

Town of Hempstead

New York



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

**TOWN OF HEMPSTEAD
NEW YORK**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2012**

Prepared by the Office of the Town Comptroller
Kevin R. Conroy, CPA

TOWN OF HEMPSTEAD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2012
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**INTRODUCTORY
SECTION**

KATE MURRAY
Supervisor



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

July 12, 2013


The Honorable Members of the Town Board and Citizens of the Town of Hempstead
Town of Hempstead, New York

Ladies and Gentlemen:

I am pleased to transmit this comprehensive annual financial report (CAFR) of the Town of Hempstead as of and for the year ended December 31, 2012. The accounting firm selected by the Town, Albrecht, Viggiano, Zureck & Company, P.C., has audited the financial statements. The auditors' unqualified opinion is included in the report.

In each of the past nine years, the Town has been awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). Certificates are awarded to those governments whose annual financial reports are judged to conform to generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. It is my belief that the fiscal year 2012 financial report continues to meet the requirements of the Certificate of Achievement Program.

Respectfully submitted,


Kate Murray
Supervisor

COUNCIL MEMBERS
ANTHONY J. SANTINO
ANGIE M. CULLIN
DOROTHY L. GOOSBY
GARY HUDES
JAMES DARCY
EDWARD AMBROSINO

MARK BONILLA
TOWN CLERK

DONALD X CLAVIN, JR.
RECEIVER OF TAXES

KEVIN R. CONROY, CPA
TOWN COMPTROLLER

TOWN OF HEMPSTEAD
OFFICE OF THE COMPTROLLER

350 FRONT STREET
HEMPSTEAD, N.Y. 11550-4037
(516) 812-3359 Fax: (516) 292-7335



KATE MURRAY
SUPERVISOR

July 12, 2013

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, 2012.

The Town is required to file a copy of all audit reports with the Office of the New York State Comptroller. As a member of the Nassau County Urban Consortium receiving federal funding the Town is also required to submit an audited financial statement to Nassau County. The submission of an audited financial statement is also a requirement to fulfill obligations connected with the issuance of bonded debt.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Albrecht, Viggiano, Zureck & Company, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the Town of Hempstead's financial statements for the year ended December 31, 2012. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Town Of Hempstead (Town) encompasses an area of 119.96 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 758,668 according to the 2011 edition of the Long Island Power Authority's annual population survey. The Town accounts for approximately 57% of the total population of the county and 42% of the county's land area. Located within the Town are 22 incorporated villages, and 50 unincorporated areas.

The Town 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 New York State 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 the 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 a 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 financial 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 records, maintains the minutes of proceedings of the Town Board and is responsible for the publication and filing of all official notices. According to the Town Law, the Town Clerk is elected to serve a two-year term; the number of terms 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 special assessments that may be levied in the Town. The Town Law prescribes a four-year elected term. There is no limitation as to the number of terms that may be served. The Town Board appoints the Town Comptroller, the Town Attorney, the Town Highway Commissioner, and the heads of various Town departments.

The Town is responsible for providing many services to its residents. Recreation is provided by 193 public parks, nature preserves and recreational facilities maintained by the Town. The Town maintains inland waterways and marinas, and operates 16 senior centers and 120 senior clubs. Additional Town functions include highway construction and maintenance, building inspection, zoning administration, and operation of a Town Cemetery.

Special districts within the Town provide services for street lighting, fire protection, parks, refuse collection and disposal, public parking and potable water service. Certain special districts of the Town are separate legal entities and have separately elected boards of commissioners. These special districts are presented as component units of the Town. Additional information on all of these legally separate entities can be found in the notes to the financial statements (See Note 1.A).

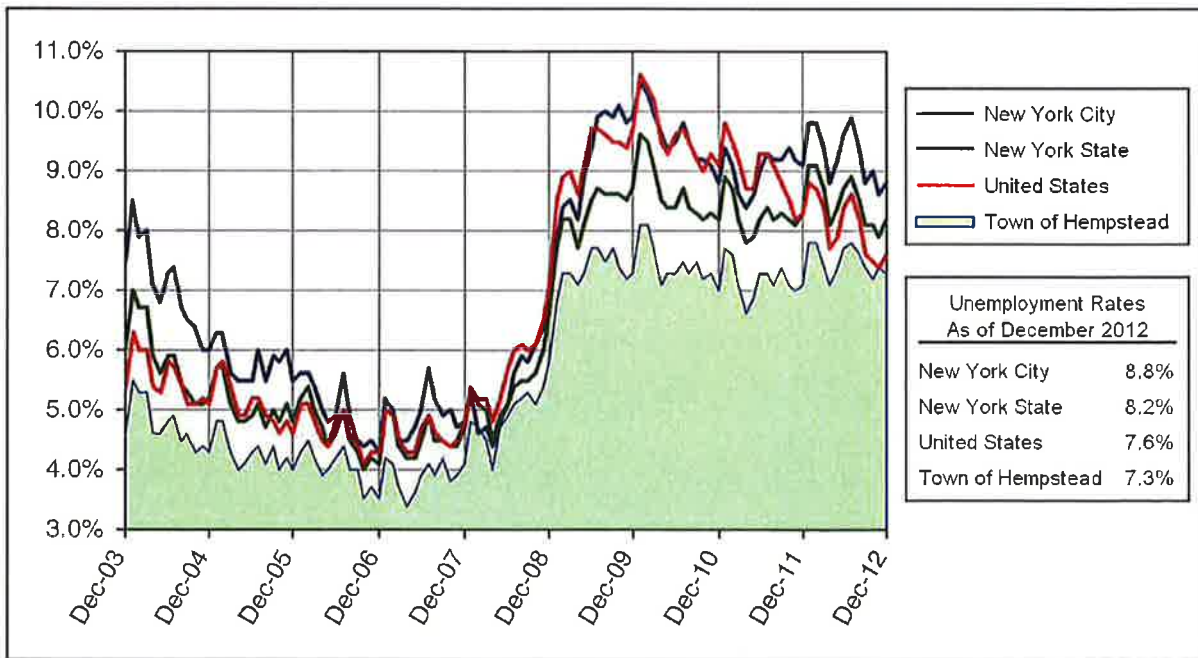
As the Town's chief financial officer, the Supervisor is responsible for the Town's accounting and financial reporting activities. The Town Board, as a whole, serves as the finance board of the Town and is responsible for authorizing, by resolution, all material financial transactions such as operating 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 each year. The tentative budget is submitted to the Town Board on or before 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 on or before December 5th. The County shall levy and cause to be raised the amounts specified in the budget. From time to time, the Town Board may make changes or modification in the amount of annual appropriations subject to legal provisions. The governmental funds for which budgets are annually appropriated can be found in the notes to the financial statements (See Note 2.A).

Local Economy

The Town of Hempstead, like the rest of the nation, is in the midst of a slow and uneven economic recovery. Between February 2010 and April 2011 the economy in the Town added more than 5,700 jobs, reducing the unemployment rate to 6.6%. From April 2011 to July 2012 approximately 11,000 more jobs were added. But during that same period the labor force in the Town increased by more than 17,000 participants, causing the unemployment rate to climb to 7.8%. Nevertheless, the Town's unemployment rate remains among the lowest in the State. By year-end 2012 it was back down to 7.3%, 0.9% lower than the State's and 1.5% lower than New York City's. The chart below illustrates that the Town's unemployment rate has been consistently lower than New York State's, New York City's, and the Nation's for more than ten years.

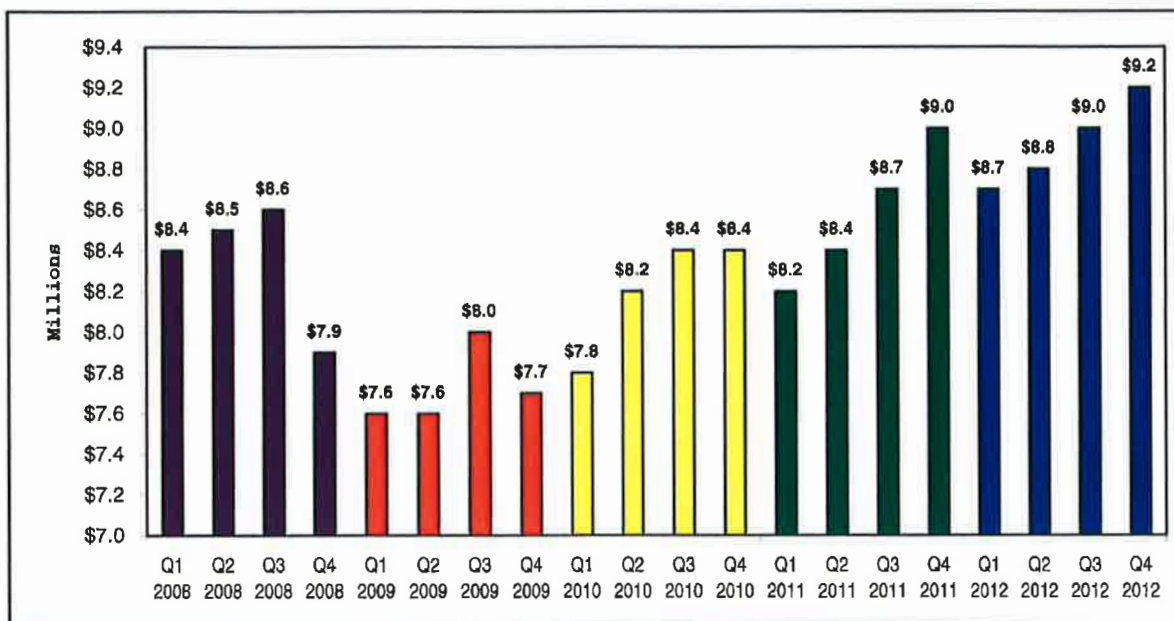
Change In Unemployment Rate: 2003 – 2012



When Hurricane Sandy hit our area last October, it left behind unprecedented damage and devastation, and all but reversed our economy's fragile recovery. Thousands of homes were destroyed or encountered serious damage. Hurricane Sandy is proving to be a windfall, however, for Long Island's construction industry, and giving the local economy a much-needed lift. With so many homes damaged or destroyed by the storm, the task of restoring them will have a positive impact on construction employment, and the sale of building materials, energy infrastructure, and home furnishings, for some time to come.

Another promising sign of the Town's continuing economic recovery is the increase in consumer spending evidenced by a relatively steady growth in sales tax collections. The Town of Hempstead's share of local sales tax collections has grown by \$4.8 million, or 15.5%, since 2009. In fact, sales tax collections in each quarter of 2012 increased over the immediate preceding quarter. Moreover, for the third consecutive year, each quarter's sales tax collections in 2012 were higher than the corresponding period of the preceding year.

Town Share of Local Sales Tax Receipts: 2008 – 2012



Long Term Financial Planning

The Town's financial plans continue to garner high praise from financial experts. Both Moody's Investors Service and Standard & Poor's Ratings Services have awarded the Town the highest bond ratings available. Hempstead Town is one of only two municipalities out of Long Island's two counties, 13 towns and two cities to have earned Moody's highest rating (Aaa). In assigning Hempstead its highest rating Moody's stated, "the Aaa rating reflects the Town's prudent fiscal management characterized by conservative budgeting practices, development of multi-year financial forecasts and formal fund balance policy..." Hempstead's credit ratings are higher than the vast majority of local governments, New York State, and the United States federal government. In fact, our credit ratings resulted in a true interest cost of only 1.86% on our most recent (2012) bond sale. What's more, Hempstead's superlative bond ratings have enabled the Town to refinance outstanding debt at commensurately low interest rates.

The Town's infrastructure has been maintained through a well-conceived capital program. Conservative revenue forecasting and aggressive cost control measures have been the principles by which this municipality has achieved its strong success. The Town regularly prepares multi-year projections of revenues and expenditures. These projections of revenues and expenditures are monitored throughout the year and timely adjusted for economic trends that would otherwise result in budget variances. A key component of these projections is the Town's implementation of its five-year capital plan that includes specific identification of capital needs. The condition of the Town's infrastructure and equipment is regularly monitored for reconstruction, upgrade or replacement. Timely implementation and maintenance of our capital plan results in cost effective application of Town resources.

Relevant Financial Policies

The Town's financial policies are designed to maintain adequate reserves through revenue enhancements and expenditure management without reliance on one-time revenue sources. The Town Board has adopted a formal fund balance policy that requires maintaining a minimum unrestricted fund balance for emergency purposes equal to one-twelfth of annual operating expenses. Additionally, the policy requires maintenance of unrestricted fund balance equal to one-fourth of annual operating expenses. In the event of a shortfall, reserves must be restored to policy levels within three to five years. Amounts in excess of policy requirements may be appropriated to fund non-recurring capital needs, long-term employment liabilities or operating expenditures in future years. These policies are intended to assist the government in maintaining sufficient reserves to protect against unforeseen events.

Major Initiatives

During these difficult economic times, when families are doing "more with less," government is presented with an opportunity to lead by example. By attracting major commercial and residential developments, as well as remaking downtowns with revitalization projects, we are keeping our business community vibrant, creating new housing options, supporting job growth and expanding our tax base.

The Gallery at Westbury Plaza, a 330,000 square foot retail, banking, and restaurant development by Equity One, Inc., has opened on the former Avis property in Westbury. The partnership between the developer and the Town resulted in the shortest period of time between the demolition of an existing structure and the ribbon cutting for a new project of this magnitude in our township. As a result, a \$100 million direct investment from the private sector into our local economy took place during a critical time for the area's economy. Five hundred quality construction jobs were created, over 600 permanent jobs are slated to be filled, and over \$4.5 million in annual sales tax receipts are anticipated.

Last month four developers submitted proposals to transform the aging Nassau Veterans Memorial Coliseum into an arena capable of attracting top concert acts and sporting events while generating millions of dollars in new revenue. The privately financed proposals, with costs ranging from \$60 million to \$250 million, include entertainment venues, convention center space, restaurants, sports bars, retail, bowling, and an outdoor amphitheater. In 2011, the Town adopted a new zoning plan for the 77-acres of property surrounding the Coliseum. The new mixed-use district will facilitate redevelopment of the site in keeping with the suburban character of the surrounding communities. Each of the developers indicated that their respective plans will comply with local zoning regulations and would not be requesting any changes. Nassau County, which owns the Coliseum and surrounding property, plans to select a developer this summer.

In addition to commercial growth, Hempstead Town is creating new housing options with major developers. Avalon Bay recently opened a beautiful 200 unit residential development adjacent to Nassau County Community College, boasting an almost \$100 million private sector infusion of cash into our region's economy. Couple this with the soon-to-open Alexan at West Hempstead, a 285,000 square foot commuter friendly apartment development next to the West Hempstead train station, it is apparent that the Town of Hempstead is receptive to reasonable business growth.

At the same time the Town is investing directly in local quality-of-life projects. Our \$50 million capital agenda for 2013 is ensuring that local roads are upgraded and municipal facilities are enhanced. A 16,000 square-foot state-of-the-art recreational center being built to serve over 1,600 youths with special needs is scheduled for completion this year. Furthermore, downtown beautification projects utilizing Community Development Block Grant funds are joining a host of other business district revitalization projects, which are keeping our local community centers vibrant and attractive.

Town fueling stations for our municipal fleet of trucks and cars are being outfitted with a fuel management system that will provide preventative maintenance data, alert service personnel to inefficient vehicle operation, and facilitate more cost effective deployment planning for vehicle routes throughout the Town. Fuel and associated maintenance cost savings are expected to total almost \$1 million by the end of 2014. The Town has also retained the services of an independent professional consulting firm to perform a cost-of-services study to confirm or recommend a more appropriate allocation of expenditures among the Town's various funds. The study will also look for opportunities to provide services more efficiently.

An excellent Wall Street credit rating combined with bonds subsidized by the federal government (Qualified Energy Conservation Bonds) will result in Hempstead Town financing \$4.9 million for energy efficient projects over a 15-year period, interest free. Furthermore, Hempstead Town has been tireless in the development of Long Island's one-of-a-kind renewable energy park in Point Lookout. The planet-friendly facility was established with the help of a \$4.6 million United States Department of Energy Grant. The park, which includes geothermal, wind, solar and hydrogen power, serves as an education center, offering an opportunity to demonstrate the practical and potential applications of renewable energy, while furthering the cause of important research.

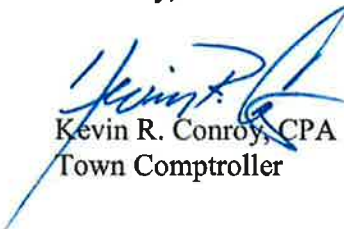
Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hempstead for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the ninth consecutive year that the Town received this prestigious award. In order to be awarded a Certificate of Achievement, the Town must publish a reader friendly and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA in pursuit of this prestigious award for the fiscal year ended December 31, 2012.

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 professional input of our independent auditors, Albrecht, Viggiano, Zureck & Company, P.C. I would like to express my sincere appreciation to all members of the Town departments who assisted and contributed to this report. Additionally, credit must also be given to the Supervisor, 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,



Kevin R. Conroy, CPA
Town Comptroller

TOWN OF HEMPSTEAD

PRINCIPAL OFFICIALS

December 31, 2012

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

Kevin R. Conroy

Joseph Ra

1st Councilmatic District

2nd Councilmatic District

3rd Councilmatic District

4th Councilmatic District

5th Councilmatic District

6th Councilmatic District

Town Clerk

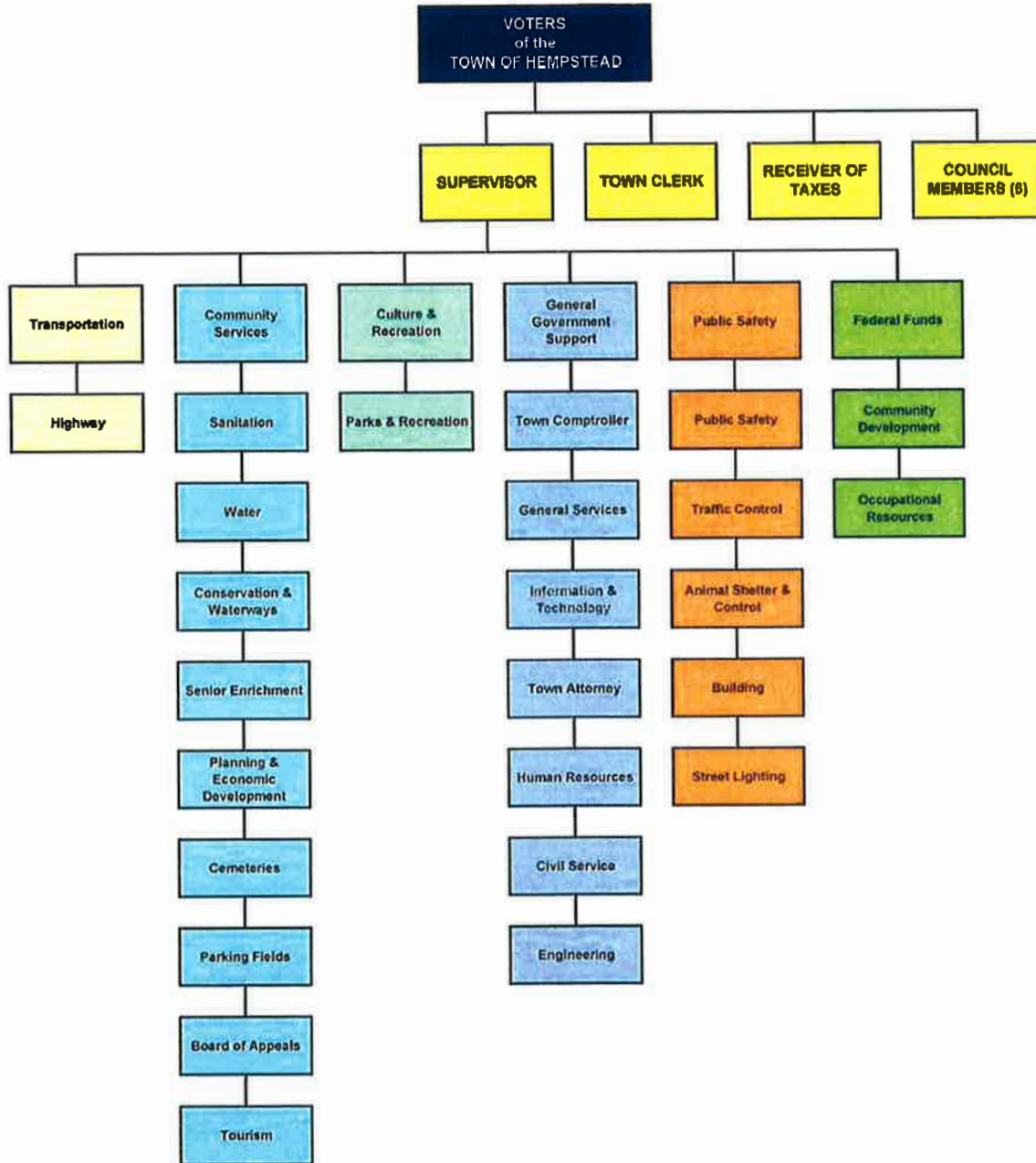
Receiver of Taxes

Town Comptroller

Town Attorney

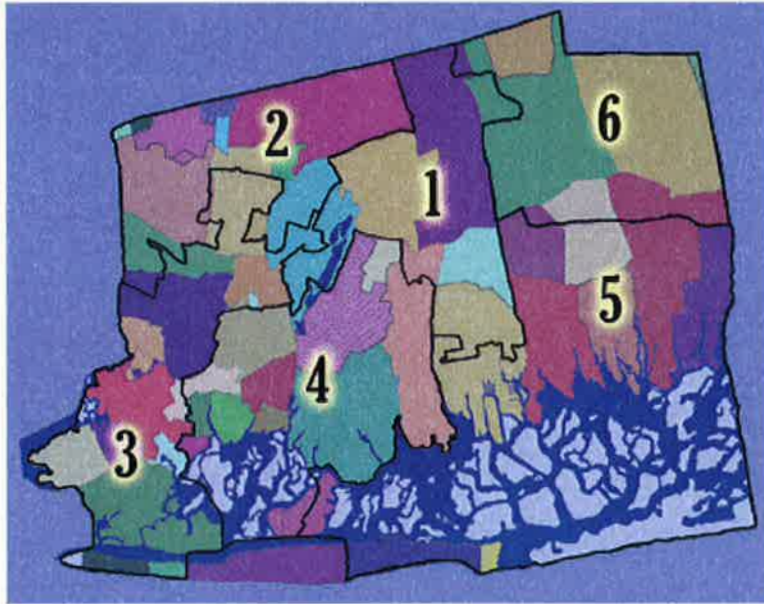


TOWN OF HEMPSTEAD
ORGANIZATIONAL CHART



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, 2011

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.



Christopher P. Morill

President

Jeffrey R. Egan

Executive Director

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**FINANCIAL
SECTION**



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 and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of six of the seven component units which represent 74.9%, 80.5% and 82.4% respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those 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 six 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. One of the seven financial statements of the presented discretely component units in these financial statements was 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PERSONAL SERVICE. TRUSTED ADVICE.

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

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25 SUFFOLK COURT
HAUPPAUGE, NY 11788-3715
T: 631.434.9500 F: 631.434.9518

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

New Accounting Guidance

As described in Note 1.H to the basic financial statements, the Town of Hempstead, New York adopted the provisions of Governmental Accounting Standards Board No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" and Governmental Accounting Standards Board No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" as of and for the year ended December 31, 2012.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hempstead, New York's basic financial statements. The 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 financial statements.

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

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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2013, on our consideration of the Town of Hempstead, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hempstead, New York's internal control over financial reporting and compliance.



Hauppauge, New York
July 12, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

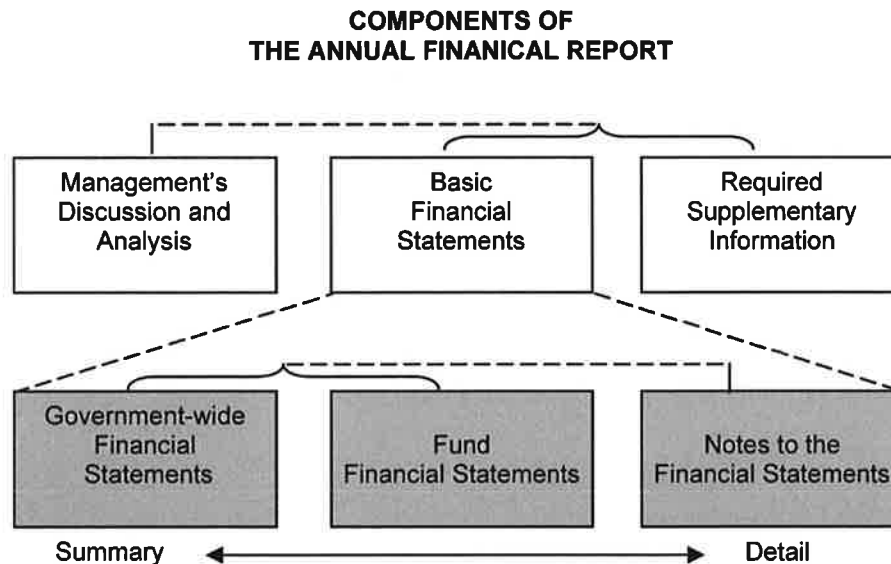
As management of the Town of Hempstead (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal of this report.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Town exceeded its assets at the close of 2012 by \$19,156,151 resulting in a negative net position. This is primarily the result of the ongoing recognition of the Town's other postemployment benefits (OPEB) costs.
- The Town's total net position decreased by \$26,408,037. Again, the most notable factor contributing to this decrease is the ongoing recognition of OPEB costs.
- As of the close of 2012, the Town's governmental funds reported combined ending fund balances of \$167,180,484. Of this amount, \$39,421,180 is not in spendable form or is required to remain intact. The remaining \$127,759,304 or approximately 76.4% of total fund balances is in spendable form with various levels of spending constraint: restricted, assigned, or unassigned making them available for spending at the Town's discretion.
- At the end of 2012, the Town's total fund balance for the General Fund was \$22,473,422, a decrease of 26.9% from the prior year. The assigned and unassigned fund balance for the General Fund was \$17,597,208, or 12.1% of total General Fund expenditures and other uses.
- The Town's total bonded debt was \$317,350,887 for an increase of 3.7% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

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

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

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

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

Certain amounts presented in the prior year data have been reclassified, pertaining to deferred inflows of resources, in order to be consistent with the current year's presentation.

Governmental Activities

The Town's basic services are reported here, including: general government support; education; public safety; transportation; economic assistance and opportunity; culture and recreation and home and community services. 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).

Information on separately issued financial statements is shown in Note 1.A to the financial statements.

Fund Financial Statements

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

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds

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

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

The Town maintains fourteen (14) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the six (6) major funds. The General Fund, Highway Fund, Parks Fund, Refuse and Garbage Fund, Capital Projects Fund and Debt Service Fund are reported as major funds. Data from the eight (8) other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information section in this report.

The Town adopts an annual appropriated budget for its General and Special Revenue Funds, except for the following funds: Capital Projects Fund, Debt Service Fund, Special Grant Fund and Permanent Fund. A budgetary comparison schedule for the General Fund can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis".

Fiduciary Funds

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

Notes to the financial statements

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

Other information

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

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

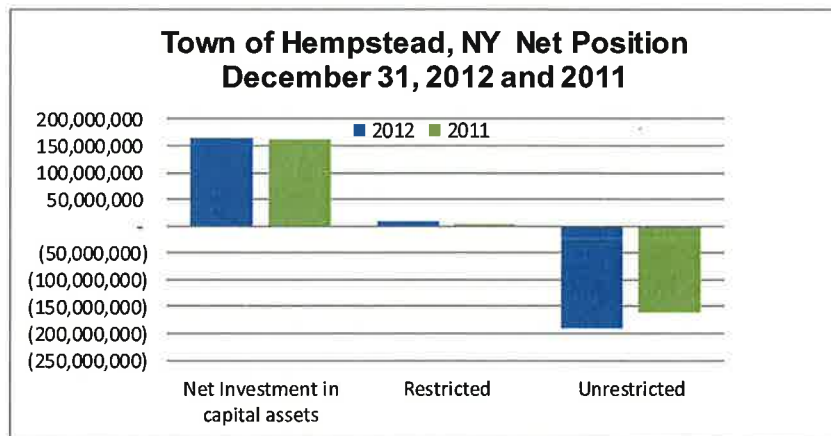
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, liabilities exceeded assets by \$19,156,151 at the close of the most recent year.

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

	2012	2011
Current and other assets:		
Current assets	\$ 219,400,873	\$ 212,227,341
Capital assets	500,842,769	483,087,426
Other non-current assets	4,392,105	1,898,266
Total assets	<u>724,635,747</u>	<u>697,213,033</u>
Current and other liabilities		
Current liabilities	105,541,351	107,357,099
Long-term liabilities	634,828,547	578,457,048
Total liabilities	<u>740,369,898</u>	<u>685,814,147</u>
Total deferred inflows of resources	<u>3,422,000</u>	<u>4,147,000</u>
Total Liabilities and deferred inflows of resources	<u>743,791,898</u>	<u>689,961,147</u>
Net position;		
Net investment in capital assets	163,888,267	162,523,562
Restricted	7,448,148	4,244,543
Unrestricted	<u>(190,492,566)</u>	<u>(159,516,219)</u>
Total net position	<u>\$ (19,156,151)</u>	<u>\$ 7,251,886</u>

By far the largest portion of the Town's net position, \$163,888,267, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

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



TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The total net position of the Town as of December 31, 2012 was a negative \$19,156,151, a decrease of \$26,408,037 over the prior year. Of this amount \$163,888,267 was net investment in capital assets, while \$7,448,148 was restricted by statute or other specific purpose leaving a \$190,492,566 unrestricted deficit.

Total net position was again decreased in the current year and will continue to decrease in subsequent years due to the ongoing recognition of the Town's other postemployment benefits (OPEB) costs. The unfunded liability for postemployment benefits healthcare costs increased in 2012 by \$35,275,399 bringing the unfunded liability at year-end to \$258,456,446. Additional information on Postemployment Benefits Healthcare Costs can be found in Note 3.F to the financial statements.

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

	2012	2011
Program Revenues		
Charges for services	\$ 49,078,691	\$ 46,258,475
Operating grants and contributions	39,704,397	17,016,697
Capital grants and contributions	6,430,264	7,846,074
	95,213,352	71,121,246
General Revenues		
Real property taxes	264,490,271	265,119,352
Real property tax items	3,479,908	3,253,081
Non-property tax items	45,231,393	43,633,364
Interest earnings and financing income	1,918,575	2,397,079
Mortgage tax	16,380,559	13,706,680
State aid - unrestricted	3,848,885	3,848,885
Other	1,844,292	1,589,860
	337,193,883	333,548,301
Total Revenues	432,407,235	404,669,547
Program Expenses		
General government support	75,281,730	79,461,372
Education	2,536,059	1,511,951
Public safety	43,907,271	42,029,158
Transportation	62,361,308	56,283,105
Economic assistance and opportunity	15,957,953	16,201,988
Culture and recreation	84,947,442	84,036,887
Home and community services	160,815,013	149,663,854
Interest on debt	13,008,496	13,269,736
Total Expenses	458,815,272	442,458,051
Change in Net Position	(26,408,037)	(37,788,504)
Net Position - Beginning	7,251,886	45,040,390
Net Position - Ending	\$ (19,156,151)	\$ 7,251,886

Net position, from all government activities, decreased by \$26,408,037 in the current year and had a year-over-year change of \$10,380,467.

Key elements of the governmental activities are:

- Program revenues increased by \$24,092,106 primarily due to a year-over-year increase in Federal disaster aid for storm clean-up costs. Charges for services increased \$2,820,216 in large part due to enactment of an ordinance requiring all solid waste (including privately collected commercial waste) originating within its boundaries be delivered to the Town to ensure proper disposal. These were partially offset by decreases totaling approximately \$2,900,000 in operating and capital grants.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

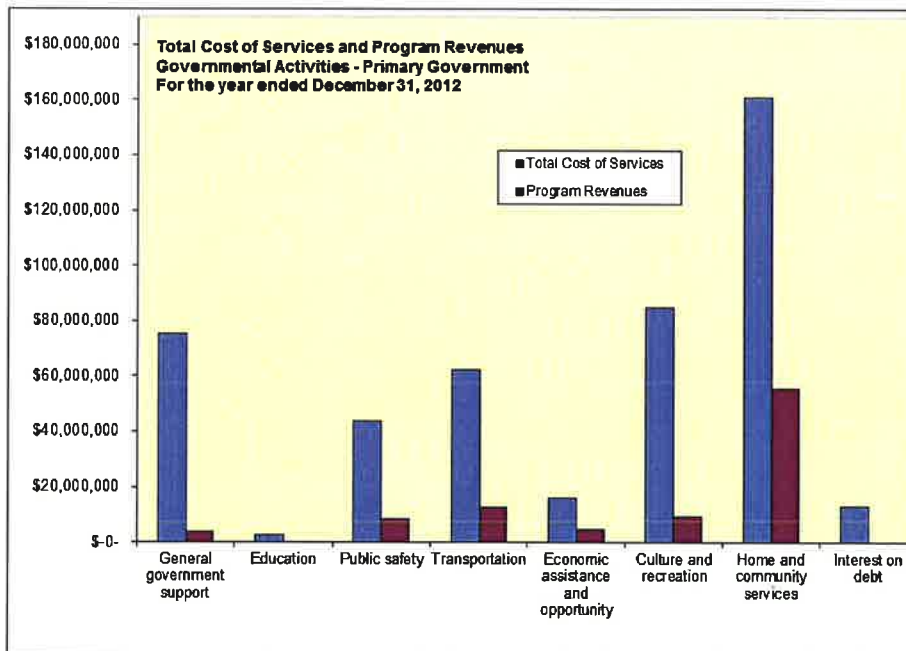
Key element(s) of the governmental activities are: (continued)

- Mortgage tax increased by \$2,673,879 due to an improving housing market, while interest earnings decreased by \$478,504 as a result of continuing historically low interest rates on invested surplus capital. Non-property tax items increased by \$1,598,029 from increases in sales tax revenue and franchise fees of \$1,441,661 and \$156,368 respectively.
- Overall expenses increased by \$16,357,221. Contracted services for debris removal related to "Superstorm Sandy", accounted for approximately \$13,238,000. Increased costs for employee benefits accounted for approximately \$7,191,000, primarily due to an increase of \$5,226,180 in the Town's contribution to the New York State Employees Retirement System. Management's decision not to fill many vacant positions and retired positions, and across the board reductions in expenditures for contractual services, produced a savings of approximately \$4,200,000 in general government support.

The following chart illustrates the total expenses by program function for the Town's governmental funds.

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

	2012		2011		2012		2011	
	Total Cost (Expenses) of Services		Program Revenues		Net Cost (Revenue) of Services			
General government support	\$ 75,281,730	\$ 79,461,372	\$ 3,966,847	\$ 2,141,824	\$ 71,314,883	\$ 77,319,548		
Education	2,536,059	1,511,951			2,536,059	1,511,951		
Public safety	43,907,271	42,029,158	8,488,836	7,831,431	35,418,435	34,197,727		
Transportation	62,361,308	56,283,105	12,947,912	5,286,758	49,413,396	50,996,347		
Economic assistance and opportunity	15,957,953	16,201,988	4,921,892	5,069,012	11,036,061	11,132,976		
Culture and recreation	84,947,442	84,036,887	9,371,393	7,360,221	75,576,049	76,676,666		
Home and community services	160,815,013	149,663,854	55,516,472	43,432,000	105,298,541	106,231,854		
Interest on debt	13,008,496	13,269,736			13,008,496	13,269,736		
	\$ 458,815,272	\$ 442,458,051	\$ 95,213,352	\$ 71,121,246	\$ 363,601,920	\$ 371,336,805		

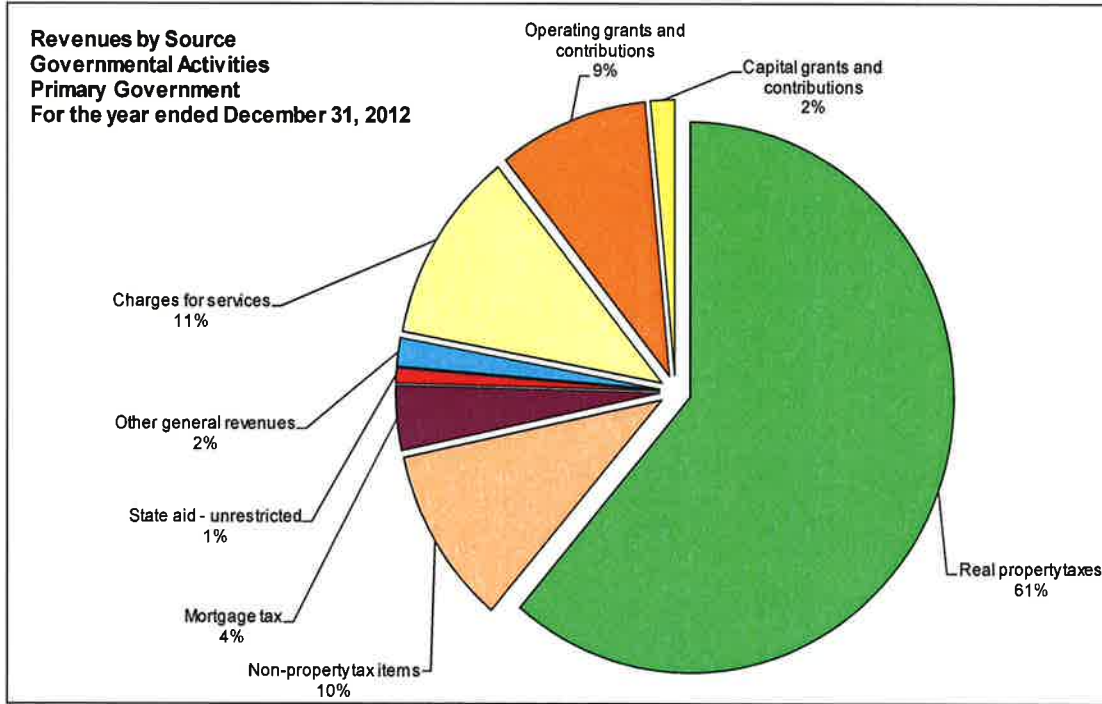


The total cost of all governmental activities this year was \$458,815,272. The net cost of these services after being subsidized by program revenues of \$95,213,352 was \$363,601,920.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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



Revenue by Source
 year ended December 31,

	2012	2011
Real property taxes	\$ 264,490,271	\$ 265,119,352
Non-property tax items	45,231,393	43,633,364
Mortgage tax	16,380,559	13,706,680
State aid - unrestricted	3,848,885	3,848,885
Other general revenues	7,242,775	7,240,020
Charges for services	49,078,691	46,258,475
Operating grants and contributions	39,704,397	17,016,697
Capital grants and contributions	6,430,264	7,846,074
	<u>\$ 432,407,235</u>	<u>\$ 404,669,547</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds

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

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

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

At December 31, 2012, the Town's governmental funds reported total ending fund balances of \$167,180,484, an increase of \$9,870,944 in comparison with the prior year. The governmental funds reported fund balances, exclusive of the Capital Projects Fund, of \$162,350,157. This change in total governmental fund balances was due principally to the decrease in the General Fund and increases in the Highway Fund, Refuse and Garbage Fund and Capital Projects Fund as explained under their respective Funds. The category breakdown is as follows:

- **Nonspendable fund balance** - \$39,421,180 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$6,110,281 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$120,386,784 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making and the remaining positive fund balance amounts in funds other than the General Fund.
- **Unassigned fund balance** - \$1,262,239 (residual net resources) is the total fund balance in the General Fund in excess of nonspendable, restricted and assigned fund balance.

The Town began the year with an anticipated \$29,804,307 decrease resulting from the appropriation of fund balance for the 2012 budget in the governmental funds. Federal disaster aid for storm clean-up costs primarily related to "Superstorm Sandy" in late October 2012 resulted in a favorable budget variance of approximately \$14,673,000. Management's decision not to fill many vacant positions and retired positions, coupled with across the board reductions in expenditures for contractual services and lower than normal snow removal costs, produced a savings of more than \$13,700,000. Increases in mortgage tax and sales tax revenues combined to produce a favorable budget variance of over \$4,000,000. Interest earnings continued to decline in 2012, but were more than offset by a surplus of more than \$3,340,000 in refuse disposal charges. A favorable budget variance of approximately \$3,700,000 in premiums of debt issuance was a result of the Town receiving a higher than expected premium on its 2012 capital borrowing due to the historically low interest rates and the Town's excellent bond rating.

Other changes in total governmental fund balances were primarily due to the issuance of \$48,569,000 of serial bonds in the Capital Fund in August 2012. The Special Grant fund had a decrease of \$1,626,722 due to reductions in Federal and State operating and capital grants.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$22,473,422, decreasing \$8,283,784, or 26.9%, from the prior year. Of this amount, \$4,876,214 is not in spendable form (long-term receivable, inventory and prepaid items). The remaining \$17,597,208 of the fund balance is in spendable form as follows: \$16,111,544 has been assigned by the Town Board for the subsequent year's budget, \$223,425 has been assigned for purchase orders by the Town Comptroller, and the remaining \$1,262,239 represents spendable, unassigned fund balance.

As a measure of the General Fund's liquidity, it may be useful to compare spendable fund balance and total fund balance to total fund expenditures and other financing uses. Spendable fund balance represents 12.1% of total General Fund expenditures and other financing uses, while total fund balance represents 15.4% of the same amount.

The key elements of the fund balance decrease of \$8,283,784 are as follows:

- There was an originally planned decrease of \$19,800,563 to hold the line on property taxes for 2012 and an additional appropriation of \$342,928 during 2012.
- Real property taxes were under budget by \$738,949 due to restored taxes (taxes restored when there is a transfer of ownership from a person entitled to an exemption to a person not entitled to an exemption) being lower than in previous years.
- Interest and penalties on real property taxes were under budget by \$114,298; also lower than the historic trend.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

- The shortfalls in real property taxes and real property tax items were more than offset by a surplus of \$1,380,342 in local government assistance (sales tax).
- State aid was over budget by \$3,373,765 due primarily to an increase in mortgage tax revenue of more than \$3,100,000 as a result of an improving housing market.
- The \$1,701,039 surplus in Federal Aid resulted mainly from FEMA reimbursements for salaries, related employee benefits, equipment usage, and other storm clean-up related to "Superstorm Sandy" in late October 2012.
- To provide a more favorable outcome it was management's decision not to fill approximately \$1,805,000 in vacant positions and retired positions, primarily in general government support.
- Additional savings of approximately \$3,103,000 resulted from across the board reductions in expenditures for contractual services.
- The \$755,195 surplus in premiums of debt issuance was a result of the Town receiving a higher than expected premium on its 2012 capital borrowing due to the historically low interest rates and the Town's excellent bond rating.

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$25,899,427, increasing \$4,886,576, or 23.3%, from the prior year. Of this amount, \$8,380,547 is not in spendable form (long-term receivable, inventory and prepaid items). The remaining \$17,518,880 of the fund balance is in spendable form as follows: \$509,498 has been assigned by the Town Board for the subsequent year's budget, \$96,629 has been assigned for purchase orders by the Town Comptroller and the remaining \$16,912,753 is assigned for highway purposes.

The key elements of the fund balance increase of \$4,886,576 are as follows:

- There was an originally planned decrease of \$735,136 to hold the line on property taxes in 2012.
- There was an additional appropriation of \$7,526,499 in Federal disaster aid for clean-up costs related to "Superstorm Sandy".
- The \$2,704,050 surplus in Federal Aid resulted from FEMA reimbursements for salaries, related employee benefits, equipment usage, and other storm clean-up costs related to "Superstorm Sandy".
- Transportation savings of \$3,687,015 resulted from lower than normal snow removal costs due to an exceptionally mild winter and across the board reductions in expenditures for contractual services.
- The \$2,000,000 shortfall in transfers in resulted from the reallocation of the 2012 New York State Transportation Assistance grant to the Capital Projects Fund.
- The \$1,472,663 surplus of premiums of debt issuance was a result of the Town receiving a higher than expected premium on its 2012 capital borrowing due to the historically low interest rates and the Town's excellent bond rating.

Parks Fund

At the end of the current year, the total fund balance of the Parks Fund was \$20,903,843, decreasing \$580,233, or 2.7%, from the prior year. Of this amount, \$1,800,951 is not in spendable form (inventory and prepaid items). The remaining \$19,102,892 of the fund balance is in spendable form as follows \$1,793,752 has been assigned by the Town Board for the subsequent year's budget, \$62,257 has be assigned for purchase orders by the Town Comptroller and the remaining \$17,246,883 is assigned for park fund purposes.

The key elements of the fund balance decrease of \$580,233 are as follows:

- There had been an originally planned decrease of \$4,010,528 to hold the line on property taxes in 2012.
- The \$417,710 shortfall in departmental income resulted almost entirely from lost revenue from special recreation charges due to "Superstorm Sandy."
- The \$1,906,914 surplus in Federal Aid resulted from FEMA reimbursements for salaries, related employee benefits, equipment usage, and other storm clean-up related to "Superstorm Sandy".

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

Parks Fund (continued)

- Savings of \$1,540,890 in culture and recreation resulted from management's decision not to fill vacant and retired positions and from reductions in expenditures for capital outlay and contractual services.
- The \$347,215 surplus of premiums of debt issuance was a result of the Town receiving a higher than expected premium on its 2012 capital borrowing due to the historically low interest rates and the Town's excellent bond rating.

Refuse and Garbage Fund

At the end of the current year, the total fund balance of the Refuse and Garbage Fund was \$62,697,572, increasing \$11,583,916, or 22.7%, from the prior year. Of this amount, \$19,594,525 is not in spendable form (long-term receivable, inventory and prepaid items). The remaining \$43,103,047 of the fund balance is in spendable form as follows, \$8,315,811 has been assigned by the Town Board for the subsequent year's budget, \$103,418 has been assigned for purchase orders by the Town Comptroller and the remaining \$34,683,818 is assigned for sanitation purposes.

The key elements of the fund balance increase of \$11,583,916 are as follows:

- There was a supplemental appropriation of \$6,034,444 in Federal disaster aid for clean-up costs related to "Superstorm Sandy".
- The \$1,847,842 surplus in departmental income was a result of increased revenue for waste disposal by private carters due to the enactment of an ordinance requiring all solid waste (including privately collected commercial waste) originating within its boundaries be delivered to the Town to ensure proper disposal.
- The \$1,492,366 surplus in intergovernmental charges resulted from participation by the City of Long Beach in the Town's Stop Throwing Out Pollutants (STOP) program.
- The \$313,838 shortfall in sale of property and compensation for loss was caused by a decline in marketable scrap metal and recyclables delivered to the Town due to economic conditions.
- The \$7,651,682 surplus in Federal Aid resulted from the FEMA reimbursements for salaries, related employee benefits, equipment usage, and other storm clean-up costs related to "Superstorm Sandy".
- The \$248,878 surplus of premiums of debt issuance was a result of the Town receiving a higher than expected premium on its 2012 capital borrowing due to the historically low interest rates and the Town's excellent bond rating.

Capital Projects Fund

At the end of the current year, the Capital Projects Fund had a total fund balance of \$4,830,327.

The fund balance increased in the Capital Projects Fund by \$6,785,456 from the prior year.

- The increase resulted from differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing. The prior year deficit was eliminated with the scheduled long-term bonds debt issuance in 2012, and the reallocation of the 2012 New York State Transportation Assistance grant from the Highway Fund.

Nonmajor Governmental Funds

The net change in fund balances was a decrease of \$4,520,987.

- There was an originally planned decrease of \$5,258,080 to hold the line on property taxes in 2012.
- The \$500,000 shortfall in non-property tax items in the Water Fund resulted from the reallocation of local government assistance (sales tax) to the General Fund.
- FEMA reimbursements for salaries, related employee benefits, equipment usage, and other storm clean-up costs related to "Superstorm Sandy" resulted in surpluses in Federal Aid of \$522,908 in the Part-Town Fund and \$186,185 in the Water Fund.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Nonmajor Governmental Funds (continued)

- The \$875,412 surplus of premiums of debt issuance among all non-major funds was a result of the Town receiving a higher than expected premium on its 2012 capital borrowing due to the historically low interest rates and the Town's excellent bond rating.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the 2012 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year there was a \$342,928 or 0.2% increase in the appropriations between the original and final amended budget. There are no variances that are expected to have a significant effect on future services or liquidity. Please see the General Fund section for more details on the comparison of final budgets and actual amounts. The main component of the increase in appropriations was the \$342,928 supplemental appropriation to general government support for salaries and wages.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

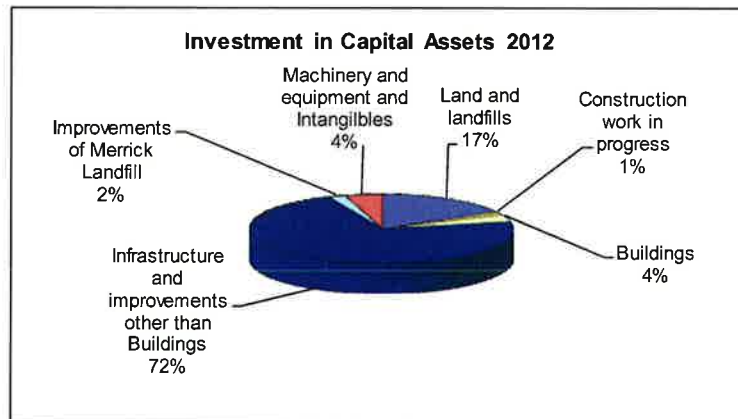
The Town's net investment in capital assets for its governmental type activities as of December 31, 2012, amounts to \$500,842,769. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current year included the following:

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

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities	
	2012	2011
Land and landfills	\$ 83,688,613	\$ 83,688,613
Construction work in progress	6,578,954	3,461,672
Buildings	18,206,737	13,663,975
Infrastructure and improvements other than building, net	359,377,716	350,637,518
Improvements of Merrick landfill, net	10,260,534	10,801,089
Machinery and equipment and capital leases, net	19,517,543	18,239,400
Intangibles- Software	3,212,672	2,595,159
Total Capital Assets	\$ 500,842,769	\$ 483,087,426



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

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of the current year, the Town has total long-term bonded debt outstanding of \$317,350,887. The entire debt is backed by the full faith and credit of the Town.

Outstanding Debt

	Governmental Activities	
	2012	2011
General obligation bonds	\$ 317,350,887	\$ 306,159,855

In 2012 the Town's total debt increased by \$11,191,032 or 3.7%.

In 2012, Moody's Investors Service, Inc. reaffirmed the Town's credit rating as "Aaa" and Standard and Poor's Corporation affirmed the Town's underlying rating of "AAA".

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 is \$7,359,591,699. The percentage of debt contracting exhausted at December 31, 2012 was 3.5% of the current debt limitation.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town's elected and appointed officials considered many factors when preparing the fiscal year 2013 budget. The Town's statistical data continues to compare favorably to New York State and the United States. The Town's 2012 average unemployment rate of 7.5% compares favorably to New York State's 8.5 % and the United States' 8.1%. The workforce also compares favorably in composition; 39.8% professional/management compared to the State's 38.1%. Median income in the Town shows that more than 43% of households have annual income of \$100,000 or more, compared to less than 26% statewide. These factors provide a stable tax environment enabling the Town to reliably project tax revenue.
- While the Town has been buffeted by the same economic factors facing all levels of government, multi-year projections have enabled the Town to plan for these downturns. Conservative budgeting practices have mitigated most of the consequences of the recent historic downturn, which included large reductions of non-real property tax revenues. While mortgage tax and interest earnings have negatively affected all Town funds, these have been offset to some extent by economies such as reductions in the work force, mid-year budget freezes, and the implementation of a new waste disposal contract and flow control ordinance. These factors form the basis of estimating the 2013 budget lines.
- When all these factors are considered, the Town's combined fund balances are expected to decline by approximately 18% by the close of 2013.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

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

- Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011. The Tax Cap Law limits annual increases of the Town's overall real property tax to no more than the lesser of 2% or the rate of inflation. The Tax Cap law takes effect with the 2012 budget year. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the Town. In addition, the Town Board may override the limitations if the Town Board enacts, by vote of at least sixty percent of the voting power of the Town Board, a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the Town.

- The adopted budget for the fiscal year beginning January 1, 2012 did not include a tax increase.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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TOWN OF HEMPSTEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2012

	Primary Governmental Activities	Component Units
ASSETS		
Current Assets:		
Cash and investments	\$ 107,313,599	\$ 12,887,989
Cash - restricted	2,777,164	1,570,418
Receivables	9,743,756	954,811
Due from other governments	77,822,904	3,032,958
Prepaid items	9,827,361	336,677
Inventory of material and supplies	11,416,089	
Other assets	500,000	
Total Current Assets	219,400,873	18,782,853
Non-Current Assets:		
Receivables, service concession arrangements	2,695,000	
Deferred charges, net of accumulated amortization	1,697,105	
Non-depreciable capital assets	90,267,567	14,995,463
Depreciable capital assets, net of depreciation	410,575,202	29,924,337
Total Non-Current Assets	505,234,874	44,919,800
Total Assets	724,635,747	63,702,653
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	40,322,681	1,366,312
Accrued interest payable	4,457,864	319,484
Due to other governments	2,846,513	
Other liabilities	1,700,193	8,024
Non-current liabilities due within one year:		
General obligation bonds payable	37,549,652	1,110,689
Due to employees retirement system	1,274,747	2,148
Compensated absences	3,318,175	32,269
Claims and judgments payable	11,090,000	
Estimated liability for landfill closure and postclosure care costs	49,100	
Pollution remediation obligations	2,932,426	
Other debt		1,800
Total Current Liabilities	105,541,351	2,840,726
Non-Current Liabilities due in more than one year:		
General obligation bonds payable	295,308,338	20,176,902
Due to employees retirement system	12,802,833	4,624
Compensated absences	49,808,493	919,876
Claims and judgments payable	15,930,071	
Estimated liability for landfill closure and postclosure care costs	1,177,666	
Pollution remediation obligations	1,344,700	
Other postemployment benefits	258,456,446	3,765,396
Other debt		209,066
Total Non-Current Liabilities	634,828,547	25,075,864
Total Liabilities	740,369,898	27,916,590
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement receipts	3,422,000	
Total Deferred Inflows of Resources	3,422,000	
NET POSITION		
Net Investment in capital assets	163,888,267	25,522,084
Restricted for:		
Capital projects	4,830,327	
Culture and recreation		21,324
Home and community services and Economic assistance and opportunity	1,279,954	6,247,523
Permanent fund:		
Nonexpendable	1,337,867	
Unrestricted	(190,492,566)	3,995,132
Total Net Position	\$ (19,156,151)	\$ 35,786,063

TOWN OF HEMPSTEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year ended December 31, 2012

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General government support	\$ 75,281,730	\$ 2,114,992	\$ 1,838,281	\$ 13,574
Education	2,536,059			
Public safety	43,907,271	7,718,582	770,254	
Transportation	62,361,308	359,521	10,247,185	2,341,206
Economic assistance and opportunity	15,957,953	10,158	4,595,270	316,464
Culture and recreation	84,947,442	7,082,670	2,242,500	46,223
Home and community services	160,815,013	31,792,768	20,010,907	3,712,797
Interest on debt	13,008,496			
Total Primary Government	\$ 458,815,272	\$ 49,078,691	\$ 39,704,397	\$ 6,430,264
Component Units				
Culture and recreation	\$ 6,950,508	\$ 67,167	\$ 19,489	
Home and community services	8,556,729	3,118,284		173,020
Total Component Units	\$ 15,507,237	\$ 3,185,451	\$ 19,489	\$ 173,020

General Revenue

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

See notes to financial statements

Net (Expense) Revenues and
Changes in Net Position

Primary Government	Component Units
\$ (71,314,883)	
(2,536,059)	
(35,418,435)	
(49,413,396)	
(11,036,061)	
(75,576,049)	
(105,298,541)	
(13,008,496)	
<u>\$ (363,601,920)</u>	
	\$ (6,863,852)
	<u>(5,265,425)</u>
	<u>\$ (12,129,277)</u>
\$ 264,490,271	\$ 12,128,283
3,479,908	174,901
35,880,342	
9,351,051	
1,918,575	640,795
16,380,559	
3,848,885	47,109
1,844,292	250,854
<u>337,193,883</u>	<u>13,241,942</u>
(26,408,037)	1,112,665
<u>7,251,886</u>	<u>34,673,398</u>
<u>\$ (19,156,151)</u>	<u>\$ 35,786,063</u>

TOWN OF HEMPSTEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	MAJOR FUNDS				
	General	Highway	Parks	Refuse and Garbage	Capital Projects
ASSETS					
Cash and investments	\$ 828,818	\$ 11,781,435	\$ 18,344,053	\$ 35,691,599	\$ 17,462,260
Cash - restricted					
Receivables	162,923	924,381		2,085,012	1,024,443
Due from other funds	7,761,414	3,168,331	140,633	5,842,151	83,625
Due from other governments	22,576,397	11,199,400	2,140,721	35,824,395	2,335,886
Inventory of material and supplies	945,567	6,985,060	910,962	1,413,766	
Prepaid items	1,467,104	395,487	889,989	947,960	
Other assets	205,000	45,000	150,000	55,000	
Total Assets	\$ 33,947,223	\$ 34,499,094	\$ 22,576,358	\$ 81,859,883	\$ 20,906,214
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,352,069	\$ 6,621,063	\$ 1,528,844	\$ 17,801,876	\$ 8,402,838
Due to other funds	8,121,732	1,054,223	143,671	41,112	4,797,085
Due to other governments					2,846,513
Deferred revenue		924,381			29,451
Other liabilities				1,319,323	
Total Liabilities	11,473,801	8,599,667	1,672,515	19,162,311	16,075,887
FUND BALANCES					
Nonspendable	4,876,214	8,380,547	1,800,951	19,594,525	
Restricted					4,830,327
Assigned	16,334,969	17,518,880	19,102,892	43,103,047	
Unassigned	1,262,239				
Total Fund Balances	22,473,422	25,899,427	20,903,843	62,697,572	4,830,327
Total Liabilities and Fund Balances	\$ 33,947,223	\$ 34,499,094	\$ 22,576,358	\$ 81,859,883	\$ 20,906,214

See notes to financial statements

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 380,870	\$ 22,824,564	\$ 107,313,599
	2,777,164	2,777,164
	4,819,997	9,016,756
	28,844	17,024,998
	3,746,105	77,822,904
	1,160,734	11,416,089
	456,651	4,157,191
	45,000	500,000
<u>\$ 380,870</u>	<u>\$ 35,859,059</u>	<u>\$ 230,028,701</u>
	\$ 2,615,991	\$ 40,322,681
	2,867,175	17,024,998
		2,846,513
		953,832
<u>\$ 380,870</u>		<u>1,700,193</u>
<u>380,870</u>	<u>5,483,166</u>	<u>62,848,217</u>
	4,768,943	39,421,180
	1,279,954	6,110,281
	24,326,996	120,386,784
		1,262,239
<u>-0-</u>	<u>30,375,893</u>	<u>167,180,484</u>
<u>\$ 380,870</u>	<u>\$ 35,859,059</u>	<u>\$ 230,028,701</u>

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TOWN OF HEMPSTEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2012

Total Fund Balances - Governmental Funds \$ 167,180,484

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

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

Capital assets - non-depreciable	\$ 90,267,567	
Capital assets - depreciable	942,802,489	
Accumulated depreciation	<u>(532,227,287)</u>	500,842,769

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds 953,832

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position.

General obligation bonds	(317,350,887)	
Due to Employees Retirement System	(14,077,580)	
Compensated absences	(53,126,668)	
Claims and judgments	(27,020,071)	
Estimated liability for landfill closure and postclosure costs	(1,226,766)	
Pollution remediation obligations	(4,277,126)	
Other postemployment benefits	<u>(258,456,446)</u>	(675,535,544)

Prepaid items included in the Statement of Net Position 5,670,170

Receivables, service concession arrangements are not available to pay for current period expenditures and therefore, are not reported in the funds.	3,422,000	
Deferred Inflows, service concession arrangements not reported in the funds.	<u>(3,422,000)</u>	-0-

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Deferred charges included in the Statement of Net Position		1,697,105
Premiums on debt issuance included in the Statement of Net Position		(15,507,103)

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 Position.		<u>(4,457,864)</u>
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Net Position of Governmental Activities **\$ (19,156,151)**

TOWN OF HEMPSTEAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	MAJOR FUNDS				
	General	Highway	Parks	Refuse and Garbage	Capital Projects
REVENUES					
Real property taxes	\$ 17,259,488	\$ 64,387,035	\$ 50,930,425	\$ 93,422,154	
Real property tax items	1,344,437	400,026	352,919	930,303	
Non-property tax items	33,380,342			2,500,000	
Departmental income	5,534,518		2,654,790	9,882,842	
Intergovernmental charges	7,570	3,000	752,683	4,317,366	
Use of money and property	609,931	131,104	407,980	3,908,900	
Licenses and permits	871,019			18,579	
Fines and forfeitures	121,526		1,300		
Sale of property and compensation for loss	73,978	76,478	38,907	611,162	\$ 1,080,889
Miscellaneous revenue	90,621	50,161	158,907	182,301	300,000
Interfund revenues	55,816,053		27,604,554		
State aid	19,595,240	416,636	335,586	388,595	2,631,250
Federal aid	1,701,039	10,230,549	1,906,914	13,686,126	2,273,458
Total Revenues	<u>136,405,762</u>	<u>75,694,989</u>	<u>85,144,965</u>	<u>129,848,328</u>	<u>6,285,597</u>
EXPENDITURES					
Current:					
General government support	77,745,954				
Education	2,536,059				
Public safety	10,178,081				
Transportation	1,401,819	35,646,463			
Economic assistance and opportunity	5,725,877				
Culture and recreation	141,706		61,816,007		
Home and community services	11,475,823			93,875,463	
Employee benefits	30,535,784	9,651,661	19,956,946	19,392,045	
Capital Outlay					48,856,949
Debt Service:					
Principal					
Interest					
Bond issuance costs	34,230	63,525	13,339	11,606	
Total Expenditures	<u>139,775,333</u>	<u>45,361,649</u>	<u>81,786,292</u>	<u>113,279,114</u>	<u>48,856,949</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,369,571)</u>	<u>30,333,340</u>	<u>3,358,673</u>	<u>16,569,214</u>	<u>(42,571,352)</u>
Other Financing Sources (Uses)					
Transfers in	3,546				787,808
Transfers out	(5,872,954)	(27,219,427)	(4,311,121)	(5,309,176)	
Debt issuance					48,569,000
Premiums on debt issuance	955,195	1,772,663	372,215	323,878	
Total Other Financing Sources (Uses)	<u>(4,914,213)</u>	<u>(25,446,764)</u>	<u>(3,938,906)</u>	<u>(4,985,298)</u>	<u>49,356,808</u>
Net Change in Fund Balances	(8,283,784)	4,886,576	(580,233)	11,583,916	6,785,456
Fund Balance (Deficit) at Beginning of Year	30,757,206	21,012,851	21,484,076	51,113,656	(1,955,129)
Fund Balance at End of Year	<u>\$ 22,473,422</u>	<u>\$ 25,899,427</u>	<u>\$ 20,903,843</u>	<u>\$ 62,697,572</u>	<u>\$ 4,830,327</u>

See notes to financial statements

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 38,491,169	\$ 264,490,271
	452,223	3,479,908
	9,351,051	45,231,393
	16,698,956	34,771,106
	230,950	5,311,569
	985,511	6,043,426
		889,598
	1,285,464	1,408,290
	65,636	1,947,050
	467,942	1,249,932
	1,420,248	84,840,855
	679,251	24,046,558
	12,490,010	42,288,096
	<u>82,618,411</u>	<u>515,998,052</u>
	467,712	78,213,666
		2,536,059
	25,456,650	35,634,731
	11,451,698	48,499,980
	4,671,003	10,396,880
	1,235,462	63,193,175
	27,616,368	132,967,654
	9,625,032	89,161,468
		48,856,949
\$ 37,377,968		37,377,968
12,018,537		12,018,537
	31,954	154,654
<u>49,396,505</u>	<u>80,555,879</u>	<u>559,011,721</u>
(49,396,505)	2,062,532	(43,013,669)
49,396,505		50,187,859
	(7,475,181)	(50,187,859)
		48,569,000
	891,662	4,315,613
<u>49,396,505</u>	<u>(6,583,519)</u>	<u>52,884,613</u>
-0-	(4,520,987)	9,870,944
-0-	34,896,880	157,309,540
<u>\$ -0-</u>	<u>\$ 30,375,893</u>	<u>\$ 167,180,484</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, 2012

Net Change in Fund Balances - Total Governmental Funds **\$ 9,870,944**

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation expense in the current period is:

Capital outlay	45,843,634
Depreciation expense	(28,088,291)

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	1,306,545
Deferred charges	(201,161)

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

Deferred revenue	(30,439)
Unearned revenue	(3,035,136)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Debt issued	(48,569,000)
Repayment of debt principal	37,377,968
Due to Employees Retirement System	(7,877,580)
Compensated absences	(937,518)
Claims and judgments	(1,945,263)
Estimated liability for landfill closure and postclosure care costs	133,905
Pollution remediation obligations	5,652,898
Other postemployment benefits	(35,275,399)
Accrued interest payable	(634,144)

Change in Net Position of Governmental Activities **\$ (26,408,037)**

TOWN OF HEMPSTEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2012

	<u>Total Agency Funds</u>
<u>ASSETS</u>	
Cash and investments	\$ 106,222,945
Total Assets	<u>\$ 106,222,945</u>
<u>LIABILITIES</u>	
Due to other governments	\$ 106,222,945
Total Liabilities	<u>\$ 106,222,945</u>

TOWN OF HEMPSTEAD
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December 31, 2012

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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Hempstead (the "Town"), which was chartered in 1644, is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor who is elected for a 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 basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

A. REPORTING ENTITY

The financial reporting entity consists of: (a) the primary government, which is the Town; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14, as amended by GASB Statement No. 39.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, 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's reporting entity.

Certain special districts of the Town 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 5.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide Financial Statements (continued)

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

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. The focus of the governmental funds financial statements is on the major funds. Accordingly, the Town maintains the following fund types:

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 and report all financial resources not accounted for and reported in another fund.

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

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

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

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	Town of Hempstead
Park	

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

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

Special Grant Fund - is used to account for Federal Aid for the Community Development Block Grant Program, the Workforce 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	North Malverne
East Franklin Square	North Valley Stream
Mill Brook	South Lynbrook/Hewlett
North Lynbrook	

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the Town in a trustee, custodial or agent 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 and provide water, sewer and library services to residents and businesses within these districts follow government fund accounting principles. These districts, which are accounted for as discretely presented 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	

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

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current period. However, certain revenues maybe considered available if received within one year after the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closure and postclosure care costs, pollution remediation obligations and other postemployment benefits healthcare costs are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

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

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

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE

1. 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.

2. RECEIVABLES AND PAYABLES

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

2. RECEIVABLES AND PAYABLES (continued)

a) Interfund Revenues

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

b) Transfers

Transfers 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.

3. DUE FROM/TO OTHER FUNDS

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

4. INVENTORY AND PREPAID ITEMS

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 in the General and Special Revenue Funds are accounted for under the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements.

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

5. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Infrastructure assets are reported at historical cost as of 1980. Donated capital assets are reported at estimated fair market value at the date of donation. 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/amortization on all assets is calculated on the straight-line basis over the following estimated useful lives:

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

5. CAPITAL ASSETS (continued)

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

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

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

6. UNEARNED REVENUE/DEFERRED REVENUE

Unearned revenue/deferred revenue 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. Accordingly, the amount has been recorded as deferred revenue in the fund statements and unearned revenue in the government-wide statements.

7. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows from service concession arrangements that will be recognized as revenues in the period that the amounts become available.

8. LONG-TERM OBLIGATIONS

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, due to employees retirement system, compensated absences, claims and judgments, liability for landfill closure and postclosure care costs, pollution remediation, and other postemployment benefits are recognized in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bond issuance costs that are immaterial are charged as a General Fund operating expense.

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

9. NET POSITION AND FUND EQUITY CLASSIFICATIONS

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

1) Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Accounts payable in the Capital Projects Fund are capital related debt and are used in the calculation of net investment in capital assets.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

9. NET ASSETS AND FUND EQUITY CLASSIFICATIONS (continued)

2) Restricted—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Permanent fund principal amounts are displayed as expendable and/or nonexpendable. Nonexpendable net assets are required to be retained in perpetuity.

3) Unrestricted—All other net position that does not meet the definition of “restricted” or “net investment in capital assets”

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are 1) nonspendable, 2) restricted 3) committed, 4) assigned, or 5) unassigned.

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

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

2) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Town’s highest decision making authority is the Town Board, who by adoption of a Town ordinance prior to year end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the Town Board removes or changes the specified use by taking the same type of action imposing the commitment.

4) Assigned fund balance reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Town Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

5) Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

10. NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

11. FUND BALANCE POLICIES

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

E. REVENUES AND EXPENDITURES

1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

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

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

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.

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

Real property taxes become a lien on the respective days when they become due and payable.

2. OTHER POSTEMPLOYMENT 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 are currently provided by the New York State Health Insurance Program NYSHIP (Empire Plan) whose premiums are based on the benefits paid throughout the State during the year.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The Town's union contracts and ordinances require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Town has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss. The liability for postemployment benefits payable is recorded as a non-current liability in the government-wide statements. The current year increase in the liability is based on the most recent actuarial valuation.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

3. COMPENSATED ABSENCES

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

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

F. ENCUMBRANCES

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

G. USE OF ESTIMATES

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

H. NEW ACCOUNTING PRINCIPLES

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2012, the Town adopted:

GASB Statement No. 60 - Accounting and financial Reporting for Service Concession Arrangements.

GASB Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.

I. SUBSEQUENT EVENTS

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

e) Formal budgetary integration is employed during the year as a management control device for the General and certain Special Revenue Funds. The Town Board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval. Appropriations for all governmental funds except the Capital Projects Fund lapse at year end.

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

f) Budgets for the General and certain Special Revenue Funds are legally adopted for each year. The budgets are adopted on a basis of accounting consistent with GAAP, except that outstanding encumbrances are re-appropriated in the subsequent year. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made.

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

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There was no tax increase in 2012.

B. FUND EQUITY

1. FUND BALANCE

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

	General Fund	Highway Fund	Parks Funds	Refuse and Garbage Funds	Capital Projects Funds	Other Governmental Funds	Total
Fund Balances:							
Nonspendable:							
Long-term receivables	\$ 2,463,543	\$ 1,000,000		\$ 17,232,799		\$ 1,813,691	\$ 22,510,033
Inventory	945,567	6,985,060	\$ 910,962	1,413,766		1,160,734	11,416,089
Prepaid items	1,467,104	395,487	889,989	947,960		456,651	4,157,191
Permanent fund principal						1,337,867	1,337,867
Total Nonspendable	4,876,214	8,380,547	1,800,951	19,594,525		4,768,943	39,421,180
Restricted for:							
Capital projects					\$ 4,830,327		4,830,327
Grantors and donor restrictions						1,279,954	1,279,954
Total Restricted	-0-	-0-	-0-	-0-	4,830,327	1,279,954	6,110,281
Assigned to:							
Subsequent year's budget	16,111,544	509,498	1,793,752	8,315,811		2,785,617	29,516,222
Purchases on order or contractual obligations	223,425	96,629	62,257	103,418		268,178	753,907
Special revenue funds		16,912,753	17,246,883	34,683,818		21,273,201	90,116,655
Total Assigned	16,334,969	17,518,880	19,102,892	43,103,047		24,326,996	120,386,784
Unassigned, reported in General Fund	1,262,239	-0-	-0-	-0-	-0-	-0-	1,262,239
Total Fund Balances	\$ 22,473,422	\$ 25,899,427	\$ 20,903,843	\$ 62,697,572	\$ 4,830,327	\$ 30,375,893	\$ 167,180,484

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY

2. DEFICIT FUND EQUITY

While the nonmajor funds Library Districts and Fire Districts both show positive assigned fund balances they contain districts with unassigned deficits. These districts are the Bay Park Library Funding district, the South Lynbrook/Hewlett Library Funding district and the North West Malverne Fire Protection District and have unassigned fund balance deficits of \$32,347, \$92,286 and \$61,726 respectively. The deficits are expected to be eliminated in subsequent years through adjustments in appropriations.

3. DETAILED NOTES ON ALL FUNDS

A. 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

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

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

At December 31, 2012 the Town's deposits were \$216,297,958. This amount is inclusive of Fiduciary fund deposits of \$106,222,945 and restricted cash of \$2,777,164 but exclusive of petty cash of \$15,750. The bank balance was \$229,212,252. Of the bank balance, \$15,140,488 was covered by Federal deposit insurance, and \$279,987,256 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, 2012 the Town 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, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2012 individual fund interfund receivable and payable balances for the primary government are generally expected to be paid currently. These balances represent various temporary loans, recharges and reimbursements between funds and are stated as follows:

	Receivable	Payable
Primary Government		
<u>Major Funds:</u>		
General Fund	\$ 7,761,414	\$ 8,121,732
Highway	3,168,331	1,054,223
Parks	140,633	143,671
Refuse & Garbage	5,842,151	41,112
Capital Projects Fund	83,625	4,797,085
<u>Nonmajor Funds:</u>		
Town Outside Village	4,145	77,300
Special Grant		900,220
Fire Protection	779	
Street Lighting	1,311	8,905
Public Parking	737	28,770
Water	21,795	1,851,980
Library	77	
	\$ 17,024,998	\$ 17,024,998

The General Fund \$8,050,000 short-term payable, for cash flow purposes, was repaid upon the receipt of property taxes in January 2013. The General Fund is awaiting funds from Nassau County resulting from litigation, see Note 4.B. The Capital Projects Fund payable to the General Fund for \$4,774,200 in engineering administrative fees for the Town's 2013 capital projects program was repaid in April of 2012 following the adoption of the required bond resolutions. The Special Grant Fund payable is expected to be repaid upon the collection of grant receivables.

At December 31, 2012 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.

	Transfer In	Transfer Out
Primary Government		
<u>Major Funds:</u>		
General Fund	\$ 3,546	\$ 5,872,954
Highway		27,219,427
Parks		4,311,121
Refuse & Garbage		5,309,176
Capital Projects Fund	787,808	
Debt Service	49,396,505	
<u>Nonmajor Funds:</u>		
Town Outside Village		164,335
Special Grant		12,878
Fire Protection		533,677
Street Lighting		1,427,494
Public Parking		1,726,477
Water		3,606,774
Permanent		3,546
	\$ 50,187,859	\$ 50,187,859

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2012 are as follows:

	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
Primary government				
Capital assets not being depreciated				
Land - other than landfills	\$ 53,019,828			\$ 53,019,828
Landfills	30,668,785			30,668,785
Construction work in progress	3,461,672	\$ 3,990,215	\$ 872,933	6,578,954
Total capital assets not being depreciated	87,150,285	3,990,215	872,933	90,267,567
Depreciable capital assets				
Infrastructure and improvements other than buildings	698,818,306	28,995,359		727,813,665
Buildings	91,580,030	5,589,611		97,169,641
Improvement to park portion of Merrick landfill	15,741,484			15,741,484
Machinery and equipment	95,708,335	7,294,920	4,588,106	98,415,149
Intangibles - Software	2,816,088	846,462		3,662,550
Total depreciable capital assets	904,664,243	42,726,352	4,588,106	942,802,489
Less accumulated depreciation				
Infrastructure and improvements other than buildings	348,180,788	20,255,161		368,435,949
Buildings	77,916,055	1,046,849		78,962,904
Improvements to park portion of Merrick landfill	4,940,395	540,555		5,480,950
Machinery and equipment	77,468,935	6,016,777	4,588,106	78,897,606
Intangibles - Software	220,929	228,949		449,878
Total accumulated depreciation	\$ 508,727,102	\$ 28,088,291	\$ 4,588,106	532,227,287
Total net depreciable capital assets				410,575,202
Total net capital assets				\$ 500,842,769

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

General government support	\$ 2,428,031
Public safety	570,355
Transportation	15,988,832
Economic assistance and opportunity	51,398
Culture and recreation	4,443,437
Home and community services	4,606,238
Total governmental activities depreciation expense	\$ 28,088,291

The Town evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2012, the Town has not recorded any such impairment losses.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

	Balance 1/1/2012	Additions	Deletions	Transfers	Balance 12/31/2012
Discretely Presented Component Units					
Capital assets not being depreciated					
Land	\$ 263,098				\$ 263,098
Construction in progress	12,706,922	\$ 2,681,705	\$ 630,762	(25,500)	14,732,365
Total capital assets not being depreciated	<u>12,970,020</u>	<u>2,681,705</u>	<u>630,762</u>	<u>(25,500)</u>	<u>14,995,463</u>
Depreciable capital assets					
Buildings	27,671,035	1,853,633	14,525	\$ 25,500	29,535,643
Improvements other than buildings	23,480				23,480
Machinery and equipment	7,853,192	4,096	18,878		7,838,410
Software	10,425,874	880,693	922		11,305,645
Infrastructure	3,959,316	33,750	500		3,992,566
Total depreciable capital assets	<u>49,932,897</u>	<u>2,772,172</u>	<u>34,825</u>	<u>25,500</u>	<u>52,695,744</u>
Less total accumulated depreciation	<u>\$ 21,230,063</u>	<u>\$ 1,576,169</u>	<u>\$ 34,825</u>		<u>22,771,407</u>
Total net depreciable capital assets					<u>29,924,337</u>
Total net capital assets					<u>\$ 44,919,800</u>

D. INDEBTEDNESS

SHORT-TERM DEBT

Bond Anticipation Notes (BANs) – Bond anticipation notes (BANs) are used as a temporary means of financing capital expenditures in the Capital Projects Fund. State law requires that BANs issued for capital purposes prior to 2008 to be converted to long-term obligations within five years after the original issue date; BANs issued for capital purposes after 2008 need to be converted to long-term obligations within seven years. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. Liabilities for BANs are generally accounted for in the Capital Projects Fund. BANs are expected to be paid from the proceeds of future bond issues or renewal of the notes.

Proceeds of notes which have been refinanced by the issuance of serial bonds subsequent to the end of the year but prior to dating of this financial statement are reported as a financing source in the appropriate fund.

At December 31, 2012, the Town had no BANs outstanding.

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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT

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 1.49% to 6.32%.

A summary of these bonds are as follows:

	Balance 1/1/2012	Issued	Redeemed	Balance 12/31/2012
Primary government:				
Capital Projects Fund				
General	\$ 41,142,346	\$ 10,740,000	\$ 4,285,302	\$ 47,597,044
Part-town	1,382,511	125,000	111,614	1,395,897
Highway	162,417,196	19,950,000	20,808,808	161,558,388
Fire Districts	2,774,605		413,383	2,361,222
Lighting District	9,977,671	1,650,000	1,039,721	10,587,950
Parking Districts	11,904,492	1,525,000	1,247,442	12,182,050
Refuse and Garbage Districts	27,010,152	2,895,000	4,349,833	25,555,319
Park Districts	29,966,514	4,939,000	2,878,332	32,027,182
Water District	19,584,368	6,745,000	2,243,533	24,085,835
Total primary government	<u>306,159,855</u>	<u>48,569,000</u>	<u>37,377,968</u>	<u>317,350,887</u>
Component units:				
Library Districts	\$ 11,925,288		\$ 729,546	\$ 11,195,742
Water Districts	9,462,489	\$ 1,300,000	670,640	10,091,849
Total component units	<u>21,387,777</u>	<u>1,300,000</u>	<u>1,400,186</u>	<u>21,287,591</u>
Total general obligation bonds	<u>\$ 327,547,632</u>	<u>\$ 49,869,000</u>	<u>\$ 38,778,154</u>	<u>\$ 338,638,478</u>

Future principal and interest payments to maturity are as follows:

Primary Government:

Years Ending December 31,				Total Principal and Interest
		Principal	Interest	
2013	\$	36,096,550	\$ 12,216,786	\$ 48,313,336
2014		37,176,293	10,846,193	48,022,486
2015		38,078,938	9,300,288	47,379,226
2016		30,782,198	7,778,341	38,560,539
2017		31,652,445	6,438,522	38,090,967
2018-2022		102,049,819	16,194,271	118,244,090
2023-2027		38,554,066	3,462,053	42,016,119
2028-2032		1,176,807	576,355	1,753,162
2033-2037		1,453,375	285,371	1,738,746
2038		330,396	15,694	346,090
Total primary government	<u>\$</u>	<u>317,350,887</u>	<u>\$ 67,113,874</u>	<u>\$ 384,464,761</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Component Units:

Years Ending December 31,		Principal		Interest		Total Principal and Interest
	2013	\$	1,110,689	\$	827,427	\$ 1,938,116
	2014		1,169,947		787,955	1,957,902
	2015		1,196,062		744,375	1,940,437
	2016		1,237,802		698,751	1,936,553
	2017		1,267,555		651,334	1,918,889
	2018-2022		4,075,180		2,674,262	6,749,442
	2023-2027		3,895,934		2,021,521	5,917,455
	2028-2032		3,793,193		1,216,702	5,009,895
	2033-2037		2,981,625		526,711	3,508,336
	2038		559,604		26,581	586,185
	Total component units	\$	21,287,591	\$	10,175,619	\$ 31,463,210
	Total Principal and Interest	\$	338,638,478	\$	77,289,493	\$ 415,927,971

Outstanding Bond Issues

Issue	Average Rate	Original Amount	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-1991, Series B	6.31560%	\$ 8,492,000	\$ 230,000	January 1, 2016
General Obligation Serial Bonds-2004, Series A	3.41190%	51,490,000	25,710,000	February 1, 2018
General Obligation Serial Bonds-2004, Series B	3.98640%	84,764,508	39,715,000	July 15, 2018
General Obligation Serial Bonds-2005, Series B	3.11727%	16,600,000	950,000	November 15, 2018
General Obligation Serial Bonds-2006, Series A	3.76550%	33,914,230	20,275,000	March 1, 2018
General Obligation Serial Bonds-2007, Series A	4.13760%	30,348,650	20,495,000	September 1, 2020
General Obligation Serial Bonds-2008, Series A	3.52974%	33,415,000	26,474,999	August 15, 2021
General Obligation Serial Bonds-2008, Series B	4.52663%	15,427,000	14,310,000	August 15, 2038
General Obligation Serial Bonds-2009, Series A	1.69702%	31,860,000	4,200,000	December 15, 2013
General Obligation Serial Bonds-2009, Series B	1.69702%	7,350,000	4,139,479	February 1, 2015
General Obligation Serial Bonds-2010, Series A	2.99083%	73,377,025	64,425,000	April 15, 2038
General Obligation Serial Bonds-2010, Series B	1.48920%	14,785,000	11,240,000	April 15, 2015
General Obligation Serial Bonds-2011, Series A	3.02130%	49,840,320	47,120,000	August 1, 2027
General Obligation Serial Bonds-2011, Series B	3.32884%	6,300,000	6,025,000	August 1, 2030
NYS EFC Refunding Bonds - Series A	1.80556%	2,005,000	1,240,000	February 15, 2015
NYS EFC Refunding Bonds - Series A	2.40364%	1,770,000	1,490,000	January 15, 2017
NYS EFC Refunding Bonds - Series A	2.81598%	920,000	730,000	June 15, 2019
General Obligation Serial Bonds-2012, Series A	1.85637%	49,869,000	49,869,000	August 15, 2037
		\$ 512,527,733	\$ 338,638,478	

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Town defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2012 there are no outstanding bonds considered defeased.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2012 is as follows:

	Beginning Balance 1/1/2012	New Issues/ Additions	Maturities/ Reductions	Ending Balance 12/31/2012	Non-current liabilities due within one year	Non-current liabilities
Primary Government:						
Bonds Payable						
General obligation bonds	\$ 306,159,855	\$ 48,569,000	\$ 37,377,968	\$ 317,350,887	\$ 36,096,550	\$ 281,254,337
Plus premiums on issuance	<u>12,471,967</u>	<u>4,315,613</u>	<u>1,280,477</u>	<u>15,507,103</u>	<u>1,453,102</u>	<u>14,054,001</u>
Total Bonds Payable	318,631,822	52,884,613	38,658,445	332,857,990	37,549,652	295,308,338
Employees retirement system	6,200,000	8,400,000	522,420	14,077,580	1,274,747	12,802,833
Compensated absences	52,189,150	33,213,834	32,276,316	53,126,668	3,318,175	49,808,493
Claims and judgments	25,074,808	12,830,111	10,884,848	27,020,071	11,090,000	15,930,071
Estimated liability for landfill closure and postclosure care costs	1,360,671		133,905	1,226,766	49,100	1,177,666
Pollution remediation	9,930,024	357,742	6,010,640	4,277,126	2,932,426	1,344,700
Other postemployment benefits	<u>223,181,047</u>	<u>51,892,042</u>	<u>16,616,643</u>	<u>258,456,446</u>		<u>258,456,446</u>
Total non-current liabilities	<u>\$ 636,567,522</u>	<u>\$ 159,578,342</u>	<u>\$ 105,103,217</u>	<u>\$ 691,042,647</u>	<u>\$ 56,214,100</u>	<u>\$ 634,828,547</u>
Component Units:						
General obligation bonds	\$ 21,387,777	\$ 1,300,000	\$ 1,400,186	\$ 21,287,591	\$ 1,110,689	\$ 20,176,902
Compensated absences	900,868	182,296	131,019	952,145	32,269	919,876
Other postemployment benefits	<u>3,071,293</u>	<u>1,111,610</u>	<u>417,507</u>	<u>3,765,396</u>		<u>3,765,396</u>
Total non-current liabilities	<u>\$ 25,359,938</u>	<u>\$ 2,593,906</u>	<u>\$ 1,948,712</u>	<u>\$ 26,005,132</u>	<u>\$ 1,142,958</u>	<u>\$ 24,862,174</u>

Liabilities for claims and judgments and landfill closure and post closure costs are liquidated through future budgetary appropriations in the General Fund. The majority of the liabilities for pollution remediation will be paid through authorized capital projects and a small portion through the water fund operating budget. The liabilities for compensated absences, postemployment health care benefits and due to Employees' Retirement System are liquidated through future budgetary appropriation in the funds that gave rise to the liability.

E. RETIREMENT SYSTEM

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (NYSERS), a cost sharing multiple public employer retirement system. The System provides retirement benefits as well as death and disability benefits.

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 found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

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 for the first ten years of membership, employees who joined on or after January 1, 2010, who generally contribute 3% of their salary for the entire length of service, and employees who joined on or after April 1, 2012, who contribute 3% to 6% of their salary, depending upon their annual wages, for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Contributions consist of a group term life insurance portion (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2012 and 2013 are as follows:

Contribution rates

Tier	Plan/ Option	3/31/2012 Rate	3/31/2013 Rate
1	75I/41J	21.5%	25.4%
2	75I/41J	19.7%	23.2%
3	A14/41J	15.8%	18.6%
4	A15/41J	15.8%	18.6%
5	A15/41J	12.7%	15.1%
6	A15/41J2		10.1%

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts. There are no contributions related to an early retirement incentive for 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:

Annual Required Contribution - ERS

	Amount	Credits & Miscellaneous Adjustments	Prepayment Discount	Amortization Amount	Amortization Payments	Total Payment
2012	\$ 30,430,414	\$ 156,446	\$ (261,100)	\$ (8,400,000)	\$ 754,920	\$ 22,680,680
2011	23,629,499	239,879	(214,878)	(6,200,000)		17,454,500
2010	17,072,109	178,101	(165,161)			17,085,049

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Funding Policy (continued)

The law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The total unpaid liability for the Town for the 2012 amortization year is \$14,077,580. Amortization contributions will be paid in ten equal installments, one per year, but may be prepaid at any time. The Town has, for now, opted to amortize over the ten-year period. The interest rate will be established annually for each year's amortization and paid out of current resources. Future principal and interest payments to maturity for the amortization installments are as follows:

2011 Chapter 57, laws of 2010 - \$6,200,000

	Principal	Interest	Total Principal and Interest
Year Ending December 31, 2013	\$ 542,011	\$ 212,909	\$ 754,920
2014	562,336	192,584	754,920
2015	583,424	171,496	754,920
2016	605,302	149,618	754,920
2017	628,001	126,919	754,920
2018-2021	2,756,506	263,177	3,019,683
	<u>\$ 5,677,580</u>	<u>\$ 1,116,703</u>	<u>\$ 6,794,283</u>

2012 Chapter 57, laws of 2010 - \$8,400,000

	Principal	Interest	Total Principal and Interest
Year Ending December 31, 2013	\$ 732,736	\$ 252,000	\$ 984,736
2014	754,718	230,018	984,736
2015	777,360	207,376	984,736
2016	800,680	184,056	984,736
2017	824,701	160,035	984,736
2018-2020	4,509,805	413,878	4,923,683
	<u>\$ 8,400,000</u>	<u>\$ 1,447,363</u>	<u>\$ 9,847,363</u>

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

Plan Description

The Town, as a single-employer defined benefit plan, per its contracts with employees, will pay the full premium costs for the medical benefits, currently provided by the New York State Health Insurance Program NYSHIP. Active and retired employees of the Town have the Empire PPO plan (Core Plus Enhancements). The Empire plan has separate pre-Medicare and Medicare rates. Since the plans are community rated, the retiree claim costs are based on the actual rates without adjustment for age. Substantially all of the Town's employees may be eligible for these benefits if they reach normal retirement age while working for the Town. Benefits are provided to the employee who retires with at least ten full years of service with any public employer in the State of New York, provided the employee has at least five full years of service in the Town, prior to the date of retirement at age fifty-five or later. The Town provides dental coverage on a self-insured basis through Healthplex. Retiree claim costs were based upon claim and administrative data provided by Healthplex. The retiree is also eligible for Medicare Part B reimbursement in the amount of \$1,157 per year for those who were Medicare enrollees prior to January 1, 2010, \$1,326 per year for those enrolling on January 1, 2010 through December 31, 2010, and \$1,385 per year for those who will enroll January 1, 2011 and after, if they are over the age of sixty-five. The Medicare Part B premium that is charged varies by income level. Medicare Part B reimbursement valuation was assumed at the basic level. The retiree is also eligible for Medicare Part B reimbursement in the 2012 weighted amount of \$1,259 per year, if they are over the age of sixty-five. As of 2007 the Medicare Part B premium that is charged varies by income level. Medicare Part B reimbursement valuation was assumed at the basic level.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Plan Description (continued)

Upon death of a retiree the Town ceases to pay the healthcare costs for the un-remarried survivor after three months. The survivor can continue the insurance through the Town at their own cost. The survivor does continue to receive the Medicare reimbursement. These contracts may be renegotiated at various times in the future.

The Town, as administrator of the plan, does not issue a separate report.

Plan sponsors are allowed to utilize the results of an actuarial valuation for multiple years if no significant changes have occurred since the prior valuation was performed. Accordingly, the Town's OPEB valuation for the year ending December 31, 2012, is based on the employee data, plan provisions, methods and assumptions described in the actuarial valuation for the year ended December 31, 2011, with the exception of an adjustment to reflect an increase in the NYSHIP premiums as of January 1, 2012.

The number of participants as of December 31, 2012, the effective date of the OPEB valuation, follows. There have been no significant changes in the number or employees or the type of coverage since that date.

Active employees	1,877
Retired Employees and spouses	1,994
Surviving spouses of deceased retirees	237
Total	4,108

Funding Policy

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

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2012, the Town's annual other postemployment benefits cost (expenses) were \$51,892,042. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled \$16,616,643 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$35,275,399 for the year ended December 31, 2012. For the year ended December 31, 2012 the Town's component units annual postemployment benefits cost (expenses) were \$1,111,610. Considering health insurance payments totaling \$417,507, the increase in the other postemployment benefits liability for the component units for the year ended December 31, 2012 amounted to \$694,103.

Benefit Obligations and Normal Cost

	Medical, Dental and Medicare Part B
Actuarial Accrued Liability (AAL)	
Active employees	\$ 427,698,000
Retired employees	213,723,000
Total Actuarial Accrued Liability (AAL)	641,421,000
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	\$ 641,421,000
Funded ratio	0%
Normal cost at the beginning of the year	\$ 22,004,000
Amortization cost at the beginning of the year	\$ 36,546,000
Annual covered payroll	\$ 160,936,638
UAAL as a percentage of covered payroll	398.55%

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Benefit Obligations and Normal Cost (continued)

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), which is an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the Town for the year ended December 31, 2012 amounted to \$641,421,000. The unfunded actuarial accrued liability for the components units for the year ended December 31, 2012 amounted to \$12,672,019.

The following table shows the components of the Town's other postemployment benefits liability:
Level Dollar Amortization

Calculation of ARC under the Projected Unit Credit Cost Method

Normal cost	\$	20,869,000
Amortization of unfunded actuarial liability (UAAL) over 30 years		34,506,000
Annual required contribution (ARC)		55,375,000
Interest on net OPEB obligation		8,927,242
Adjustment to ARC		(12,410,200)
Annual OPEB Cost		51,892,042
Less: Contribution made		16,616,643
Increase in net OPEB liability		35,275,399
Net OPEB obligation, beginning of year		223,181,047
Net OPEB obligation, end of year	\$	258,456,446
 Percentage of annual OPEB cost contributed		 32.0%

Funded Status and Funding Progress

The percentage contributed, for the primary government, for the current year and preceding two years were:

	Annual OPEB Cost	Annual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 51,892,042	\$ 16,616,643	32.0%	\$ 258,456,446
2011	55,700,106	15,134,210	27.2%	223,181,047
2010	53,008,211	15,198,338	28.7%	182,615,151

The decrease in the December 31, 2012 valuation as compared to the December 31, 2011 valuation is primarily the result of the slight decrease in NYSHIP premiums and claims costs for post-65 retirees in 2013 and a slight decrease in the inflation trend.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Funded Status and Funding Progress (continued)

The funded status of the plan as of December 31, 2012 is as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Town	\$ -0-	\$ 641,421,000	\$ 641,421,000	0%	\$ 160,936,638	398.55%
Component Units	-0-	12,672,019	12,672,019	0%	4,048,227	313.03%

The required schedule of funding progress can be found immediately following the notes, in required supplementary information, and presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

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

In the December 31, 2011 actuarial valuation, the liabilities were computed using the projected unit credit method, level debt amortization method, and an open 30 year amortization period to amortize the initial unfunded liability. The actuarial assumptions utilized a 4.0% discount rate, a 7.3% medical inflation rate, a 5.0% inflation rate for Medicare Part B and dental, and assume that the benefits are not prefunded. The discount rate is required to be set based on the expected earnings of the Town's General Fund. The valuation assumes a 7.3% healthcare cost trend increase for the year ended 2012, reduced by decrements to a rate of 5.9% after seven years for pre-65 and post-65 medical benefits. For medical benefits, the assumed valuation reaches 5.0% in 2074 and 4.7% in 2080. The valuation assumes a 5% cost trend for dental and a 5.0% cost trend for Medicare Part B benefits for the year ended 2012.

A copy of the Town of Hempstead Retiree Medical Program, December 31, 2011 Valuation is available by contacting the Town of Hempstead, Office of the Comptroller, Hempstead, New York.

G. COMPENSATED ABSENCES

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

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the statement of net 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, 2012 the value of the compensated absences was \$53,126,668 for the primary government. The liability for compensated absences for the component units amounted to \$952,145.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

H. PERMANENT FUND

The Town maintains the Greenfield Cemetery pursuant to Chapter 663 of the Laws of New York 1964 amending the Chapter 273 of the Laws of New York 1939. Pursuant to Article 3 §276.0 the trustees of the Greenfield Cemetery transferred to the Town all funds, securities and other items of personal and real property. The Town maintains Greenfield Cemetery in accordance with Article 3 §278.0 and §279.0. Interest earnings are transferred to the General Fund for the sole use of maintaining the Greenfield Cemetery. The amount of interest earnings transferred to the General Fund as of the year ended December 31, 2012 is \$3,546. The amount of total net assets restricted as nonexpendable, in the Permanent Fund, for the Greenfield Cemetery at December 31, 2011 is \$1,337,867.

4. COMMITMENTS AND CONTINGENCIES

A. RISK RETENTION

In common with other municipalities, the Town receives numerous notices of claims. The Town is self-insured for 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 \$27,020,071. 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 \$200,000,000 per occurrence and in the aggregate, except for flood and earthquake, which is \$25,000,000 per occurrence and in the aggregate.

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.

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

	Workers' Compensation		General Liability	
	2012	2011	2012	2011
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 22,977,000	\$ 21,762,000	\$ 2,097,808	\$ 2,301,388
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>11,275,779</u>	<u>10,124,985</u>	<u>1,554,332</u>	<u>2,704,190</u>
Total incurred claims and claim adjustment expenditures	<u>11,275,779</u>	<u>10,124,985</u>	<u>1,554,332</u>	<u>2,704,190</u>
Payments				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years.	<u>9,355,779</u>	<u>8,909,985</u>	<u>1,529,069</u>	<u>2,907,770</u>
Total unpaid claims and claim adjustment expenditures at the end of the year.	<u>\$ 24,897,000</u>	<u>\$ 22,977,000</u>	<u>\$ 2,123,071</u>	<u>\$ 2,097,808</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION

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

Garbage Taxes and Local Utilities

There are currently five (5) cases against the Town regarding garbage taxes and local utilities. The Town is vigorously pursuing all these claims. In those actions where the utility has already obtained a judgment against the Town, the Town has commenced independent, plenary actions for reimbursement from Nassau County under the relevant provisions of the Nassau County Administrative Code collectively known as the "County Guarantee". In those actions which are still pending and do not yet have a judgment, the Town has brought Nassau County into the proceedings by means of a third-party summons and complaint. Additional third-party actions shall be commenced against the County as required.

This County Guarantee has been recently affirmed on August 3, 2010 in the matter of New York Telephone Company v. Supervisor of the Town of North Hempstead. The County motion for leave to appeal this finding was denied by the Court of Appeals. Subsequently, on January 11, 2011, the Appellate Division Second Department in the matter of New York Telephone v. Supervisor of the Town of Hempstead found the County Guarantee under Nassau County Administrative Code to be a viable recourse for the Town citing the above-mentioned Town of North Hempstead case. In addition, the Town has asked the County to cease taxing the plaintiffs' utility property for the Town's garbage collection and disposal districts.

As of December 31, 2012, judgments against the Town relating to these claims amounted to \$17,232,799 for which, after partial payments have been made, the remaining liability is \$1,306,984 on the balance sheet of the Refuse and Garbage Fund. In addition, based on the recovery anticipated under the "County Guarantee" cited above, the Town recorded a due from other governments of \$17,232,799 on the balance sheet of the Refuse and Garbage Fund for this total liability. The Town considers this receivable to be long-term, and accordingly has presented it as nonspendable fund balance.

On July 24, 2012 Judge Parga sitting in Supreme Court for the County of Nassau issued a series of Short Form Orders which in sum and substance agreed with the Town's arguments herein and ordered the County to refund the utility judgments directly to the utility company plaintiffs and ordered the County to correct the erroneous tax rolls which led to this litigation. New York Telephone Company v. Supervisor of Town of Hempstead, et al. v. County of Nassau, et al., (J. Parga) (Nassau Co. Sup. Ct.) (Index No. 1998-12177).

Judge Parga's decisions are currently on appeal in the Appellate Division for the Second Department. Several other trial court decisions in similar Nassau County garbage tax cases have followed Judge Parga's. The outcome of the Parga appeal will likely control the final disposition of all of these cases.

FIT Tuition Charge Back

In 2010, Nassau County (County) commenced a chargeback to the cities and towns within the County for amounts paid for its cost of educating County residents at the Fashion Institute of Technology (FIT) under the community college reimbursement provisions of the New York State Education Law. On January 16, 2013, the Appellate Division, Second Department ruled that the County could charge back for FIT payments made by the County for both two year associate programs as well as four year undergraduate programs and masters programs upon the adoption of the appropriate County resolution. In that same decision, the Appellate Division ruled that the County could not offset the disputed chargebacks against the Town's share of sales tax revenue. The final resolution of this matter is pending as the parties have moved in the Appellate Division for reargument or leave to appeal to the Court of Appeals.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

FIT Tuition Charge Back (continued)

As of December 31, 2012 the FIT tuition chargeback to the Town of Hempstead amounts to \$8,159,429. No liability has been recorded in the financial statements for this matter. The Town has presented the long-term portion of the receivable that arose from the County withholding sales tax payments to the Town in amounts equal to the FIT chargebacks of \$3,200,635 for 2010 and \$2,076,599 for 2011 as nonspendable fund balance.

Other Litigation

In addition to the above referenced cases, the Town is involved in other lawsuits with claims ranging from one to five million dollars. These cases are in various stages of litigation and their outcome cannot presently be determined.

As of December 31, 2012, no liability has been recorded in the financial statements on these matters.

C. RESOURCE RECOVERY FACILITY

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

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

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

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

D. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to place a final cover on its landfill sites and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. The Oceanside Landfill stopped receiving waste in July, 1989 and the Merrick Landfill stopped receiving waste in March, 1984. During 2012 the Town reanalyzed the postclosure care, maintenance, and monitoring costs of its landfills and changed the estimated costs, lowering them by \$133,905. Accordingly, as of December 31, 2012 the Town has recorded a liability of \$1,226,766, in the government-wide financial statements, which represents the provision to be made in future budgets for unfunded closure and postclosure landfill costs. As the liability is based on 100% of capacity there are no estimated costs of closure or postclosure remaining to be recognized. Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws.

E. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

The Town is committed to capital improvements to its various facilities and infrastructure. The Town at December 31, 2012 has commitments for capital acquisitions and improvements of \$20,498,542 in the Capital Projects Fund that it is anticipated will be paid for by the issuance of general obligation bonds.

F. POLLUTION REMEDIATION OBLIGATIONS

The Town's policy is to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. Obligor events include the following: The Town:

- Is compelled to take remediation action because of imminent endangerment
- Violates a pollution related permit or license
- Is named or will be named as a responsible party or potentially responsible party for a remediation
- Is named, or will be named in a lawsuit to compel pollution remediation
- Commences or obligates itself to remediate pollution

Pollution remediation activities include the removal and disposal of sediment and soil from dry wells contaminated by automotive lubricants, and from spills related to removal and replacement of underground storage tanks for waste oil, heating oil, and automotive fuels. Other pollution remediation obligations include asbestos abatement and removal. Estimates are based on known liabilities from existing NYSDEC Spill cases and the USEPA Consent Order, and on the assumed course of action that the NYSDEC/USEPA would require based on the professional judgment and experience of the Town's consulting engineers in dealing with these agencies and projects. During the course of any of the Town's pollution remediation projects, additional information found through soil/water sampling could adversely affect duration and costs if additional contaminants are found, or decrease duration and costs if clean samples are also found.

At December 31, 2012, the Town has estimated pollution remediation obligations amounts at \$4,277,126 of which \$2,932,426 is payable within one year.

Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws. The Town does not anticipate any recoveries from insurance or other parties in connection with its pollution remediation activities. Estimates are based on current environmental regulations, which are periodically subject to change by the NYSDEC/USEPA.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

G. SERVICE CONCESSION ARRANGEMENTS

In 2009 the Town entered into an agreement with Dover Gourmet Corp. for the management and maintenance of the Malibu Beach Park for the next ten years. Dover Gourmet will pay the Town an annual license fee of \$400,000. If there is an increase in rental fees to be charged to Malibu park cabana patrons, the annual license fee shall be increased by the percentage increase in fees. The value of these payments is estimated to be \$4,000,000 over the life of the agreement. The Town reports the Malibu Beach Park as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2012, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$2,400,000.

In 1997, the Town entered into an agreement with Double Eagle Golf, Inc. for the management and maintenance of the Lido Golf Club for the next ten years. The agreement included options for two five-year extensions. The Town exercised its option to extend the agreement in 2007, and again in 2012. Under the current extension Double Eagle will pay the Town an annual license fee of \$200,000, with annual increases equal to the change in the Consumer Price Index for the Northeast Region as published by the U.S. Department of Commerce. The value of these payments is estimated to be \$1,000,000 over the life of the current extension. The Town reports Lido Golf Course as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2012, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$800,000.

In 1994, the Town entered into an agreement with National Rink Management, Corp. for the occupancy and operation of the Newbridge Park Ice Rink for the ten-year period ending September 30, 2004. The agreement included options for two five-year extensions. The Town exercised its option to extend the agreement in 2004, and in 2006 the agreement was amended to modify the term to ten years beginning October 1, 2004 and ending September 30, 2014. Under the amended agreement National Rink Management agreed to pay the Town an annual license fee of \$105,000 in each of the first two years, \$110,000 in the third and subsequent years, with annual increases in years four through ten equal to the change in the Consumer Price Index for the Northeast Region as published by the U.S. Department of Commerce. The value of these payments is estimated to be \$1,170,000 over the life of the current agreement. The Town reports the Newbridge Park Ice Rink as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2012, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$222,000.

There were no amounts to be restated as there was no impact on opening balances.

H. MERRICK FIRE DEPARTMENT SERVICE AWARD PROGRAM (LOSAP)

The Town sponsors a defined contribution LOSAP for the active volunteer firefighters of the Merrick Fire Department. The program took effect on January 1, 1991. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the program.

Program Description

Participation, vesting and service credit

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates the required number of points in accordance with the system adopted by the program sponsor. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. The program's entitlement age is age 60. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

Program Description (continued)

Benefits

A participant's benefit under the program is a Life Annuity with 10 years certain equal to \$20 multiplied by the person's total number of years firefighting experience. The maximum number of years of firefighting service for which a participant may receive a contribution is thirty years. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

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

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

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

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is Harbridge Consulting Group, LLC. Portions of the following information are derived from a report prepared by the actuary dated May 2, 2013.

Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2013		\$	2,804,210
Assets Available for Benefits			
Annuities	100%	\$	2,356,892
Total Net Assets Available for Benefits			2,356,892
Total Unfunded Benefits/Surplus			447,318
Unfunded Liability/Surplus for Prior Service			(447,318)
Unfunded Normal benefits		\$	-0-

Prior Service Costs

Prior service costs are being amortized over 10 years at a discount rate of 4.75%.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

G. MERRICK FIRE DEPARTMENT SERVICE AWARD PROGRAM (LOSAP)

Program Financial Condition (continued)

Plan Net Assets, beginning of year	\$	2,214,545
Changes during the year:		142,347
Plan Net Assets, end of year	\$	2,356,892

Contributions

Amount of sponsor's required contribution:		\$	140,930
	Minimum		
	Maximum	\$	160,201
			84% Funded

Amount of sponsor's actual contribution:	\$	157,934
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Administration Fees

Fees paid to designated program administrator:	\$	2,206
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Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the "Unit Credit" Cost Method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment 4.75%

Mortality Tables used for

Withdrawal	None
Disability	None
Retirement	Based on Standard Security L.I.C.'s Current Annuity Rates
Death (Actives)	None
Death (Inactive)	None
Other	None

Intentionally Left Blank

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

5. 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, 2012:

Condensed Statement of Net Position:

	Assets		Liabilities		Net Position		
	Current and Other Assets	Capital Assets Net of Depreciation	Current Liabilities	Bonds and Other Long-Term Liabilities	Investment in Capital Assets Net of related debt	Restricted	Unrestricted
Lakeview Public Library District	\$ 1,139,521	\$ 2,722,296	\$ 237,363	\$ 505,123	\$ 2,167,776	\$ 1,000	\$ 950,555
Roosevelt Public Library District	1,824,097	14,169,678	499,165	8,501,114	6,198,861		794,635
Uniondale Public Library District	2,167,156	6,467,490	513,171	2,768,914	3,761,187	20,324	1,571,050
Cathedral Gardens Water District	387,564		6,362				381,202
Franklin Square Water District	2,998,271	7,042,360	335,165	6,930,716	850,481	1,489,502	434,767
West Hempstead - Hempstead Gardens Water District	6,596,452	11,186,857	327,168	2,378,823	11,186,857	4,320,554	(430,093)
Greater Atlantic Beach Water Reclamation District	3,669,792	3,331,119	922,332	3,991,174	1,356,922	437,467	293,016
	<u>\$ 18,782,853</u>	<u>\$ 44,919,800</u>	<u>\$ 2,840,726</u>	<u>\$ 25,075,864</u>	<u>\$ 25,522,084</u>	<u>\$ 6,268,847</u>	<u>\$ 3,995,132</u>

Condensed Statement of Activities:

	Program			General Revenue		Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Net Expense (Revenue)	Property Taxes	Other	Change	1/1/2012	12/31/2012
Lakeview Public Library District	\$ 1,148,681	\$ 27,138		\$ 1,121,543	\$ 1,273,200	\$ 10,526	\$ 162,183	\$ 2,957,148	\$ 3,119,331
Roosevelt Public Library District	2,498,184	12,890	\$ 19,489	2,465,805	2,865,833	25,616	425,644	6,567,852	6,993,496
Uniondale Public Library District	3,303,643	27,139		3,276,504	3,999,272	44,733	767,501	4,585,060	5,352,561
Cathedral Gardens Water District	43,588			43,588	31,492	3,200	(8,896)	390,098	381,202
Franklin Square Water District	2,680,991	1,385,150		1,295,841	936,822	169,882	(189,137)	2,963,887	2,774,750
West Hempstead - Hempstead Gardens Water District	4,008,984	1,733,134		2,275,850	1,563,423	659,147	(53,280)	15,130,598	15,077,318
Greater Atlantic Beach Water Reclamation District	1,823,166			1,823,166	1,633,142	25,654	(164,370)	2,078,755	1,914,385
	<u>\$15,507,237</u>	<u>\$ 3,185,451</u>	<u>\$ 19,489</u>	<u>\$12,302,297</u>	<u>\$12,303,184</u>	<u>\$ 938,758</u>	<u>\$ 939,645</u>	<u>\$34,673,398</u>	<u>\$35,613,043</u>

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

6. SUBSEQUENT EVENTS

The Town Board has authorized the issuance of \$44,807,500 in serial bonds to finance the Town's 2013 capital plan. A date for a bond sale has not been set.

In April the Town and the Civil Service Employees Association, the union representing Town employees, entered into a new collective bargaining agreement to replace the agreement that expired in December 2012. The new agreement runs from January 1, 2013 through December 31, 2016. The contract includes salary increases of 1% effective July 1, 2013, 2% effective January 1, 2014, 2.5% effective January 1, 2015, and 3% effective January 1, 2016. The health insurance contribution for newly hired full-time employees will remain at 15%. The new agreement also reduces by 50% the maximum number of unused sick and vacation days payable at retirement to newly hired full-time employees.

7. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 61 *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2012.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 65 *"Items Previously Reported as Assets and Liabilities"*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2012.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 66 *"Technical Corrections 2012 – an amendment of GASB Statements No. 10 and No. 62"*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2012.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 *"Accounting and Financial Reporting for Pensions"*—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2015.

The Town is currently evaluating the impact of the above pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION & ANALYSIS

<p>Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Major Governmental Funds and Schedules</p>
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

TOWN OF HEMPSTEAD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 17,998,437	\$ 17,998,437	\$ 17,259,488	\$ (738,949)
Real property tax items	1,458,725	1,458,725	1,344,437	(114,288)
Non-property tax items	32,000,000	32,000,000	33,380,342	1,380,342
Departmental income	5,575,200	5,583,200	5,534,518	(48,682)
Intergovernmental charges	20,000	20,000	7,570	(12,430)
Use of money and property	505,000	505,000	609,931	104,931
Licenses and permits	1,004,500	1,004,500	871,019	(133,481)
Fines and forfeitures	25,000	25,000	121,526	96,526
Sale of property and compensation for loss	161,000	161,000	73,978	(87,022)
Miscellaneous revenue	210,000	210,000	90,621	(119,379)
Interfund revenues	55,815,032	55,815,032	55,816,053	1,021
State aid	16,221,475	16,221,475	19,595,240	3,373,765
Federal aid			1,701,039	1,701,039
Total Revenues	<u>130,994,369</u>	<u>131,002,369</u>	<u>136,405,762</u>	<u>5,403,393</u>
EXPENDITURES				
Current:				
General government support	81,390,489	81,604,447	77,745,954	3,858,493
Education	2,900,000	2,900,000	2,536,059	363,941
Public safety	10,627,452	10,627,452	10,178,081	449,371
Health				
Transportation	1,849,361	1,849,361	1,401,819	447,542
Economic assistance and opportunity	5,856,269	5,856,269	5,725,877	130,392
Culture and recreation	140,000	153,200	141,706	11,494
Home and community services	11,807,320	11,815,320	11,475,823	339,497
Employee benefits	30,901,157	31,016,927	30,535,784	481,143
Debt service:				
Bond issuance costs	34,230	34,230	34,230	-0-
Total Expenditures	<u>145,506,278</u>	<u>145,857,206</u>	<u>139,775,333</u>	<u>6,081,873</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(14,511,909)</u>	<u>(14,854,837)</u>	<u>(3,369,571)</u>	<u>11,485,266</u>
Other Financing Sources (Uses)				
Transfers in			3,546	3,546
Transfers out	(5,872,954)	(5,872,954)	(5,872,954)	-0-
Premiums of debt issuance	200,000	200,000	955,195	755,195
Total Other Financing Sources (Uses)	<u>(5,672,954)</u>	<u>(5,672,954)</u>	<u>(4,914,213)</u>	<u>758,741</u>
Net Change in Fund Balances	<u>\$ (20,184,863)</u>	<u>\$ (20,527,791)</u>	<u>(8,283,784)</u>	<u>\$ 12,244,007</u>
Fund Balances at Beginning of Year			<u>30,757,206</u>	
Fund Balances at End of Year			<u>\$ 22,473,422</u>	

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

TOWN OF HEMPSTEAD
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 64,280,709	\$ 64,280,709	\$ 64,387,035	\$ 106,326
Real property tax items	390,000	390,000	400,026	10,026
Intergovernmental charges			3,000	3,000
Use of money and property	397,500	397,500	131,104	(266,396)
Sale of property and compensation for loss	21,500	21,500	76,478	54,978
Miscellaneous revenue	75,000	75,000	50,161	(24,839)
State aid	400,000	400,000	416,636	16,636
Federal aid		7,526,499	10,230,549	2,704,050
Total Revenues	<u>65,564,709</u>	<u>73,091,208</u>	<u>75,694,989</u>	<u>2,603,781</u>
EXPENDITURES				
Current:				
Transportation	31,657,889	39,333,478	35,646,463	3,687,015
Employee benefits	9,800,755	9,651,665	9,651,661	4
Debt service:				
Bond issuance costs	63,525	63,525	63,525	-0-
Total Expenditures	<u>41,522,169</u>	<u>49,048,668</u>	<u>45,361,649</u>	<u>3,687,019</u>
Excess of Revenues Over Expenditures	<u>24,042,540</u>	<u>24,042,540</u>	<u>30,333,340</u>	<u>6,290,800</u>
Other Financing Sources (Uses)				
Transfers in	2,000,000	2,000,000		(2,000,000)
Transfers out	(27,219,429)	(27,219,429)	(27,219,427)	2
Premiums of debt issuance	300,000	300,000	1,772,663	1,472,663
Total Other Financing Sources (Uses)	<u>(24,919,429)</u>	<u>(24,919,429)</u>	<u>(25,446,764)</u>	<u>(527,335)</u>
Net Change in Fund Balances	<u>\$ (876,889)</u>	<u>\$ (876,889)</u>	<u>4,886,576</u>	<u>\$ 5,763,465</u>
Fund Balances at Beginning of Year			<u>21,012,851</u>	
Fund Balances at End of Year			<u>\$ 25,899,427</u>	

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

TOWN OF HEMPSTEAD
PARK DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 50,930,425	\$ 50,930,425	\$ 50,930,425	\$ -0-
Real property tax items	351,715	351,715	352,919	1,204
Departmental income	3,072,500	3,072,500	2,654,790	(417,710)
Intergovernmental charges	758,157	758,157	752,683	(5,474)
Use of money and property	316,140	316,140	407,980	91,840
Fines and forfeitures	3,000	3,000	1,300	(1,700)
Sale of property and compensation for loss	7,400	19,225	38,907	19,682
Miscellaneous revenue	195,000	195,000	158,907	(36,093)
Interfund revenues	27,604,554	27,604,554	27,604,554	-0-
State aid	250,000	250,000	335,586	85,586
Federal aid			1,906,914	1,906,914
Total Revenues	<u>83,488,891</u>	<u>83,500,716</u>	<u>85,144,965</u>	<u>1,644,249</u>
EXPENDITURES				
Current:				
Culture and recreation	63,886,109	63,356,897	61,816,007	1,540,890
Employee benefits	19,590,842	19,956,949	19,956,946	3
Debt service:				
Bond issuance costs	13,339	13,339	13,339	-0-
Total Expenditures	<u>83,490,290</u>	<u>83,327,185</u>	<u>81,786,292</u>	<u>1,540,893</u>
Excess of Revenues Over Expenditures	<u>(1,399)</u>	<u>173,531</u>	<u>3,358,673</u>	<u>3,185,142</u>
Other Financing Sources (Uses)				
Transfers in				
Transfers out	(4,136,196)	(4,311,126)	(4,311,121)	5
Premiums of debt issuance	25,000	25,000	372,215	347,215
Total Other Financing Sources (Uses)	<u>(4,111,196)</u>	<u>(4,286,126)</u>	<u>(3,938,906)</u>	<u>347,220</u>
Net Change in Fund Balances	<u>\$ (4,112,595)</u>	<u>\$ (4,112,595)</u>	<u>(580,233)</u>	<u>\$ 3,532,362</u>
Fund Balances at Beginning of Year			<u>21,484,076</u>	
Fund Balances at End of Year			<u>\$ 20,903,843</u>	

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

TOWN OF HEMPSTEAD
REFUSE AND GARBAGE DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 93,332,529	\$ 93,332,529	\$ 93,422,154	\$ 89,625
Real property tax items	835,000	835,000	930,303	95,303
Non-property tax items	2,500,000	2,500,000	2,500,000	-0-
Departmental income	8,035,000	8,035,000	9,882,842	1,847,842
Intergovernmental charges	2,825,000	2,825,000	4,317,366	1,492,366
Use of money and property	4,060,600	4,060,600	3,908,900	(151,700)
Licenses & permits			18,579	18,579
Sale of property and compensation for loss	925,000	925,000	611,162	(313,838)
Miscellaneous revenue	225,000	225,000	182,301	(42,699)
State aid	325,000	325,000	388,595	63,595
Federal aid		6,034,444	13,686,126	7,651,682
Total Revenues	<u>113,063,129</u>	<u>119,097,573</u>	<u>129,848,328</u>	<u>10,750,755</u>
EXPENDITURES				
Current:				
Home and community services	88,279,178	93,998,788	93,875,463	123,325
Employee benefits	19,077,213	19,392,047	19,392,045	2
Debt service:				
Bond issuance costs	11,606	11,606	11,606	-0-
Total Expenditures	<u>107,367,997</u>	<u>113,402,441</u>	<u>113,279,114</u>	<u>123,327</u>
Excess of Revenues Over Expenditures	<u>5,695,132</u>	<u>5,695,132</u>	<u>16,569,214</u>	<u>10,874,082</u>
Other Financing Sources (Uses)				
Transfers out	(5,309,178)	(5,309,178)	(5,309,176)	2
Premiums of debt issuance	75,000	75,000	323,878	248,878
Total Other Financing Sources (Uses)	<u>(5,234,178)</u>	<u>(5,234,178)</u>	<u>(4,985,298)</u>	<u>248,880</u>
Net Change in Fund Balances	<u>\$ 460,954</u>	<u>\$ 460,954</u>	<u>11,583,916</u>	<u>\$ 11,122,962</u>
Fund Balances at Beginning of Year			<u>51,113,656</u>	
Fund Balances at End of Year			<u>\$ 62,697,572</u>	

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

TOWN OF HEMPSTEAD
SCHEDULE OF FUNDING PROGRESS
TOWN OF HEMPSTEAD RETIREE MEDICAL PROGRAM
POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS
December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2012	\$ -0-	\$ 641,421,000 *	\$ 641,421,000	0%	\$ 160,936,638	398.55%
12/31/2011	-0-	679,236,000	679,236,000	0%	152,660,786	444.93%
12/31/2010	-0-	642,137,000 *	642,137,000	0%	148,013,505	433.84%
12/31/2009	-0-	601,990,000	601,990,000	0%	143,602,609	419.21%
12/31/2008	-0-	847,598,800 *	847,598,800	0%	141,843,937	597.56%
12/31/2007	-0-	810,403,000	810,403,000	0%	138,138,869	586.66%

*Roll forward projection

The decrease in the December 31, 2012 valuation as compared to the December 31, 2011 valuation is primarily the result of the slight decrease in NYSHIP premiums and claims costs for post-65 retirees in 2013 and a slight decrease in the inflation trend.

The significant change in the December 31, 2009 valuation as compared to the December 31, 2007 valuation and the December 31, 2008 roll forward projection is primarily the result of changes in plan assumptions and claims experience. The prior valuation reflected surviving spouse medical coverage as being completely paid for by the Town instead of for the Medicare Part B reimbursements amount of only (15.0%). Claims costs were also significantly lower (12.8%) than expected generating an actual gain.

Additional Postemployment Benefit Healthcare Costs information is shown in Note 3.F to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Statements 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, 2012

	Special Revenue Funds			
	Town Outside Village	Special Grant	Fire Protection	Street Lighting
ASSETS				
Cash and investments	\$ 1,209,144		\$ 3,244,888	\$ 4,970,451
Cash - restricted		\$ 1,439,297		
Accounts receivable	2,439,623			
Due from other funds	4,145		779	1,311
Due from other governments	544,170	1,241,925	1,104	4,489
Inventory	77,235			612,014
Prepaid items	226,073			
Other assets	25,000			
Total Assets	<u>\$ 4,525,390</u>	<u>\$ 2,681,222</u>	<u>\$ 3,246,771</u>	<u>\$ 5,588,265</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 688,814	\$ 501,048	\$ 124,796	\$ 665,255
Due to other funds	77,300	900,220		8,905
Total Liabilities	<u>766,114</u>	<u>1,401,268</u>	<u>124,796</u>	<u>674,160</u>
Fund Balances				
Nonspendable	303,308			612,014
Restricted		1,279,954		
Assigned	3,455,968		3,121,975	4,302,091
Total Fund Balances	<u>3,759,276</u>	<u>1,279,954</u>	<u>3,121,975</u>	<u>4,914,105</u>
Total Liabilities and Fund Balances	<u>\$ 4,525,390</u>	<u>\$ 2,681,222</u>	<u>\$ 3,246,771</u>	<u>\$ 5,588,265</u>

			Permanent Fund	Total Nonmajor
Public Parking	Water	Library Funding	Permanent Fund	Governmental Funds
\$ 4,224,511	\$ 8,973,945	\$ 201,625	\$ 1,337,867	\$ 22,824,564
	2,380,374			2,777,164
737	21,795	77		4,819,997
302	1,954,115			28,844
	471,485			3,746,105
3,774	226,804			1,160,734
	20,000			456,651
				45,000
<u>\$ 4,229,324</u>	<u>\$ 14,048,518</u>	<u>\$ 201,702</u>	<u>\$ 1,337,867</u>	<u>\$ 35,859,059</u>
\$ 74,565	\$ 561,513			\$ 2,615,991
28,770	1,851,980			2,867,175
<u>103,335</u>	<u>2,413,493</u>			<u>5,483,166</u>
3,774	2,511,980		\$ 1,337,867	4,768,943
4,122,215	9,123,045	\$ 201,702		1,279,954
<u>4,125,989</u>	<u>11,635,025</u>	<u>201,702</u>	<u>1,337,867</u>	<u>24,326,996</u>
4,125,989	11,635,025	201,702	1,337,867	30,375,893
<u>\$ 4,229,324</u>	<u>\$ 14,048,518</u>	<u>\$ 201,702</u>	<u>\$ 1,337,867</u>	<u>\$ 35,859,059</u>

TOWN OF HEMPSTEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended December 31, 2012

	Special Revenue Funds			
	Town Outside Village	Special Grant	Fire Protection	Street Lighting
Revenues				
Real property taxes	\$ 10,973,002		\$ 5,717,572	\$ 10,241,768
Real property tax items	66,021		39,160	78,465
Non-property tax items	9,351,051			
Departmental income	6,824,322	\$ 23,768		
Intergovernmental charges				
Use of money and property	13,857	2,637	11,307	17,011
Licenses and permits				
Fines and forfeitures	1,283,664	1,800		
Sale of property and compensation for loss		7,701		19,357
Miscellaneous revenue	23,880	433,069		
Interfund revenues	18,413			
State aid	662,806			
Federal aid	522,908			
Total Revenues	<u>29,739,924</u>	<u>11,780,917</u>	<u>5,768,039</u>	<u>10,356,601</u>
Expenditures				
Current:				
General government support	467,712			
Education				
Public safety	20,802,698		4,653,952	
Health				
Transportation				8,892,675
Economic assistance and opportunity		4,671,003		
Culture and recreation	365			
Home and community services	4,899,462	9,192,733		
Employee benefits	5,755,410		509,095	
Debt Service:				
Bonds issuance costs	366			5,254
Total Expenditures	<u>31,926,013</u>	<u>13,863,736</u>	<u>5,163,047</u>	<u>8,897,929</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,186,089)</u>	<u>(1,613,844)</u>	<u>604,992</u>	<u>1,458,672</u>
Other Financing Sources (Uses)				
Transfers out	(164,335)	(12,878)	(533,677)	(1,427,494)
Premiums on debt issuance	10,218			146,611
Total Other Financing Sources (Uses)	<u>(154,117)</u>	<u>(12,878)</u>	<u>(533,677)</u>	<u>(1,280,883)</u>
Net Change in Fund Balances	(2,340,206)	(1,626,722)	71,315	177,789
Fund Balances at Beginning of Year	6,099,482	2,906,676	3,050,660	4,736,316
Fund Balances at End of Year	<u>\$ 3,759,276</u>	<u>\$ 1,279,954</u>	<u>\$ 3,121,975</u>	<u>\$ 4,914,105</u>

			Permanent Fund	Total Nonmajor Governmental Funds
Public Parking	Water	Library Funding	Permanent Fund	
\$ 2,953,184	\$ 7,383,608	\$ 1,222,035		\$ 38,491,169
4,594	263,983			452,223
13,870	9,836,996			9,351,051
	230,950			16,698,956
12,623	923,027	1,503	\$ 3,546	230,950
				985,511
	38,578			1,285,464
	10,993			65,636
1,355,185	46,650			467,942
	16,445			1,420,248
	186,185			679,251
<u>4,339,456</u>	<u>18,937,415</u>	<u>1,223,538</u>	<u>3,546</u>	<u>12,490,010</u>
				<u>82,618,411</u>
				467,712
				25,456,650
2,559,023				11,451,698
		1,235,097		4,671,003
	13,524,173			1,235,462
160,825	3,199,702			27,616,368
				9,625,032
4,856	21,478			31,954
<u>2,724,704</u>	<u>16,745,353</u>	<u>1,235,097</u>		<u>80,555,879</u>
1,614,752	2,192,062	(11,559)	3,546	2,062,532
(1,726,477)	(3,606,774)		(3,546)	(7,475,181)
135,504	599,329			891,662
<u>(1,590,973)</u>	<u>(3,007,445)</u>		<u>(3,546)</u>	<u>(6,583,519)</u>
23,779	(815,383)	(11,559)	-0-	(4,520,987)
4,102,210	12,450,408	213,261	1,337,867	34,896,880
<u>\$ 4,125,989</u>	<u>\$ 11,635,025</u>	<u>\$ 201,702</u>	<u>\$ 1,337,867</u>	<u>\$ 30,375,893</u>

TOWN OF HEMPSTEAD
TOWN OUTSIDE VILLAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 10,947,797	\$ 10,947,797	\$ 10,973,002	\$ 25,205
Real property tax items	61,375	61,375	66,021	4,646
Non-property tax items	9,475,000	9,475,000	9,351,051	(123,949)
Departmental income	6,635,000	6,635,000	6,824,322	189,322
Use of money and property	35,500	35,500	13,857	(21,643)
Fines and forfeitures	1,100,000	1,100,000	1,283,664	183,664
Miscellaneous revenue	35,000	35,000	23,880	(11,120)
Interfund revenues	23,000	23,000	18,413	(4,587)
State aid	665,000	665,000	662,806	(2,194)
Federal aid			522,908	522,908
Total Revenues	<u>28,977,672</u>	<u>28,977,672</u>	<u>29,739,924</u>	<u>762,252</u>
EXPENDITURES				
Current:				
General government support	636,513	496,856	467,712	29,144
Public safety	20,315,001	20,980,400	20,802,698	177,702
Culture and recreation	4,000	4,000	365	3,635
Home and community services	4,924,714	5,306,732	4,899,462	407,270
Employee benefits	5,615,719	5,755,413	5,755,410	3
Debt service:				
Bond issuance costs	366	366	366	-0-
Total Expenditures	<u>31,496,313</u>	<u>32,543,767</u>	<u>31,926,013</u>	<u>617,754</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,518,641)</u>	<u>(3,566,095)</u>	<u>(2,186,089)</u>	<u>1,380,006</u>
Other Financing Sources (Uses)				
Transfers out	(164,336)	(164,336)	(164,335)	1
Premiums of debt issuance	2,750	2,750	10,218	7,468
Total Other Financing Sources (Uses)	<u>(161,586)</u>	<u>(161,586)</u>	<u>(154,117)</u>	<u>7,469</u>
Net Change in Fund Balances	<u>\$ (2,680,227)</u>	<u>\$ (3,727,681)</u>	<u>(2,340,206)</u>	<u>\$ 1,387,475</u>
Fund Balances at Beginning of Year			<u>6,099,482</u>	
Fund Balances at End of Year			<u>\$ 3,759,276</u>	

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

TOWN OF HEMPSTEAD
FIRE PROTECTION DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 5,717,572	\$ 5,717,572	\$ 5,717,572	\$ -0-
Real property tax items	38,430	38,430	39,160	730
Use of money and property			11,307	11,307
Total Revenues	<u>5,756,002</u>	<u>5,756,002</u>	<u>5,768,039</u>	<u>12,037</u>
EXPENDITURES				
Current:				
Public safety	4,764,058	4,758,959	4,653,952	105,007
Employee benefits	599,000	614,025	509,095	104,930
Total Expenditures	<u>5,363,058</u>	<u>5,372,984</u>	<u>5,163,047</u>	<u>209,937</u>
Excess of Revenues Over Expenditures	<u>392,944</u>	<u>383,018</u>	<u>604,992</u>	<u>221,974</u>
Other Financing (Uses)				
Transfers out	(533,677)	(533,677)	(533,677)	-0-
Total Other Financing (Uses)	<u>(533,677)</u>	<u>(533,677)</u>	<u>(533,677)</u>	<u>-0-</u>
Net Change in Fund Balances	<u>\$ (140,733)</u>	<u>\$ (150,659)</u>	<u>71,315</u>	<u>\$ 221,974</u>
Fund Balances at Beginning of Year			<u>3,050,660</u>	
Fund Balances at End of Year			<u>\$ 3,121,975</u>	

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

TOWN OF HEMPSTEAD
STREET LIGHTING DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 10,241,768	\$ 10,241,768	\$ 10,241,768	\$ -0-
Real property tax items	78,100	78,100	78,465	365
Use of money and property			17,011	17,011
Sale of property and compensation for loss	20,000	20,000	19,357	(643)
Total Revenues	<u>10,339,868</u>	<u>10,339,868</u>	<u>10,356,601</u>	<u>16,733</u>
EXPENDITURES				
Current:				
Transportation	9,213,653	9,213,653	8,892,675	320,978
Debt service:				
Bond issuance costs	5,254	5,254	5,254	-0-
Total Expenditures	<u>9,218,907</u>	<u>9,218,907</u>	<u>8,897,929</u>	<u>320,978</u>
Excess of Revenues				
Over Expenditures	<u>1,120,961</u>	<u>1,120,961</u>	<u>1,458,672</u>	<u>337,711</u>
Other Financing Sources (Uses)				
Transfers out	(1,427,494)	(1,427,494)	(1,427,494)	-0-
Premiums of debt issuance			146,611	146,611
Total Other Financing Sources (Uses)	<u>(1,427,494)</u>	<u>(1,427,494)</u>	<u>(1,280,883)</u>	<u>146,611</u>
Net Change in Fund Balances	<u>\$ (306,533)</u>	<u>\$ (306,533)</u>	177,789	<u>\$ 484,322</u>
Fund Balances at Beginning of Year			<u>4,736,316</u>	
Fund Balances at End of Year			<u>\$ 4,914,105</u>	

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

TOWN OF HEMPSTEAD
PUBLIC PARKING DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 2,953,184	\$ 2,953,184	\$ 2,953,184	\$ -0-
Real property tax items	14,588	14,588	4,594	(9,994)
Departmental income	13,500	13,500	13,870	370
Use of money and property	6,650	6,650	12,623	5,973
Interfund revenues	1,355,185	1,355,185	1,355,185	-0-
Total Revenues	<u>4,343,107</u>	<u>4,343,107</u>	<u>4,339,456</u>	<u>(3,651)</u>
EXPENDITURES				
Current:				
Transportation	2,871,697	2,879,744	2,559,023	320,721
Employee benefits	126,222	160,827	160,825	2
Debt service:				
Bond issuance costs	4,856	4,856	4,856	-0-
Total Expenditures	<u>3,002,775</u>	<u>3,045,427</u>	<u>2,724,704</u>	<u>320,723</u>
Excess of Revenues Over Expenditures				
	<u>1,340,332</u>	<u>1,297,680</u>	<u>1,614,752</u>	<u>317,072</u>
Other Financing Sources (Uses)				
Transfers out	(1,726,483)	(1,726,483)	(1,726,477)	6
Premiums of debt issuance	3,500	3,500	135,504	132,004
Total Other Financing Sources (Uses)	<u>(1,722,983)</u>	<u>(1,722,983)</u>	<u>(1,590,973)</u>	<u>132,010</u>
Net Change in Fund Balances	<u>\$ (382,651)</u>	<u>\$ (425,303)</u>	23,779	<u>\$ 449,082</u>
Fund Balances at Beginning of Year			<u>4,102,210</u>	
Fund Balances at End of Year			<u>\$ 4,125,989</u>	

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

TOWN OF HEMPSTEAD
WATER DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 7,383,608	\$ 7,383,608	\$ 7,383,608	\$ -0-
Real property tax items	225,135	225,135	263,983	38,848
Non-property tax items	500,000	500,000		(500,000)
Departmental income	9,961,040	9,961,040	9,836,996	(124,044)
Intergovernmental charges	231,050	231,050	230,950	(100)
Use of money and property	756,800	756,800	923,027	166,227
Licenses and permits	6,600	6,600		(6,600)
Sale of property and compensation for loss	1,500	1,500	38,578	37,078
Miscellaneous revenue	5,000	5,000	10,993	5,993
Interfund revenues	46,650	46,650	46,650	-0-
State aid			16,445	16,445
Federal aid			186,185	186,185
Total Revenues	<u>19,117,383</u>	<u>19,117,383</u>	<u>18,937,415</u>	<u>(179,968)</u>
EXPENDITURES				
Current:				
Home and community services	14,405,105	14,327,999	13,524,173	803,826
Employee benefits	3,122,598	3,199,704	3,199,702	2
Debt service:				
Bond issuance costs	21,478	21,478	21,478	-0-
Total Expenditures	<u>17,549,181</u>	<u>17,549,181</u>	<u>16,745,353</u>	<u>803,828</u>
Excess of Revenues Over Expenditures	<u>1,568,202</u>	<u>1,568,202</u>	<u>2,192,062</u>	<u>623,860</u>
Other Financing Sources (Uses)				
Transfers out	(3,606,877)	(3,606,877)	(3,606,774)	103
Premiums of debt issuance	10,000	10,000	599,329	589,329
Total Other Financing Sources (Uses)	<u>(3,596,877)</u>	<u>(3,596,877)</u>	<u>(3,007,445)</u>	<u>589,432</u>
Net Change in Fund Balances	<u>\$ (2,028,675)</u>	<u>\$ (2,028,675)</u>	<u>(815,383)</u>	<u>\$ 1,213,292</u>
Fund Balances at Beginning of Year			<u>12,450,408</u>	
Fund Balances at End of Year			<u>\$ 11,635,025</u>	

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

TOWN OF HEMPSTEAD
LIBRARY FUNDING DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 1,222,035	\$ 1,222,035	\$ 1,222,035	\$ -0-
Use of money and property			1,503	1,503
Total Revenues	<u>1,222,035</u>	<u>1,222,035</u>	<u>1,223,538</u>	<u>1,503</u>
EXPENDITURES				
Current:				
Culture and recreation	1,261,102	1,261,102	1,235,097	26,005
Total Expenditures	<u>1,261,102</u>	<u>1,261,102</u>	<u>1,235,097</u>	<u>26,005</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(39,067)</u>	<u>(39,067)</u>	<u>(11,559)</u>	<u>27,508</u>
Net Change in Fund Balances				
	<u>\$ (39,067)</u>	<u>\$ (39,067)</u>	<u>(11,559)</u>	<u>\$ 27,508</u>
Fund Balances at Beginning of Year			<u>213,261</u>	
Fund Balances at End of Year			<u>\$ 201,702</u>	

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

TOWN OF HEMPSTEAD
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
Year ended December 31, 2012

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
<u>ASSETS</u>				
Town Agency				
Cash and investments	\$ 6,330,991	\$ 383,867,975	\$ 382,344,818	\$ 7,854,148
Total Assets - Town	<u>6,330,991</u>	<u>383,867,975</u>	<u>382,344,818</u>	<u>7,854,148</u>
Town Clerk Agency Fund				
Cash and investments	76,852	1,167,063	1,162,722	81,193
Total Assets - Town Clerk	<u>76,852</u>	<u>1,167,063</u>	<u>1,162,722</u>	<u>81,193</u>
Town Receiver of Taxes Agency Fund				
Cash and investments	105,221,240	5,740,685,319	5,747,618,955	98,287,604
Total Assets - Town Receiver of Taxes	<u>105,221,240</u>	<u>5,740,685,319</u>	<u>5,747,618,955</u>	<u>98,287,604</u>
Total Assets	<u>\$ 111,629,083</u>	<u>\$ 6,125,720,357</u>	<u>\$ 6,131,126,495</u>	<u>\$ 106,222,945</u>
<u>LIABILITIES</u>				
Town Agency Fund				
Other liabilities	\$ 6,330,991	\$ 383,867,975	\$ 382,344,818	\$ 7,854,148
Total Liabilities - Town	<u>6,330,991</u>	<u>383,867,975</u>	<u>382,344,818</u>	<u>7,854,148</u>
Town Clerk Agency Funds	76,852	1,167,063	1,162,722	81,193
Total Liabilities - Town Clerk	<u>76,852</u>	<u>1,167,063</u>	<u>1,162,722</u>	<u>81,193</u>
Town Receiver of Taxes Agency Funds	105,221,240	5,740,685,319	5,747,618,955	98,287,604
Total Liabilities - Town Receiver	<u>105,221,240</u>	<u>5,740,685,319</u>	<u>5,747,618,955</u>	<u>98,287,604</u>
Total Liabilities	<u>\$ 111,629,083</u>	<u>\$ 6,125,720,357</u>	<u>\$ 6,131,126,495</u>	<u>\$ 106,222,945</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 POSITION
December 31, 2012

	Lakeview Public Library District	Roosevelt Public Library District	Uniondale Public Library District
ASSETS			
Current Assets:			
Cash and investments	\$ 1,121,613	\$ 1,762,049	\$ 2,084,407
Cash and investments, restricted			
Receivables, net of allowance for doubtful accounts			
Due from other governments	131		
Prepaid items	17,777	62,048	82,749
Total Current Assets	1,139,521	1,824,097	2,167,156
Non-current Assets:			
Capital assets, net of depreciation	2,722,296	14,169,678	6,467,490
Total Non-Current Assets	2,722,296	14,169,678	6,467,490
Total Assets	3,861,817	15,993,775	8,634,646
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	144,811	111,475	53,270
Accrued interest payable	9,943	123,844	55,614
Retainage payable			
Other accrued liabilities			
Unearned revenue			1,125
Non-current liabilities due within one year			
General obligations bonds payable	82,609	241,473	403,162
Compensated absences payable		20,225	
Due to employees retirement system		2,148	
Other debt			
Non-current Liabilities due in more than one year:			
General obligation bonds payable	465,813	7,729,344	2,273,341
Compensated absences payable	33,212	80,898	196,150
Other postemployment benefits payable		686,248	269,623
Due to employees retirement system		4,624	
Unamortized bond premium	6,098		29,800
Other debt			
Total Liabilities	742,486	9,000,279	3,282,085
NET POSITION			
Net investment in capital assets	2,167,776	6,198,861	3,761,187
Restricted	1,000		20,324
Unrestricted	950,555	794,635	1,571,050
Total Net Position	\$ 3,119,331	\$ 6,993,496	\$ 5,352,561

Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District	Greater Atlantic Beach Water Reclamation District	Totals
\$ 387,564	\$ 867,417 1,488,213	\$ 5,806,460 82,205	\$ 858,479	\$ 12,887,989 1,570,418
	385,283	569,528		954,811
	221,514		2,811,313	3,032,958
	35,844	138,259		336,677
<u>387,564</u>	<u>2,998,271</u>	<u>6,596,452</u>	<u>3,669,792</u>	<u>18,782,853</u>
	7,042,360	11,186,857	3,331,119	44,919,800
	<u>7,042,360</u>	<u>11,186,857</u>	<u>3,331,119</u>	<u>44,919,800</u>
<u>387,564</u>	<u>10,040,631</u>	<u>17,783,309</u>	<u>7,000,911</u>	<u>63,702,653</u>
6,362	133,882 86,886	227,089	608,287 43,197	1,285,176 319,484
		11,586		11,586
		69,550		69,550
		6,899		8,024
	114,397		269,048	1,110,689
		12,044		32,269
			1,800	2,148
				1,800
	6,051,500		3,656,904	20,176,902
	229,855	342,508	37,253	919,876
	477,393	2,036,315	295,817	3,765,396
				4,624
	171,968			207,866
			1,200	1,200
<u>6,362</u>	<u>7,265,881</u>	<u>2,705,991</u>	<u>4,913,506</u>	<u>27,916,590</u>
	850,481	11,186,857	1,356,922	25,522,084
	1,489,502	4,320,554	437,467	6,268,847
381,202	434,767	(430,093)	293,016	3,995,132
<u>\$ 381,202</u>	<u>\$ 2,774,750</u>	<u>\$ 15,077,318</u>	<u>\$ 2,087,405</u>	<u>\$ 35,786,063</u>

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year ended December 31, 2012

	<u>Lakeview Public Library District</u>	<u>Roosevelt Public Library District</u>	<u>Uniondale Public Library District</u>
REVENUES			
Program revenues:			
Charges for services	\$ 27,138	\$ 12,890	\$ 27,139
Operating grants and contributions		19,489	
Capital grants and contributions			
Real property taxes	1,273,200	2,862,886	3,846,530
Other real property tax items		2,947	152,742
Use of money and property - interest and earnings	3,069	15,394	9,718
Sale of property and compensation for loss			2,360
Miscellaneous local sources	1,016		7,486
State aid - unrestricted	6,441	10,222	25,169
Total Revenues	<u>1,310,864</u>	<u>2,923,828</u>	<u>4,071,144</u>
EXPENSES			
Current:			
Culture and recreation	1,148,681	2,498,184	3,303,643
Home and community services			
Total Expenses	<u>1,148,681</u>	<u>2,498,184</u>	<u>3,303,643</u>
Change in Net Position	162,183	425,644	767,501
Net Position at Beginning of Year	<u>2,957,148</u>	<u>6,567,852</u>	<u>4,585,060</u>
Net Position - End of Year	<u>\$ 3,119,331</u>	<u>\$ 6,993,496</u>	<u>\$ 5,352,561</u>

Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District	Greater Atlantic Beach Water Reclamation District	Totals
	\$ 1,385,150	\$ 1,733,134		\$ 3,185,451
				19,489
\$ 31,492	936,822	1,544,211	\$ 173,020	173,020
		19,212	1,633,142	12,128,283
3,200	156,635	435,177	17,602	174,901
	5,496	169,963		640,795
	7,751	54,007	2,775	177,819
			5,277	73,035
				47,109
<u>34,692</u>	<u>2,491,854</u>	<u>3,955,704</u>	<u>1,831,816</u>	<u>16,619,902</u>
				6,950,508
43,588	2,680,991	4,008,984	1,823,166	8,556,729
<u>43,588</u>	<u>2,680,991</u>	<u>4,008,984</u>	<u>1,823,166</u>	<u>15,507,237</u>
(8,896)	(189,137)	(53,280)	8,650	1,112,665
390,098	2,963,887	15,130,598	2,078,755	34,673,398
<u>\$ 381,202</u>	<u>\$ 2,774,750</u>	<u>\$ 15,077,318</u>	<u>\$ 2,087,405</u>	<u>\$ 35,786,063</u>

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STATISTICAL SECTION (Unaudited)

This part of the Town of Hempstead's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	Page
Financial Trends	104-115
<i>These schedules contain information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	116-123
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	124-127
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	128-129
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	130-135
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF HEMPSTEAD
Net Position by Component
Last Ten Years
(accrual basis of accounting)

<u>As of December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities					
Net investment in capital assets	\$ 163,888,267	\$ 162,523,562	\$ 155,336,252	\$ 131,722,843	\$ 120,800,611
Restricted	7,448,148	4,244,543	4,330,158	3,977,095	3,649,027
Unrestricted	<u>(190,492,566)</u>	<u>(159,516,219)</u>	<u>(114,626,020)</u>	<u>(73,448,264)</u>	<u>(27,951,987)</u>
Total primary government net position	<u>\$ (19,156,151)</u>	<u>\$ 7,251,886</u>	<u>\$ 45,040,390</u>	<u>\$ 62,251,674</u>	<u>\$ 96,497,651</u>

Note: Net position was partially decreased beginning in 2007 and will decrease in subsequent years due to the recognition of Governmental Accounting Standards Board Statement (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB).

Source: Town of Hempstead Audited Financial Statements
Statement of Net Position

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 110,890,510	\$ 101,298,377	\$ 97,110,499	\$ 90,032,156	\$ 107,687,774
4,554,705	4,394,860	3,296,419	3,363,982	1,977,819
37,869,265	67,787,620	45,902,563	32,336,193	24,222,979
<u>\$ 153,314,480</u>	<u>\$ 173,480,857</u>	<u>\$ 146,309,481</u>	<u>\$ 125,732,331</u>	<u>\$ 133,888,572</u>

TOWN OF HEMPSTEAD
Changes in Net Position
Last Ten Years
(accrual basis of accounting)

Year ended December 31,	2012	2011	2010	2009	2008
Expenses					
Governmental activities:					
General government support	\$ 75,281,730	\$ 79,461,372	\$ 73,948,510	\$ 76,269,137	\$ 68,811,156
Education	2,536,059	1,511,951	2,770,168	2,709,765	2,458,698
Public safety	43,907,271	42,029,158	36,874,823	34,327,818	34,712,889
Transportation	62,361,308	56,283,105	49,300,341	54,909,432	55,071,824
Economic assistance and opportunity	15,957,953	16,201,988	15,351,689	15,540,237	14,035,132
Culture and recreation	84,947,442	84,036,887	77,973,281	78,127,120	82,025,927
Home and community service	160,815,013	149,663,854	137,371,811	179,607,597	200,377,605
Interest on long-term debt	13,008,496	13,269,736	12,345,442	13,900,239	13,379,116
Total primary government expenses	<u>\$ 458,815,272</u>	<u>\$ 442,458,051</u>	<u>\$ 405,936,065</u>	<u>\$ 455,391,345</u>	<u>\$ 470,872,347</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government support	\$ 2,114,992	\$ 2,058,160	\$ 2,322,586	\$ 2,305,557	\$ 2,285,027
Public safety	7,718,582	7,792,758	6,542,706	6,445,311	7,691,619
Transportation	359,521	416,435	266,830	105,199	61,719
Economic assistance and opportunity	10,158	32,503	10,681	13,762	90,677
Culture and recreation	7,082,670	6,986,001	7,295,483	6,438,213	8,396,402
Home and community service	31,792,768	28,972,618	28,417,053	58,758,625	63,814,769
Operating grants and contributions	39,704,397	17,016,697	14,657,658	12,564,027	11,603,788
Capital grants and contributions	6,430,264	7,846,074	5,921,492	7,702,270	7,884,671
Total primary government program revenues	<u>\$ 95,213,352</u>	<u>\$ 71,121,246</u>	<u>\$ 65,434,489</u>	<u>\$ 94,332,964</u>	<u>\$ 101,828,672</u>
Net (Expense)/Revenue					
Total primary government net expense	<u>\$ (363,601,920)</u>	<u>\$ (371,336,805)</u>	<u>\$ (340,501,576)</u>	<u>\$ (361,058,381)</u>	<u>\$ (369,043,675)</u>
General Revenues					
Governmental Activities					
Property taxes	\$ 264,490,271	\$ 265,119,352	\$ 254,057,882	\$ 254,945,984	\$ 229,005,071
Real property tax items	3,479,908	3,253,081	4,180,078	4,274,266	2,988,553
Non-property tax items	45,231,393	43,633,364	41,223,215	38,886,689	41,110,562
Interest earnings - unrestricted	1,918,575	2,397,079	2,939,473	3,715,781	8,414,882
Mortgage tax	16,380,559	13,706,680	15,083,671	19,448,034	24,661,932
State aid-unrestricted	3,848,885	3,848,885	3,927,434	4,180,122	4,180,122
Other	1,844,292	1,589,860	1,878,539	1,361,528	1,865,724
Total primary government	<u>\$ 337,193,883</u>	<u>\$ 333,548,301</u>	<u>\$ 323,290,292</u>	<u>\$ 326,812,404</u>	<u>\$ 312,226,846</u>
Change in Net Position					
Total primary government change in net position	<u>\$ (26,408,037)</u>	<u>\$ (37,788,504)</u>	<u>\$ (17,211,284)</u>	<u>\$ (34,245,977)</u>	<u>\$ (56,816,829)</u>

Note: Net position was partially decreased beginning in 2007 and will decrease in subsequent years due to the recognition of Governmental Accounting Standards Board Statement (GASB) No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB).

Source: Town of Hempstead Audited Financial Statements
Statement of Activities

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 69,575,283	\$ 57,219,324	\$ 55,220,458	\$ 56,268,692	\$ 51,059,557
1,750,222	705,527	1,454,823	986,775	
33,561,350	32,147,838	25,569,922	23,767,138	22,033,537
52,487,790	47,937,567	45,173,820	40,301,761	37,794,243
15,227,083	8,150,033	7,718,613	13,331,191	12,218,604
80,539,421	68,214,244	69,951,397	59,595,580	53,552,703
182,918,514	163,951,829	166,883,500	163,616,827	131,732,145
13,640,483	14,005,924	14,787,088	14,341,532	12,211,366
<u>\$ 449,700,146</u>	<u>\$ 392,332,286</u>	<u>\$ 386,759,621</u>	<u>\$ 372,209,496</u>	<u>\$ 320,602,155</u>
\$ 2,345,134	\$ 2,736,667	\$ 2,737,686	\$ 2,401,272	\$ 2,509,139
7,503,777	7,522,273	8,175,454	6,084,178	5,283,424
191,443	427,291	132,270	140,908	6,218,669
24,748	15,837	16,320	136	1,914,614
7,868,389	7,526,529	6,820,774	6,717,598	13,794
60,664,106	62,603,001	55,482,800	34,928,217	30,385,366
13,193,475	11,290,870	13,614,676	12,333,998	22,374,250
6,237,555	5,822,901	4,144,798	7,174,552	5,316,605
<u>\$ 98,028,627</u>	<u>\$ 97,945,369</u>	<u>\$ 91,124,778</u>	<u>\$ 69,780,859</u>	<u>\$ 74,015,861</u>
<u>\$ (351,671,519)</u>	<u>\$ (294,386,917)</u>	<u>\$ (295,634,843)</u>	<u>\$ (302,428,637)</u>	<u>\$ (246,586,294)</u>
\$ 228,683,296	\$ 218,096,202	\$ 217,822,376	\$ 193,363,827	\$ 182,528,258
3,920,874	2,955,998	2,794,357	3,496,200	2,744,236
39,893,890	39,104,777	37,397,947	36,432,949	34,806,516
11,421,977	9,259,116	4,755,005	7,623,689	
42,071,625	46,148,354	48,094,073	48,922,330	34,370,158
4,058,371	3,940,166	3,284,444	3,165,729	
1,455,109	2,053,680	2,063,791	1,267,672	3,403,845
<u>\$ 331,505,142</u>	<u>\$ 321,558,293</u>	<u>\$ 316,211,993</u>	<u>\$ 294,272,396</u>	<u>\$ 257,853,013</u>
<u>\$ (20,166,377)</u>	<u>\$ 27,171,376</u>	<u>\$ 20,577,150</u>	<u>\$ (8,156,241)</u>	<u>\$ 11,266,719</u>

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TOWN OF HEMPSTEAD
Governmental Activities Tax Revenues By Source
Last Ten Years
(accrual basis of accounting)

Year Ended December 31,	Real Property Tax	Real Property Tax Items	Non-Property Tax Items	Total
2012	\$ 264,490,271	\$ 3,479,908	\$ 45,231,393	\$ 313,201,572
2011	265,119,352	3,253,081	43,633,364	312,005,797
2010	254,057,882	4,180,078	41,223,215	299,461,175
2009	254,945,984	4,274,266	38,886,689	298,106,939
2008	229,005,071	2,988,553	41,110,562	273,104,186
2007	228,683,296	3,920,874	39,893,890	272,498,060
2006	218,096,202	2,955,998	39,104,777	260,156,977
2005	217,822,376	2,794,357	37,397,947	258,014,680
2004	193,363,827	3,496,200	36,432,949	233,292,976
2003	182,528,258	2,744,236	34,806,516	220,079,010

Source: Town of Hempstead Audited Financial Statements
Statement of Activities

TOWN OF HEMPSTEAD
Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

<u>As of December 31,</u>	<u>2012</u>	<u>2011 ⁽¹⁾</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund					
Reserved			\$ 2,083,278	\$ 2,007,552	\$ 2,333,214
Unreserved			41,114,883	55,070,451	61,525,680
Nonspendable	\$ 4,876,214	\$ 3,244,521			
Assigned	16,334,969	25,184,863			
Unassigned	1,262,239	2,327,822			
Total General Fund	<u>\$ 22,473,422</u>	<u>\$ 30,757,206</u>	<u>\$ 43,198,161</u>	<u>\$ 57,078,003</u>	<u>\$ 63,858,894</u>
All other governmental funds					
Reserved			\$ 24,042,719	\$ 24,055,634	\$ 25,560,529
Unreserved, reported in:					
Special revenue funds			110,864,828	100,895,970	93,066,438
Capital projects funds			(25,120,896)	(60,026,987)	(23,827,946)
Nonspendable	\$ 34,544,966	\$ 39,226,414			
Restricted	6,110,281	2,906,676			
Assigned	104,051,815	86,374,373			
Unassigned		(1,955,129)			
Total all other governmental funds	<u>\$ 144,707,062</u>	<u>\$ 126,552,334</u>	<u>\$ 109,786,651</u>	<u>\$ 64,924,617</u>	<u>\$ 94,799,021</u>

Note: ⁽¹⁾ Components of Fund Balance have been reclassified, beginning with the December 21, 2011 CAFR in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

Source: Town of Hempstead Audited Financial Statements
Balance Sheet

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 1,774,044 64,763,538	\$ 2,047,180 63,484,262	\$ 2,420,022 56,778,924	\$ 2,083,610 53,557,213	\$ 1,858,293 42,852,608
<u>\$ 66,537,582</u>	<u>\$ 65,531,442</u>	<u>\$ 59,198,946</u>	<u>\$ 55,640,823</u>	<u>\$ 44,710,901</u>
\$ 29,307,077 102,619,221 (26,687,975)	\$ 25,000,437 84,158,219 (17,772,914)	\$ 26,462,712 62,923,459 (21,086,960)	\$ 37,313,563 48,354,099 422,399	\$ 7,343,230 49,372,046 (55,586,874)
<u>\$ 105,238,323</u>	<u>\$ 91,385,742</u>	<u>\$ 68,299,211</u>	<u>\$ 86,090,061</u>	<u>\$ 1,128,402</u>

TOWN OF HEMPSTEAD
Changes in Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

<u>Year ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues					
Real property taxes	\$ 264,490,271	\$ 265,119,352	\$ 254,057,882	\$ 254,945,984	\$ 229,005,071
Real property tax items	3,479,908	3,253,081	4,180,078	4,274,266	2,988,553
Non-property taxes	45,231,393	43,633,364	41,223,215	38,886,689	41,110,562
Departmental income	34,771,106	33,577,447	31,994,863	29,718,300	33,868,934
Intergovernmental charges	5,311,569	4,043,005	3,793,640	11,591,199	15,562,752
Use of money and property	6,043,426	6,218,925	6,862,546	6,313,500	9,004,534
Licenses and permits	889,598	956,932	1,106,134	994,785	1,132,954
Fines and forfeitures	1,408,290	1,118,950	1,121,544	1,027,347	1,027,742
Sale of property and compensation for loss	1,947,050	1,343,424	1,602,568	1,476,176	1,706,624
Miscellaneous revenue	1,249,932	1,874,236	1,770,841	7,981,614	1,143,191
Interfund revenues	84,840,855	81,222,663	81,950,479	77,663,962	70,999,331
State aid	24,046,558	20,370,619	24,017,680	27,605,874	31,961,325
Federal aid	42,288,096	22,047,718	15,572,577	16,320,079	16,369,188
Total revenues	515,998,052	484,779,716	469,254,047	478,799,775	455,880,761
Expenditures					
General government support	78,213,666	75,876,722	75,598,414	72,807,661	67,287,572
Education	2,536,059	1,511,951	2,770,168	2,709,765	2,458,698
Public safety	35,634,731	33,347,903	31,036,639	29,123,839	28,058,963
Transportation	48,499,980	43,323,299	42,007,781	42,029,778	42,827,355
Economic assistance and opportunity	10,396,880	10,392,823	10,626,066	11,229,679	9,489,844
Culture and recreation	63,193,175	61,623,700	60,124,858	59,475,456	58,781,929
Home and community services	132,967,654	125,027,616	120,779,247	140,923,242	147,438,730
Employee benefits	89,161,468	81,844,252	75,063,840	67,644,682	67,147,499
Capital outlay	48,856,949	44,802,407	43,153,678	38,604,901	36,345,192
Debt Service:					
Principal	37,377,968	39,770,972	42,816,171	38,482,474	37,350,836
Interest	12,018,537	13,456,662	11,239,489	13,848,441	13,270,865
Bond Issuance Costs	154,654	146,031	271,645	306,731	114,534
Total Expenditures	559,011,721	531,124,338	515,487,996	517,186,649	510,572,017
Excess of revenues over (under) expenditures	(43,013,669)	(46,344,622)	(46,233,949)	(38,386,874)	(54,691,256)
Other financing sources (uses)					
Transfers in	50,187,859	58,069,382	56,951,890	55,730,815	54,567,491
Transfers out	(50,187,859)	(58,069,382)	(56,951,890)	(55,730,815)	(54,567,491)
Refunding bonds issued			14,785,000	39,140,854	
Debt issuance	48,569,000	49,840,320	72,377,025		39,142,000
Premiums on debt issuance	4,315,613	829,030	6,257,363	2,063,610	2,431,266
Payments to refund bond escrow agent			(16,203,247)	(39,472,885)	
Total other financing sources (uses)	52,884,613	50,669,350	77,216,141	1,731,579	41,573,266
Net change in fund balances	\$ 9,870,944	\$ 4,324,728	\$ 30,982,192	\$ (36,655,295)	\$ (13,117,990)
Debt service as a percentage of noncapital expenditures	9.6%	10.9%	11.4%	10.9%	10.7%

Source: Town of Hempstead Audited Financial Statements
Statement of Revenues, Expenditure, and Changes in Fund Balance

2007	2006	2005	2004	2003
\$ 228,683,296	\$ 218,096,202	\$ 217,822,376	\$ 193,363,827	\$ 182,528,258
3,920,874	2,955,998	2,794,357	3,496,200	2,744,236
39,893,890	39,104,777	37,397,947	36,432,949	34,806,516
31,744,303	35,700,012	34,618,491	33,865,802	32,523,184
14,601,626	14,711,240	8,685,822	12,638,256	11,335,150
12,521,821	10,547,159	6,056,541	3,383,487	3,003,859
820,128	529,143	651,593	411,727	482,923
786,404	917,162	787,928	728,846	565,236
1,451,943	1,168,323	2,512,080	1,122,233	3,036,317
1,672,021	1,826,858	1,465,852	7,168,749	1,985,056
63,145,802	62,302,022	60,183,483	56,856,527	49,832,421
50,096,733	53,972,554	55,358,831	55,174,698	41,069,168
15,464,293	14,333,120	13,779,159	16,171,143	14,359,096
<u>464,803,134</u>	<u>456,164,570</u>	<u>442,114,460</u>	<u>420,814,444</u>	<u>378,271,420</u>
64,793,032	62,478,103	61,993,033	59,952,807	53,605,468
1,750,222	705,527	1,454,823	986,775	
24,411,317	23,013,354	21,919,275	20,937,795	20,276,687
37,411,205	36,402,732	35,411,560	33,650,993	32,981,538
10,369,136	4,750,730	4,710,480	10,526,888	10,150,031
56,409,481	58,752,499	56,598,201	50,026,564	48,847,806
134,700,679	122,499,043	128,135,894	129,056,486	121,609,194
65,803,106	74,169,699	66,551,298	63,488,286	51,660,363
36,429,311	32,441,327	32,895,670	40,830,013	43,065,989
34,528,873	34,303,645	30,795,673	33,970,648	28,554,192
14,131,558	13,466,557	15,881,280	11,605,116	13,372,578
99,939	99,027	1,745,528		
<u>480,837,859</u>	<u>463,082,243</u>	<u>458,092,715</u>	<u>455,032,371</u>	<u>424,123,846</u>
(16,034,725)	(6,917,673)	(15,978,255)	(34,217,927)	(45,852,426)
53,366,786	54,594,158	48,917,502	41,793,540	42,783,129
(53,366,786)	(54,594,158)	(48,917,502)	(41,793,540)	(42,783,129)
30,348,650	33,914,230	53,436,428		31,021,996
544,796	1,422,470	2,098,799	130,109,508	5,409,508
		(53,789,699)		(31,021,996)
<u>30,893,446</u>	<u>35,336,700</u>	<u>1,745,528</u>	<u>130,109,508</u>	<u>5,409,508</u>
<u>\$ 14,858,721</u>	<u>\$ 28,419,027</u>	<u>\$ (14,232,727)</u>	<u>\$ 95,891,581</u>	<u>\$ (40,442,918)</u>
11.0%	11.0%	11.4%	11.0%	11.2%

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TOWN OF HEMPSTEAD
General Governmental Tax Revenues By Source
Last Ten Years
(modified accrual basis of accounting)

Year Ended December 31,	Real Property Tax¹	Sales Tax²	Mortgage Tax³	Franchise Tax	Total
2012	\$ 264,490,271	\$ 35,880,342	\$ 16,380,559	\$ 9,351,051	\$ 326,102,223
2011	265,119,352	34,438,681	13,706,680	9,194,683	322,459,396
2010	254,057,882	32,400,000	15,083,671	8,823,215	310,364,768
2009	254,945,984	30,914,315	19,448,034	7,972,374	313,280,707
2008	229,005,071	33,384,582	24,661,932	7,725,980	294,777,565
2007	228,683,296	33,457,368	42,071,625	6,436,522	310,648,811
2006	218,096,202	33,112,727	46,148,354	5,992,050	303,349,333
2005	217,822,376	31,677,812	48,094,073	5,720,135	303,314,396
2004	193,363,827	31,012,848	48,922,330	5,420,101	278,719,106
2003	182,528,258	29,608,693	34,370,158	5,197,823	251,704,932

Source: Town of Hempstead Audited Financial Statements
Statement of Revenues, Expenditure, and Changes in Fund Balance

- ¹ Primary government
- ² Nassau County local assistance
- ³ State Aid

TOWN OF HEMPSTEAD

**Assessed Value, State Equalization Rate and Estimated Full Value of Real Property
Last Ten Years**

Year Ended December 31,	Residential Property 1 to 3 Family Homes	Residential Property Apts, Condos & Cooperatives	Utility Property	All Other Property	Total Taxable Assessed Value
2012	\$ 196,769,127	\$ 15,538,450	\$ 22,491,320	\$ 90,672,546	\$ 325,471,443
2011	208,804,161	16,802,304	21,243,907	103,811,468	350,661,840
2010	245,206,950	15,755,810	20,598,789	99,922,060	381,483,609
2009	244,057,339	15,436,766	18,141,946	92,812,877	370,448,928
2008	234,396,818	14,267,892	16,084,891	87,373,901	352,123,502
2007	221,002,843	13,474,402	14,688,769	79,671,826	328,837,840 ¹
2006	370,900,972	12,870,249	13,002,253	81,170,030	477,943,504 ¹
2005	606,456,152	12,843,625	13,265,955	81,107,215	713,672,947
2004	617,627,940	13,351,891	13,030,883	83,480,148	727,490,862 ²
2003	1,121,310,141	67,495,955	242,618,217	488,056,838	1,919,481,151

Source: Town of Hempstead Official Statements and Town of Hempstead Receiver of Taxes

- ¹ 2006 and 2007 rate increases are due to decreases in assessed valuations by Nassau County.
- ² Nassau County completed a county-wide reassessment in 2004 wherein it reassessed all properties within the County by utilizing one percent of market value applicable to each of the four property classes.
- ³ Per \$1,000 of assessed value. See page 118 for more detail.
- ⁴ Per \$100 of assessed value. See page 118 for more detail.

State Equalization Rate	Estimated Full Valuation	Total Full Value Direct Tax Rate³	Total Taxable Assessed Value Direct Tax Rate⁴
0.33%	\$ 98,627,710,000	\$ 4.06	\$ 122.93
0.36%	97,406,066,667	4.08	113.45
0.33%	115,601,093,636	3.31	100.22
0.32%	115,765,290,000	3.29	102.71
0.30%	117,374,500,667	2.99	99.64
0.30%	109,612,613,333	3.17	105.61
0.50%	95,588,700,800	3.49	69.89
0.82%	87,033,286,220	3.77	45.97
0.90%	80,832,318,000	3.66	40.67
2.68%	71,622,431,007	3.90	14.54

TOWN OF HEMPSTEAD
Property Tax Rates
Direct and Overlapping Governments
Last Ten Years

Full Value Town Direct Rates

Year Ended December 31,	Total Taxable Assessed Value	State Equalization Rate	Estimated Full Valuation	Tax Levy For Town¹	Total Town Direct Tax Rate⁴
2012	\$ 325,471,443	0.33%	\$ 98,627,710,000	\$ 400,108,896	\$ 4.06
2011	350,661,840	0.36%	97,406,066,667	397,827,746	4.08
2010	381,483,609	0.33%	115,601,093,636	382,321,007	3.31
2009	370,448,928	0.32%	115,765,290,000	380,485,152	3.29
2008	352,123,502	0.30%	117,374,500,667	350,848,760	2.99
2007	328,837,840 ²	0.30%	109,612,613,333	347,279,817	3.17
2006	477,943,504 ²	0.50%	95,588,700,800	334,019,769	3.49
2005	713,672,947	0.82%	87,033,286,220	328,053,240	3.77
2004	727,490,862 ³	0.90%	80,832,318,000	295,842,220	3.66
2003	1,919,481,151	2.68%	71,622,431,007	279,062,505	3.90

Assessed Value Town Direct Rates

Year Ended December 31,	Total Taxable Assessed Value	State Equalization Rate	Estimated Full Valuation	Tax Levy For Town¹	Total Town Direct Tax Rate⁵
2012	\$ 325,471,443	0.33%	\$ 98,627,710,000	\$ 400,108,896	\$ 122.93
2011	350,661,840	0.36%	97,406,066,667	397,827,746	113.45
2010	381,483,609	0.33%	115,601,093,636	382,321,007	100.22
2009	370,448,928	0.32%	115,765,290,000	380,485,152	102.71
2008	352,123,502	0.30%	117,374,500,667	350,848,760	99.64
2007	328,837,840	0.30%	109,612,613,333	347,279,817	105.61
2006	477,943,504 ²	0.50%	95,588,700,800	334,019,769	69.89
2005	713,672,947	0.82%	87,033,286,220	328,053,240	45.97
2004	727,490,862 ³	0.90%	80,832,318,000	295,842,220	40.67
2003	1,919,481,151	2.68%	71,622,431,007	279,062,505	14.54

Source: Town of Hempstead Official Statements and Town of Hempstead Receiver of Taxes

¹ Total tax levy for Town includes all Town controlled funds, Commissioner operated funds, Fire Districts and Library Districts.

² 2007 and 2006 rate increases are due to decreases in assessed valuations by Nassau County.

³ Nassau County completed a county-wide reassessment in 2004 wherein it reassessed all properties within the County by utilizing one percent of market value applicable to each of the four property classes.

⁴ Per \$1,000 of assessed value

⁵ Per \$100 of assessed value

Full Value Overlapping Rates

County Tax Levy For Town	Total County Direct Rate⁴	School Levy	Total School Direct Rate⁴	Total Full Value Direct and Overlapping Rates⁴
\$ 470,827,228	\$ 4.77	\$ 1,864,596,839	\$ 18.91	\$ 27.74
471,199,156	4.84	1,795,466,840	18.43	27.35
470,435,391	4.07	1,778,140,823	15.38	22.76
472,271,246	4.08	1,726,603,811	14.91	22.28
445,366,774	3.79	1,646,925,751	14.03	20.81
442,341,091	4.04	1,590,975,572	14.51	21.72
440,985,028	4.61	1,525,782,223	15.96	24.07
441,901,556	5.08	1,437,875,822	16.52	25.37
444,128,564	5.49	1,328,204,511	16.43	25.59
448,981,644	6.27	1,232,257,707	17.20	27.37

Assessed Value Overlapping Rates

County Tax Levy For Town	Total County Direct Rate⁵	School Levy	Total School Direct Rate⁵	Total Taxable Assessed Value Direct and Overlapping Rates⁵
\$ 470,827,228	\$ 144.66	\$ 1,864,596,839	\$ 572.89	\$ 840.48
471,199,156	134.37	1,795,466,840	512.02	759.85
470,435,391	123.32	1,778,140,823	466.11	689.65
472,271,246	127.49	1,726,603,811	466.08	696.28
445,366,774	126.48	1,646,925,751	467.71	693.83
442,341,091	134.52	1,590,975,572	483.82	723.94
440,985,028	92.27	1,525,782,223	319.24	481.39
441,901,556	61.92	1,437,875,822	201.48	309.36
444,128,564	61.05	1,328,204,511	182.57	284.29
448,981,644	23.39	1,232,257,707	64.20	102.13

TOWN OF HEMPSTEAD
PROPERTY TAX RATES PER \$100 ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Years

Year Ended December 31,	Governmental Funds											
	General	Highway	Parks		Refuse & Garbage		Town Outside Village	Fire Protection		Street Lighting	Public Parking	
			Low	High	Low	High		Low	High	Low	High	
2012												
Class 1	6.165	36.528	11.398	65.865	20.819	44.502	6.182	1.483	32.711	4.722	0.015	49.728
Class 2	3.643	20.044	8.076	26.666	15.931	42.339	3.392	3.487	28.078	3.585	0.155	22.060
Class 3	4.660	24.733	27.436	232.522	35.901	83.147	4.185	5.101	109.210	8.178	0.284	40.479
Class 4	3.726	20.776	13.154	78.364	17.597	36.492	3.516	2.513	25.596	3.971	0.123	34.070
All Classes												
2011												
Class 1	5.854	34.682	10.107	63.412	19.555	40.705	5.870	1.755	31.274	4.444	0.136	46.806
Class 2	3.324	18.636	7.769	25.978	14.064	38.915	3.154	3.603	22.477	3.287	0.153	24.646
Class 3	4.433	24.187	29.204	237.358	38.146	77.409	4.093	5.316	113.865	8.703	0.399	43.341
Class 4	3.278	18.277	11.451	74.725	15.477	30.778	3.093	2.475	34.298	3.509	0.106	29.560
All Classes												
2010												
Class 1	4.959	27.743	8.146	52.280	20.545	28.578	4.697	1.676	24.892	3.610	0.092	36.100
Class 2	3.829	18.835	7.613	23.799	19.734	33.729	3.188	3.686	22.961	3.432	0.164	26.996
Class 3	4.337	21.381	25.307	213.279	44.857	70.191	3.620	3.821	119.040	8.637	0.245	34.993
Class 4	3.478	17.659	10.449	65.887	19.803	27.292	2.989	2.402	35.490	3.494	0.083	29.506
All Classes												
2009												
Class 1	4.959	27.743	8.146	52.280	20.545	28.578	4.697	1.676	23.966	3.610	0.092	36.100
Class 2	4.024	20.548	8.615	26.769	19.561	35.368	3.478	3.541	23.639	3.547	0.161	30.357
Class 3	4.969	23.279	28.198	222.961	56.291	79.156	3.941	5.734	105.267	10.017	0.267	31.688
Class 4	3.818	19.786	10.795	70.061	21.292	30.564	3.349	2.349	38.497	3.754	0.086	31.646
All Classes												
2008												
Class 1	4.959	25.690	7.543	34.090	19.269	26.657	4.350	2.383	24.892	3.425	0.092	26.850
Class 2	4.499	21.239	7.937	26.360	18.314	34.699	3.596	3.429	26.237	3.483	0.152	25.348
Class 3	4.991	21.741	27.567	69.181	56.164	86.277	3.681	9.221	108.288	10.099	0.333	43.179
Class 4	4.031	19.419	9.979	67.365	19.458	29.827	3.288	2.429	41.020	3.476	0.075	24.347
All Classes												
2007												
Class 1	5.239	27.232	7.981	36.091	20.621	28.107	4.611	4.237	25.293	3.653	0.108	28.994
Class 2	4.824	22.610	8.502	29.993	20.321	38.529	3.828	4.185	27.781	3.753	0.171	26.854
Class 3	5.336	23.919	29.228	78.395	64.545	116.023	4.050	12.197	122.990	11.541	0.364	48.750
Class 4	4.493	21.570	10.549	71.106	21.925	31.979	3.652	2.880	40.187	3.884	0.009	29.361
All Classes												
2006												
Class 1	3.068	15.457	4.083	22.038	11.575	15.923	2.729	3.294	14.577	2.079	0.061	13.140
Class 2	4.913	20.572	6.785	31.129	19.839	34.726	3.632	3.281	27.959	3.681	0.158	17.788
Class 3	5.788	25.529	25.096	76.702	70.677	117.886	4.459	9.696	110.971	12.715	0.373	47.927
Class 4	4.720	21.503	8.863	69.901	20.639	31.180	3.796	2.403	29.157	3.684	0.086	26.269
All Classes												
2005												
Class 1	1.832	9.326	2.609	15.207	7.157	9.667	1.647	1.614	10.460	1.276	0.040	8.100
Class 2	5.255	23.249	7.437	31.785	19.837	35.176	4.105	15.480	26.506	3.739	0.160	17.741
Class 3	6.586	28.933	25.996	57.402	69.455	113.953	5.109	8.144	85.940	12.462	0.361	33.502
Class 4	4.854	21.946	8.957	71.260	20.521	31.628	3.875	2.399	31.474	3.675	0.088	17.949
All Classes												
2004												
Class 1	1.693	8.044	2.333	13.529	6.026	9.084	1.411	1.368	9.908	1.113	0.024	7.113
Class 2	4.856	21.932	6.307	28.553	16.092	33.485	3.847	15.473	22.008	3.172	0.086	17.161
Class 3	5.975	27.383	24.022	57.631	60.374	110.538	4.803	8.486	75.137	11.204	0.225	33.572
Class 4	4.789	19.745	7.726	64.015	17.064	29.840	3.463	2.320	28.437	3.173	0.051	22.073
All Classes												
2003												
Class 1	0.914	3.853	1.178	7.106	2.950	4.192	0.689	0.889	4.868	0.535	0.010	3.119
Class 2	0.990	3.711	1.295	7.094	3.153	4.292	0.663	2.562	5.561	0.556	0.009	3.857
Class 3	0.337	1.425	1.173	2.815	2.931	4.175	0.254	0.482	4.188	0.531	0.009	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
All Classes												

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

¹ Nassau County completed a county-wide reassessment in 2004 wherein it reassessed all properties within the County based on approximately 1% of full value.

Commissioner Operated Districts

Water		Library Funding		Fire		Sanitation		Public Library		Water		School		County	
Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
4.693	24.664	5.403	24.383	5.271	58.650	20.065	70.366	15.729	88.016	6.595	24.141	492.446	1,141.660	0.145	88.016
4.565	23.480	4.565	5.944	4.396	172.000	8.764	62.073	16.827	88.772	2.289	16.207	218.111	635.042	0.155	88.772
7.518	45.469	0.964	17.624	3.189	124.243	78.909	132.386	30.898	192.469	15.521	110.445	224.690	924.560	0.284	232.522
4.065	19.585	4.381	18.707	4.833	61.480	23.297	62.773	13.437	74.369	5.131	27.111	233.571	855.566	0.123	78.364
4.097	22.716	4.937	23.036	4.868	54.222	19.508	63.231	13.830	79.514	6.285	23.457	427.803	1,009.741	1.789	61.859
4.005	23.848	4.372	8.732	4.027	137.490	8.533	53.951	15.561	79.144	2.280	15.115	206.077	762.168	1.004	46.827
10.926	56.022	1.254	19.018	3.466	133.589	79.560	138.602	40.628	203.230	16.702	113.147	227.222	774.768	1.367	124.882
3.637	15.950	4.226	17.938	4.266	53.238	22.301	55.314	10.847	57.713	4.560	23.896	220.561	786.164	0.953	5.868
2.805	19.433	4.050	18.491	3.984	45.127	17.658	50.741	11.823	76.377	5.172	16.800	347.652	758.342	1.233	49.552
3.424	18.622	4.484	11.454	4.168	51.763	9.510	56.151	21.147	79.997	2.494	17.976	202.948	679.430	0.092	46.156
6.093	56.852	1.859	20.977	3.102	650.830	81.871	141.835	31.553	310.029	28.889	72.655	209.708	615.301	1.119	123.505
2.957	14.747	4.023	18.491	4.322	51.827	19.401	51.724	10.758	69.944	4.671	20.509	195.214	707.854	0.812	52.113
2.805	19.433	4.050	16.483	3.780	46.656	17.223	50.074	11.685	79.353	4.957	14.535	347.652	758.342	0.678	49.561
3.654	19.527	3.772	11.263	4.251	56.508	10.391	56.215	20.547	79.407	2.207	16.792	202.948	679.430	0.536	49.182
6.994	60.585	3.004	23.758	3.294	455.373	86.190	144.304	35.170	273.432	30.902	67.790	209.708	809.195	0.705	138.637
2.929	15.361	4.360	20.569	4.155	55.179	20.670	55.048	10.918	64.327	5.083	17.550	195.214	707.854	0.490	55.504
2.597	19.433	4.447	17.136	3.932	35.549	15.659	51.098	11.825	81.270	5.790	13.573	342.248	734.812	1.042	49.521
3.551	18.638	4.239	12.211	4.632	61.449	10.012	57.634	19.550	84.021	2.114	18.536	217.640	693.535	0.918	50.476
8.845	42.083	2.782	15.721	8.003	450.517	72.178	176.337	42.847	272.426	25.580	88.515	224.899	893.762	1.085	146.549
2.609	13.058	4.462	20.445	4.427	57.290	19.601	57.162	9.689	64.512	6.247	19.466	208.962	755.384	0.811	55.636
2.814	33.340	4.529	17.030	4.365	49.514	15.675	52.636	13.211	80.741	6.158	13.759	354.004	734.371	1.040	49.520
3.624	19.622	4.340	13.848	5.148	65.325	10.814	57.384	21.028	77.772	2.179	19.660	244.985	723.765	0.920	50.480
8.730	62.324	2.790	17.569	10.470	421.747	78.005	179.008	44.538	257.736	24.761	154.171	247.474	980.365	1.090	146.550
2.747	14.470	4.544	22.207	4.952	61.464	20.335	60.260	11.435	65.477	6.874	19.573	225.944	793.619	0.810	55.630
1.668	19.700	2.767	9.935	2.956	26.911	8.969	30.878	7.071	36.023	3.637	9.100	196.443	390.346	0.709	31.552
4.007	16.768	4.747	15.118	5.359	56.428	11.579	56.694	18.318	54.235	2.168	19.470	257.884	781.232	1.247	66.866
9.657	56.924	2.022	19.048	16.849	505.368	76.341	192.983	43.287	228.440	26.136	143.566	288.817	1,105.345	2.692	211.492
2.783	12.637	4.257	20.796	5.780	50.760	20.966	59.407	10.066	57.933	6.975	19.116	268.389	823.284	1.258	61.735
1.047	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
4.029	16.986	3.739	15.582	5.542	52.092	12.640	57.012	17.354	39.916	2.060	18.486	781.232	2.002	53.867	
9.328	55.027	1.892	16.843	13.653	164.418	60.729	183.254	39.039	143.903	31.947	95.964	288.817	1,106.345	2.933	175.221
2.736	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
1.040	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
3.345	14.337	2.015	17.462	5.446	43.818	13.380	48.160	11.174	29.684	1.652	13.942	730.881	2.339	38.073	
9.749	47.328	15.882	15.882	13.543	152.861	64.288	162.540	29.228	113.614	32.002	90.346	257.738	1,109.495	2.933	47.74
2.641	11.489	2.015	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
0.504	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		
0.498	2.439	0.855	3.322	0.918	6.344	3.565	8.413	1.085	5.783	0.289	2.671		616.981		
0.498	2.439	0.855	0.855	0.918	6.954	3.565	7.693	1.082	5.783	1.907	4.622	254.685	623.093		
0.509	2.363	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

TOWN OF HEMPSTEAD
Principal Property Taxpayers
Current Year and Nine Years Ago
December 31, 2012 and 2003

2012

Rank	Taxpayer	Nature of Business	Assessed Valuation	Percent of Total Assessed Valuation ⁽¹⁾
1	National Grid	Energy System Operator	\$ 9,966,309	3.06%
2	Long Island Power Authority	Electric Utility	8,751,453	2.69%
3	Simon Property Group	Shopping Center	4,936,300	1.52%
4	Verizon	Telephone/Cable TV	3,560,124	1.09%
5	Green Acres Mall	Shopping Center	2,212,956	0.68%
6	Long Island American Water	Water Utility	1,345,966	0.41%
7	NY Racing Association	Belmont Race Track	1,274,268	0.39%
8	625 Rexcorp Plaza Land SPE LLC	Office Building	1,234,488	0.38%
9	PL Westbury LLC	Pharmaceutical Packaging	905,246	0.28%
10	New York Water Service Corp.	Water Utility	462,179	0.14%
	Total		<u>\$ 34,649,289</u>	<u>10.64%</u>

2003

Rank	Taxpayer	Nature of Business	Assessed Valuation	Percent of Total Assessed Valuation ⁽¹⁾
1	Marketspan Gas Corp.	Utility	\$ 73,794,430	3.84%
2	Keyspan Energy Corp.	Utility	54,850,040	2.86%
3	Verizon	Utility	39,800,776	2.07%
4	LIPA	Utility	37,167,360	1.94%
5	Corporate Property Investors	Shopping Center	21,755,180	1.13%
6	Long Island Water Co.	Utility	20,791,282	1.08%
7	MCS Realty Partners	Commercial R.E.	11,934,210	0.62%
8	Greater N.Y. Racing Association	Belmont Race Track	11,156,060	0.58%
9	Coliseum Plaza Associates	Office Buildings	8,165,570	0.43%
10	New York Water	Utility	6,997,309	0.36%
	Total		<u>\$ 286,412,217</u>	<u>14.91%</u>

Source: Town of Hempstead Receiver of Taxes
Town of Hempstead 2003 Official Statement

Nassau County completed a county-wide reassessment in 2004 wherein it reassessed all properties within the County by utilizing one percent of market value applicable to each of the four property classes.

¹ See Assessed Valuation, State Equalization Rate and Estimated Full Value of Real Property page 116 for total taxable assessed value.

TOWN OF HEMPSTEAD
Property Tax Levies and Collections
Last Ten Years

<u>Year Ended December 31,</u>	<u>Tax Levy For Town¹</u>	<u>Total Tax Levy²</u>	<u>Amount Collected³</u>	<u>Percent of Total Tax Levy Collected⁴</u>	<u>Amount Uncollected</u>	<u>Percent of Total Tax Levy Uncollected</u>
2012	\$ 400,108,896	\$ 870,936,124	\$ 847,909,668	97.36%	\$ 23,026,456	2.64%
2011	397,827,746	869,026,902	846,027,583	97.35%	22,999,319	2.65%
2010	382,321,007	852,756,398	826,113,726	96.88%	26,642,672	3.12%
2009	380,485,152	852,756,398	815,167,159	95.59%	37,589,239	4.41%
2008	350,848,760	796,215,534	773,623,112	97.16%	22,592,422	2.84%
2007	347,279,817	789,620,908	766,782,493	97.11%	22,838,415	2.89%
2006	334,019,769	775,004,797	752,955,884	97.15%	22,048,913	2.85%
2005	328,053,240	769,954,796	748,073,017	97.16%	21,881,779	2.84%
2004	295,842,220	739,970,784	718,228,738	97.06%	21,742,046	2.94%
2003	279,062,505	728,044,149	702,743,046	96.52%	25,301,103	3.48%

Source: Town of Hempstead Official Statements

- ¹ Total tax levy for Town includes all Town controlled funds, Commissioner operated funds, Fire Districts and Library Districts.
- ² Includes all Town and County taxes.
- ³ During year of levy.
- ⁴ The Town retains 100% of the amount levied for Town and Commissioner operated funds; taxes uncollected at the expiration of the warrant are returned to the County for collection and enforcement. As a result there are no Town taxes collected in subsequent years.

TOWN OF HEMPSTEAD
Ratios of Outstanding Debt by Type
Last Ten Years

Year Ended December 31,	Governmental Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Bond Anticipation Notes Payable	Installment Purchase Debt			
2012	\$ 317,350,887			\$ 317,350,887	0.35%	\$ 418
2011	306,159,855			306,159,855	0.34%	404
2010	296,090,507			296,090,507	0.34%	385
2009	266,994,653	\$ 30,000,000		296,994,653	0.35%	387
2008	305,809,158			305,809,158	0.33%	400
2007	304,017,994			304,017,994	0.35%	397
2006	308,198,217			308,198,217	0.38%	403
2005	308,587,632		\$ 21,862	308,609,494	0.41%	405
2004	339,736,576		66,706	339,803,282	0.48%	447
2003	238,618,208	58,899,508	114,919	297,632,635	0.44%	392

Note: Details regarding the outstanding debt may be found in the notes to the financial statements

¹ See the schedule of Demographic and Economic Statistics on page 128 for personal income and population.

TOWN OF HEMPSTEAD
Ratios of General Bonded Debt Outstanding
Last Ten Years

Year Ended December 31,	General Obligation Bonds	Percentage of Total Taxable Assessed Valuation¹	Percentage of Estimated Full Value¹ of Property	Per Capita²
2012	\$ 317,350,887	97.50%	0.32%	\$ 418
2011	306,159,855	87.31%	0.31%	404
2010	296,090,507	77.62%	0.26%	385
2009	266,994,653	72.07%	0.23%	348
2008	305,809,158	86.85%	0.26%	400
2007	304,017,994	92.45%	0.28%	397
2006	308,198,217	64.48% ³	0.32%	403
2005	308,587,632	43.24%	0.35%	405
2004	339,736,576	46.70% ⁴	0.42%	447
2003	238,618,208	12.43%	0.33%	314

Note: Details regarding outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value, Equalization Rate and Estimated Full Value of Real Property on page 116 for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics on page 128.

³ 2006 rate increases are due to decreases in assessed valuations by Nassau County.

⁴ Nassau County completed a county-wide reassessment in 2004 wherein it reassessed all properties within the County based on approximately 1% of full value.

TOWN OF HEMPSTEAD
Direct and Overlapping Governmental Activities Debt
As of December 31, 2012

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct:			
Town of Hempstead	\$ 317,350,887	100.00%	\$ 317,350,887
Overlapping:			
Nassau County	\$ 3,134,191,000	47.59%	\$ 1,491,628,741
Incorporated Villages	336,046,166	100.00%	336,046,166
School Districts	663,610,431	100.00%	663,610,431
Fire Districts	11,288,714	100.00%	11,288,714
Library Distreicts	11,195,742	100.00%	11,195,742
Water Districts	10,091,849	100.00%	10,091,849
Total overlapping debt			<u>2,523,861,643</u>
Total direct and overlapping debt			<u>\$ 2,841,212,530</u>

Source : Office of the State Comptroller

The taxpayers share of overlapping debt is based upon the amount of the Town's equalized property values taken as a percentage of each separate units' total values.

TOWN OF HEMPSTEAD
Legal Debt Margin Information
Last Ten Years

Year Ended December 31,	Taxable Assessed Valuation	State Equalization Rate	Full Valuation
2012	\$ 325,471,443	0.33%	\$ 98,627,710,000
2011	350,661,840	0.36%	97,406,066,667
2010	381,483,609	0.33%	115,601,093,636
2009	370,448,928	0.32%	115,765,290,000
2008	352,123,502	0.30%	117,374,500,667
Total Five Year Full Valuation			<u>\$ 544,774,660,970</u>
Five Year Average Full Valuation of Taxable Real Property			<u>\$ 108,954,932,194</u>
Constitutional Debt Limit (7% of Average Full Valuation)			<u>\$ 7,626,845,254</u>
Outstanding Indebtedness at December 31st			\$ 338,638,478
Less: 2013 Appropriations for Debt Principal			37,207,239
Less: Exclusions			<u>34,177,684</u>
Net Indebtedness Subject to Debt Limit			<u>\$ 267,253,555</u>
Net Debt Contracting Margin			<u>\$ 7,359,591,699</u>
Percentage of Net Debt Contracting Margin Available			96.50%
Percentage of Net Debt Contracting Power Exhausted			3.50%

Last Ten Years					
Year	Constitutional Debt Limit	Total Net Debt Subject to Limit	Net Debt Contracting Margin	Percentage of Debt Contracting Power Exhausted	Percentage of Net Debt Contracting Margin Available
2012	\$ 7,626,845,254	\$ 267,253,555	\$ 7,359,591,699	3.50%	96.50%
2011	7,780,633,900	249,197,519	7,531,436,381	3.20%	96.80%
2010	7,755,190,778	210,955,921	7,544,234,857	2.72%	97.28%
2009	7,355,241,474	207,278,235	7,147,963,239	2.82%	97.18%
2008	6,751,041,437	248,111,297	6,502,930,140	3.68%	96.32%
2007	6,213,215,150	248,398,730	5,964,816,420	4.00%	96.00%
2006	5,563,024,963	254,469,951	5,308,555,012	4.57%	95.43%
2005	5,021,196,248	288,340,654	4,732,855,594	5.74%	94.26%
2004	4,524,622,136	318,324,377	4,206,297,759	7.04%	92.96%
2003	4,046,591,831	324,878,846	3,721,712,985	8.03%	91.97%

Source: Town of Hempstead Official Statements.

* Nassau County completed a county-wide reassessment in 2004 wherein it reassessed all properties within the County by utilizing one percent of market value applicable to each of the four property classes.

TOWN OF HEMPSTEAD
Demographic and Economic Statistics
Last Ten Years

Year Ended December 31,	Population¹	Personal Income² (millions of dollars)	Per Capita Income³	Median Age³	Unemployment Rate⁴	Number of Households Estimate⁵	Average Household Size Estimates⁵	Population Density Per Square Mile⁶
2012	758,668	\$ 91,120	\$ 35,462	39.6	7.5%	240,164	3.13	6,324
2011	758,668	91,120	35,462	39.6	7.2%	240,164	3.13	6,324
2010	769,040	88,059	36,416	40.0	7.5%	249,560	3.03	6,411
2009	766,878	85,239	35,374	39.4	7.4%	248,787	3.03	6,393
2008	765,234	91,326	36,488	40.7	5.0%	248,010	2.86	6,379
2007	765,111	87,168	35,292	39.8	3.9%	248,272	3.03	6,378
2006	763,822	80,873	32,738	38.8	4.0%	247,756	3.02	6,367
2005	761,944	75,462	32,247	38.5	4.3%	247,756	3.02	6,352
2004	760,675	70,402	32,666	38.5	4.8%	247,656	3.02	6,341
2003	759,535	67,171	30,951	37.9	4.9%	247,694	3.02	6,332

Sources:

- ¹ Long Island Power Authority (LIPA) annual surveys - 2012 is not available.
- ² U.S. Department of Commerce - Bureau of Economic Analysis
Personal Income figures are for Nassau County - 2012 is not available.
- ³ U.S. Census Bureau, 2011 American Community Survey - 2012 is not available.
- ⁴ United States Department of Labor - Bureau of Labor Statistics
(Note: Percentages are not seasonally adjusted).
- ⁵ U.S. Census Bureau, 2011 American Community Survey - 2012 is not available.
Years 2003-2010 from Long Island Power Authority (LIPA) annual surveys.
- ⁶ Calculated: Population divided by land area (119.96 sq. mi.)

TOWN OF HEMPSTEAD
Principal Employers
Current Year and Nine Years Ago

2012⁽¹⁾

Rank	Name	Type of Business	Number of Employees	Percentage of Total Town Employment
1	Roman Catholic Diocese of Rockville Centre	Religious Organization	17,000 *	4.69%
2	Hofstra University	Higher Education	5,438	1.50%
3	Nassau Health Care Corp.	Hospital, Nursing Home and Community Health Centers	4,110 *	1.13%
4	Boces - Nassau	Educational Supports Svcs.	3,900 *	1.08%
5	All Metro Health	Home Health Care	3,500 *	0.97%
6	South Nassau Community Hospital	Hospital	3,000	0.83%
7	Nassau Community College	Higher Education	2,503	0.69%
8	Adelphi University	Higher Education	2,110	0.58%
9	Summit Security Services	Security and investigations	1,792	0.49%
10	Mercy Medical Center	Hospital	1,500	0.41%

2003⁽²⁾

Rank	Name	Type of Business	Number of Employees
1	Diocese of Rockville Center	Religious Institution	12,500
2	JP Morgan Chase	Commercial Bank	7,815
3	Waldbaums	Supermarket Chain	6,500
4	Long Island Railroad	Commuter Railroad	5,900
5	Verizon	Communications	5,500
6	Cablevision Systems	Cable Television	5,234
7	Keyspan Energy	Utility	5,000
8	Long Island University	Education	4,686
9	King Kullen Grocery	Supermarket Chain	4,500
10	North Shore University Medical Center	Hospital	4,070

Sources:

(1) Long Island Business News "100 + Employee Companies" 2012

* Company headquarters are located in the County, number may include employees who work outside the County.

(2) Numbers are for Nassau County. Percentage of total Town employment is not available before 2008.

TOWN OF HEMPSTEAD
Full-time Equivalent Government Employees by Function
Last Ten Years

Function	Full-Time Equivalent				
	2012	2011	2010	2009	2008
General government support	440	427	419	417	425
Public safety	232	235	216	210	205
Transportation	210	211	206	205	216
Economic assistance and opportunity	29	30	30	26	25
Culture and recreation	404	408	413	423	441
Home and community service					
Total	1,315	1,311	1,284	1,281	1,312

Source: Town of Hempstead Human Resource Department records

These are full time budgeted positions

Employees as of December 31,

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
419	420	424	424	432
200	195	195	202	204
220	221	226	231	237
26	27	29	29	32
449	458	448	466	481
<u>1,314</u>	<u>1,321</u>	<u>1,322</u>	<u>1,352</u>	<u>1,386</u>

TOWN OF HEMPSTEAD
Operating Indicators by Function
Last Ten Years

Year Ended December 31,	2012	2011	2010	2009
Function				
Town Clerk				
Vital statistic documents	34,167	35,529	36,020	34,979
Dog licenses	5,576	5,820	7,396	6,620
Marriage licenses	4,058	3,907	3,927	3,817
Building				
Residential building permits issued	9,474	4,749	9,310	3,582
Estimated value of residential building construction	\$ 128,970,864	\$ 149,278,630	\$ 123,629,344	\$ 115,938,628
Industrial and commercial building permits issued	1,913	5,850	765	6,066
Estimated value of industrial and commercial building construction	\$ 129,692,110	\$ 123,382,688	\$ 56,113,065	\$ 82,495,362
Public Safety				
Dogs adopted or reclaimed by owners	1,143	1,258	1,264	1,216
Citations issued	240	367	447	433
Fire				
Number of fire protection districts	17	17	17	17
Parking				
Number of parking permits issued	16,431	14,283	13,974	14,238
Parking permit revenue	\$ 48,381	\$ 41,124	\$ 40,038	\$ 40,203
Highways and streets				
Street resurfacing (lane miles)	5	6	9	10
Number of trees planted	425 ⁽¹⁾	695	653	656
Number of trees removed	4,355	1,267	1,052	987
Road opening permits issued	4,058	2,937	1,582	2,875
Abandoned vehicles removed	108 ⁽²⁾	181	125	40
Signs installed	15,000	12,000	24,840	23,580
Sanitation (tons per annum)				
Residential and commercial waste collected	472,080	508,521	511,424	479,102
Recyclables collected	29,874	54,932	62,868	93,214
Yardwaste	41,565	57,425	54,952	66,602
Bulky waste and other items	33,624	37,488	17,580	5,716
Culture and recreation				
Pool passes issued	3,970	3,402	4,090	3,832
Registration for adult programs	9,325	8,624	9,350	9,350

Source: Various government departments

(1) Includes 2,300 trees uprooted by "Superstorm Sandy"

(2) Includes 43 vehicles destroyed by "Superstorm Sandy"

2008	2007	2006	2005	2004	2003
36,110	37,098	37,245	36,150	36,412	35,844
6,652	6,927	7,230	7,253	7,707	8,017
4,905	5,088	5,188	5,459	5,605	5,491
4,189	4,186	4,120	4,692	4,519	7,781
\$ 221,639,432	\$ 172,519,163	\$ 201,102,700	\$ 220,786,460	\$ 177,749,409	\$ 172,463,021
6,541	6,415	7,748	7,262	977	1,330
\$ 67,085,202	\$ 81,800,006	\$ 112,098,935	\$ 113,393,437	\$ 83,861,795	\$ 60,315,744
1,315	699	1,553	1,583	1,486	1,442
323	283	269	244	280	382
17	17	17	17	17	17
14,053	13,382	13,364	13,168	12,926	12,848
\$ 40,391	\$ 38,519	\$ 38,209	\$ 37,663	\$ 36,984	\$ 36,794
10	12	16		14	12
847	729	1,711	1,644	1,770	5,738
850	1,193	1,972	504	1,507	1,506
2,971	2,744	1,741	1,547	1,509	1,285
50	43	103	136	77	89
18,795	18,000	17,816	20,960	20,960	20,960
573,469	549,217	630,893	635,382	666,761	655,297
89,998	86,435	87,726	87,735	90,733	99,326
71,810	68,735	79,976	73,741	75,750	87,557
1,510	2,126	1,624	3,058	20,508	40,536
4,339	4,631	4,330	4,309	4,572	4,890
17,809	12,007	11,996	11,915	11,514	13,016

TOWN OF HEMPSTEAD
Capital Asset Statistics by Function
Last Ten Years

Year Ended December 31,	2012	2011	2010	2009
Function				
General Government				
New Town Hall and Old Town Hall	2	2	2	2
Sanitation				
Transfer station	2	2	2	2
Annual tonnage processed	187,801	123,894	131,379	204,977
Highways and streets				
Streets (miles)	1,162	1,162	1,162	1,162
Culture and recreation				
Parks acreage	1,404	1,404	1,404	1,404
Parks	189	189	189	189
Docks	4	4	4	4
Boat ramps	4	4	4	4
Swimming pools	22	22	22	22
Golf courses (18 hole)	1	1	1	1
Golf courses (9 hole)	1	1	1	1
Driving range	1	1	1	1
Tennis courts	77	77	77	77
Community centers	16	16	16	16
Preserves and nature areas	4	4	4	4
Preserve and nature area acreage	202	202	202	202

Source: Various government departments

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
2	2	2	2	2	2
2	2	2	2	2	2
194,894	199,959	250,792	287,768	297,983	277,385
1,162	1,162	1,162	1,162	1,162	1,162
1,404	1,404	1,404	1,404	1,404	1,404
189	189	189	189	189	189
4	4	4	4	4	4
4	4	4	4	4	4
22	22	22	22	22	22
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
77	77	77	77	77	77
16	16	16	16	16	16
4	4	4	4	3	3
202	202	202	202	162	162