of Hempstead Industrial Development Agency (IDA) to establish a resource recovery facility. Under the agreement, the Town has committed a certain tonnage of solid waste to the company, which will be used to generate electricity. The Town has the option to terminate the agreement; however, it could be liable for the unpaid balance of bonds issued by the IDA on December 31, 1985 and refinanced in 1997, as well as certain lease obligations of the company. The IDA entered into an amended and restated company sublease agreement with the independent company in 2001. The new site lease agreement refinanced the original bonds into Series 2001 fixed rate 5% bonds in the amount of \$42,670,000.

4. LANDFILL CLOSURE AND POST-CLOSURE 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 March, 1984. Accordingly, as of December 31, 2005 the Town has recorded a liability of \$10,599,304, which represents the provision to be made in future budgets for unfunded closure and post-closure landfill costs. Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws.

5. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

The Town is committed to capital improvements to its various facilities and infrastructure. The Town at December 31, 2005 has funds restricted for capital acquisitions and improvements of \$19,687,233 in the Capital Projects Fund.

6. LEASE COMMITMENTS AND LEASED ASSETS

The Town leases equipment accounted for as capital leases. The total cost of equipment under capital leases as of December 31, 2005 is \$53,327. The present value of future minimum lease payments are as follows:

Years ending December 31, 2006	\$ 22,824
Total minimum lease payments	<u>22,824</u>
Less: amount representing interest	(962)
Present value of minimum lease payments	<u>\$ 21,862</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

E. CONDENSED FINANCIAL STATEMENTS FOR THE DISCRETELY PRESENTED COMPONENT UNITS

The following represents condensed financial statements for the discretely presented component units as of and for the year ended December 31, 2005:

Condensed Statement of Net Assets:

	Assets and Other Debits		Liabilities		Net Assets
	Current Assets	Capital Assets Net of Depreciation	Current Liabilities	Bonds and Other Long-Term Liabilities	
Lakeville Public Library District	\$ 298,172	\$ 2,483,132	\$ 172,253	\$ 1,060,847	\$ 1,548,204
Roosevelt Public Library District	543,224	2,742,562	218,365	446,785	2,620,636
Uniondale Public Library District	1,718,456	6,687,573	923,871	5,071,644	2,410,514
Cathedral Gardens Water District	506,061		47,017		459,044
Franklin Square Water District	2,186,912	1,195,336	202,760	737,925	2,441,563
West Hempstead - Hempstead Gardens Water District	2,051,961	8,399,833	400,371	1,541,394	8,510,029
Greater Atlantic Beach Water Reclamation District	599,477	2,983,792	229,092	1,644,196	1,709,981
	<u>\$ 7,904,263</u>	<u>\$ 24,492,228</u>	<u>\$ 2,193,729</u>	<u>\$ 10,502,791</u>	<u>\$ 19,699,971</u>

Condensed Statement of Activities:

	Program		General Revenue		Net Assets			
	Expenses	Charges for Services	Net Expense (Revenue)	Property Tax	Other	Change	1/1/2005	12/31/2005
Lakeville Public Library District	\$ 752,238	\$ 7,892	\$ 744,346	\$ 681,507	\$ 36,852	\$ (25,987)	\$ 1,574,191	\$ 1,548,204
Roosevelt Public Library District	1,441,300	29,139	1,412,161	1,194,619	24,242	(193,300)	2,813,936	2,620,636
Uniondale Public Library District	2,188,534	12,199	2,176,335	2,778,726	96,790	699,181	1,711,333	2,410,514
Cathedral Gardens Water District	118,271		118,271	54,594	16,786	(46,891)	505,935	459,044
Franklin Square Water District	2,079,822	1,295,439	784,383	939,970	169,818	325,405	2,116,158	2,441,563
West Hempstead - Hempstead Gardens Water District	3,155,300	1,552,940	1,602,360	1,245,132	295,172	(62,056)	8,572,085	8,510,029
Greater Atlantic Beach Water Reclamation District	1,544,909		1,544,909	1,344,845	21,854	(178,210)	1,888,191	1,709,981
	<u>\$ 11,280,374</u>	<u>\$ 2,897,609</u>	<u>\$ 8,382,765</u>	<u>\$ 8,239,393</u>	<u>\$ 661,514</u>	<u>\$ 518,142</u>	<u>\$ 19,181,829</u>	<u>\$ 19,699,971</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

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

- | | |
|---|---|
| 1. Lakeview Public Library District
P.O. Box 177
Franklin Square, NY 11570 | 2. Roosevelt Public Library District
27 West Fulton Street
Roosevelt, NY 11575 |
| 3. Uniondale Public Library District
400 Uniondale Avenue
Uniondale, NY 11553 | 4. Cathedral Gardens Water District
150 Westminster Road
West Hempstead, NY 11552 |
| 5. Franklin Square Water District
P.O. Box 177
Franklin Square, NY 11570 | 6. West Hempstead - Hempstead Gardens
Water District
575 Birch Street
W. Hempstead, NY 11552 |
| 7. Greater Atlantic Beach Water
Reclamation District
2150 Bay Blvd.
Atlantic Beach, NY 11509 | |

F. SUBSEQUENT EVENTS

The Town issued \$33,914,230 of public improvement bonds in March, 2006. In conjunction with the issuance of these public improvement bonds, the Town's maintained its credit rating on this issue and all of its' outstanding general obligations bonds. The credit ratings issued by Moody's Investor Service, Standard and Poor's and FitchRatings are "Aa1", "AA+", and "AA" respectively.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

<p>Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Major Governmental Funds and Schedules</p>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgets are adopted on a basis of accounting consistent with GAAP, except that appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The capital projects and special grant funds are budgeted on a project or grant basis.

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

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

TOWN OF HEMPSTEAD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2005

	Budgeted Amounts		Actual	Encumbrances	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Real property taxes	\$ 17,080,849	\$ 17,080,849	\$ 16,902,707		\$ (178,142)
Real property tax items	1,857,500	1,857,500	1,656,386		(201,114)
Non-property tax items	15,500,000	15,500,000	727,812		(14,772,188)
Departmental income	5,886,250	5,907,250	5,828,932		(78,318)
Intergovernmental charges	12,250	12,250	131,949		119,699
Use of money and property	1,382,500	1,382,500	2,288,590		906,090
Licenses & permits	476,300	476,300	565,368		89,068
Fines & forfeitures	437,500	437,500	488,342		50,842
Sale of property and compensation for loss	58,500	58,500	307,210		248,710
Miscellaneous revenue	187,500	187,500	227,893		40,393
Interfund revenues	36,556,346	36,556,346	36,553,141		(3,205)
State aid	28,171,000	28,244,000	48,370,560		20,126,560
Total Revenues	107,606,495	107,700,495	114,048,890		6,348,395
EXPENDITURES					
Current:					
General government support	61,946,105	62,667,020	61,748,365	\$ 286,162	632,493
Education	-0-	1,454,823	1,454,823		-0-
Public safety	7,068,113	7,208,807	6,985,036	92,712	131,059
Transportation	923,279	923,279	849,291	2,443	71,545
Economic assistance and opportunity	4,826,150	4,825,116	4,710,480	7,185	107,451
Culture and recreation	70,000	65,873	65,872		1
Home and community services	8,724,320	8,968,865	8,722,802	189,679	56,384
Employee benefits	25,335,351	25,079,550	21,858,187		3,221,363
Debt service principal and interest	255,000	255,000			255,000
Total Expenditures	109,148,318	111,448,333	106,394,856	578,181	4,475,296
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,541,823)	(3,747,838)	7,654,034	(578,181)	10,823,691
Other Financing Sources (Uses)					
Transfers in			58,520		58,520
Transfers out	(4,159,936)	(4,159,936)	(4,154,431)		5,505
Total Other Financing Sources (Uses)	(4,159,936)	(4,159,936)	(4,095,911)		64,025
Net Change in Fund Balances	\$ (5,701,759)	\$ (7,907,774)	3,558,123	\$ (578,181)	\$ 10,887,716
Fund Balances at Beginning of Year			55,640,823		
Fund Balances at End of Year			\$ 59,198,946		

TOWN OF HEMPSTEAD
HIGHWAY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2005

	Budgeted Amounts		Actual	Encumbrances	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Real property taxes	\$ 51,941,926	\$ 51,941,926	\$ 51,941,927		\$ 1
Real property tax items	220,000	220,000	253,868		33,868
Non-property tax items	7,000,000	7,000,000	8,982,853		1,982,853
Intergovernmental charges	4,000	4,000	18,348		14,348
Use of money and property	309,750	309,750	713,052		403,302
Sale of property and compensation for loss			477,315		477,315
Miscellaneous revenue	100,000	100,000	101,574		1,574
State aid	115,729	115,729	115,729		-0-
Total Revenues	59,691,405	59,691,405	62,604,666		2,913,261
EXPENDITURES					
Current:					
Transportation	23,943,421	24,915,412	24,748,213	\$ 105,885	61,314
Employee benefits	8,659,276	7,901,986	7,682,218		219,768
Total Expenditures	32,602,697	32,817,398	32,430,431	105,885	281,082
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,088,708	26,874,007	30,174,235	(105,885)	3,194,343
Other Financing Sources (Uses)					
Transfers in	1,435,000	1,435,000	1,823,784		388,784
Transfers out	(29,003,776)	(29,303,429)	(29,288,569)		14,860
Total Other Financing Sources (Uses)	(27,568,776)	(27,868,429)	(27,464,785)		403,644
Net Change in Fund Balances	\$ (480,068)	\$ (994,422)	2,709,450	\$ (105,885)	\$ 3,597,987
Fund Balances at Beginning of Year			12,814,965		
Fund Balances at End of Year			\$ 15,524,415		

TOWN OF HEMPSTEAD
PARK DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2005

	Budgeted Amounts		Actual	Encum- brances	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Real property taxes	\$ 39,642,554	\$ 39,642,554	\$ 39,642,553		\$ (1)
Real property tax items	165,605	165,605	196,174		30,569
Non-property tax items	3,500,000	3,500,000	7,500,000		4,000,000
Departmental income	2,300,900	2,300,900	2,271,880		(29,020)
Intergovernmental charges	679,259	679,259	536,321		(142,938)
Use of money and property	445,910	445,910	793,912		348,002
Fines & forfeitures			3,200		3,200
Sale of property and compensation for loss	57,500	57,500	7,827		(49,673)
Miscellaneous revenue	125,000	125,000	116,177		(8,823)
Interfund revenues	22,965,528	22,965,528	22,965,529		1
State aid	225,000	225,000	225,996		996
Total Revenues	70,107,256	70,107,256	74,259,569		4,152,313
EXPENDITURES					
Current:					
Culture and recreation	50,292,684	51,196,154	50,916,178	\$ 84,177	195,799
Employee benefits	17,811,261	16,909,884	15,708,998		1,200,886
Total Expenditures	68,103,945	68,106,038	66,625,176	84,177	1,396,685
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,003,311	2,001,218	7,634,393	(84,177)	5,548,998
Other Financing Sources (Uses)					
Transfers in			12,643		12,643
Transfers out	(4,212,552)	(4,212,552)	(4,204,304)		8,248
Total Other Financing Sources (Uses)	(4,212,552)	(4,212,552)	(4,191,661)		20,891
Net Change in Fund Balances	\$ (2,209,241)	\$ (2,211,334)	3,442,732	\$ (84,177)	\$ 5,569,889
Fund Balances at Beginning of Year			8,684,016		
Fund Balances at End of Year			\$ 12,126,748		

TOWN OF HEMPSTEAD
REFUSE AND GARBAGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2005

	Budgeted Amounts		Actual	Encumbrances	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Real property taxes	\$ 79,030,700	\$ 79,030,701	\$ 78,986,817		\$ (43,884)
Real property tax items	360,000	360,000	444,594		84,594
Non-property tax items	13,000,000	13,000,000	15,000,000		2,000,000
Departmental income	14,975,000	14,975,000	10,120,497		(4,854,503)
Intergovernmental charges	11,500,000	11,500,000	7,760,304		(3,739,696)
Use of money and property	810,450	810,450	1,052,474		242,024
Sale of property and compensation for loss	685,000	685,000	1,230,030		545,030
Miscellaneous revenue	425,000	425,000	203,917		(221,083)
Total Revenues	<u>120,786,150</u>	<u>120,786,151</u>	<u>114,798,633</u>		<u>(5,987,518)</u>
EXPENDITURES					
Current:					
Home and community services	102,443,508	103,124,926	97,608,338	\$ 939,906	4,576,682
Employee benefits	15,258,716	14,577,299	13,538,971		1,038,328
Total Expenditures	<u>117,702,224</u>	<u>117,702,225</u>	<u>111,147,309</u>	<u>939,906</u>	<u>5,615,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,083,926</u>	<u>3,083,926</u>	<u>3,651,324</u>	<u>(939,906)</u>	<u>(372,508)</u>
Other Financing Sources (Uses)					
Transfers in			1,514		1,514
Transfers out	(4,951,387)	(4,951,387)	(4,731,085)		220,302
Total Other Financing Sources (Uses)	<u>(4,951,387)</u>	<u>(4,951,387)</u>	<u>(4,729,571)</u>		<u>221,816</u>
Net Change in Fund Balances	<u>\$ (1,867,461)</u>	<u>\$ (1,867,461)</u>	<u>(1,078,247)</u>	<u>\$ (939,906)</u>	<u>\$ (150,692)</u>
Fund Balances at Beginning of Year			<u>14,908,509</u>		
Fund Balances at End of Year			<u>\$ 13,830,262</u>		

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OTHER SUPPLEMENTARY INFORMATION

**Combining and Individual Fund Schedules of
Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual Nonmajor
Revenue Funds and Schedules**

TOWN OF HEMPSTEAD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005

	Town Outside Village	Special Grant	Fire Protection
ASSETS			
Cash and investments	\$ 5,572,391	\$ 1,942,494	\$ 1,663,865
Accounts receivable	709,956		
Due from other funds			
Due from other governments	24,814	896,709	
Inventory	68,862		
Prepays	160,000		
Other assets	25,000		
Total Assets	\$ 6,561,023	\$ 2,839,203	\$ 1,663,865
LIABILITIES			
Accounts payable and accrued liabilities	\$ 236,991	\$ 240,066	\$ 99,369
Due to other funds	36,753	200,000	
Deferred revenue	506,112	1,103,383	
Total Liabilities	779,856	1,543,449	99,369
FUND BALANCES			
Reserved:			
Encumbrances	85,550		
Inventory	17,216		
Insurance			
Prepaid Expenses	160,000		
Permanent Fund			
Unreserved, designated for:			
Subsequent year's budget	28,218		190,144
Unreserved, undesignated	5,490,183	1,295,754	1,374,352
Total Fund Balances	5,781,167	1,295,754	1,564,496
Total Liabilities and Fund Balances	\$ 6,561,023	\$ 2,839,203	\$ 1,663,865

Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
Street Lighting	Public Parking	Water	Library Funding	Miscellaneous Recreation	Permanent Fund	
\$ 1,150,504	\$ 3,901,530	\$ 9,334,117	\$ 143,096	\$ 218,599	\$ 1,337,867	\$ 25,264,463
1,000,000		1,855,235				2,565,191
735,373		34,806				1,034,806
	2,807	623,610				921,523
		104,444				1,427,845
		20,000				267,251
						45,000
<u>\$ 2,885,877</u>	<u>\$ 3,904,337</u>	<u>\$ 11,972,212</u>	<u>\$ 143,096</u>	<u>\$ 218,599</u>	<u>\$ 1,337,867</u>	<u>\$ 31,526,079</u>
\$ 606,158	\$ 18,572	\$ 258,926	\$ 1,350			\$ 1,461,432
		886				237,639
						1,609,495
<u>606,158</u>	<u>18,572</u>	<u>259,812</u>	<u>1,350</u>			<u>3,308,566</u>
227,471	284	119,785				433,090
183,843		155,902				356,961
	2,807					2,807
		104,444				264,444
					\$ 1,337,867	1,337,867
709,401	293,694	1,382,443	136			2,604,036
1,159,004	3,588,980	9,949,826	141,610	\$ 218,599		23,218,308
<u>2,279,719</u>	<u>3,885,765</u>	<u>11,712,400</u>	<u>141,746</u>	<u>218,599</u>	<u>1,337,867</u>	<u>28,217,513</u>
<u>\$ 2,885,877</u>	<u>\$ 3,904,337</u>	<u>\$ 11,972,212</u>	<u>\$ 143,096</u>	<u>\$ 218,599</u>	<u>\$ 1,337,867</u>	<u>\$ 31,526,079</u>

TOWN OF HEMPSTEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year ended December 31, 2005

	Town Outside Village	Special Grant	Fire Protection
Revenues			
Real property taxes	\$ 9,410,479		\$ 5,107,463
Real property tax items	41,859		30,888
Non-property tax items	937,282		
Departmental income	8,312,778	\$ 45,413	
Intergovernmental charges			
Use of money and property	135,082	54,833	31,078
Licenses & permits			
Fines & forfeitures	254,486	41,900	
Sale of property and compensation for loss	2,061	469,935	
Miscellaneous revenue	60,943	387,116	
Interfund revenues			
State aid	3,045,253	5,833	
Federal aid		13,779,159	
Total Revenues	<u>22,200,223</u>	<u>14,784,189</u>	<u>5,169,429</u>
Expenditures			
Current:			
General government support	244,668		
Public safety	11,007,413		3,926,826
Transportation	288,496		
Culture and recreation	2,117	4,690,076	
Home and community services	3,312,335	8,114,439	
Employee benefits	3,873,117	1,082,627	489,389
Total Expenditures	<u>18,728,146</u>	<u>13,887,142</u>	<u>4,416,215</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures			
	<u>3,472,077</u>	<u>897,047</u>	<u>753,214</u>
Other Financing Sources (Uses)			
Transfers in			
Transfers out	(82,587)		(491,543)
Total Other Financing Sources (Uses)	<u>(82,587)</u>		<u>(491,543)</u>
Net Change in Fund Balances	3,389,490	897,047	261,671
Fund Balances at Beginning of Year	2,391,677	398,707	1,302,825
Fund Balances at End of Year	<u>\$ 5,781,167</u>	<u>\$ 1,295,754</u>	<u>\$ 1,564,496</u>

Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
Street Lighting	Public Parking	Water	Library Funding	Miscellaneous Recreation	Permanent Fund	
\$ 8,656,085	\$ 1,578,452	\$ 4,606,855	\$ 989,038			\$ 30,348,372
46,153	9,803	114,632				243,335
1,000,000		3,250,000				5,187,282
	12,602	8,026,389				16,397,182
		238,900				238,900
43,639	140,914	802,967				1,208,513
		86,225				86,225
		17,702				296,386
		96,553		\$ 271,679		489,698
	639,463	25,350				816,291
						664,813
						3,051,086
						13,779,159
<u>9,745,877</u>	<u>2,381,234</u>	<u>17,265,573</u>	<u>989,038</u>	<u>271,679</u>		<u>72,807,242</u>
						244,668
						14,934,239
8,477,629	1,047,931		870,878	53,080		9,814,056
		10,377,980				5,616,151
		2,225,486				21,804,754
	92,305	12,603,466	870,878	53,080		7,762,924
<u>8,477,629</u>	<u>1,140,236</u>	<u>12,603,466</u>	<u>870,878</u>	<u>53,080</u>		<u>60,176,792</u>
1,268,248	1,240,998	4,662,107	118,160	218,599		12,630,450
22,241		4,431				26,672
(960,793)	(764,626)	(2,316,431)				(4,615,980)
(938,552)	(764,626)	(2,312,000)				(4,589,308)
329,696	476,372	2,350,107	118,160	218,599		8,041,142
1,950,023	3,409,393	9,362,293	23,586		\$ 1,337,867	20,176,371
<u>\$ 2,279,719</u>	<u>\$ 3,885,765</u>	<u>\$ 11,712,400</u>	<u>\$ 141,746</u>	<u>\$ 218,599</u>	<u>\$ 1,337,867</u>	<u>\$ 28,217,513</u>

TOWN OF HEMPSTEAD
GENERAL TOWN OUTSIDE VILLAGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2005

	Budgeted Amounts		Actual	Encum- brances	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Real property taxes	\$ 9,532,615	\$ 9,532,617	\$ 9,410,479		\$ (122,138)
Real property tax items	37,000	37,000	41,859		4,859
Non-property tax items			937,282		937,282
Departmental income	6,050,000	6,053,700	8,312,778		2,259,078
Intergovernmental charges	13,500	13,500			(13,500)
Use of money and property	50,600	50,600	135,082		84,482
Fines & forfeitures	121,500	121,500	254,486		132,986
Sale of property and compensation for loss	500	500	2,061		1,561
Miscellaneous revenue	35,000	35,000	60,943		25,943
Interfund revenues	20,000	20,000			(20,000)
State aid	2,940,000	2,940,000	3,045,253		105,253
Total Revenues	<u>18,800,715</u>	<u>18,804,417</u>	<u>22,200,223</u>		<u>3,395,806</u>
EXPENDITURES					
Current:					
General government support	135,000	249,932	244,668	\$ 5,264	-0-
Public safety	10,910,837	11,273,909	11,007,413	49,717	216,779
Transportation	300,000	288,496	288,496		-0-
Culture and recreation	4,000	4,000	2,117		1,883
Home and community services	3,442,052	3,442,052	3,312,335	30,569	99,148
Employee benefits	4,455,400	4,099,280	3,873,117		226,163
Total Expenditures	<u>19,247,289</u>	<u>19,357,669</u>	<u>18,728,146</u>	<u>85,550</u>	<u>543,973</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(446,574)</u>	<u>(553,252)</u>	<u>3,472,077</u>	<u>(85,550)</u>	<u>3,939,779</u>
Other Financing Sources (Uses)					
Transfers out	<u>(82,873)</u>	<u>(82,591)</u>	<u>(82,587)</u>		<u>4</u>
Total Other Financing Sources (Uses)	<u>(82,873)</u>	<u>(82,591)</u>	<u>(82,587)</u>		<u>4</u>
Net Change in Fund Balances	<u>\$ (529,447)</u>	<u>\$ (635,843)</u>	<u>3,389,490</u>	<u>\$ (85,550)</u>	<u>\$ 3,939,783</u>
Fund Balances at Beginning of Year			<u>2,391,677</u>		
Fund Balances at End of Year			<u>\$ 5,781,167</u>		

TOWN OF HEMPSTEAD
FIRE PROTECTION DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Real property taxes	\$ 5,107,463	\$ 5,107,463	\$ 5,107,463	\$ -0-
Real property tax items	23,465	23,465	30,888	7,423
Use of money and property			31,078	31,078
Total Revenues	<u>5,130,928</u>	<u>5,130,928</u>	<u>5,169,429</u>	<u>38,501</u>
EXPENDITURES				
Current:				
Public safety	4,035,062	4,061,656	3,926,826	134,830
Employee benefits	703,500	768,104	489,389	278,715
Total Expenditures	<u>4,738,562</u>	<u>4,829,760</u>	<u>4,416,215</u>	<u>413,545</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>392,366</u>	<u>301,168</u>	<u>753,214</u>	<u>452,046</u>
Other Financing Sources (Uses)				
Transfers out	(491,544)	(491,544)	(491,543)	1
Total Other Financing Sources (Uses)	<u>(491,544)</u>	<u>(491,544)</u>	<u>(491,543)</u>	<u>1</u>
Net Change in Fund Balances	<u>\$ (99,178)</u>	<u>\$ (190,376)</u>	261,671	<u>\$ 452,047</u>
Fund Balances at Beginning of Year			<u>1,302,825</u>	
Fund Balances at End of Year			<u>\$ 1,564,496</u>	

TOWN OF HEMPSTEAD
STREET LIGHTING DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
year ended December 31, 2005

	Budgeted Amounts		Actual	Encumbrances	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Real property taxes	\$ 8,656,085	\$ 8,656,085	\$ 8,656,085		\$ -0-
Real property tax items	37,000	37,000	46,153		9,153
Non-property tax items			1,000,000		1,000,000
Use of money and property	40,000	40,000	43,639		3,639
Total Revenues	<u>8,733,085</u>	<u>8,733,085</u>	<u>9,745,877</u>		<u>1,012,792</u>
EXPENDITURES					
Current:					
Transportation	8,106,591	8,712,638	8,477,629	\$ 227,471	7,538
Total Expenditures	<u>8,106,591</u>	<u>8,712,638</u>	<u>8,477,629</u>	<u>227,471</u>	<u>7,538</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>626,494</u>	<u>20,447</u>	<u>1,268,248</u>	<u>(227,471)</u>	<u>1,020,330</u>
Other Financing Sources (Uses)					
Transfers in			22,241		22,241
Transfers out	(960,614)	(960,794)	(960,793)		1
Total Other Financing Sources (Uses)	<u>(960,614)</u>	<u>(960,794)</u>	<u>(938,552)</u>		<u>22,242</u>
Net Change in Fund Balances	<u>\$ (334,120)</u>	<u>\$ (940,347)</u>	<u>329,696</u>	<u>\$ (227,471)</u>	<u>\$ 1,042,572</u>
Fund Balances at Beginning of Year			<u>1,950,023</u>		
Fund Balances at End of Year			<u>\$ 2,279,719</u>		

TOWN OF HEMPSTEAD
PUBLIC PARKING DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2005

	Budgeted Amounts		Actual	Encum- brances	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Real property taxes	\$ 1,578,452	\$ 1,578,452	\$ 1,578,452		\$ -0-
Real property tax items	4,395	4,395	9,803		5,408
Departmental income	12,750	12,750	12,602		(148)
Use of money and property	39,800	39,800	140,914		101,114
Interfund revenues	639,462	639,462	639,463		1
Total Revenues	<u>2,274,859</u>	<u>2,274,859</u>	<u>2,381,234</u>		<u>106,375</u>
EXPENDITURES					
Current:					
Transportation	1,545,184	1,652,025	1,047,931	\$ 284	603,810
Employee benefits	114,032	114,032	92,305		21,727
Total Expenditures	<u>1,659,216</u>	<u>1,766,057</u>	<u>1,140,236</u>	<u>284</u>	<u>625,537</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>615,643</u>	<u>508,802</u>	<u>1,240,998</u>	<u>(284)</u>	<u>731,912</u>
Other Financing Sources (Uses)					
Transfers out	(764,630)	(764,630)	(764,626)		4
Total Other Financing Sources (Uses)	<u>(764,630)</u>	<u>(764,630)</u>	<u>(764,626)</u>		<u>4</u>
Net Change in Fund Balances	<u>\$ (148,987)</u>	<u>\$ (255,828)</u>	<u>476,372</u>	<u>\$ (284)</u>	<u>\$ 731,916</u>
Fund Balances at Beginning of Year			<u>3,409,393</u>		
Fund Balances at End of Year			<u>\$ 3,885,765</u>		

TOWN OF HEMPSTEAD
WATER DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2005

	Budgeted Amounts		Actual	Encumbrances	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Real property taxes	\$ 4,606,855	\$ 4,606,855	\$ 4,606,855		\$ -0-
Real property tax items	99,325	99,325	114,632		15,307
Non-property tax items			3,250,000		3,250,000
Departmental income	7,766,950	7,766,950	8,026,389		259,439
Intergovernmental charges	19,600	19,600	238,900		219,300
Use of money and property	610,750	610,750	802,967		192,217
Licenses & permits			86,225		86,225
Sale of property and compensation for loss	18,000	18,000	17,702		(298)
Miscellaneous revenue	19,900	19,900	96,553		76,653
Interfund revenues	244,350	244,350	25,350		(219,000)
Total Revenues	<u>13,385,730</u>	<u>13,385,730</u>	<u>17,265,573</u>		<u>3,879,843</u>
EXPENDITURES					
Current:					
Home and community services	11,428,403	11,884,553	10,377,980	\$ 119,785	1,386,788
Employee benefits	2,709,616	2,253,466	2,225,486		27,980
Total Expenditures	<u>14,138,019</u>	<u>14,138,019</u>	<u>12,603,466</u>	<u>119,785</u>	<u>1,414,768</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(752,289)</u>	<u>(752,289)</u>	<u>4,662,107</u>	<u>(119,785)</u>	<u>5,294,611</u>
Other Financing Sources (Uses)					
Transfers in			4,431		4,431
Transfers out	(2,319,347)	(2,319,347)	(2,316,431)		2,916
Total Other Financing Sources (Uses)	<u>(2,319,347)</u>	<u>(2,319,347)</u>	<u>(2,312,000)</u>		<u>7,347</u>
Net Change in Fund Balances	<u>\$ (3,071,636)</u>	<u>\$ (3,071,636)</u>	<u>2,350,107</u>	<u>\$ (119,785)</u>	<u>\$ 5,301,958</u>
Fund Balances at Beginning of Year			<u>9,362,293</u>		
Fund Balances at End of Year			<u>\$ 11,712,400</u>		

TOWN OF HEMPSTEAD
LIBRARY FUNDING DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Real property taxes	\$ 989,037	\$ 989,037	\$ 989,038	\$ 1
Total Revenues	<u>989,037</u>	<u>989,037</u>	<u>989,038</u>	<u>1</u>
EXPENDITURES				
Current:				
Culture and recreation	989,434	994,250	870,878	123,372
Total Expenditures	<u>989,434</u>	<u>994,250</u>	<u>870,878</u>	<u>123,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(397)</u>	<u>(5,213)</u>	<u>118,160</u>	<u>123,373</u>
Net Change in Fund Balances	<u>\$ (397)</u>	<u>\$ (5,213)</u>	<u>118,160</u>	<u>\$ 123,373</u>
Fund Balances at Beginning of Year			<u>23,586</u>	
Fund Balances at End of Year			<u>\$ 141,746</u>	

TOWN OF HEMPSTEAD
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2005

	<u>Balance</u> <u>January 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2005</u>
<u>ASSETS</u>				
<i>Town Agency</i>				
Cash and Investments	\$ 5,869,415	\$ 352,550,066	\$ 352,688,831	\$ 5,730,650
Due from other governments	236,238	51,375	236,238	51,375
Total Assets - Town Agency Fund	<u>6,105,653</u>	<u>352,601,441</u>	<u>352,925,069</u>	<u>5,782,025</u>
<i>Town Clerk</i>				
Cash and Investments	116,520	1,218,512	1,231,406	103,626
Total Assets-Town Clerk	<u>116,520</u>	<u>1,218,512</u>	<u>1,231,406</u>	<u>103,626</u>
<i>Town Receiver of Taxes</i>				
Cash and Investments	9,781,215	2,236,047,000	2,217,502,247	28,325,968
Total Assets Town Receiver of Taxes	<u>9,781,215</u>	<u>2,236,047,000</u>	<u>2,217,502,247</u>	<u>28,325,968</u>
Total Assets	<u>\$ 16,003,388</u>	<u>\$ 2,589,866,953</u>	<u>\$ 2,571,658,722</u>	<u>\$ 34,211,619</u>
<u>Liabilities</u>				
<i>Town Agency Fund</i>				
Other Liabilities	\$ 5,594,267	\$ 352,601,441	\$ 352,413,683	\$ 5,782,025
Due to other funds	511,386		511,386	-
Total Liabilities - Town Agency Fund	<u>6,105,653</u>	<u>352,601,441</u>	<u>352,925,069</u>	<u>5,782,025</u>
<i>Town Clerk Agency Funds</i>				
Total Liabilities - Town Clerk Agency Fund	<u>116,520</u>	<u>1,218,512</u>	<u>1,231,406</u>	<u>103,626</u>
<i>Town Receiver of Taxes Agency Funds</i>				
Total Liabilities - Town Receiver Agency fund	<u>9,781,215</u>	<u>2,236,047,000</u>	<u>2,217,502,247</u>	<u>28,325,968</u>
Total Liabilities	<u>\$ 16,003,388</u>	<u>\$ 2,589,866,953</u>	<u>\$ 2,571,658,722</u>	<u>\$ 34,211,619</u>

**DISCRETELY PRESENTED
COMPONENT UNITS**

The component units of the Town provide water and library services to residents and businesses within the districts. These districts are organized under New York State Town Law and have separately elected boards. Long-term debt, backed by the full faith and credit of the Town, and other matters result in an interdependency with the Town.

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
December 31, 2005

	Lakeview Public Library District	Roosevelt Public Library District	Uniondale Public Library District
ASSETS			
Current Assets:			
Cash and Investments	\$ 284,411	\$ 543,224	\$ 1,706,577
Accounts receivable, net of allowance for doubtful accounts	249		1,464
Due from other governments			
Prepaid items	13,512		10,415
Inventory of materials and supplies			
Total Current Assets	298,172	543,224	1,718,456
Non-current Assets:			
Deferred charges, net of accumulated amortization			
Capital assets, net of depreciation	2,483,132	2,742,562	6,687,573
Total Non-Current Assets	2,483,132	2,742,562	6,687,573
Total Assets	2,781,304	3,285,786	8,406,029
LIABILITIES			
Current Liabilities:			
Accounts payable	27,116	63,599	401,863
Accrued liabilities	12,070	22,737	18,868
Accrued interest payable	20,667	12,244	92,463
Due to other governments			69,776
General obligations bonds payable	112,400	78,000	340,901
Compensated absences payable		41,785	
Non-current Liabilities:			
General obligation bonds payable	1,040,007	405,000	4,829,459
Compensated absences payable	9,181	41,785	185,274
Unamortized bond premium	11,659		56,911
Total Liabilities	1,233,100	665,150	5,995,515
Net Assets:			
Invested in capital assets, net of related debt	1,319,066	2,259,562	1,517,213
Restricted	1,000	340,772	19,699
Unrestricted	228,138	20,302	873,602
Total Net Assets	\$ 1,548,204	\$ 2,620,636	\$ 2,410,514

Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District	Greater Atlantic Beach Water Reclamation District	TOTALS
\$ 506,061	\$ 1,840,234	\$ 1,233,820	\$ 507,504	\$ 6,621,831
	301,873	248,910		552,496
	417	44,989		45,406
	22,356		91,973	138,256
		524,242		524,242
<u>506,061</u>	<u>2,164,880</u>	<u>2,051,961</u>	<u>599,477</u>	<u>7,882,231</u>
	22,032			22,032
	1,195,336	8,399,833	2,983,792	24,492,228
	<u>1,217,368</u>	<u>8,399,833</u>	<u>2,983,792</u>	<u>24,514,260</u>
<u>506,061</u>	<u>3,382,248</u>	<u>10,451,794</u>	<u>3,583,269</u>	<u>32,396,491</u>
40,200	27,437	48,302	38,968	647,485
6,817	37,126		43,380	140,998
	12,046	58,548	16,744	212,712
	28,088			97,864
	87,656	203,521	130,000	952,478
	10,407	90,000		142,192
	484,833	1,374,419	1,570,000	9,703,718
	253,092	166,975	74,196	730,503
				68,570
<u>47,017</u>	<u>940,685</u>	<u>1,941,765</u>	<u>1,873,288</u>	<u>12,696,520</u>
	979,387	6,821,893	1,323,792	14,220,913
235,717	1,016,852	1,537,900	317,167	3,469,107
<u>223,327</u>	<u>445,324</u>	<u>150,236</u>	<u>69,022</u>	<u>2,009,951</u>
<u>\$ 459,044</u>	<u>\$ 2,441,563</u>	<u>\$ 8,510,029</u>	<u>\$ 1,709,981</u>	<u>\$ 19,699,971</u>

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
December 31, 2005

	Lakeview Public Library District	Roosevelt Public Library District	Uniondale Public Library District
REVENUES			
Program revenues - Charges for Services	\$ 7,892	\$ 29,139	\$ 12,199
Real property taxes	681,507	1,194,619	2,726,381
Other real property tax items			52,345
Use of money and property - interest and earnings	7,081	19,309	68,154
Sale of property and compensation for loss			
Miscellaneous local sources	6,673		6,471
State aid	23,098	4,933	22,165
Total Revenues	<u>726,251</u>	<u>1,248,000</u>	<u>2,887,715</u>
EXPENSES			
Current:			
Culture and recreation	752,238	1,441,300	2,188,534
Home and community services			
Total Expenditures	<u>752,238</u>	<u>1,441,300</u>	<u>2,188,534</u>
Change in Net Assets over Expenditures	(25,987)	(193,300)	699,181
Net Assets at Beginning of Year	<u>1,574,191</u>	<u>2,813,936</u>	<u>1,711,333</u>
Net Assets - End of Year	<u>\$ 1,548,204</u>	<u>\$ 2,620,636</u>	<u>\$ 2,410,514</u>

<u>Cathedral Gardens Water District</u>	<u>Franklin Square Water District</u>	<u>West Hempstead - Hempstead Gardens Water District</u>	<u>Greater Atlantic Beach Water Reclamation District</u>	<u>TOTALS</u>
	\$ 1,295,439	\$ 1,552,940		\$ 2,897,609
\$ 54,594	937,127	1,245,132	\$ 1,344,845	8,184,205
	2,843			55,188
13,953	164,325	33,463	13,617	319,902
	3,164			3,164
2,833	2,329	261,709	8,237	288,252
				50,196
<u>71,380</u>	<u>2,405,227</u>	<u>3,093,244</u>	<u>1,366,699</u>	<u>11,798,516</u>
				4,382,072
<u>118,271</u>	<u>2,079,822</u>	<u>3,155,300</u>	<u>1,544,909</u>	<u>6,898,302</u>
<u>118,271</u>	<u>2,079,822</u>	<u>3,155,300</u>	<u>1,544,909</u>	<u>11,280,374</u>
(46,891)	325,405	(62,056)	(178,210)	518,142
<u>505,935</u>	<u>2,116,158</u>	<u>8,572,085</u>	<u>1,888,191</u>	<u>19,181,829</u>
<u>\$ 459,044</u>	<u>\$ 2,441,563</u>	<u>\$ 8,510,029</u>	<u>\$ 1,709,981</u>	<u>\$ 19,699,971</u>

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STATISTICAL SECTION

This section contains comprehensive statistical data for the Town, and includes, in some cases, statistical information for the villages, school districts, and special districts which are not part of the Town reporting entity. It is intended to provide readers of this report with a broader and more complete understanding of the Town and its financial affairs than is possible from the financial statements and schedules included in the Financial Section. Many tables in this section cover several years for comparison purposes, and may present data from outside of the Town's accounting records.

TOWN OF HEMPSTEAD
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)
TEN YEAR SUMMARY

Year Ended December 31,	2005	2004	2003	2002
Governmental Funds				
General government	\$ 61,993,033	\$ 59,952,807	\$ 53,605,468	\$ 50,782,196
Education	1,454,823	986,775		
Public safety	21,919,275	20,937,795	20,276,687	18,322,284
Transportation	35,411,560	33,650,993	32,981,538	29,521,264
Economic assistance and opportunity	4,710,480	10,526,888	10,150,031	11,546,525
Culture and recreation	56,598,201	50,026,564	48,847,806	47,525,445
Home and community services	128,135,894	129,056,486	121,609,194	122,335,368
Employee benefits	66,551,298	63,488,286	51,660,363	42,267,836
Capital	32,895,670	40,830,013	43,065,989	29,104,232
Debt service	48,422,481	45,575,764	41,926,770	37,647,898
Total governmental funds	<u>\$ 458,092,715</u>	<u>\$ 455,032,371</u>	<u>\$ 424,123,846</u>	<u>\$ 389,053,048</u>

Source: Office of the Comptroller of the Town of Hempstead, December 31, 2005 audited financial statements

(1) Includes General, Special Revenue, Debt Service and Capital Projects funds.
 Exclusive of component units.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 47,208,564	\$ 46,453,600	\$ 42,777,750	\$ 42,101,902	\$ 40,566,466	\$ 45,695,757
17,424,284	15,994,340	15,787,676	15,474,968	15,258,713	14,805,715
31,500,383	25,054,119	24,338,003	25,009,346	27,630,940	26,316,448
8,497,016	11,853,224	11,516,679	12,738,393	11,935,311	11,253,852
44,937,493	41,339,921	40,102,767	42,439,469	40,693,317	39,885,051
117,983,850	105,943,063	113,514,515	113,053,690	110,632,604	108,338,440
39,713,325	37,560,495	34,520,628	34,208,316	35,683,733	33,857,466
28,413,919	33,765,994	29,615,565	38,218,712	50,862,731	42,167,432
40,023,256	37,728,614	37,843,287	37,504,992	33,058,645	31,791,038
<u>\$ 375,702,090</u>	<u>\$ 355,693,370</u>	<u>\$ 350,016,870</u>	<u>\$ 360,749,788</u>	<u>\$ 366,322,460</u>	<u>\$ 354,111,199</u>

TOWN OF HEMPSTEAD
GENERAL GOVERNMENT REVENUES BY SOURCE (1)
TEN YEAR SUMMARY

<u>Year Ended December 31,</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental Funds				
Real property taxes	\$ 217,822,376	\$ 193,363,827	\$ 182,528,258	\$ 174,268,533
Real property tax items	2,794,357	3,496,200	2,744,236	2,634,630
Non-property tax items	37,397,947	36,432,949	34,806,516	33,847,387
Departmental income	34,618,491	33,865,802	32,523,184	32,058,572
Intergovernmental charges	8,685,822	12,638,256	11,335,150	12,900,768
Use of money and property	6,056,541	3,383,487	3,003,859	3,957,523
Licenses and permits	651,593	411,727	482,923	339,927
Fines and forfeitures	787,928	728,846	565,236	735,023
Sale of property and compensation for loss	2,512,080	1,122,233	3,036,317	1,655,405
Miscellaneous local sources	1,465,852	7,168,749	1,985,056	1,087,589
Interfund revenues	60,183,483	56,856,527	49,832,421	46,710,984
State aid	55,358,831	55,174,698	41,069,168	32,552,495
Federal aid	13,779,159	16,171,143	14,359,096	22,275,257
Total governmental funds	<u>\$ 442,114,460</u>	<u>\$ 420,814,444</u>	<u>\$ 378,271,420</u>	<u>\$ 365,024,093</u>

Source: Office of the Comptroller of the Town of Hempstead, December 31, 2005 audited financial statements

(1) Includes General, Special Revenue, Debt Service and Capital Projects funds.
Exclusive of component units.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 174,850,231	\$ 173,175,753	\$ 172,038,552	\$ 170,285,310	\$ 170,577,576	\$ 164,649,254
2,341,075	2,237,195	2,339,166	1,836,394	1,676,511	1,523,237
31,535,522	30,571,164	29,074,405	27,025,922	25,121,896	23,853,999
30,413,710	28,104,179	27,115,660	25,108,412	21,876,709	21,713,935
13,759,905	13,460,917	14,111,573	13,086,869	12,912,620	14,736,868
6,908,152	7,973,653	6,124,234	6,138,338	7,453,045	7,172,541
424,445	342,653	292,169	206,323	193,844	207,353
1,365,034	871,901	1,454,165	1,119,602	1,368,195	713,473
1,501,752	671,901	2,453,707	913,922	987,731	3,058,978
3,374,177	1,364,449	1,198,042	1,354,548	2,321,028	1,117,041
45,440,124	44,592,631	43,306,241	43,486,288	42,775,582	42,971,030
25,995,865	20,206,080	22,871,610	20,313,557	15,535,823	16,008,000
17,147,169	15,450,958	14,144,309	16,422,538	15,862,267	16,870,439
<u>\$ 355,057,161</u>	<u>\$ 339,023,434</u>	<u>\$ 336,523,833</u>	<u>\$ 327,298,023</u>	<u>\$ 318,662,827</u>	<u>\$ 314,596,148</u>

TOWN OF HEMPSTEAD
PROPERTY TAX RATES PER \$100 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTS
TEN YEAR SUMMARY

Year Ended December 31,	Governmental Funds												W:
	General	Highway	Parks		Refuse & Garbage		Town Outside Village	Fire Protection		Street Lighting	Public Parking		
			Low	High	Low	High	Low	High	Low	High	Low	High	
1996													
Class 1	0.932	3.259					0.655						
Class 2	0.971	3.082					0.619						
Class 3	0.910	2.982					0.599						
Class 4	0.834	2.863					0.575						
All Classes			1.074	5.722	2.684	4.050		0.418	6.143	0.517	0.010	3.119	0.504
1997													
Class 1	0.914	3.386					0.655						
Class 2	0.988	3.303					0.639						
Class 3	0.664	2.393					0.462						
Class 4	0.864	3.129					0.605						
All Classes			1.112	5.922	2.891	4.192		0.431	6.351	0.535	0.010	3.119	0.504
1998													
Class 1	0.914	3.386					0.655						
Class 2	0.979	3.305					0.639						
Class 3	0.576	2.109					0.408						
Class 4	0.861	3.110					0.601						
All Classes			1.112	5.922	2.891	4.192		0.410	6.740	0.535	0.010	3.119	0.504
1999													
Class 1	0.914	3.555					0.655						
Class 2	0.919	3.094					0.570						
Class 3	0.586	2.254					0.415						
Class 4	0.828	3.190					0.587						
All Classes			1.112	5.922	2.891	4.192		0.410	6.740	0.535	0.010	3.119	0.504
2000													
Class 1	0.914	3.555					0.655						
Class 2	0.926	3.175					0.585						
Class 3	0.532	2.082					0.383						
Class 4	0.876	3.370					0.620						
All Classes			1.112	5.922	2.891	4.192		0.410	6.740	0.535	0.010	3.119	0.504
2001													
Class 1	0.914	3.555					0.655						
Class 2	0.974	3.315					0.610						
Class 3	0.433	1.688					0.311						
Class 4	0.907	3.481					0.641						
All Classes			1.112	8.878	2.891	4.192		0.410	6.740	0.535	0.010	3.119	0.504
2002													
Class 1	0.914	3.555	1.112	5.922	2.891	4.192	0.655		4.868	0.535		3.119	0.504
Class 2	1.012	3.433		5.921	2.890	4.191	0.632		4.211	0.534		3.119	
Class 3	0.377	1.474		2.742	2.890	4.192	0.271		4.209	0.534		1.041	
Class 4	0.880	3.371	1.112	5.922	2.891	4.191	0.621	0.481	4.209	0.534	0.009	3.119	0.503
All Classes													
2003													
Class 1	0.914	3.853	1.178	7.106	2.950	4.192	0.689		4.868	0.535		3.119	0.504
Class 2	0.990	3.711		7.094	3.153	4.292	0.663		5.561	0.556		3.857	
Class 3	0.337	1.425		2.815	2.931	4.175	0.254		4.188	0.531		1.036	
Class 4	0.850	3.537	1.229	7.111	3.021	4.179	0.632	0.415	4.906	0.547	0.010	3.242	0.509
All Classes													
2004													
Class 1	1.693	8.044	2.333	13.529	6.026	9.084	1.411	-	9.908	1.113	-	7.113	1.040
Class 2	4.856	21.932	-	28.553	16.092	33.485	3.847	-	22.008	3.172	-	17.161	-
Class 3	5.975	27.383	-	57.631	60.374	110.538	4.803	-	75.137	11.204	-	33.572	-
Class 4	4.789	19.745	7.726	64.015	17.064	29.840	3.463	-	28.437	3.173	0.051	22.073	2.641
All Classes													
2005													
Class 1	1.832	9.326	2.609	15.207	7.157	9.667	1.647	-	10.460	1.276	-	8.100	1.047
Class 2	5.255	23.249	-	31.785	19.837	35.176	4.105	-	26.506	3.739	-	17.741	-
Class 3	6.586	28.933	-	57.402	69.455	113.953	5.109	-	85.940	12.462	-	33.502	-
Class 4	4.854	21.946	8.957	71.260	20.521	31.628	3.875	-	31.474	3.675	0.088	17.949	2.736
All Classes													

Sources: Office of the Comptroller of the Town of Hempstead, Adopted Budget

			Commissioner Operated Districts								School		County	
ater			Fire		Sanitation		Library		Water					
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
											34.627	64.446		
											19.446	68.231		
2.449	N/A	N/A	0.691	6.512	1.950	5.880	0.884	5.700	1.140	3.966	28.932	43.967	14.530	27.450
											37.400	69.165		
											16.877	69.189		
2.449	N/A	N/A	0.742	6.512	1.980	5.990	0.963	5.980	1.208	2.127	31.906	40.431	11.800	21.980
											39.923	74.202		
											18.754	73.257		
2.449	N/A	N/A	0.687	6.512	1.980	5.990	0.964	6.280	1.260	2.150	30.531	46.195	11.800	21.980
											43.288	81.718		
											17.223	82.728		
2.449	N/A	N/A	0.734	6.962	2.140	5.990	0.964	6.110	1.370	2.150	33.792	47.294	11.800	21.980
											43.724	87.881		
											14.152	93.876		
2.449	0.738	0.738	0.817	7.049	4.340	6.390	0.982	6.066	1.460	2.150	39.004	50.804	12.751	21.749
											48.221	92.733		
											15.664	102.841		
2.449	0.877	0.877	0.796	7.049	3.278	6.710	0.993	6.020	1.518	2.150	44.387	52.705	12.540	30.1
											55.392	101.091		
2.449	1.108	1.560	0.831	6.142	3.589	7.300	1.047	6.010	1.670	2.150		103.483		
2.448		1.498		6.142	3.589	7.299	1.047	6.010	1.670	2.150		118.093		
2.449				6.142	3.589	7.299	1.047	6.010	1.670	2.150	14.672	55.265		
2.448	1.107	1.498	0.831	6.142	3.589	7.300	1.047	6.010	1.670	2.150	49.676	108.180	14.860	33.37
2.449	0.856	3.455	0.925	7.049	3.589	7.758	1.097	5.880	1.770	2.269	100.118	228.905		
2.439		3.322		6.344	3.565	8.413	1.085	5.783	0.289	2.671		616.981		
2.439		0.855		6.954	3.565	7.693	1.082	5.783	1.907	4.622	254.685	623.093		
2.383	0.855	3.436	0.934	6.954	3.622	7.759	1.134	5.827	1.950	2.309	274.567	724.723	0.050	52.546
3.704	1.659	6.994	1.934	17.598	6.077	16.118	3.116	12.847	3.353	5.479	111.510	264.435	0.791	12.867
14.337	-	17.462	-	43.818	13.380	48.160	11.174	29.684	1.652	13.942	-	730.881	2.339	38.073
47.328	-	15.882	-	152.861	64.288	162.540	29.228	113.614	32.002	90.346	257.738	1,109.495	2.933	47.74
11.489	-	18.955	6.142	49.101	24.123	49.450	6.730	33.782	10.612	16.072	249.127	813.297	2.049	33.347
4.447	1.794	6.744	1.991	19.437	5.957	18.901	4.322	16.803	3.403	5.875	196.443	409.127	0.621	17.691
16.986	-	15.582	-	52.092	12.640	57.012	17.354	39.916	2.060	18.486	-	781.232	2.002	53.867
55.027	-	16.843	-	164.418	60.729	183.254	39.039	143.903	31.947	95.964	288.817	1,106.345	2.933	175.221
12.172	4.048	19.527	6.292	52.874	23.043	58.335	9.581	44.089	10.741	17.851	268.389	823.284	2.049	57.307

TOWN OF HEMPSTEAD
PROPERTY TAX LEVIES AND COLLECTIONS
TEN YEAR SUMMARY

Year Ended December 31,	Tax Levy For Town (a)	Total Tax Levy (b)	Amount Collected (c)	Percent Collected (d)
2005	\$ 328,053,240	\$ 769,594,796	\$ 748,073,017	97.2
2004	295,842,220	739,970,784	718,288,738	97.1
2003	279,062,505	728,044,149	702,743,046	96.5
2002	265,764,533	654,790,812	635,197,580	97.0
2001	262,447,834	628,915,320	604,134,203	96.1
2000	259,833,901	589,054,956	565,911,328	96.1
1999	254,692,218	560,963,361	541,094,015	96.5
1998	253,382,273	544,481,060	524,045,514	96.2
1997	251,196,449	545,131,428	526,208,091	96.5
1996	241,943,962	538,857,487	513,527,158	95.3
	<u>\$ 2,692,219,135</u>	<u>\$ 6,299,804,153</u>	<u>\$ 6,079,222,690</u>	

Source: Official Statement of the Town of Hempstead, dated February 16, 2006

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

TOWN OF HEMPSTEAD
ASSESSED VALUATION OF TAXABLE REAL PROPERTY,
STATE EQUALIZATION RATE AND FULL VALUATION
TEN YEAR SUMMARY

Year Ended December 31,	Total Assessed Valuation	State Equalization Rate	Full Valuation (a)
2005	\$ 713,672,947	.82% *	\$ 87,033,286,219
2004	727,490,862	.90% *	79,944,050,769
2003	1,919,481,151	2.68%	71,622,431,007
2002	1,920,681,896	3.04%	63,180,325,526
2001	1,905,372,175	3.35%	56,876,781,343
2000	1,887,231,667	3.66%	51,563,706,749
1999	1,877,760,190	4.10%	45,799,029,024
1998	1,887,773,367	4.17%	45,270,344,532
1997	1,887,587,714	4.28%	44,102,516,682
1996	1,887,115,236	4.20%	44,886,400,830
	<u>\$ 16,614,167,205</u>		<u>\$ 590,278,872,681</u>

Source: Official Statement of the Town of Hempstead, dated February 16, 2006

* Nassau county completed a county-wide reassessment in 2004 whereby it reassessed all properties within the County.

TOWN OF HEMPSTEAD
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2005

<u>Issuer</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Town</u>	<u>Net Debt Applicable to the Town</u>
Direct:			
Town of Hempstead	\$ 288,340,654	100.00%	\$ 288,340,654
Overlapping:			
County	\$ 2,962,273,000 (a)	37.85%	\$ 1,121,220,330
Villages	220,237,836 (b)	100.00%	220,237,836
School Districts	264,614,000 (c)	100.00%	264,614,000
Fire Districts	21,242,572 (d)	100.00%	21,242,572
Totals			<u>\$ 1,627,314,738</u>

Source: Official Statement of the Town of Hempstead, dated February 16, 2006

(a) Includes debt issued by the Nassau Interim Finance Authority. Excludes 155,123,000 cash and investments - capital project funds.

(b) Excludes 54,291,958 exempt water and/or sewer debt.

(c) Excludes estimated state school building aid (176,409,000)

(d) No exclusions

TOWN OF HEMPSTEAD
COMPUTATION OF CONSTITUTIONAL DEBT MARGIN
DECEMBER 31, 2005

For Budget Year	Assessed Valuation	State Equalization Rate ^(a)	Full Valuation
2005	\$ 713,672,947	0.82% *	\$ 87,033,286,220
2004	727,490,862	0.91% *	79,944,050,769
2003	1,919,481,151	2.68%	71,622,431,007
2002	1,920,681,896	3.04%	63,180,325,526
2001	1,905,372,175	3.35%	56,876,781,343
Total Five-Year Full Valuation			358,656,874,866
Five-Year Average Full Valuation Debt Contracting Limitation			71,731,374,973
Debt Limit - 7% of Five-Year Average Full Valuation			\$ 5,021,196,248
 <u>Indebtedness</u>			
Outstanding Bonds	\$ 308,587,632	308,587,632	
 <u>Exclusions:</u>			
Water Bonds	\$ 20,246,978	20,246,978	
Total Net Indebtedness Subject to Debt Limit			288,340,654
Net Debt Contracting Margin			\$ 4,732,855,594
Percentage of Debt Contracting Power Exhausted			5.74%

Source: Official Statement of the Town of Hempstead, dated February 16, 2006

* Nassau county completed a county-wide reassessment in 2004 whereby it reassessed all properties within the County.

(a) State Office of Real Property Services

TOWN OF HEMPSTEAD
DIRECT AND OVERLAPPING DEBT RATIOS
DECEMBER 31, 2005

	<u>Amount</u>	<u>Debt Per Capita ^(a)</u>	<u>Debt To Estimated Full Value ^(b)</u>
Gross Direct Debt	\$ 308,587,632	\$ 405	0.35%
Net Direct Debt	288,340,654	378	0.33%
Net Direct and Overlapping Debt	1,926,119,575	2,528	2.21%

Source: Official Statement of the Town of Hempstead, dated February 16, 2006

(a) The Town's population is 761,944 based on LIPA Report 2005.

(b) The estimated full value of taxable real property for the 2005 fiscal year is \$87,033,286,219 based on total taxable assessed valuation \$713,672,947 and an equalization ratio for this roll of 0.82%.

TOWN OF HEMPSTEAD
RATIO OF GENERAL LONG-TERM DEBT TO ASSESSED VALUATION AND
NET GENERAL LONG-TERM DEBT PER CAPITA
TEN YEAR SUMMARY

Year Ended December 31,	Population	Assessed Valuation	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt per Capita
2005	761,944	\$ 713,672,947	\$ 288,340,654	40%	378.43
2004	760,675	727,490,862	318,324,377	44%	418.48
2003	759,535	1,919,481,151	297,517,716	15%	391.71
2002	758,942	1,920,681,896	279,086,554	15%	367.73
2001	757,228	1,905,372,175	339,862,003	18%	448.82
2000	728,680	1,887,231,667	298,466,302	16%	409.60
1999	727,997	1,877,760,190	280,315,556	15%	385.05
1998	726,578	1,887,773,367	300,318,956	16%	413.33
1997	725,988	1,887,587,714	259,370,108	14%	357.27
1996	724,924	1,887,115,236	248,491,800	13%	342.78

Sources: Official Statement of the Town of Hempstead, dated February 16, 2006
LIPA Report 2005

TOWN OF HEMPSTEAD
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
LONG-TERM DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
TEN YEAR SUMMARY

Year Ended December 31,	Total Debt Service (1)	Total Governmental Expenditures	Ratio of Debt Service to Governmental Expenditures
2005	\$ 48,422,481	\$ 458,092,715	10.57%
2004	45,575,764	455,032,371	10.02%
2003	41,926,770	424,123,846	9.89%
2002	37,647,898	389,053,048	9.68%
2001	40,023,256	375,702,090	10.65%
2000	37,728,614	355,693,370	10.61%
1999	37,843,287	350,016,870	10.81%
1998	37,504,992	360,749,788	10.40%
1997	33,058,645	366,322,460	9.02%
1996	31,791,038	354,111,199	8.98%

Source: Office of the Comptroller of the Town of Hempstead, December 31, 2005 audited financial statements

(1) Reflects all debt service expenditures for the Primary Government, including bonds, notes and installment purchase debt.

TOWN OF HEMPSTEAD
DEMOGRAPHIC STATISTICS
TEN YEAR SUMMARY

Year Ended December 31,	Population	Per Capita Income	Median Age	Unemployment Rate	Year-Round Households Estimate	Average Household Size Estimates	Population Density Per Square Mile	Public School Enrollment*
2005	761,944	\$761,944	38.5	4.3%	247,756	3.02	6,349.53	N/A
2004	760,675	\$28,153	38.5	4.8%	247,656	3.02	6,338.96	N/A
2003	759,535	\$31,444	37.9	4.1%	247,694	3.02	6,329.46	209,055
2002	758,942	\$30,495	37.8	4.3%	247,533	3.02	6,324.52	207,951
2001	757,228	\$29,751	37.7	3.2%	247,126	3.02	6,310.23	205,919
2000	728,680	\$29,026	37.6	2.8%	246,722	3.01	6,072.33	203,213
1999	727,997	\$28,153	37.4	3.1%	246,244	3.01	6,066.64	199,393
1998	726,578	\$27,435	37.2	3.0%	244,569	3.00	6,054.82	195,962
1997	725,988	\$26,715	37.0	3.7%	244,090	2.99	6,049.90	191,297
1996	724,924	\$25,995	36.8	3.9%	243,133	2.98	6,041.03	188,213

*Public School Enrollment figures are for all of Nassau County, Town of Hempstead figures unavailable

Sources: Official Statement of the Town of Hempstead, dated February 16, 2006
LIPA Report 2005

TOWN OF HEMPSTEAD
ESTIMATED VALUE OF RESIDENTIAL BUILDING PERMITS ISSUED
TEN YEAR SUMMARY

Year	New Construction		Additions, Alterations and Repairs		Other		Totals	
	No. of Permits	\$ Value	No. of Permits	\$ Value	No. of Permits	\$ Value	No. of Permits	\$ Value
2005	535	\$ 148,766,643	7,505	\$ 112,221,638	2,886	\$ 822,431	10,926	\$ 261,810,712
2004	404	44,558,620	4,037	135,377,564	106	35,385	4,547	179,971,569
2003	265	60,225,000	3,933	104,457,850	3,583	7,780,171	7,781	172,463,021
2002	235	34,084,000	3,451	97,382,250	116	1,561,000	3,802	133,027,250
2001	238	53,006,000	3,833	111,379,396	633	1,387,375	4,704	165,772,771
2000	330	27,344,400	3,027	59,066,750	190	807,000	3,547	87,218,150
1999	199	27,843,497	3,671	62,802,383	481	405,676	4,351	91,051,556
1998	183	17,362,203	3,491	48,927,144	493	661,942	4,167	66,951,289
1997	226	30,588,510	3,554	41,784,491	557	295,037	4,337	72,668,038
1996	171	15,974,500	3,532	40,689,457	547	292,078	4,250	56,956,035
Total:	2,786	\$ 459,753,373	40,034	\$ 814,088,923	9,592	\$ 14,048,095	52,412	\$ 1,287,890,391

Source: Town of Hempstead Building Department 2005 Data

TOWN OF HEMPSTEAD
ESTIMATED VALUE OF INDUSTRIAL AND COMMERCIAL BUILDING PERMITS ISSUED
TEN YEAR SUMMARY

Year	New Construction		Additions, Alterations and Repairs		Other		Totals	
	No. of Permits	\$ Value	No. of Permits	\$ Value	No. of Permits	\$ Value	No. of Permits	\$ Value
2005	26	\$ 19,661,900	859	\$ 52,489,845	144.00	\$ 47,480	1,029	\$ 72,199,225
2004	18	6,052,000	5,026	276,808,723	112.00	27,610	5156	282,888,333
2003	36	9,406,500	1,069	48,847,844	225.00	2,081,400	1330	60,335,744
2002	18	10,606,050	784	71,922,000	424.00	728,250	1137	83,256,300
2001	33	32,387,000	747	48,008,000	268.00	1,246,725	1048	81,641,725
2000	38	8,120,000	731	74,515,000	57.00	314,000	826	82,949,000
1999	19	13,504,200	394	41,377,036	150.00	1,668,200	563	56,549,436
1998	20	322,768,204	431	50,700,222	166.00	1,998,450	617	375,466,876
1997	43	18,477,953	475	60,175,167	168.00	2,323,650	686	80,976,770
1996	31	75,273,895	468	61,307,525	184.00	5,034,623	683	141,616,043
Total:	282	\$ 516,257,702	10,984	\$ 786,151,362	1,898.00	\$ 15,470,388	13075	\$ 1,317,879,452

Source: Town of Hempstead Building Department 2005 Data

**TOWN OF HEMPSTEAD
PRINCIPAL TAXPAYERS
2005 TAX ROLL**

<u>Taxpayer's Name</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Total Assessed Valuation (a)</u>
Marketspan Gas Co	Utility	\$ 4,726,374	0.99 %
Retail Property Trust	Shopping Center	3,395,393	0.71
Verizon	Utility	2,785,921	0.58
Keyspan Energy Corp	Utility	2,718,267	0.57
Reckson	Office Buildings	2,270,096	0.47
LIPA	Utility	2,156,364	0.45
Galaxy LI Assoc(Coliseum Plaza	Office Buildings	1,767,505	0.37
EQK Green Acres LP	Shopping Mall	1,647,706	0.34
NY Racing /Greater NY Assoc.	Belmont Race Track	1,405,032	0.29
Long Island Water	Utility	1,117,794	0.23
		<u>\$ 23,990,452</u>	<u>5.34 %</u>

(a) Total taxable assessed valuations per the Town's 2005 assessment roll for taxes levied in fiscal 2005 are \$713,672,947.

Source: Official Statement of the Town of Hempstead, dated February 16, 2006

TOWN OF HEMPSTEAD
MAJOR NON-GOVERNMENT EMPLOYERS ON LONG ISLAND
2,000 OR MORE EMPLOYEES

Name	Headquarters	Type of Business	# of Employees
Diocese of Rockville Centre	Rockville Center	Religious Institution	12,500
JP Morgan Chase	Melville	Commercial Bank	7,815
Waldbaums	Central Islip	Supermarket Chain	6,500
LI Railroad	Jamaica	Commuter Railroad	5,900
Verizon	Garden City	Telecommunications	5,500
Cablevision Systems	Woodbury	Cable Television	5,234
LI University	Brookville	Education	4,686
King Kullen Grocery	Westbury	Supermarket Chain	4,500
Keyspan Energy	Hicksville	Utility	4,418
North Shore University Medical Center	Manhasset	Hospital	4,256
Stony Brook University Hospital	Stony Brook	Medical Center	4,000
Winthrop University Hospital	Mineola	Medical Center	4,000
Home Depot	Elmont	Home Improvement	3,447
Good Samaritan Hospital	West Islip	Hospital	3,400
Long Island Jewish Medical Center	New Hyde Park	Medical Center	3,201
United Parcel Service	Farmingdale	Delivery Service	3,200
Nassau University Medical Center	East Meadow	Medical Center	3,171
Brookhaven National Lab	Brookhaven	R&D Lab	3,000
K-Mart	West Babylon	Retail Chain	3,000
Newsday	Melville	Newspaper	3,000
Episcopal Health Services	Uniondale	Healthcare	2,816
Estee Lauder	Melville	Cosmetics	2,580
Fortunoff	Uniondale	Retail Stores	2,500
Olsten	Melville	Staffing Services	2,500
Computer Associates	Islandia	Computers	2,450
St. Francis Hospital	Roslyn	Hospital	2,149
Symbol Technologies	Holtsville	Electronics	2,100
Photocircuits	Glen Cove	Electronics	2,100
Brookhaven Memorial Hospital	Patchogue	Hospital	2,000

Source: Official Statement of the Town of Hempstead, dated February 16, 2006

TOWN OF HEMPSTEAD
AVERAGE UNEMPLOYMENT RATES
TEN YEAR SUMMARY

Year	Town	County	State	United States
2005	4.3	4.1	5.0	5.1
2004	4.8	4.5	5.8	5.5
2003	4.1	3.9	6.3	6.0
2002	4.3	4.1	6.1	5.8
2001	3.2	3.1	4.9	4.8
2000	2.8	2.7	4.6	4.0
1999	3.1	3.0	4.5	4.2
1998	3.0	2.9	5.6	4.5
1997	3.7	3.5	6.4	4.9
1996	3.9	3.8	6.2	5.4

Source: Official Statement of the Town of Hempstead, dated February 16, 2006

TOWN OF HEMPSTEAD
DISTRIBUTION OF TAX DOLLARS IN 000'S
TEN YEAR SUMMARY

School Year		School and Library	County	Town	Other Districts *	Total
2004-2005	2005 General	1,341	414	196	160	2,111
	Percent of Total	63.5%	19.6%	9.3%	7.6%	100%
2003-2004	2004 General	1,328	442	187	155	2,112
	Percent of Total	62.9%	20.9%	8.9%	7.3%	100%
2002-2003	2003 General	1,232	397	177	102	1,908
	Percent of Total	64.6%	20.8%	9.3%	5.3%	100%
2001-2002	2002 General	1,232	388	170	96	1,886
	Percent of Total	65.3%	20.6%	9.0%	5.1%	100%
2000-2001	2001 General	1,078	365	170	89	1,702
	Percent of Total	63.3%	21.4%	10.0%	5.2%	100%
1999-2000	2000 General	1,078	329	168	91	1,666
	Percent of Total	64.7%	19.7%	10.1%	5.5%	100%
1998-1999	1999 General	1,033	306	167	89	1,595
	Percent of Total	64.8%	19.2%	10.5%	5.6%	100%
1997-1998	1998 General	1,041	290	170	85	1,586
	Percent of Total	65.6%	18.3%	10.7%	5.4%	100%
1996-1997	1997 General	1,013	293	166	87	1,559
	Percent of Total	65.0%	18.8%	10.6%	5.6%	100%
1995-1996	1996 General	974	296	165	78	1,513
	Percent of Total	64.4%	19.6%	10.9%	5.2%	100%
1994-1995	1995 General	927	300	160	79	1,466
	Percent of Total	63.2%	20.5%	10.9%	5.4%	100%

* Includes Commissioner Operated

Source: Information supplied by Town of Hempstead budgets for indicated years.