

TOWN OF HEMPSTEAD, NEW YORK

FINANCIAL STATEMENTS

Year Ended December 31, 2015

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**TOWN OF HEMPSTEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
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**FINANCIAL
SECTION**



CERTIFIED PUBLIC ACCOUNTANTS

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, 2015, 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 75.1%, 80.3% and 82.6% respectively, of the assets and deferred outflows or resources, net position and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those 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. None of the seven financial statements of the discretely presented component units in these financial statements were 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.

245 PARK AVENUE, 39TH FLOOR
NEW YORK, NY 10167
T: 212.792.4075

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

www.avz.com
INDEPENDENT MEMBER OF BKR INTERNATIONAL

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, 2015, 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 6 to the basic financial statements, the Town of Hempstead, New York adopted the provisions of Governmental Accounting Standards No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB 68*. Accordingly, the unrestricted net position as of January 1, 2015 has been restated. Our opinions are not modified with respect to this matter.

Other

As discussed in Note 3.F to the basic financial statements, the Town of Hempstead, New York's other postemployment actuarial valuation as of December 31, 2015 includes the provisions of ASOP 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined contributions*, as revised, and additionally, certain actuarial assumptions were changed from the previous valuation. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the retiree medical program, schedule of proportionate share of the net pension liability, schedule of pension contributions, 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 combining and individual nonmajor fund financial statements and schedules 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, 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.

Handwritten signature of Alberto Viggiano, Jr. Esq., P.C. in cursive script.

Hauppauge, New York
September 26, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

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, 2015. 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.

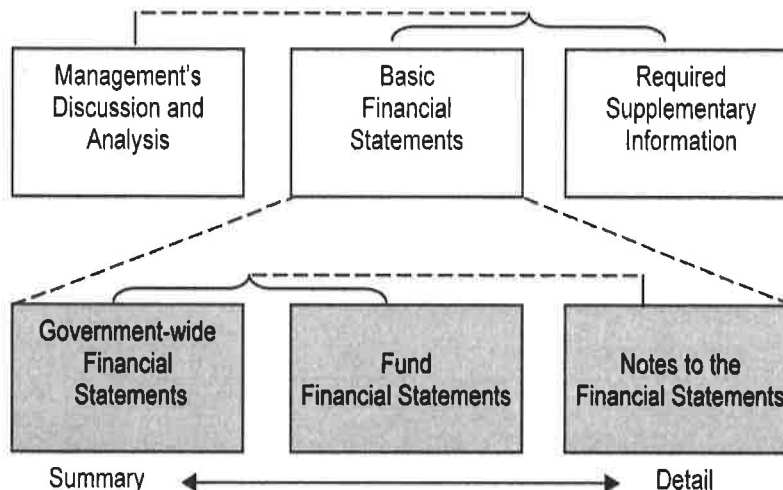
FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of 2015 by \$206,149,268 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 \$68,112,486, of which \$3,728,132 pertains to the cumulative effect of a change in accounting principles and \$64,384,354, is due to expenses in excess of revenues. The most notable factors contributing to this decrease is the ongoing recognition of OPEB costs in the amount of \$79,940,638.
- As of the close of 2015, the Town's governmental funds reported combined ending fund balances of \$104,303,775. Of this amount, \$45,651,654 is not in spendable form or is required to remain intact. The remaining \$61,891,416 exclusive of the Capital Projects deficit of \$3,239,295 or approximately 59.34% 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 2015, the Town's total fund balance for the General Fund was a \$2,607,966 deficit, a decrease of the deficit of \$7,521,134 from the prior year, as revenues increased \$16,759,786 from the prior year, primarily in real property taxes (\$8,861,988), federal and state aid (\$7,190,009).
- The Town's total long-term debt was \$317,525,574 for an increase 10.30% from the prior year. The Town's short-term debt, inclusive of bond anticipation notes and budget notes, was \$57,034,187 which decreased 28.74% 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.

**COMPONENTS OF
 THE ANNUAL FINANCIAL REPORT**



TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

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, liabilities and deferred inflows/outflows of resources 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 nonmajor component units for which the Town is financially accountable. Financial information for these nonmajor component units is reported separately (discretely presented) from the financial information presented for the primary government.

Governmental Activities

The Town's basic services are reported here, including: general government support; education; public safety; transportation; economic assistance and opportunity; culture and recreation and home and community services. 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). All of the Town's component units are deemed to be nonmajor.

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, 2015

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 the Town's near-term financial requirements.

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

The Town maintains fourteen (14) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the 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, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

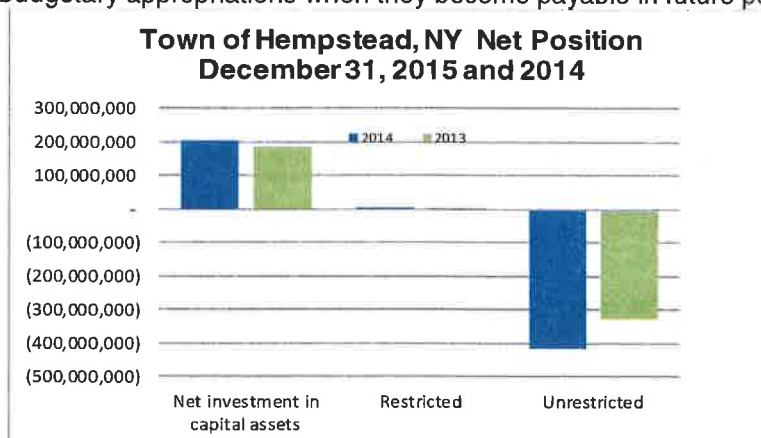
As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$206,149,268 at the close of the most recent year.

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

	2015	2014
Current and other assets:		
Current assets	\$ 172,003,322	\$ 167,339,932
Capital assets	550,969,027	532,672,150
Other non-current assets	29,010,960	27,083,315
Total assets	<u>751,983,309</u>	<u>727,095,397</u>
Deferred outflows of resources	22,321,840	49,020
Total assets and deferred outflows of resources	<u>774,305,149</u>	<u>727,144,417</u>
Current and other liabilities		
Current liabilities	151,075,356	167,605,476
Long-term liabilities	826,955,011	695,472,280
Total liabilities	<u>978,030,367</u>	<u>863,077,756</u>
Total deferred inflows of resources	2,424,050	2,103,443
Total liabilities and deferred inflows of resources	<u>980,454,417</u>	<u>865,181,199</u>
Net position;		
Net investment in capital assets	204,174,539	187,702,486
Restricted	3,887,760	2,390,993
Unrestricted	(414,211,567)	(328,130,261)
Total net position	<u>\$ (206,149,268)</u>	<u>\$ (138,036,782)</u>

The Town's net investment in capital assets portion of net position, \$204,174,539 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, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The total net position of the Town as of December 31, 2015 was a negative \$206,149,268, a net position decrease of \$68,112,486 (including the effects of the cumulative effect of change in accounting principle of \$3,728,132) over the prior year. Of this amount, \$204,174,539 was the Town's net investment in capital assets, while \$3,887,760 was restricted by statute or other specific purpose leaving a \$414,211,567 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 2015 by \$60,725,943 bringing the unfunded liability at year-end to \$399,849,401. For the 2015 OPEB actuarial valuation, certain actuarial assumptions were changed and the provisions of the Actuarial Standard of Practice (ASOP) No. 6 as revised were adopted. The impact of these changes increased the annual OPEB cost from \$55,707,098 in 2014 to \$79,970,638 in 2015. 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,

	2015	2014
Program Revenues		
Charges for services	\$ 59,006,943	\$ 58,949,420
Operating grants and contributions	13,980,404	12,163,714
Capital grants and contributions	7,312,890	11,421,145
	80,300,237	82,534,279
General Revenues		
Real property taxes	269,838,270	261,513,734
Real property tax items	4,231,332	4,247,809
Non-property tax items	47,957,385	46,660,477
Interest earnings and financing income	3,030,126	2,981,606
Mortgage tax	18,317,931	14,872,169
State aid - unrestricted	3,848,885	4,078,802
Other	2,136,646	1,812,068
	349,360,575	336,166,665
Total Revenues	429,660,812	418,700,944
Program Expenses		
General government support	93,450,715	85,059,212
Education	7,094,646	18,683,465
Public safety	49,018,973	45,969,530
Transportation	63,380,386	60,557,006
Economic assistance and opportunity	16,764,553	16,189,128
Culture and recreation	91,184,294	87,061,754
Home and community services	162,585,754	157,009,412
Interest on debt	10,565,845	12,607,609
	494,045,166	483,137,116
Total Expenses	494,045,166	483,137,116
Change in Net Position	(64,384,354)	(64,436,172)
Net Position - Beginning	(138,036,782)	(73,600,610)
Cummulative effect of change in accounting principle*	(3,728,132)	-
Net Positon - Beginning as Restated	(141,764,914)	(73,600,610)
Net Position - Ending	\$ (206,149,268)	\$ (138,036,782)

* The cummulative effect of adopting Governmental Accounting Standards Board ("GASB") Statement No. 68 "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition Guidance for Contributions Made Subsequent to the Measurement Date", is shown as an adjustment to the beginning net position of fiscal year 2015. The condensed financial information for fiscal year 2014 was not restated as all related information was not available.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net position for the years ended December 31, 2015 and 2014, from all government activities, decreased by \$64,384,354 (excluding the effects of change in accounting principle) and \$64,436,172, respectively.

Key elements of the governmental activities are:

- Program revenues decreased by \$2,234,042 primarily due to the decrease in capital grants and contributions of \$4,108,225. Notable decreases in capital grants and contributions from the prior year are as follows: approximately \$3,607,000 in Federal and State disaster aid for storm damaged capital restoration projects and \$558,000 in Community Development Block Grant aid. This decrease was offset by an increase in operating grants and contributions of approximately \$1,800,000 primarily due to an increase in Federal and State disaster aid various operating costs incurred due to Hurricane Sandy.
- Real property taxes increased \$8,324,536 pursuant to the Town Board approved operating budgets.
- Mortgage tax and non-property tax items (sales tax) increased by \$3,445,762 and \$1,296,908, respectively, due to housing market conditions, economic conditions and consumer spending.
- Overall expenses increased by \$10,908,050 primarily due to a \$22,702,424 net increase in OPEB expense, an increase in pollution remediation costs of \$2,263,100, termination benefits/early retirement incentive of \$2,175,570 and an increase in judgment and claims of \$4,553,975. These increases were offset by a decrease of \$11,588,819 in education expense and a decrease in pension expense of \$12,957,465. The decrease in educational expenses stems from the 2014 State Court of Appeals decision that the Town was obligated to pay for residents' tuition at the Fashion Institute of Technology, in the amount of \$17,167,287 in 2014, in 2015 this expense was 7,094,646. OPEB costs increase stems from a change in actuarial assumptions and the implementation of a new actuarial standard which requires the healthcare premiums of an implied subsidy, among other provisions. The decrease in pension expense is due to the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions"—an amendment of GASB Statement No. 27 and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The effects of the changes in OPEB, pension expense and termination benefits on the functional expense level are increases of: general government support \$2,555,355, public safety \$1,424,832, transportation \$1,367,979 economic assistance \$475,474, culture and recreation \$2,712,740 and home and community \$3,384,149. The \$2,263,100 increase in pollution remediation costs, primarily affected transportation expense (\$1,306,900) and home and community expense (\$1,285,900).

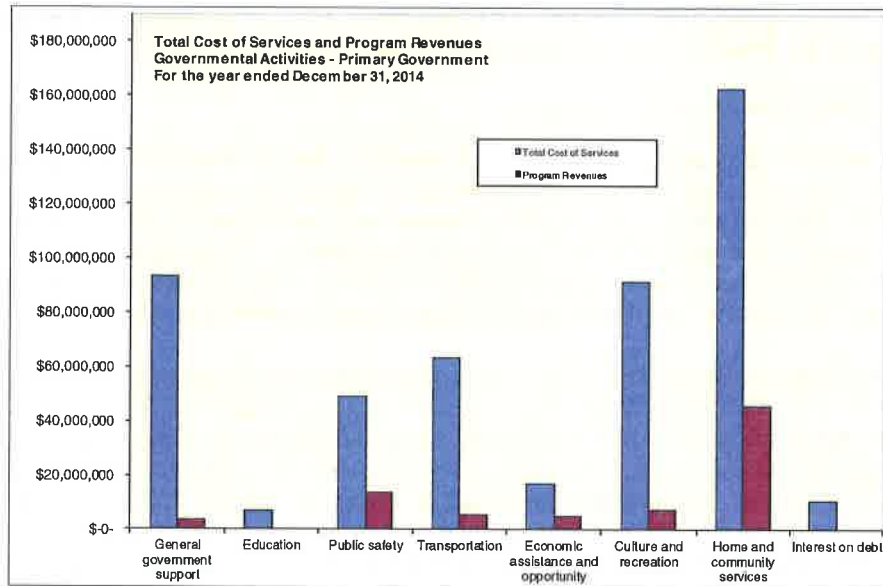
The following chart illustrates the total expenses by program function for the Town's governmental funds.

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

	2015	2014	2015	2014	2015	2014
	<u>Total Cost (Expenses) of Services</u>		<u>Program Revenues</u>		<u>Net Cost (Revenue) of Services</u>	
General government support	\$ 93,450,715	\$ 85,059,212	\$ 3,548,642	\$ 7,000,128	\$ 89,902,073	\$ 78,059,084
Education	7,094,646	18,683,465			7,094,646	18,683,465
Public safety	49,018,973	45,969,530	13,363,636	9,269,474	35,655,337	36,700,056
Transportation	63,380,386	60,557,006	5,370,434	5,608,378	58,009,952	54,948,628
Economic assistance and opportunity	16,764,553	16,189,128	4,832,179	5,442,335	11,932,374	10,746,793
Culture and recreation	91,184,294	87,061,754	7,562,997	8,444,739	83,621,297	78,617,015
Home and community services	162,585,754	157,009,412	45,822,349	46,769,225	116,963,405	110,240,187
Interest on debt	10,565,845	12,607,609			10,565,845	12,607,609
	<u>\$ 494,045,166</u>	<u>\$ 483,137,116</u>	<u>\$ 80,300,237</u>	<u>\$ 82,534,279</u>	<u>\$ 413,744,929</u>	<u>\$ 400,602,837</u>

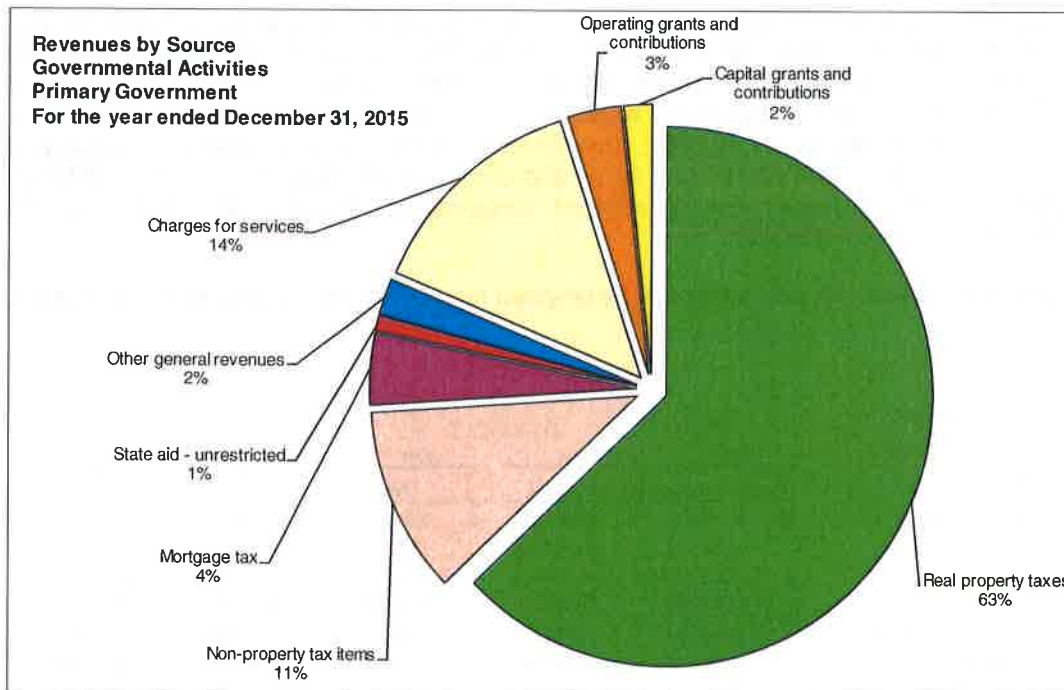
TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



The total cost of all governmental activities this year was \$494,045,166. The net cost of these services after being subsidized by program revenues of \$80,300,237 was \$413,744,929.

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



TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Revenue by Source year ended December 31,	2015	2014
Real property taxes	\$ 269,838,270	\$ 261,513,734
Non-property tax items	47,957,385	46,660,477
Mortgage tax	18,317,931	14,872,169
State aid - unrestricted	3,848,885	4,078,802
Other general revenues	9,398,104	9,041,483
Charges for services	59,006,943	58,949,420
Operating grants and contributions	13,980,404	12,163,714
Capital grants and contributions	7,312,890	11,421,145
	<u>\$ 429,660,812</u>	<u>\$ 418,700,944</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 the Town's net resources available for spending at the end of the year.

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

At December 31, 2015, the Town's governmental funds reported total ending fund balances of \$104,303,775, an increase of \$21,591,240 in comparison with the prior year. This change in total governmental fund balances was due principally to an increase in the Capital Projects fund balance of \$27,104,692 resulting primarily from long-term financing proceeds of \$79,997,834 exceeding capital outlay expenditures of \$53,243,256. The changes in fund balance of the General Fund, Highway Fund and Refuse and Garbage Fund are explained under their respective Funds. The governmental funds reported fund balances, exclusive of the Capital Projects Fund, of \$107,543,070.

The category breakdown is as follows:

- **Nonspendable fund balance** - \$45,651,654 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$2,549,893 (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** - \$66,243,939 (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 (deficit)** - (\$10,141,711) (residual net resources) is the negative unassigned fund balance in the General Fund and Capital Projects Funds in excess of nonspendable, restricted and assigned fund balance.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance deficit of the General Fund was \$2,607,966, a positive change of \$7,521,134, or 74.25%, from the prior year. Of this amount, \$4,294,450 is not in spendable form (inventory and prepaid items). There is a remaining negative unassigned fund balance deficit of \$6,902,416.

The key elements of the fund balance increase of \$7,521,134 are as follows:

- There was an originally planned deficit reduction of \$2,295,903, inclusive of purchase obligations brought forward of \$20,537. During 2015, the Town Board approved an additional appropriation of \$4,105,111.
- State aid was \$3,294,251 more than expected due to \$3,445,762 more in mortgage taxes received as more homes were being purchased and mortgages refinanced than in 2014.
- Miscellaneous revenue was \$643,810 more than expected due to additional refunds of prior year appropriations and receipt of other miscellaneous revenue.
- Use of money and property was \$513,531 more than planned due to additional rental and interest income received.
- General government support savings of \$2,300,554 resulted from savings in personal services costs and reductions in expenditures for equipment and contractual services of \$1,180,000 and \$1,120,554, respectively.
- Public safety savings of \$1,076,113 in resulted from savings in personal services and reductions in expenditures for contractual services of \$563,868 and \$512,245, respectively.
- Employee benefits savings of \$2,081,686 resulted mostly from saving in health insurance costs of \$2,128,996.
- Other financing sources was \$1,276,820 more than anticipated due to the \$600,000 debt issuance, \$484,344 transfer received from the Capital Projects Fund related to completed capital projects under budget, and premiums received in excess of budgeted amounts of \$192,476.

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$15,375,787, decreased \$5,814,365, or 27.44%, from the prior year. Of this amount, \$8,788,613 is not in spendable form (inventory and prepaid items). The remaining \$6,587,174 of the fund balance is in spendable form as follows: \$4,779,335 has been assigned by the Town Board for the subsequent year's budget, \$45,548 is assigned for purchases on order and \$1,762,291 is assigned for highway purposes.

The key elements of the fund balance decrease of \$5,814,365 are as follows:

- There was an originally planned decrease of \$5,240,334 to hold the line on property taxes in 2015.
- Actual state aid revenue was \$1,170,575 more than anticipated due to State emergency disaster aid for reimbursement of costs related to "Superstorm Sandy".
- The surplus in sale of property and compensation for loss of \$516,911 is due the sale of two parcels of property in the amount of \$512,750.
- The surplus in use of money and property resulted from higher than expected rental income received in the amount of \$350,700.
- Real property tax items revenue short fall of \$238,456 is due to less payments in lieu of taxes received.
- Transportation expenditures were \$1,081,192 less than expected, due to decreased costs related to contractual expenditures.
- The \$624,142 surplus in transfers in was a result of surplus funds from completed capital projects with which the total costs were less than funding received.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

Parks Fund

At the end of the current year, the total fund balance of the Parks Fund was \$17,165,966 decreasing \$5,718,198, or 24.98%, from the prior year. Of this amount, \$1,939,730 is not in spendable form (inventory and prepaid items). The remaining \$15,226,236 of the fund balance is in spendable form as follows \$7,952,048 has been assigned by the Town Board for the subsequent year's budget, \$73,183 has been assigned for purchase orders by the Town Comptroller and the remaining \$7,561,005 is assigned for park fund purposes.

The key elements of the fund balance decrease of \$5,718,198 are as follows:

- There was an originally planned decrease of \$5,548,115, inclusive of purchase obligations brought forward of \$14,082, to hold the line on property taxes in 2015. During the year, the Town Board approved an additional appropriation of \$950,582.
- The \$291,644 surplus in State Aid resulted from SEMA reimbursements for salaries, related employee benefits, equipment usage, and other storm clean-up related to "Superstorm Sandy."
- Savings of \$488,668 in culture and recreation resulted from savings in for equipment and contractual outlay.

Refuse and Garbage Fund

At the end of the current year, the total fund balance of the Refuse and Garbage Fund was \$44,364,992 decreasing \$4,443,901, or 9.10%, from the prior year. Of this amount, \$27,902,262 is not in spendable form (long-term receivable, inventory and prepaid items). The long-term receivable pertains to the garbage taxes and local utilities case and the "County Guarantee" found in the litigation section of the notes to the financial statements. The remaining \$16,462,730 of the fund balance is in spendable form and has been assigned by the Town Board for the subsequent year's budget.

The key elements of the fund balance decrease of \$4,443,901 are as follows:

- There was an originally planned decrease of \$10,479,719 inclusive of purchase orders brought forward of \$9,937, to hold the line on property taxes in 2015. During 2015, the Town Board approved an additional appropriation of \$753,306.
- The State aid surplus of \$1,558,211 resulted from State emergency disaster reimbursements of salaries and related costs, equipment usage, debris removal and improvements incurred as a result of the damage sustained during "Superstorm Sandy".
- The \$725,435 surplus of departmental income was primarily due to an increase in the refuse and garbage price structure in 2015.
- Savings of \$4,154,344 in home and community services resulted from reductions in equipment and contractual related expenditures.

Capital Projects Fund

At the end of the current year, the Capital Projects Fund had a total fund balance deficit of \$3,239,295. The deficit will be eliminated with the issuance of long-term bonds in subsequent periods.

The fund balance improved in the Capital Projects Fund by \$27,104,692 from the prior year.

- The overall deficit is from differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing.
- The 2015 increase in fund balance resulted from the excess of \$79,997,834 long-term financing received (\$64,744,108 of bond proceeds and \$15,253,726 of capital leases) over the \$53,243,256 of capital expenditures incurred during the year.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

Nonmajor Governmental Funds

The net change in fund balances was an increase of \$1,141,878.

- There was an originally planned net decrease of \$6,115,337 inclusive of purchase orders brought forward of \$91,683, to hold the line on property taxes in 2015 and an additional appropriation of \$1,157,433 during 2015.
- The nonmajor funds shortfall of \$307,427 in real property tax items resulted from an increase in payments in lieu of taxes in the Fire District Fund, Street Lighting Fund, Library Fund and Parking Fund of \$19,264 and a decrease of payments in lieu of taxes in the Part Town Fund and Water Fund of \$326,691.
- The Part-Town Fund surplus of \$870,724 in non-property tax items, \$3,120,782 in departmental income, and \$311,050 of the miscellaneous revenue resulted from increases in franchise fee revenue, the number of building permits issued for plumbing permits and the direct assessment received from Nassau County for dangerous buildings and structures, respectively.
- The Water Fund surplus of \$912,925 in departmental income resulted from an increase in metered water sales.
- The nonmajor funds surplus of \$256,504 in state aid resulted from SEMA reimbursements for salaries, related employee benefits, equipment usage, and other storm clean-up related to "Superstorm Sandy" in the Part-Town Fund, Street Lighting Fund and Water Fund.
- Part-Town Fund and Water Fund savings in home and community services of \$58,138 and \$754,546, respectively, resulted from reductions in expenditures for contractual services and capital outlay.
- Water Fund savings in employee benefits of \$157,190 resulted from decrease in workers compensation, employee retirement and health insurance.
- Fire District Fund savings in public safety of \$105,639 resulted from the decrease in contractual services for hydrants.
- Street Lighting Fund savings of \$2,245,660 in transportation resulted from across the board reductions in expenditures for contractual services.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the 2015 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year there was a \$4,105,111 or 2.5% 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 components of the increase in appropriations was the \$4,594,647 supplemental appropriation to educational expenditures for the Nassau County College tuition chargeback.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation for its governmental type activities as of December 31, 2015, amounts to \$550,969,027. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

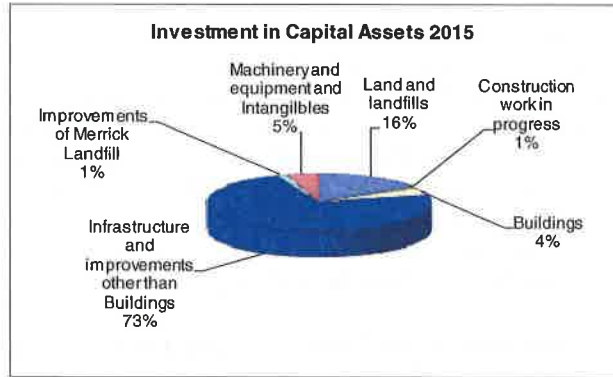
TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities	
	2015	2014
Land and landfills	\$ 86,967,285	\$ 86,967,285
Construction work in progress	3,693,486	9,208,683
Buildings	24,773,933	24,334,644
Infrastructure and improvements other than building	401,434,734	377,899,724
Improvements of Merrick landfill	8,638,869	9,179,424
Machinery and equipment	22,419,564	21,278,802
Intangibles- Software	3,041,156	3,803,588
Total Capital Assets	\$ 550,969,027	\$ 532,672,150



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

Long-Term Debt

At the end of the current year, the Town has total long-term bonded debt outstanding of \$317,525,574. The entire debt is backed by the full faith and credit of the Town.

Outstanding Debt

	Governmental Activities	
	2015	2014
General obligation bonds	\$ 317,525,574	\$ 287,885,641
Total	\$ 317,525,574	\$ 287,885,641

In 2015 the Town's total debt increased by \$36,271,237 or 12.90%.

In December 2015, Moody's Investors Service, Inc. lowered the Town's credit rating to "Aa2". Standard and Poor's Corporation affirmed the Town's underlying credit rating of "A+" in December in 2015.

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 \$6,678,477,196. The percentage of debt contracting exhausted at December 31, 2015 was 5.42% of the current debt limitation.

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

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town's elected and appointed officials considered many factors when preparing the 2016 budget. The Town's statistical data continues to compare favorably to New York State and the United States. The Town's 2015 average unemployment rate of 4.5% compares favorably to New York State's 5.3% and the United States' 5.3%. Household income in the Town also compares favorably to both the state and the nation. More than 47% of households in the Town have annual incomes of \$100,000 or more, compared to 27.9% in New York State and 23.0% nationwide. According to the U.S. Census Bureau, mean household income in the Town of Hempstead is \$116,754, as compared to New York State's \$85,736 and the United States' \$74,596. These factors provide a stable tax environment enabling the Town to reliably project tax revenue.
- Our government officials and a dedicated workforce are committed to providing Hempstead Town residents with unparalleled value for their tax dollar. Indeed, the Town's 2016 budget freezes total town taxes to be levied at 2015 levels; the fourth time in five years that town taxes have been frozen or reduced. In order to present a tax-freeze budget, government managers have to aggressively control workforce costs that are within their discretion. In 2015 the Town initiated an early retirement/severance program, focused on encouraging longer tenured, higher salaried workers to retire. In cases where long tenured employees were replaced, lower salaried employees have taken their place. An added benefit of the early retirement/severance initiative is that the Town's contribution to the state's pension plan will be reduced as higher salaried workers leave the town workforce and employees with lower base salary levels who require reduced state pension system contributions on the part of the town comprise the remaining workforce. The severance initiative is projected to result in more than \$8 million in salary, payroll tax and pension contribution savings in 2016. In addition, operational efficiencies, the institution of flexible work hour shifts, automation and aggressive management oversight are projected to produce a 20% reduction in overtime costs in 2016. These factors form the basis of estimating the 2016 budget lines.
- When all these factors are considered, the Town's combined fund balances are expected to decline by approximately 36% by the close of 2016.
- Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011. The Tax Cap Law limits annual increases of the Town's overall real property tax to no more than the lesser of 2% or the rate of inflation. The Tax Cap law took effect with the 2012 budget year. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law, including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the Town. In addition, if the Town uses less than the amount of its allowable tax levy increase in a given fiscal year it may include the unused portion, up to one and one-half percent (1.5%), in calculating its tax levy limit for the following fiscal year. Furthermore, the Town Board may override the limitations if the Town Board enacts, by vote of at least sixty percent of the voting power of the Town Board, a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the Town.
- The adopted budget for the fiscal year beginning January 1, 2016 did not include an increase in total taxes levied.

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, 2015

	Primary Governmental Activities	Nonmajor Component Units
ASSETS		
Current Assets:		
Cash and investments	\$ 107,831,564	\$ 10,346,967
Cash - restricted	2,470,448	5,763,941
Receivables	9,735,336	1,161,772
Due from other governments	26,756,854	871,684
Prepaid items	11,824,065	229,241
Inventory of material and supplies	12,861,164	
Other assets	523,891	
Total Current Assets	172,003,322	18,373,605
Non-Current Assets:		
Receivables, service concession arrangements	1,705,850	
Due from other governments	27,305,110	
Non-depreciable capital assets	90,660,771	1,726,374
Depreciable capital assets, net of depreciation	460,308,256	42,291,183
Total Non-Current Assets	579,979,987	44,017,557
Total Assets	751,983,309	62,391,162
DEFERRED OUTFLOWS OF RESOURCES		
Pension amounts	22,321,840	866,879
Total Deferred Outflows of Resources	22,321,840	866,879
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	23,353,291	1,034,655
Accounts payable - capital related debt	7,428,433	
Accrued interest payable	3,729,293	184,137
Accrued termination benefits - early retirement incentive	2,175,570	
Budget note payable	30,400,000	
Bond anticipation notes payable	26,634,187	
Unearned revenue	1,854	
Other liabilities		59,467
Non-current liabilities due within one year:		
General obligation bonds payable	35,588,192	1,205,086
Capital lease	1,295,779	
Pension related debt	2,776,528	
Compensated absences	3,812,409	74,799
Claims and judgments payable	10,540,000	
Estimated liability for landfill closure and postclosure care costs	79,620	
Pollution remediation obligations	3,260,200	
Total Current Liabilities	151,075,356	2,558,144
Non-Current Liabilities due in more than one year:		
General obligation bonds payable	296,280,731	16,512,617
Capital lease	13,957,947	
Pension related debt	20,546,720	
Net pension liability	20,028,115	630,909
Compensated absences	50,277,925	1,148,528
Claims and judgments payable	22,446,226	
Estimated liability for landfill closure and postclosure care costs	951,946	
Pollution remediation obligations	2,616,000	
Other postemployment benefits	399,849,401	5,923,377
Other debt		277,706
Total Non-Current Liabilities	826,955,011	24,493,137
Total Liabilities	978,030,367	27,051,281
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement receipts	2,424,050	28,559
Total Deferred Inflows of Resources	2,424,050	28,559
NET POSITION		
Net investment in capital assets	204,174,539	26,989,476
Restricted for:		
Culture and recreation		15,809
Home and community services and Economic assistance and opportunity	749,893	6,605,037
Debt service	1,800,000	
Permanent fund, nonexpendable	1,337,867	
Unrestricted	(414,211,567)	2,567,879
Total Net Position	\$ (206,149,268)	\$ 36,178,201

See notes to financial statements

TOWN OF HEMPSTEAD
GOVERNMENT - WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General government support	\$ 93,450,715	\$ 3,354,926	\$ 158,303	\$ 35,413
Education	7,094,646			
Public safety	49,018,973	13,169,719	193,917	
Transportation	63,380,386	655,551	1,284,346	3,430,537
Economic assistance and opportunity	16,764,553	11,091	4,821,088	
Culture and recreation	91,184,294	6,912,657	535,871	114,469
Home and community services	162,585,754	34,902,999	6,986,879	3,732,471
Interest and other debt related costs	10,565,845			
Total Primary Government	\$ 494,045,166	\$ 59,006,943	\$ 13,980,404	\$ 7,312,890
Nonmajor Component Units				
Culture and recreation	\$ 7,560,456	\$ 80,155	\$ 35,688	
Home and community services	9,161,951	3,753,733		
Total Component Units	\$ 16,722,407	\$ 3,833,888	\$ 35,688	\$ -0-

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

Cumulative effect of change in accounting principle

Net Position - Beginning, as restated

Net Position - Ending

Net (Expense) Revenues and
Changes in Net Position

Primary Government	Nonmajor Component Units
\$ (89,902,073)	
(7,094,646)	
(35,655,337)	
(58,009,952)	
(11,932,374)	
(83,621,297)	
(116,963,405)	
(10,565,845)	
<u>\$ (413,744,929)</u>	
	\$ (7,444,613)
	<u>(5,408,218)</u>
	<u>\$ (12,852,831)</u>
\$ 269,838,270	\$ 12,366,383
4,231,332	279,352
36,986,661	
10,970,724	
3,030,126	598,816
18,317,931	
3,848,885	63,763
2,136,646	145,041
<u>349,360,575</u>	<u>13,453,355</u>
<u>(64,384,354)</u>	<u>600,524</u>
(138,036,782)	35,664,212
<u>(3,728,132)</u>	<u>(86,535)</u>
<u>(141,764,914)</u>	<u>35,577,677</u>
<u>\$ (206,149,268)</u>	<u>\$ 36,178,201</u>

TOWN OF HEMPSTEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	MAJOR FUNDS				
	General	Highway	Parks	Refuse and Garbage	Capital Projects
ASSETS					
Cash and investments	\$ 3,882,342	\$ 7,621,977	\$ 15,978,016	\$ 28,737,316	\$ 27,222,745
Cash - restricted					
Receivables	168,352	1,042,965	197,837	2,316,670	
Due from other funds	6,992,557	7,568	22,354	612,271	53,019
Due from other governments	21,704,664	92,699	153,513	26,586,957	2,702,971
Inventory of material and supplies	1,747,475	8,108,079	862,974	1,232,410	
Prepaid items	2,546,975	680,534	1,076,756	1,039,337	
Other assets	224,491	45,900	150,900	57,300	
Total Assets	<u>\$ 37,266,856</u>	<u>\$ 17,599,722</u>	<u>\$ 18,442,350</u>	<u>\$ 60,582,261</u>	<u>\$ 29,978,735</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 9,415,969	\$ 1,625,566	\$ 1,202,899	\$ 8,183,850	
Accounts payable - capital related debt					\$ 7,428,433
Budget note payable	30,400,000				
Bond anticipation notes payable				7,984,187	18,650,000
Due to other funds	58,853	131,634	73,485	47,378	7,139,597
Unearned revenue				1,854	
Total Liabilities	<u>39,874,822</u>	<u>1,757,200</u>	<u>1,276,384</u>	<u>16,217,269</u>	<u>33,218,030</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - sidewalk repair		466,735			
Total Deferred Inflows of Resources	<u>-0-</u>	<u>466,735</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	4,294,450	8,788,613	1,939,730	27,902,262	
Restricted					
Assigned		6,587,174	15,226,236	16,462,730	
Unassigned	(6,902,416)				(3,239,295)
Total Fund Balances (Deficits)	<u>(2,607,966)</u>	<u>15,375,787</u>	<u>17,165,966</u>	<u>44,364,992</u>	<u>(3,239,295)</u>
Total Liabilities and Fund Balances	<u>\$ 37,266,856</u>	<u>\$ 17,599,722</u>	<u>\$ 18,442,350</u>	<u>\$ 60,582,261</u>	<u>\$ 29,978,735</u>

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 24,389,168	\$ 107,831,564
	2,470,448	2,470,448
	5,291,312	9,017,136
	413,466	8,101,225
\$ 1,800,000	1,021,160	54,061,964
	910,226	12,861,164
	478,506	5,822,108
	45,300	523,891
<u>\$ 1,800,000</u>	<u>\$ 35,019,576</u>	<u>\$ 200,689,500</u>
	\$ 2,925,007	\$ 23,353,291
		7,428,433
		30,400,000
	650,278	26,634,187
		8,101,225
		1,854
<u>\$ -0-</u>	<u>3,575,285</u>	<u>95,918,990</u>
		466,735
<u>-0-</u>	<u>-0-</u>	<u>466,735</u>
	2,726,599	45,651,654
1,800,000	749,893	2,549,893
	27,967,799	66,243,939
		(10,141,711)
<u>1,800,000</u>	<u>31,444,291</u>	<u>104,303,775</u>
<u>\$ 1,800,000</u>	<u>\$ 35,019,576</u>	<u>\$ 200,689,500</u>

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TOWN OF HEMPSTEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2015

Total Fund Balances - Governmental Funds **\$ 104,303,775**

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	\$	90,660,771	
Capital assets - depreciable		953,832,190	
Accumulated depreciation		(493,523,934)	
			550,969,027

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 466,735

Deferred outflows of resources not applicable to the funds. 22,321,840

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		(317,525,574)	
Pension related debt		(23,323,248)	
Net pension liability		(20,028,115)	
Compensated absences		(54,090,334)	
Claims and judgments		(32,986,226)	
Estimated liability for landfill closure and postclosure costs		(1,031,566)	
Pollution remediation obligations		(5,876,200)	
Other postemployment benefits		(399,849,401)	
Capital lease		(15,253,726)	
			(869,964,390)

Prepaid items included in the Statement of Net Position 6,001,957

Receivables, service concession arrangements are not available to pay for current period expenditures and therefore, are not reported in the funds.		2,424,050	
Deferred Inflows, service concession arrangements not reported in the funds.		(2,424,050)	
			-0-

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

Premiums on debt issuance included in the Statement of Net Position (14,343,349)

Interest payable and accrued liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position.		(5,904,863)	
			(14,343,349)

Net Position of Governmental Activities **\$ (206,149,268)**

TOWN OF HEMPSTEAD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2015

	MAJOR FUNDS				
	General	Highway	Parks	Refuse and Garbage	Capital Projects
REVENUES					
Real property taxes	\$ 40,601,872	\$ 60,117,324	\$ 50,519,830	\$ 82,109,833	
Real property tax items	1,663,645	487,984	441,795	1,306,555	
Non-property tax items	36,986,661				
Departmental income	5,637,061		2,699,788	11,341,935	
Intergovernmental charges	53,721	3,000	903,425	2,996,973	
Use of money and property	904,031	385,505	275,457	4,055,625	\$ 26,956
Licenses and permits	1,216,254			27,393	
Fines and forfeitures	276,175		8,750		
Sale of property and compensation for loss	148,635	544,411	4,316	557,288	
Miscellaneous revenue	803,310	406,504	240,594	597,994	59,707
Interfund revenues	59,620,856		28,357,339	1,048,912	
State aid	22,468,136	1,270,575	531,644	1,558,211	3,799,899
Federal aid	7,914	58,294	4,226	40,362	934,789
Total Revenues	<u>170,388,271</u>	<u>63,273,597</u>	<u>83,987,164</u>	<u>105,641,081</u>	<u>4,821,351</u>
EXPENDITURES					
Current:					
General government support	82,242,248				400,000
Education	7,094,646				
Public safety	13,982,018				
Transportation	1,436,674	35,764,759			
Economic assistance and opportunity	5,530,220				
Culture and recreation	116,594		63,543,517		
Home and community services	11,648,887			82,793,043	
Employee benefits	34,998,989	11,817,845	21,530,158	22,670,611	
Capital Outlay					53,243,256
Debt Service:					
Principal					
Interest	304,000	430,729	43,432	98,965	
Total Expenditures	<u>157,354,276</u>	<u>48,013,333</u>	<u>85,117,107</u>	<u>105,562,619</u>	<u>53,643,256</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,033,995</u>	<u>15,260,264</u>	<u>(1,129,943)</u>	<u>78,462</u>	<u>(48,821,905)</u>
Other Financing Sources (Uses)					
Transfers in	484,344	3,324,142	70,818	589,874	429,152
Transfers out	(6,939,681)	(24,663,384)	(4,711,542)	(5,209,831)	(4,500,389)
Debt issuance	600,000				64,744,108
Premiums on debt issuance	342,476	264,613	52,469	97,594	
Capital lease proceeds					15,253,726
Total Other Financing Sources (Uses)	<u>(5,512,861)</u>	<u>(21,074,629)</u>	<u>(4,588,255)</u>	<u>(4,522,363)</u>	<u>75,926,597</u>
Net Change in Fund Balances	7,521,134	(5,814,365)	(5,718,198)	(4,443,901)	27,104,692
Fund Balance (Deficit) at Beginning of Year	<u>(10,129,100)</u>	<u>21,190,152</u>	<u>22,884,164</u>	<u>48,808,893</u>	<u>(30,343,987)</u>
Fund Balance (Deficit) at End of Year	<u>\$ (2,607,966)</u>	<u>\$ 15,375,787</u>	<u>\$ 17,165,966</u>	<u>\$ 44,364,992</u>	<u>\$ (3,239,295)</u>

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 36,489,411	\$ 269,838,270
	331,353	4,231,332
	10,970,724	47,957,365
	23,984,770	43,663,554
	234,725	4,191,844
	963,973	6,611,547
		1,243,647
	1,097,675	1,382,600
	332,788	1,587,438
	991,107	3,099,216
	2,628,384	91,655,491
	376,504	30,004,969
	12,409,554	13,455,139
\$ -0-	90,810,968	518,922,432
		415,390
		83,057,638
		7,094,646
	22,249,069	36,231,087
	13,694,931	50,896,364
	4,835,743	10,365,963
	1,344,808	65,004,919
	29,780,684	124,222,614
	9,905,451	100,923,054
		53,243,256
37,504,175		37,504,175
11,090,554		11,967,680
48,594,729	82,226,076	580,511,396
(48,594,729)	8,584,892	(61,588,964)
48,594,729	44,274	53,537,333
	(7,512,506)	(53,537,333)
1,800,000		67,144,108
	25,218	782,370
		15,253,726
50,394,729	(7,443,014)	83,180,204
1,800,000	1,141,878	21,591,240
-0-	30,302,413	82,712,535
\$ 1,800,000	\$ 31,444,291	\$ 104,303,775

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, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ 21,591,240**

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

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

Capital outlay	52,375,925
Depreciation expense	(34,079,048)

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	(188,721)
Deferred charges - refunding	(49,020)
Deferred charges - pension	(740,345)

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

Unavailable revenue- sidewalks and sanitation	(114,710)
Premiums on bond issuances	2,275,302

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	(67,144,108)
Repayment of debt principal	37,504,175
Capital lease issued	(15,253,726)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Pension related debt payments	2,685,940
Net pension liability	6,762,202
Compensated absences	(2,117,403)
Termination benefits - early retirement incentive	(2,175,570)
Claims and judgments	(4,553,975)
Estimated liability for landfill closure and postclosure care costs	37,532
Pollution remediation obligations	(2,263,100)
Other postemployment benefits	(60,725,943)
Accrued interest and accrued liabilities payable	1,788,999

Change in Net Position of Governmental Activities **\$ (64,384,354)**

TOWN OF HEMPSTEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2015

		<u>Total Agency Funds</u>
<u>ASSETS</u>		
Cash and investments	\$	60,290,236
Service award program assets		<u>2,736,882</u>
Total Assets	\$	<u>63,027,118</u>
 <u>LIABILITIES</u>		
Due to other governments	\$	<u>63,027,118</u>
Total Liabilities	\$	<u>63,027,118</u>

TOWN OF HEMPSTEAD
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December 31, 2015

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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. REPORTING ENTITY

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

The decision to include a potential component unit in the Town's reporting entity is based on several criteria, including legal standing, dependency and financial accountability. The current guidance also clarifies the status as a major or nonmajor component unit.

Blended Component Units – though legally separate entities, these component units are, in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. The Town does not report any blended component units.

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

Based on the application of the above criteria the following are nonmajor discretely presented component units of the Town providing library services, potable water, and a sanitary sewer and waste water treatment system to residents and businesses within the districts. These nonmajor component units are presented discretely in a separate column in the combined financial statements to emphasize that they are legally separate from the Town.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

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

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

The Greater Atlantic Beach Water Reclamation District (the District) is a special improvement district established pursuant to Chapter 516 of the Laws of New York, 1928. It was established to serve the public interest by providing a sanitary sewer and waste water treatment system for residents and commercial establishments within its boundaries. District expenses are paid primarily through local property taxes. The District is governed by an independently elected board of commissioners. It cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town of Hempstead. The Town issues indebtedness on behalf of the District which is responsible for the payment of annual debt service on the obligations. Budgets and assessment rolls are adopted by the Board of Commissioners and approved by the Town. Tax levies of the Greater Atlantic Beach Water Reclamation District are collected by the Town Receiver of Taxes. As a result of this fiscal dependency and potential for financial burden the Town is financially accountable for the District. Accordingly, the Greater Atlantic Beach Water Reclamation District is included in the Town's reporting entity.

Condensed financial statements along with the addresses of the administrative office, for these component units are presented in Note 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 nonmajor component units. All fiduciary activities are reported in the fund financial statements.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-wide Financial Statements (continued)

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

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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

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

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

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

Capital Projects Fund – is used to account for 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	

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Water Districts as follows:

Bowling Green Estates
East Meadow
Levittown

Lido Beach – Point Lookout
Roosevelt Field
Uniondale

Library Funding Districts as follows:

Bay Park
East Franklin Square
Mill Brook
North Lynbrook

North Malverne
North Valley Stream
South Lynbrook/Hewlett

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.

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

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

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

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

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

Discretely Presented Nonmajor Component Units

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

Lakeview Public Library District
Uniondale Public Library District
Franklin Square Water District
Greater Atlantic Beach Water
Reclamation District

Roosevelt Public Library District
Cathedral Gardens Water District
West Hempstead – Hempstead Gardens
Water 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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental 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, pension related debt, 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, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES 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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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:

a) Interfund Revenues

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

b) Transfers

Transfers primarily represent payments to the Debt Service and Capital Projects Funds from the other funds for their appropriate share of the debt service or capital project costs.

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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town reports deferred outflows for the following: 1) deferred charges on refundings that will be recognized in a future period and 2) pension related amounts. Deferred charges on refundings results from the difference in the carrying value of refunded debt and its reacquisition price and the amount is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources stemming from pension amounts consists of changes in the components of the Town's net proportional share the pension plan's net pension liability, that is, the Town's proportionate share of the changes in the pension plan's total pension liability and in the Plan's pension fiduciary net position. It also includes the Town's pension contributions paid subsequent to the Plan's measurement date.

In addition to liabilities, the statement of financial position will sometimes report 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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. 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, net pension liability, and postclosure care costs, pollution remediation, and other postemployment benefits are recognized in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Debt issuance costs are recognized as an outflow of resources in the period incurred.

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

8. NET POSITION AND FUND EQUITY CLASSIFICATIONS

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

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

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

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

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

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. NET POSITION AND FUND EQUITY CLASSIFICATIONS (continued)

- 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 yearend 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.

9. NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

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

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

10. 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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

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

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

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.

4. PENSIONS

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

F. ENCUMBRANCES

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets 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, 2015, the Town adopted the following:

GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions*"—an amendment of GASB Statement No. 27 and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*". These Statements established financial reporting standards for state and local governments which have defined benefit and defined contribution pension plans that are administered through trusts or equivalent arrangements. The Statements established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and pension expense as related to the defined benefit and contribution pension plans. The implementation of these Statements resulted in a restatement of the City's net position (see Note 6).

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date of the financial statements. No significant events were identified that would require adjustment or disclosure in 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".
- e) Formal budgetary integration is employed during the year as a management control device for the General and certain Special Revenue Funds. The Town Board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval. Appropriations for all governmental funds except the Capital Projects Fund lapse at year end.

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

- f) Budgets for the General and certain Special Revenue Funds are legally adopted for each year. The budgets are adopted on a basis of accounting consistent with GAAP, except that outstanding encumbrances are re-appropriated in the subsequent year. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made.
- g) Annual budgets are not prepared for the Capital Projects Fund, Debt Service, Special Grant Fund, 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 lasting through at least June 15, 2020. No local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); subject to certain limited exceptions and adjustments, however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Town did not vote to override the 0.73% tax levy cap for the 2016 Adopted Budget. On October 7, 2015, the members of the Town Board adopted the 2016 budget.

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 (deficit) is also shown.

	General Fund	Highway Fund	Parks Funds	Refuse and Garbage Funds	Capital Projects Funds	Debt Service Fund	Nonmajor Governmental Funds	Total
Fund Balances:								
Nonspendable:								
Long-term receivables				\$ 25,630,515				\$ 25,630,515
Inventory	\$ 1,747,475	\$ 8,108,079	\$ 862,974	1,232,410			\$ 910,226	12,861,164
Prepaid items	2,546,975	680,534	1,076,756	1,039,337			478,506	5,822,108
Permanent fund principal							1,337,867	1,337,867
Total Nonspendable	4,294,450	8,788,613	1,939,730	27,902,262	\$ -0-	\$ -0-	2,726,599	45,651,654
Restricted for:								
Debt service						1,800,000		1,800,000
Grantors and donor restrictions							749,893	749,893
Total Restricted	-0-	-0-	-0-	-0-	-0-	1,800,000	749,893	2,549,893
Assigned to:								
Subsequent year's budget		4,779,335	7,592,048	16,462,730			8,878,996	37,713,109
Purchases on order or contractual obligations		45,548	73,183				83,189	201,920
Special revenue funds		1,762,291	7,561,005				19,005,614	28,328,910
Total Assigned	-0-	6,587,174	15,226,236	16,462,730	-0-	-0-	27,967,799	66,243,939
Unassigned, reported in:								
General Fund	(6,902,416)							(6,902,416)
Capital Projects	(6,902,416)	-0-	-0-	-0-	(3,239,295)	-0-	-0-	(10,141,711)
Total Fund Balances	\$ (2,607,966)	\$ 15,375,787	\$ 17,165,966	\$ 44,364,992	\$ (3,239,295)	\$ 1,800,000	\$ 31,444,291	\$ 104,303,775

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY (continued)

2. DEFICIT FUND EQUITY

The Capital Projects Fund deficit, in unassigned fund balance and total fund balance of \$3,239,295 at December 31, 2015, resulted from differences in timing between project expenditures incurred and the recognition of corresponding permanent financing sources. This deficit will be eliminated in the subsequent years with the issuance of long-term bonds.

The General Fund deficit, in total fund balance and unassigned fund balance of \$2,607,416 and \$6,902,416, respectively, resulted from the 2014 State Court of Appeals decision that the Town was obligated to pay for residents' tuition at the Fashion Institute of Technology in the amount of \$17,167,287. During 2015, the General Fund's total deficit decreased by \$7,521,134, primarily due to increased real property taxes and state aid. The Town will address the remaining deficit when it addresses the budget note in 2016. See Budget Note under Note 3.D.

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, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town does not participate in a multi-municipal cooperation investment pool.

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

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

At December 31, 2015 the Town's deposits were \$170,576,398. This amount is inclusive of fiduciary fund deposits of \$60,290,236 and restricted cash of \$2,470,448 but exclusive of petty cash of \$15,850. The bank balances totaled \$177,710,639. Of the bank balance, \$3,902,928 was covered by federal deposit insurance, and \$173,807,711 was covered by collateral with a fair value of \$375,550,956, 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, 2015, 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, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2015 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:

	<u>Receivable</u>	<u>Payable</u>
Primary Government		
<u>Major Funds:</u>		
General Fund	\$ 6,992,557	\$ 58,853
Highway	7,568	131,634
Parks	22,354	73,485
Refuse & Garbage	612,271	47,378
Capital Projects Fund	53,019	7,139,597
<u>Nonmajor Funds:</u>		
Town Outside Village	1	29,771
Special Grant		600,383
Fire Protection	886	
Street Lighting	360,501	5,579
Public Parking	708	1,340
Water	51,266	13,205
Library	94	
	<u>\$ 8,101,225</u>	<u>\$ 8,101,225</u>

For cash flow purposes, the Special Grant Fund's short-term payable will be repaid upon the collection of their grant receivables. The remaining balances stemming from temporary loans and reimbursements will be paid in early 2016.

At December 31, 2015 individual fund interfund transfers balances for the primary government primarily represent receipt and payment of debt service and capital projects expenditures, and are stated as follows.

	<u>Transfer In</u>	<u>Transfer Out</u>
Primary Government		
<u>Major Funds:</u>		
General Fund	\$ 484,344	\$ 6,939,681
Highway	3,324,142	24,663,384
Parks	70,818	4,711,542
Refuse & Garbage	589,874	5,209,831
Capital Projects Fund	429,152	4,500,389
Debt Service	48,594,729	
<u>Nonmajor Funds:</u>		
Town Outside Village		165,037
Special Grant		30,169
Fire Protection		430,107
Street Lighting	25,139	1,321,906
Public Parking		1,858,314
Water	19,135	3,705,894
Permanent		1,079
	<u>\$ 53,537,333</u>	<u>\$ 53,537,333</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2015 are as follows:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Primary government				
Capital assets not being depreciated				
Land - other than landfills	\$ 56,298,500			\$ 56,298,500
Landfills	30,668,785			30,668,785
Construction work in progress	9,208,683	\$ 3,954,157	\$ 9,469,354	3,693,486
Total capital assets not being depreciated	96,175,968	3,954,157	9,469,354	90,660,771
Depreciable capital assets				
Infrastructure and improvements other than buildings	734,506,375	46,885,833		781,392,208
Buildings	31,436,231	3,184,378		34,620,609
Improvement to park portion of Merrick landfill	15,741,484			15,741,484
Machinery and equipment	109,745,449	7,445,562	1,772,588	115,418,423
Intangibles - Software	6,284,117	375,349		6,659,466
Total depreciable capital assets	897,713,656	57,891,122	1,772,588	953,832,190
Less accumulated depreciation				
Infrastructure and improvements other than buildings	356,606,651	23,350,823		379,957,474
Buildings	7,101,587	2,745,089		9,846,676
Improvements to park portion of Merrick landfill	6,562,060	540,555		7,102,615
Machinery and equipment	88,466,647	6,304,800	1,772,588	92,998,859
Intangibles - Software	2,480,529	1,137,781		3,618,310
Total accumulated depreciation	\$ 461,217,474	\$ 34,079,048	\$ 1,772,588	493,523,934
Total net depreciable capital assets				460,308,256
Total net capital assets				\$ 550,969,027

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

General government support	\$ 3,803,763
Public safety	612,154
Transportation	17,914,885
Economic assistance and opportunity	77,055
Culture and recreation	5,118,710
Home and community services	6,552,481
Total governmental activities depreciation expense	<u>\$ 34,079,048</u>

The Town evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2015, the Town has not recorded any such impairment losses.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Discretely Presented Nonmajor Component Units				
Capital assets not being depreciated				
Land	\$ 263,098			\$ 263,098
Construction in progress	650,135	\$ 1,162,280	\$ 349,139	1,463,276
Total capital assets not being depreciated	<u>913,233</u>	<u>1,162,280</u>	<u>349,139</u>	<u>1,726,374</u>
Depreciable capital assets				
Buildings	42,786,990	111,095	1,336	42,896,749
Improvements other than buildings	28,710			28,710
Machinery and equipment	7,687,192	10,438	83,681	7,613,949
Software	13,083,800	471,959	33,944	13,521,815
Infrastructure	6,001,100	138,028	104,109	6,035,019
Total depreciable capital assets	<u>69,587,792</u>	<u>731,520</u>	<u>223,070</u>	<u>70,096,242</u>
Less total accumulated depreciation	<u>\$ 25,949,855</u>	<u>\$ 2,035,648</u>	<u>\$ 180,444</u>	<u>27,805,059</u>
Total net depreciable capital assets				<u>42,291,183</u>
Total net capital assets				<u>\$ 44,017,557</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 to be converted to long-term obligations within five years after the original issue date. 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. These BANs bear an interest rate of 2.00% and are due on December 16, 2016.

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, 2015, the Town had \$26,634,187 in BANs outstanding.

These bond anticipation notes are summarized as follows:

	Balance 1/1/2015	Issued	Redeemed	Balance 12/31/2015
Primary government:				
General Fund	\$ 1,800,000		\$ 1,800,000	\$ -0-
Refuse and Garbage	8,259,905	\$ 7,984,187	8,259,905	7,984,187
Capital Projects Fund				
Highway	35,950,000	18,650,000	35,950,000	18,650,000
Parks	3,625,000		3,625,000	
Total bond anticipation notes	<u>\$ 49,634,905</u>	<u>\$ 26,634,187</u>	<u>\$ 49,634,905</u>	<u>\$ 26,634,187</u>

Budget Notes – These notes were issued as a temporary means of financing an insufficiency in the Town's 2014 budget. The insufficiency resulted from revenues estimated to be received in the Town's 2015 budget from the County from FIT tuition chargebacks not being realized and shortfalls in mortgage recording tax receipts and sales and use tax receipts. These Budget Notes bear an interest rate of 2.00% and mature on December 16, 2016.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

SHORT-TERM DEBT (continued)

Budget Notes (continued)

The Budget Notes and any renewals are required to be redeemed out of taxes or assessments levied or to be levied in the fiscal year of their maturity or from other revenues legally available. Since the authorizing bonding resolution was not adopted prior to the adoption of the Town's 2015 budget, the budget Note may be renewed upon its maturity, however, the final maturity of such renewal notes must be no later than December 31, 2016.

These budget notes are summarized as follows:

	Balance 1/1/2015	Issued	Redeemed	Balance 12/31/2015
Primary government:				
General Fund	\$ 30,400,000	\$ 30,400,000	\$ 30,400,000	\$ 30,400,000
Total primary government	30,400,000	30,400,000	30,400,000	30,400,000
 Total budget notes	<u>\$ 30,400,000</u>	<u>\$ 30,400,000</u>	<u>\$ 30,400,000</u>	<u>\$ 30,400,000</u>

LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2015 is as follows:

	(As Restated)					
	Beginning Balance 1/1/2015	New Issues/ Additions	Maturities/ Reductions	Ending Balance 12/31/2015	Non-current liabilities due within one year	Non-current liabilities
Primary Government:						
Bonds Payable						
General obligation bonds	\$ 287,885,641	\$ 67,144,108	\$ 37,504,175	\$ 317,525,574	\$ 35,588,192	\$ 281,937,382
Plus premiums on issuance	16,618,651	233,279	2,508,581	14,343,349		14,343,349
Total Bonds Payable	304,504,292	67,377,387	40,012,756	331,868,923	35,588,192	296,280,731
Pension related debt	26,009,188		2,685,940	23,323,248	2,776,528	20,546,720
Net pension liability	26,790,317	22,490,660	29,252,862	20,028,115		20,028,115
Compensated absences	51,972,931	35,386,251	33,268,848	54,090,334	3,812,409	50,277,925
Claims and judgments	28,432,251	17,048,266	12,494,291	32,986,226	10,540,000	22,446,226
Estimated liability for landfill closure and postclosure care costs	1,069,098		37,532	1,031,566	79,620	951,946
Pollution remediation	3,613,100	3,076,760	813,660	5,876,200	3,260,200	2,616,000
Other postemployment benefits	339,123,458	79,940,638	19,214,695	399,849,401		399,849,401
Capital lease		15,253,726		15,253,726	1,295,779	13,957,947
Total non-current liabilities	<u>\$ 781,514,635</u>	<u>\$ 240,573,688</u>	<u>\$ 137,780,584</u>	<u>\$ 884,307,739</u>	<u>\$ 57,352,728</u>	<u>\$ 826,955,011</u>
 Nonmajor Component Units:						
Bonds Payable						
General obligation bonds	\$ 18,883,528		\$ 1,165,825	\$ 17,717,703	\$ 1,205,086	\$ 16,512,617
Net pension liability	817,572	\$ 199,698	386,361	630,909		630,909
Compensated absences	1,082,361	274,812	133,846	1,223,327	74,799	1,148,528
Other postemployment benefits	5,327,609	994,899	399,131	5,923,377		5,923,377
Total non-current liabilities	<u>\$ 26,111,070</u>	<u>\$ 1,469,409</u>	<u>\$ 2,085,163</u>	<u>\$ 25,495,316</u>	<u>\$ 1,279,885</u>	<u>\$ 24,215,431</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. Long-term liabilities for compensated absences, postemployment health care benefits, net pension liability and pension related debt are liquidated through future budgetary appropriation in the following funds: General, Highway, Parks, Refuse and Garbage, Town Outside Village, Public Parking, Water and Special Grant, depending upon which fund gave rise to the liability.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds – The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

These long-term liabilities are backed by the full faith and credit of the Town, including bonds of the Town Special Districts which are payable for tax revenues of the areas benefited. Interest rates of these bonds vary from 0.70% to 6.32%.

A summary of these bonds are as follows:

	Balance 1/1/2015	Issued	Redeemed	Balance 12/31/2015
Primary government:				
Capital Projects Fund				
General	\$ 43,315,686	\$ 17,461,400	\$ 5,262,257	\$ 55,514,829
Highway	149,231,627	21,033,365	18,852,709	151,412,283
Park Districts	27,151,873	15,102,123	3,264,622	38,989,374
Refuse and Garbage Districts	23,982,744	6,288,885	4,326,759	25,944,870
Part-town	1,176,457	90,000	119,468	1,146,989
Fire Districts	1,410,164		372,084	1,038,080
Lighting District	9,009,131	1,420,000	976,918	9,452,213
Parking Districts	10,312,576	612,500	1,455,175	9,469,901
Water District	22,295,383	5,135,835	2,874,183	24,557,035
Total primary government	<u>287,885,641</u>	<u>67,144,108</u>	<u>37,504,175</u>	<u>317,525,574</u>
Nonmajor Component units:				
Library Districts	9,590,271		747,955	8,842,316
Water Districts	9,293,257	-0-	417,870	8,875,387
Total nonmajor component units	<u>18,883,528</u>	<u>-0-</u>	<u>1,165,825</u>	<u>17,717,703</u>
Total general obligation bonds	<u>\$ 306,769,169</u>	<u>\$ 67,144,108</u>	<u>\$ 38,670,000</u>	<u>\$ 335,243,277</u>

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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

Future principal and interest payments to maturity are as follows:

Primary Government:

		Principal	Interest	Total Principal and Interest
Years Ending December 31,	2016	\$ 35,588,192	\$ 10,514,981	\$ 46,103,173
	2017	39,868,674	9,054,364	48,923,038
	2018	40,732,970	7,500,265	48,233,235
	2019	28,008,493	6,240,714	34,249,207
	2020	28,724,061	5,270,818	33,994,879
	2021-2025	110,776,107	13,813,880	124,589,987
	2026-2030	31,542,142	2,289,894	33,832,036
	2031-2035	1,336,437	410,038	1,746,475
	2036-2038	948,498	90,263	1,038,761
	Total primary government		<u>\$ 317,525,574</u>	<u>\$ 55,185,217</u>

Nonmajor Component Units:

		Principal	Interest	Total Principal and Interest
Years Ending December 31,	2016	\$ 1,205,086	\$ 689,757	\$ 1,894,843
	2017	1,236,326	640,691	1,877,017
	2018	1,282,030	589,774	1,871,804
	2019	741,507	551,380	1,292,887
	2020	650,939	529,632	1,180,571
	2021-2025	3,618,892	2,290,158	5,909,050
	2026-2030	4,362,858	1,556,125	5,918,983
	2031-2035	2,873,563	776,512	3,650,075
	2036-2038	1,746,502	159,618	1,906,120
	Total nonmajor component units		<u>\$ 17,717,703</u>	<u>\$ 7,783,647</u>
Total Principal and Interest		<u>\$ 335,243,277</u>	<u>\$ 62,968,864</u>	<u>\$ 398,212,141</u>

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Town to rebate excess arbitrage earnings from bond proceeds to the federal government. There were no excess arbitrage earnings for the year ended December 31, 2015.

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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

Outstanding Bond Issues

Issue	Average Rate	Original Amount	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-1991, Series B	6.31560%	\$ 8,492,000	\$ 50,000	January 1, 2016
General Obligation Serial Bonds-2005, Series B	3.11727%	16,600,000	505,000	November 15, 2018
General Obligation Serial Bonds-2006, Series A	3.76550%	33,914,230	10,750,000	March 1, 2018
General Obligation Serial Bonds-2007, Series A	4.13760%	30,348,650	13,570,000	September 1, 2020
General Obligation Serial Bonds-2008, Series A	3.52974%	33,415,000	18,674,999	August 15, 2021
General Obligation Serial Bonds-2008, Series B	4.52663%	15,427,000	13,340,000	August 15, 2038
General Obligation Serial Bonds-2010, Series A	2.99083%	73,377,025	48,940,000	April 15, 2035
General Obligation Serial Bonds-2011, Series A	3.02130%	49,840,320	38,845,000	August 1, 2027
General Obligation Serial Bonds-2011, Series B	3.32884%	6,300,000	5,190,000	August 1, 2030
NYS EFC Refunding Bonds - Series A	2.40364%	1,770,000	615,000	January 15, 2017
NYS EFC Refunding Bonds - Series A	2.81598%	920,000	430,000	June 15, 2019
General Obligation Serial Bonds-2012, Series A	1.85637%	49,869,000	42,120,000	August 15, 2037
General Obligation Serial Bonds-2014, Series A	2.55402%	46,254,170	46,254,170	January 1, 2026
General Obligation Refunding Bonds-2014, Series B	0.69809%	37,860,000	28,815,000	February 1, 2018
General Obligation Serial Bonds - 2015 Series A	2.44205%	67,144,108	67,144,108	December 15, 2028
		<u>\$ 471,531,503</u>	<u>\$ 335,243,277</u>	

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the Town defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2015 there are no outstanding bonds considered defeased.

CAPITAL LEASES

During 2015, the Town entered into a lease agreement for financing the acquisition of street lighting equipment. Under the terms of the agreement, the lessor will purchase \$15,289,045 of street lighting equipment, which will be leased to the Town through December 2024. As the street lighting equipment is being purchased in installments, the lessor initially deposited \$15,253,726 in an escrow account, in the name of the Town. As purchases are made in the name of the lessor, the escrow cash balance is reduced. As of December 31, 2015, \$7,180,756 of street lighting equipment has been purchased and the cash escrow balance including interest earnings is \$8,099,926 at December 31, 2015. The equipment has been reported in construction in progress and therefore no depreciation has been recognized.

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, are as follows:

Years ending December 31, 2016	\$ 1,974,276
2017	1,974,276
2018	1,974,276
2019	1,974,276
2020	1,974,276
2021-2024	<u>7,897,104</u>
Total minimum lease payments	17,768,484
Less: amount representing interest	<u>(2,514,758)</u>
Present value of minimum lease payments	<u>\$ 15,253,726</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM

Plan Description

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

Benefits Provided

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

Tiers 1 and 2

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

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

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

Tiers 3, 4, and 5

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Tiers 3, 4, and 5 (continued)

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

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

Tier 6

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

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

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

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4 and 5 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: 1) all pensioners who have attained age 62 and have been retired for five years; 2) all pensioners who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Contributions

Plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their salary for NYSERS members throughout active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, depending upon their salary, throughout active membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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
2015	\$ 29,540,281	\$ 557,664	\$ (285,670)	\$ (5,819,256)	\$ 3,575,191	\$ 27,568,210
2014	29,465,018	70,332	(282,487)	(7,200,000)	2,709,847	24,762,710
2013	35,833,382	150,508	-0-	(8,000,000)	1,739,657	29,723,547

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.
- The interest rate will be set annually, and will be comparable to taxable fixed income investments of a similar duration.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

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

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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Contributions (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 pension related debt as of December 31, 2015 is \$23,323,248. Amortization contributions will be paid in ten equal installments, one per year, but may be prepaid at any time. The Town has, for now, opted to amortize over the ten-year period. The interest rate will be established annually for each year's amortization and paid out of current resources. Future principal and interest payments to maturity for the amortization installments are as follows:

	Principal	Interest	Total Principal and Interest
Year Ending December 31, 2016	\$ 2,776,528	\$ 783,853	\$ 3,560,381
2017	2,870,201	690,180	3,560,381
2018	2,967,063	593,318	3,560,381
2019	3,067,224	493,157	3,560,381
2020	3,170,799	389,582	3,560,381
2021-2025	8,471,433	565,672	9,037,105
	\$ 23,323,248	\$ 3,515,762	\$ 26,839,010

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

At December 31, 2015, the Town reported a liability of \$20,028,115 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

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

Measurement Date	Net Pension Liability	Allocation of the System's Total Net Liability
March 31, 2015	\$ 20,028,115	0.59285570%

There was no significant change in the Town's proportionate share from March 31, 2014 to March 31, 2015.

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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Contributions (continued)

For the year ended December 31, 2015, the Town recognized pension expense of \$18,174,693 in the government-wide statement of activities. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Differences between expected and actual experience	\$	641,122
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		3,478,630
Changes in proportion and differences between the Town's contribution and proportionate share of contributions		196,215
Town's contributions subsequent to the measurement date, net of prepaid amounts		18,005,873
Total	\$	22,321,840

The Town's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension as expense as follows:

Plan Year Ending March 31,	2016	\$	1,078,992
	2017		1,078,992
	2018		1,078,992
	2019		1,078,991
		\$	4,315,967

Actuarial Assumptions

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

Actuarial Valuation Date	April 1, 2014
Interest Rate	7.50%
Salary Scale:	
Inflation	2.70%
Productivity & Merit	2.20%
Total Salary Scale	4.90%
Inflation Rate	2.70%
Decrement tables	April 1, 2005 - March 2010, System's Experience

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Actuarial Assumptions (continued)

Annuitant mortality rates are based on the April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Type:	Target Allocation	Long-term Expected Real Rate of Return
Equity:		
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Alternatives:		
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Other	9.00%	6.75-8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation indexed bonds	2.00%	4.00%
	<u>100.00%</u>	

The discount rate used to calculate the total pension liability was 7.5% for the System. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at actuarially determined statutorily required rates. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Assumption 7.50%	1% Increase 8.50%
Town's proportionate share of the collective net pension liability/(asset)	\$ 133,496,052	\$ 20,028,115	\$ (75,766,960)

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands) April 1, 2014
Employers' total pension liability	\$ (164,591,504)
Plan net position	161,213,259
Employers' net pension liability	\$ (3,378,245)
 Ratio of plan net position to the Employers' total pension liability	 97.95%

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. The retiree is also eligible for Medicare Part B reimbursement in the amount of \$105 per month, based on the standard 2015 rate. 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, 2015

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.

The number of participants as of December 31, 2015, 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	1,919
Retired Employees and spouses	2,173
Surviving spouses of deceased retirees	222
Total	4,314

Funding Policy

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

Summary of Changes from Prior Actuarial Valuation

During the year ended December 31, 2015, the Town's OPEB actuarial valuation as of December 31, 2015, includes the provisions of ASOP 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined contributions*, as revised.

Since the prior actuarial valuation as of December 31, 2013, several changes were made that resulted in a change in the actuarial accrued liability. The following summarizes changes there were made and disclosed in more depth elsewhere in this footnote:

- Actuarial gains and losses result from differences between the expectations of the prior valuation and the re-measurement of the current valuation. Demographic loss comes from many sources such as rates of termination, retirement and election of health care benefits.
- The withdrawal, disability and mortality assumptions changed from the December 31, 2013 valuation. The mortality assumption was changed from the RP 2000 Combined Mortality table, sex distinct, with full generational projects using Scale AA to the RP 2006 Employee Mortality table, sex distinct, project with scale MP-2015. The withdrawal, retirement and disability assumptions were updated based on information developed by the NYS ERS actuary based on analysis of their covered populations.
- The impact of claim costs reflects the difference in actual claim costs in effect in 2015 compared to the expected claim costs in 2015, as projected with trend from 2014. Claim costs were higher than expected generating an actuarial loss.
- Healthcare loss estimates the effect of actual 2014-2015 health cost trend compared with projections in the December 31, 2014 valuation. The assumed rate of medical cost inflation was modified based on new research regarding the economics of healthcare and related issues. The rates also factor in anticipated fees, surcharge fees and excise tax on high cost health plans effective in future years pursuant to the Patient Protection and Affordable Care Act of 2010 and the Consolidated Appropriations Act of 2016.
- Age factors were used to adjust the medical costs for the community-rated NYSHIP Empire plan and the dental plan. In the prior valuation the liability was valued as the employer's percentage of the premium without impact of aging on the expected claims.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Summary of Changes from Prior Actuarial Valuation (continued)

The following shows the impact on the actuarial accrued liability for the changes in actuarial assumptions:

Projected AAL and UAAL as of January 1, 2015 based on prior assumptions	\$ 722,129,000
Change due to :	
Demographic loss	15,235,000
Assumption changes regarding withdrawal, disability and mortality	74,723,000
Impact of higher claim experience	28,003,000
Healthcare trend loss (assumed rate of medical inflation)	32,863,000
Impact of aged costs	<u>103,977,000</u>
AAL and UAAL as of January 1, 2015 using current assumptions	<u>\$ 976,930,000</u>

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2015, the Town's annual other postemployment benefits cost (expense) was \$79,940,638. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled approximately \$19,214,695 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$60,725,943 for the year ended December 31, 2015. For the year ended December 31, 2015 the Town's discretely presented nonmajor component units annual postemployment benefits cost (expenses) was \$998,899. Considering health insurance payments totaling \$399,131, the increase in the other postemployment benefits liability for the nonmajor component units for the year ended December 31, 2015 amounted to \$595,768.

Benefit Obligations and Normal Cost

	<u>Medical, Dental and Medicare Part B</u>
Actuarial Accrued Liability (AAL)	
Active employees	\$ 597,641,000
Retired employees	<u>379,289,000</u>
Total Actuarial Accrued Liability (AAL)	976,930,000
Actuarial value of plan assets	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 976,930,000</u>
Funded ratio	0%
Annual covered payroll	\$ 162,211,000
UAAL as a percentage of covered payroll	602.26%

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015 amounted to \$976,930,000. The unfunded actuarial accrued liability for the nonmajor components units for the year ended December 31, 2015 amounted to \$11,595,456.

Covered payroll represents the annual payroll of active employees covered by the plan.

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	\$	32,730,000
Amortization of unfunded actuarial liability (UAAL) over 30 years		52,503,000
Annual required contribution (ARC)		85,233,000
Interest on net OPEB obligation		13,564,938
Adjustment to ARC		(18,857,300)
Annual OPEB Cost		79,940,638
Less: Contribution made		19,214,695
Increase in net OPEB liability		60,725,943
Net OPEB obligation, beginning of year		339,123,458
Net OPEB obligation, end of year	\$	399,849,401
Percentage of annual OPEB cost contributed		24.0%

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
2015	\$ 79,940,638	\$ 19,214,695	24.0%	\$ 399,849,401
2014	55,707,098	17,683,579	31.7%	339,123,458
2013	58,406,558	15,763,065	27.0%	301,099,939

The funded status of the plan as of December 31, 2014 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-	\$ 976,930,000	\$ 976,930,000	0%	\$ 162,211,477	602.26%
Component Units	-0-	10,969,839	10,969,839	0%	4,366,356	251.24%

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Funded Status and Funding Progress (continued)

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, 2015 actuarial valuation, the liabilities were computed using the projected unit credit cost method, level dollar amortization method, and an open 30 year amortization period to amortize the initial unfunded liability. The actuarial assumptions utilized a 4.00% discount rate, a 6.40% and 7.20% medical inflation rate for pre-65 and post-65 medical benefits, a 5.00% 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 6.40% and 7.20%, healthcare cost trend increase for the year ended 2016, increased and/or reduced by decrements to a rate of 6.10% and 5.20% after seven years for pre-65 and post-65 medical benefits. For medical benefits, the assumed valuation reaches 5.00% for pre-65 and post-65 medical benefits in 2062 and 2064, respectively, and 4.20% for pre-65 in 2082 and 4.30% for post-65 in 2082.

A copy of the Town of Hempstead Retiree Medical Program, December 31, 2015 Actuarial 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 position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2015, the value of the compensated absences was \$54,090,334 for the primary government. The liability for compensated absences for the nonmajor component units amounted to \$1,223,327.

H. TERMINATION BENEFITS

On November 24, 2015 the Town Board adopted a resolution to provide a retirement incentive to employees leaving service between November 25, 2015 and December 31, 2015. Under the terms of the agreement qualified employees who leave employment by this date receive a one-time payment equal to one percent of their base salary for every year of credited service in the New York State and Local Retirement System. Such payment shall be made on the later of January 31, 2016 or within thirty days of providing proof of the length of their retirement system membership. Fifty-seven (57) employees chose to take the incentive with an incentive payment totaling \$2,175,570.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

I. 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, 2015 was \$1,079. The amount of total net position restricted as nonexpendable, in the Permanent Fund, for the Greenfield Cemetery at December 31, 2015 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 general liability claims. Although the eventual outcome of these claims cannot presently be determined, the Town Attorney estimates the amount of unsettled claims and litigation. Claims for which the outcome is deemed probable and the potential loss is estimable, a liability is recorded in the government-wide financial statements. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

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

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

	Workers' Compensation		General Liability	
	2015	2014	2015	2014
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 26,469,000	\$ 26,610,000	\$ 1,963,251	\$ 1,865,683
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>11,492,895</u>	<u>7,828,624</u>	<u>5,555,371</u>	<u>1,876,901</u>
Total incurred claims and claim adjustment expenditures	<u>11,492,895</u>	<u>7,828,624</u>	<u>5,555,371</u>	<u>1,876,901</u>
Payments				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years.	<u>10,221,895</u>	<u>7,969,624</u>	<u>2,272,396</u>	<u>1,779,333</u>
Total unpaid claims and claim adjustment expenditures at the end of the year.	<u>\$ 27,740,000</u>	<u>\$ 26,469,000</u>	<u>\$ 5,246,226</u>	<u>\$ 1,963,251</u>

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 no litigation by or pending against the Town that is not covered by insurance, budgetary appropriations or other reasons which could have a materially adverse impact on the financial condition of the Town.

Garbage Taxes and Local Utilities

There are currently five (5) cases against the Town regarding garbage taxes and local utilities. The plaintiff utility companies sued the Town and its garbage districts on the theory that the ad valorem levies imposed upon the plaintiff's transmission and distribution properties to fund the Town's garbage collection and disposal services are illegal because these properties do not and cannot generate any garbage. [See, New York Telephone Company v. Oyster Bay, 4 N.Y.3d 387 (2005)]. The Town is vigorously defending 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, 2015, judgments against the Town relating to these claims amounted to \$25,630,515.43 for which the Refuse and Garbage Fund has paid in full. In addition, based on the recovery anticipated under the "County Guarantee" cited above, the Town recorded a due from other governments of \$25,630,515.43 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, 2013 the Judge 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 pay the tax refunds 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., (Nassau Co. Sup. Ct.) (Index No. 1998-12177).

In March 2014, the Appellate Division decided a collection of related cases including the aforementioned Judge ruling for the County to repay the utility companies directly. The Court modified the previous order and directed the Town to pay Verizon in the first instance. The Court also reaffirmed the applicability and viability of the "County Guarantee" and directed that the County reimburse the Town for the sums the Town pays Verizon. The Court of Appeals has denied all motions for leave to appeal to the Court of Appeals.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

Garbage Taxes and Local Utilities (continued)

The same Judge is currently assigned to most of the Town's cases and he has been conducting a series of hearings regarding interest rate calculations. The County is arguing that the Court should award a much lower rate of interest than nine percent (9%) to the plaintiffs on the judgments ordering the refunds of illegally imposed ad valorem levies herein.

The Town continues to pursue third-party actions against the County of Nassau covering all current and future potential liability.

FIT Tuition Charge Back

In 2010, Nassau County (County) commenced a charge back 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. After four years in litigation, the Court of Appeals has determined that the County could charge back to the towns the amount paid for both two and four year programs at FIT and could further offset a town's liability against the town's share of sales tax revenue collected by the County. The Town has commenced an action in the Supreme Court of Nassau County challenging the method of computation of the chargeable amount utilized by the County as well as the chargeable amount itself. All payments have been made to the County, the expense has been fully recorded and the remaining liability is zero as of December 31, 2015.

Additionally, the County has deducted amounts the County seeks for 2004-2005 chargebacks on its 2015 fourth quarter claim voucher for disbursements of sales tax revenue to the Town. The Town is commencing an action against the County challenging this deduction on the basis of statute of limitations and laches. The Nassau County Supreme Court in the matter of Town of North Hempstead v. County of Nassau, et al. recently held that the County was prohibited from withholding sales tax revenue for the years 2004 – 2009 as the same is barred by the statute of limitations and the exercise of the common law right to set off was stale as a matter of law.

Personal Injury

A personal inquiry lawsuit brought in 2014 against the Town, claims multiple serious and permanent injuries stemming from a collision during a snow storm between the Plaintiff's truck and a Town owned snow plow. At this time discovery is still not completed. The Town intends to vigorously contest the claims in this case especially on the issues of the standard of care, "reckless disregard for the safety of others," comparative negligence and causality of the alleged injuries. It is anticipated that if a jury places most, if not all of the fault on the Town, the claimed injuries could potentially bring a verdict in favor of the Plaintiff in the area of \$10 to \$12 million dollars. It is not anticipated that this case will reach the trial calendar until sometime in 2017. A liability of \$1.5 million has been reported in judgment and claims payable at December 31, 2015.

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. If their outcome cannot presently be determined, no liability has been recorded in the financial statements.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

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.

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. Accordingly, as of December 31, the Town has recorded a liability of \$1,031,566 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, 2015 has commitments for capital acquisitions and improvements of \$33,180,760 in the Capital Projects Fund that it is anticipated will be paid for by the issuance of general obligation bonds.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

F. ENCUMBRANCES

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

At December 31, 2015 the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Primary Government	
Major Funds:	
Highway Fund	\$ 45,548
Parks Funds	73,183
Nonmajor Funds:	
Town Outside Village	55,927
Street Lighting	14,292
Public Parking	3,600
Water	9,370
	\$ 201,920

G. POLLUTION REMEDIATION OBLIGATIONS

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

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

Pollution remediation activities include the removal and disposal of sediment and soil from dry wells contaminated by automotive lubricants, and from spills related to removal and replacement of underground storage tanks for waste oil, heating oil, and automotive fuels. Other pollution remediation obligations include asbestos abatement and removal. Estimates are based on known liabilities from existing 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, 2015, the Town has estimated pollution remediation obligations amounts at \$5,876,200 of which \$3,260,200 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, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

H. SERVICE CONCESSION ARRANGEMENTS

During 2015, the Town entered into an agreement with National Rink Management Corporation for management of the Newbridge Road Park Ice Rink, Pro Shop and concession stand for a ten year period ending March 31, 2025. The agreement includes options for two five-year extensions. Under the terms agreement, National Rink Management Corporation will pay the Town \$105,000 annually. The value of these payments is estimated to be \$1,050,000 over the life of the current agreement. The Town reports the Newbridge Park Ice Rink as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2015, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$971,250.

In 2013, the Town entered into an agreement with Mohizif Café and Restaurant, Inc. for the management and maintenance of the restaurant and food service facilities in the Town Hall complex for the next two years. The agreement included options for five one-year extensions. Under the agreement Mohizif Café and Restaurant, Inc. will pay the Town an annual license fee of \$13,200. The value of these payments is estimated to be \$92,400 over the life of the agreement. The Town reports the restaurant and food service facilities in the Town Hall Complex as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2015, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$52,800.

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, 2015, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$1,200,000.

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, 2015, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$200,000.

I. 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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

I. MERRICK FIRE DEPARTMENT SERVICE AWARD PROGRAM (LOSAP) (continued)

Program Description (continued)

Participation, vesting and service credit (continued)

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. The Plan was amended effective January 1, 2013 to provide credit for years of service after an individual reaches his entitlement date.

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 forty 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 March 14, 2015.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

I. MERRICK FIRE DEPARTMENT SERVICE AWARD PROGRAM (LOSAP) (continued)

Fiduciary Investment and Control (continued)

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2015	\$	3,233,833
Assets Available for Benefits		
Annuities	\$	2,736,882
Total Net Assets Available for Benefits		2,736,882
Total Unfunded Benefits/Surplus		496,951
Less: Unfunded Liability/Surplus for Prior Service		(496,951)
Unfunded Normal benefits	\$	-0-

Prior Service Costs

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

Plan Net Assets, beginning of year	\$	2,515,506
Changes during the year:		221,376
Plan Net Assets, end of year	\$	2,736,882

Contributions

Amount of sponsor's required contribution:		\$	180,793
	Minimum		
	Maximum	\$	200,602
			84.6% Funded
Amount of sponsor's actual contribution:		\$	180,793

Administration Fees

Administration Fees	\$	2,518
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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 15CM – 2015 Funding Target – combined (male), IRC 430(h)(3)(A).	
Death (Actives)	None	
Death (Inactive)	None	
Other	None	

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

5. CONDENSED FINANCIAL STATEMENTS FOR THE DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS

The following represents condensed financial statements for the discretely presented nonmajor component units as of and for the year ended December 31, 2015:

Condensed Statement of Net Position:

	Assets			Liabilities			Net Position		
	Current and Other Assets	Capital Assets Net of Depreciation	Deferred Outflows of Resources	Current Liabilities	Bonds and Other Long-Term Liabilities	Deferred Inflows of Resources	Investment In Capital Assets Net of related debt	Restricted	Unrestricted
Lakeview Public Library District	\$ 1,518,814	\$ 2,569,243	\$ 97,826	\$ 189,103	\$ 266,965	\$ 3,116	\$ 2,267,222	\$ 1,000	\$ 1,458,477
Roosevelt Public Library District	2,718,555	12,939,703	92,332	455,905	8,178,418		5,712,328		1,403,939
Uniondale Public Library District	3,445,399	6,385,082	246,269	665,094	1,901,787	5,393	4,939,035	14,809	2,550,652
Cathedral Gardens Water District	232,145			7,306					224,839
Franklin Square Water District	2,852,161	6,086,666	172,842	360,909	6,890,040	20,050	364,851	1,674,625	(198,806)
West Hempstead - Hempstead Gardens Water District	6,040,565	12,057,661	237,023	574,799	3,887,795		12,057,661	3,704,413	(1,889,419)
Greater Atlantic Beach Water Reclamation District	1,565,966	3,979,202	20,567	305,028	3,368,132		1,648,379	1,225,999	(981,803)
	<u>\$ 18,373,605</u>	<u>\$ 44,017,557</u>	<u>\$ 886,879</u>	<u>\$ 2,558,144</u>	<u>\$ 24,493,137</u>	<u>\$ 28,559</u>	<u>\$ 26,989,476</u>	<u>\$ 6,620,846</u>	<u>\$ 2,567,879</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	(As Restated) 1/1/2015	12/31/2015
Lakeview Public Library District	\$ 1,123,594	\$ 34,596		\$ 1,088,998	\$ 1,320,736	\$ 17,614	\$ 249,352	\$ 3,477,347	\$ 3,726,699
Roosevelt Public Library District	2,871,423	16,519		2,854,904	2,866,373	130,065	141,534	6,974,733	7,116,267
Uniondale Public Library District	3,565,439	29,040	\$ 35,688	3,500,711	4,124,724	16,681	640,694	6,863,802	7,504,496
Cathedral Gardens Water District	109,222	4,125		105,097	33,116	229	(71,752)	296,591	224,839
Franklin Square Water District	3,014,025	1,704,817		1,309,208	999,985	157,619	(151,604)	1,992,274	1,840,670
West Hempstead - Hempstead Gardens Water District	4,325,049	2,044,791		2,280,258	1,632,342	456,248	(191,668)	14,064,323	13,872,655
Greater Atlantic Beach Water Reclamation District	1,713,655			1,713,655	1,668,459	29,164	(16,032)	1,908,607	1,892,575
	<u>\$ 16,722,407</u>	<u>\$ 3,833,888</u>	<u>\$ 35,688</u>	<u>\$ 12,852,831</u>	<u>\$ 12,645,735</u>	<u>\$ 807,620</u>	<u>\$ 600,524</u>	<u>\$ 35,577,677</u>	<u>\$ 36,178,201</u>

Complete financial statements of the individual nonmajor 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> |
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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

6. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During 2015, the Town implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, and amendment to GASB No. 68. The implementation of Statement No. 68 and 71 resulted in the retroactive reporting of deferred outflows of resources and a liability for the Town’s participation in the NYSLRS.

As a result, the Town’s January 1, 2015 governmental activities net position was decreased by \$3,728,132 as follows:

Net position, as originally reported	\$	(138,036,782)
Net pension liability		(26,790,317)
Deferred outflows of resources for contributions made subsequent to the measurement date		23,062,185
Net position, as restated	\$	(141,764,914)

7. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 72 "*Fair Value Measurement and Application*". The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68*" the objective is to clarify the existing guidance as well as establishes new requirements for pensions not covered by Statement No. 67 and No. 68. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 74, "*Financial Reporting for Postemployment Benefits Other Than Pension Plans*", establishes new accounting and financial reporting requirements pertaining to defined benefit OPEB plans. It establishes footnote disclosure requirements, required supplementary schedules and establishes the measurement of the net OPEB liability criteria. The requirements of this Statement are effective for financial statements are for years beginning after June 15, 2016.

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 77, "*Tax Abatement Disclosures*," the objective of which is to improve financial reporting by providing the users of financial statements with information about the nature and magnitude of tax abatements, and helping the users understand how tax abatements affect a government’s future ability to raise resources and meet its financial obligations, as well as the impact on the government’s financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

7. NEW PRONOUNCEMENTS (continued)

Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", amends the scope and applicability of Statement No. 68. This Statement establishes accounting and financial reporting standards for defined benefit pensions provided to employees of a state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that meets certain criteria of Statement No. 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state/local governmental employers as well as to employees of non-state/local governmental employers and (c) has no predominant state or local governmental employer, either individually or collectively with other state or local governmental employers that provide pensions through the pension plan. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 82, "*Pension Issues- An Amendment of GASB Statements No. 67, 68 and 73*", the objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of the Statement are effective for reporting beginning after June 15, 2016 except for the requirements for selection of assumptions in certain circumstances. In those certain circumstances, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION & ANALYSIS

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

**Postemployment Benefits Healthcare Costs – Schedule of Funding
Progress**

Schedule of Proportionate Share of Net Pension Liability

Schedule of Pension Contributions

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 40,532,063	\$ 40,532,063	\$ 40,601,872	\$ 69,809
Real property tax items	1,501,210	1,501,210	1,663,645	162,435
Non-property tax items	36,725,000	36,725,000	36,986,661	261,661
Departmental income	6,633,775	6,633,775	5,637,061	(996,714)
Intergovernmental charges	20,000	20,000	53,721	33,721
Use of money and property	390,500	390,500	904,031	513,531
Licenses and permits	1,520,250	1,520,250	1,216,254	(303,996)
Fines and forfeitures	30,000	30,000	276,175	246,175
Sale of property and compensation for loss	44,000	44,000	148,635	104,635
Miscellaneous revenue	159,500	159,500	803,310	643,810
Interfund revenues	59,256,461	59,256,461	59,620,856	364,395
State aid	19,173,885	19,173,885	22,468,136	3,294,251
Federal aid	-0-	-0-	7,914	7,914
Total Revenues	<u>165,986,644</u>	<u>165,986,644</u>	<u>170,388,271</u>	<u>4,401,627</u>
EXPENDITURES				
Current:				
General government support	83,424,787	84,542,802	82,242,248	2,300,554
Education	2,500,000	7,094,647	7,094,646	1
Public safety	15,058,131	15,058,131	13,982,018	1,076,113
Transportation	1,362,321	1,436,676	1,436,674	2
Economic assistance and opportunity	5,527,016	5,569,632	5,530,220	39,412
Culture and recreation	155,000	116,595	116,594	1
Home and community services	11,864,083	11,864,695	11,648,887	235,808
Employee benefits	37,080,675	34,998,993	34,998,989	4
Debt service:				
Interest	-0-	304,000	304,000	-0-
Total Expenditures	<u>156,972,013</u>	<u>161,006,171</u>	<u>157,354,276</u>	<u>3,651,895</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>9,014,631</u>	<u>4,980,473</u>	<u>13,033,995</u>	<u>8,053,522</u>
Other Financing Sources (Uses)				
Transfers in	-0-	-0-	484,344	484,344
Transfers out	(6,868,728)	(6,939,681)	(6,939,681)	-0-
Debt issuance	-0-	-0-	600,000	600,000
Premiums on debt issuance	150,000	150,000	342,476	192,476
Total Other Financing Sources (Uses)	<u>(6,718,728)</u>	<u>(6,789,681)</u>	<u>(5,512,861)</u>	<u>1,276,820</u>
Net Change in Fund Balances	<u>\$ 2,295,903</u>	<u>\$ (1,809,208)</u>	<u>\$ 7,521,134</u>	<u>\$ 9,330,342</u>
Fund Balances at Beginning of Year			<u>(10,129,100)</u>	
Fund Balances at End of Year			<u>\$ (2,607,966)</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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 60,117,326	\$ 60,117,326	\$ 60,117,324	\$ (2)
Real property tax items	726,440	726,440	487,984	(238,456)
Intergovernmental charges	-0-	-0-	3,000	3,000
Use of money and property	148,750	148,750	385,505	236,755
Sale of property and compensation for loss	27,500	27,500	544,411	516,911
Miscellaneous revenue	475,100	475,100	406,504	(68,596)
State aid	100,000	100,000	1,270,575	1,170,575
Federal aid	-0-	-0-	58,294	58,294
Total Revenues	<u>61,595,116</u>	<u>61,595,116</u>	<u>63,273,597</u>	<u>1,678,481</u>
EXPENDITURES				
Current:				
Transportation	34,606,766	36,845,951	35,764,759	1,081,192
Employee benefits	10,713,087	11,906,426	11,817,845	88,581
Debt service:				
Interest	200,000	430,730	430,729	1
Total Expenditures	<u>45,519,853</u>	<u>49,183,107</u>	<u>48,013,333</u>	<u>1,169,774</u>
Excess of Revenues Over Expenditures	<u>16,075,263</u>	<u>12,412,009</u>	<u>15,260,264</u>	<u>2,848,255</u>
Other Financing Sources (Uses)				
Transfers in	2,700,000	2,700,000	3,324,142	624,142
Transfers out	(24,515,597)	(24,663,387)	(24,663,384)	3
Premiums on debt issuance	500,000	500,000	264,613	(235,387)
Total Other Financing Sources (Uses)	<u>(21,315,597)</u>	<u>(21,463,387)</u>	<u>(21,074,629)</u>	<u>388,758</u>
Net Change in Fund Balances	<u>\$ (5,240,334)</u>	<u>\$ (9,051,378)</u>	<u>\$ (5,814,365)</u>	<u>\$ 3,237,013</u>
Fund Balances at Beginning of Year			<u>21,190,152</u>	
Fund Balances at End of Year			<u>\$ 15,375,787</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 50,519,825	\$ 50,519,825	\$ 50,519,830	\$ 5
Real property tax items	472,872	472,872	441,795	(31,077)
Departmental income	2,849,000	2,849,000	2,699,788	(149,212)
Intergovernmental charges	897,885	897,885	903,425	5,540
Use of money and property	272,705	272,705	275,457	2,752
Fines and forfeitures	1,000	1,000	8,750	7,750
Sale of property and compensation for loss	18,000	18,000	4,316	(13,684)
Miscellaneous revenue	165,000	165,000	240,594	75,594
Interfund revenues	28,357,339	28,357,339	28,357,339	-0-
State aid	240,000	240,000	531,644	291,644
Federal aid	-0-	-0-	4,226	4,226
Total Revenues	<u>83,793,626</u>	<u>83,793,626</u>	<u>83,987,164</u>	<u>193,538</u>
EXPENDITURES				
Current:				
Culture and recreation	64,000,043	64,032,185	63,543,517	488,668
Employee benefits	20,905,491	21,530,161	21,530,158	3
Debt service:				
Interest - bond anticipation note	25,000	43,433	43,432	1
Total Expenditures	<u>84,930,534</u>	<u>85,605,779</u>	<u>85,117,107</u>	<u>488,672</u>
Excess of Revenues Over Expenditures				
	<u>(1,136,908)</u>	<u>(1,812,153)</u>	<u>(1,129,943)</u>	<u>682,210</u>
Other Financing Sources (Uses)				
Transfers in			70,818	70,818
Transfers out	(4,436,207)	(4,711,544)	(4,711,542)	2
Premiums on debt issuance	25,000	25,000	52,469	27,469
Total Other Financing Sources (Uses)	<u>(4,411,207)</u>	<u>(4,686,544)</u>	<u>(4,588,255)</u>	<u>98,289</u>
Net Change in Fund Balances	<u>\$ (5,548,115)</u>	<u>\$ (6,498,697)</u>	<u>(5,718,198)</u>	<u>\$ 780,499</u>
Fund Balances at Beginning of Year			<u>22,884,164</u>	
Fund Balances at End of Year			<u>\$ 17,165,966</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 82,109,826	\$ 82,109,826	\$ 82,109,833	\$ 7
Real property tax items	1,171,864	1,171,864	1,306,555	134,691
Departmental income	10,616,500	10,616,500	11,341,935	725,435
Intergovernmental charges	3,200,000	3,200,000	2,996,973	(203,027)
Use of money and property	3,947,035	3,947,035	4,055,625	108,590
Licenses & permits	20,000	20,000	27,393	7,393
Sale of property and compensation for loss	602,550	602,550	557,288	(45,262)
Miscellaneous revenue	651,000	651,000	597,994	(53,006)
Interfund revenues	1,375,000	1,375,000	1,048,912	(326,088)
State aid	-0-	-0-	1,558,211	1,558,211
Federal aid	-0-	-0-	40,362	40,362
Total Revenues	<u>103,693,775</u>	<u>103,693,775</u>	<u>105,641,081</u>	<u>1,947,306</u>
EXPENDITURES				
Current:				
Home and community services	87,363,921	86,947,387	82,793,043	4,154,344
Employee benefits	21,670,731	22,670,614	22,670,611	3
Debt service:				
Interest	-0-	98,967	98,965	2
Total Expenditures	<u>109,034,652</u>	<u>109,716,968</u>	<u>105,562,619</u>	<u>4,154,349</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,340,877)</u>	<u>(6,023,193)</u>	<u>78,462</u>	<u>6,101,655</u>
Other Financing Sources (Uses)				
Transfers in	-0-	-0-	589,874	589,874
Transfers out	(5,138,842)	(5,209,832)	(5,209,831)	1
Premiums on debt issuance	-0-	-0-	97,594	97,594
Total Other Financing Sources (Uses)	<u>(5,138,842)</u>	<u>(5,209,832)</u>	<u>(4,522,363)</u>	<u>687,469</u>
Net Change in Fund Balances	<u>\$ (10,479,719)</u>	<u>\$ (11,233,025)</u>	<u>(4,443,901)</u>	<u>\$ 6,789,124</u>
Fund Balances at Beginning of Year			<u>48,808,893</u>	
Fund Balances at End of Year			<u>\$ 44,364,992</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, 2015

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)
12/31/2015	\$ -0-	\$ 976,930,000	\$ 976,930,000	0%	\$ 162,211,477	602.26%
12/31/2014	-0-	691,416,000 *	691,416,000	0%	161,958,671	426.91%
12/31/2013	-0-	709,317,000	709,317,000	0%	157,481,735	450.41%
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%

*Roll forward projection

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

Summary of Changes to Actuarial Assumptions

Actuarial Valuation December 31, 2015

- Actuarial gains and losses result from differences between the expectations of the prior valuation and the re-measurement of the current valuation. Demographic loss comes from many sources such as rates of termination, retirement and election of health care benefits.
- The withdrawal, disability and mortality assumptions changed from the December 31, 2013 valuation. The mortality assumption was changed from the RP 2000 Combined Mortality table, sex distinct, with full generational projects using Scale AA to the RP 2006 Employee Mortality table, sex distinct, project with scale MP-2015. The withdrawal, retirement and disability assumptions were updated based on information developed by the NYS ERS actuary based on analysis of their covered populations.
- The impact of claim costs reflects the difference in actual claim costs in effect in 2015 compared to the expected claim costs in 2015, as projected with trend from 2014. Claim costs were higher than expected generating an actuarial loss.
- Healthcare loss estimates the effect of actual 2014-2015 health cost trend compared with projections in the December 31, 2014 valuation. The assumed rate of medical cost inflation was modified. The rates are based on new research regarding the economics of healthcare and related issues.
- Age factors were used to adjust the medical costs for the community rates NYSHIP Empire plan and the dental plan. In the prior valuation the liability was valued as the employer's percentage of the premium without impact of aging on the expected claims.

The following shows the impact on the AAL/UAAL due to changes in the actuarial assumptions:

Projected AAL and UAAL as of December 31, 2015 based on prior assumptions	\$ 722,129,000
Changes to due:	
Demographic loss	15,235,000
Assumption changes regarding withdrawal, disability and mortality	74,723,000
Impact of higher claim experience	28,003,000
Healthcare trend loss/medical inflation rate	32,863,000
Impact of aged costs	103,977,000
	<u>\$ 976,930,000</u>

Actuarial Valuation December 31, 2012

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
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2015

	March 31,	
	2015	2014
Town's proportion of the net pension liability (asset)	0.5928557%	0.5928557%
Town's proportionate share of the net pension liability (asset)	\$ 20,028,115	\$ 26,790,317
Covered payroll	\$ 159,642,317	\$ 165,680,963
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	12.55%	16.17%
Plan fiduciary net position as a percentage of total pension liability	97.95%	97.20%

Note - amounts presented were determined as of the System's measurement date of March 31st

TOWN OF HEMPSTEAD
SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2015

Years Ended December 31,	Contractually required contributions	Contributions recognized by the plan in relation to the contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	\$ 29,683,529	\$ 23,519,087	\$ 6,164,442	\$ 161,046,536	17.91%
2014	30,858,504	23,458,504	7,400,000	161,151,978	22.29%
2013	34,338,009	26,238,009	8,100,000	163,074,266	20.86%
2012	28,657,945	20,807,945	7,850,000	152,991,647	17.29%
2011	22,012,137	17,362,137	4,650,000	146,149,304	14.70%
2010	15,329,190	15,329,190	-0-	145,130,782	10.17%
2009	10,482,429	10,482,429	-0-	141,775,562	6.83%
2008	11,964,508	11,964,508	-0-	137,975,941	8.98%
2007	12,820,809	12,820,809	-0-	132,652,711	9.01%
2006	13,678,203	13,678,203	-0-	129,183,237	9.17%

Note - amounts presented for each year were determined as of December 31st and the contractually required contributions are based on the amounts invoiced by the New York State Local Retirement System

OTHER SUPPLEMENTARY INFORMATION

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

Statement of Changes in Agency Assets and Liabilities

**Discretely Presented Component Units:
Combining Statement of Net Position
Combining Statement of Activities**

TOWN OF HEMPSTEAD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2105

	Special Revenue Funds			
	Town Outside Village	Special Grant	Fire Protection	Street Lighting
ASSETS				
Cash and investments	\$ 4,221,129		\$ 3,185,058	\$ 4,996,714
Cash - restricted		\$ 1,132,581		
Accounts receivable	2,296,529		7,094	20,164
Due from other funds	1		886	360,501
Due from other governments	152,843	837,958		
Inventory				385,363
Prepaid items	221,465			
Other assets	25,100			
Total Assets	<u>\$ 6,917,067</u>	<u>\$ 1,970,539</u>	<u>\$ 3,193,038</u>	<u>\$ 5,762,742</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 504,545	\$ 620,263	\$ 513,467	\$ 643,343
Due to other funds	29,771	600,383		5,579
Total Liabilities	<u>534,316</u>	<u>1,220,646</u>	<u>513,467</u>	<u>648,922</u>
Fund Balances				
Nonspendable	221,465			385,363
Restricted		749,893		
Assigned	6,161,286		2,679,571	4,728,457
Total Fund Balances	<u>6,382,751</u>	<u>749,893</u>	<u>2,679,571</u>	<u>5,113,820</u>
Total Liabilities and Fund Balances	<u>\$ 6,917,067</u>	<u>\$ 1,970,539</u>	<u>\$ 3,193,038</u>	<u>\$ 5,762,742</u>

			Permanent Fund	
Public Parking	Water	Library Funding	Permanent Fund	Total Nonmajor Governmental Funds
\$ 2,892,942	\$ 8,754,500	\$ 338,825		\$ 24,389,168
14,719	2,952,392	414	\$ 1,337,867	2,470,448
708	51,266	94		5,291,312
	30,359			413,456
	524,863			1,021,160
6,527	250,514			910,226
	20,200			478,506
				45,300
<u>\$ 2,914,896</u>	<u>\$ 12,584,094</u>	<u>\$ 339,333</u>	<u>\$ 1,337,867</u>	<u>\$ 35,019,576</u>
\$ 35,528	\$ 607,711	\$ 150		\$ 2,925,007
1,340	13,205			650,278
36,868	620,916	150	\$ -0-	3,575,285
6,527	775,377		1,337,867	2,726,599
2,871,501	11,187,801	339,183		749,893
2,878,028	11,963,178	339,183	1,337,867	27,967,799
<u>\$ 2,914,896</u>	<u>\$ 12,584,094</u>	<u>\$ 339,333</u>	<u>\$ 1,337,867</u>	<u>\$ 35,019,576</u>

TOWN OF HEMPSTEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2015

	Special Revenue Funds			
	Town Outside Village	Special Grant	Fire Protection	Street Lighting
Revenues				
Real property taxes	\$ 6,508,249		\$ 5,382,960	\$ 11,999,025
Real property tax items	56,072		49,751	120,155
Non-property tax items	10,970,724			
Departmental income	11,970,782	\$ 13,909		
Intergovernmental charges				
Use of money and property	2,744	931	13,458	18,866
Fines and forfeitures	1,097,675			
Sale of property and compensation for loss		247,953		80,239
Miscellaneous revenue	491,050	478,000		20,169
Interfund revenues	10,871			
State aid	290,225			55,477
Federal aid				
		12,409,554		
Total Revenues	<u>31,398,392</u>	<u>13,150,347</u>	<u>5,446,169</u>	<u>12,293,931</u>
Expenditures				
Current:				
General government support	415,390			
Public safety	17,493,915		4,755,154	
Transportation				9,064,752
Economic assistance and opportunity		4,835,743		
Culture and recreation	600			
Home and community services	6,454,579	8,587,668		
Employee benefits	5,573,259		574,039	
Total Expenditures	<u>29,937,743</u>	<u>13,423,411</u>	<u>5,329,193</u>	<u>9,064,752</u>
Excess of Revenues Over Expenditures	<u>1,460,649</u>	<u>(273,064)</u>	<u>116,976</u>	<u>3,229,179</u>
Other Financing Sources (Uses)				
Transfers in				25,139
Transfers out	(165,037)	(30,169)	(430,107)	(1,321,906)
Premiums on debt issuance	313			4,934
Total Other Financing Sources (Uses)	<u>(164,724)</u>	<u>(30,169)</u>	<u>(430,107)</u>	<u>(1,291,833)</u>
Net Change in Fund Balances	1,295,925	(303,233)	(313,131)	1,937,346
Fund Balances at Beginning of Year	5,086,826	1,053,126	2,992,702	3,176,474
Fund Balances at End of Year	<u>\$ 6,382,751</u>	<u>\$ 749,893</u>	<u>\$ 2,679,571</u>	<u>\$ 5,113,820</u>

			Permanent Fund	Total Nonmajor Governmental Funds
Public Parking	Water	Library Funding	Permanent Fund	
\$ 3,460,090	\$ 7,824,597	\$ 1,314,490		\$ 36,489,411
29,551	75,620	204		331,353
				10,970,724
14,144	11,985,935			23,984,770
	234,725			234,725
12,074	911,527	3,294	\$ 1,079	963,973
				1,097,675
	4,596			332,788
	1,888			991,107
2,589,463	28,050			2,628,384
	30,802			376,504
				12,409,554
<u>6,105,322</u>	<u>21,097,740</u>	<u>1,317,988</u>	<u>1,079</u>	<u>90,810,968</u>
				415,390
				22,249,069
4,630,179				13,694,931
		1,344,208		4,835,743
	14,738,437			1,344,808
178,397	3,579,756			29,780,684
<u>4,808,576</u>	<u>18,318,193</u>	<u>1,344,208</u>	<u>-0-</u>	<u>9,905,451</u>
				82,226,076
<u>1,296,746</u>	<u>2,779,547</u>	<u>(26,220)</u>	<u>1,079</u>	<u>8,584,892</u>
	19,135			44,274
(1,858,314)	(3,705,894)		(1,079)	(7,512,506)
2,128	17,843			25,218
<u>(1,856,186)</u>	<u>(3,668,916)</u>	<u>-0-</u>	<u>(1,079)</u>	<u>(7,443,014)</u>
(559,440)	(889,369)	(26,220)	-0-	1,141,878
3,437,468	12,852,547	365,403	1,337,867	30,302,413
<u>\$ 2,878,028</u>	<u>\$ 11,963,178</u>	<u>\$ 339,183</u>	<u>\$ 1,337,867</u>	<u>\$ 31,444,291</u>

TOWN OF HEMPSTEAD
TOWN OUTSIDE VILLAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 6,508,249	\$ 6,508,249	\$ 6,508,249	\$ -0-
Real property tax items	92,132	92,132	56,072	(36,060)
Non-property tax items	10,100,000	10,100,000	10,970,724	870,724
Departmental income	8,850,000	8,850,000	11,970,782	3,120,782
Use of money and property	2,100	2,100	2,744	644
Fines and forfeitures	1,150,000	1,150,000	1,097,675	(52,325)
Miscellaneous revenue	180,000	180,000	491,050	311,050
Interfund revenues	13,000	13,000	10,871	(2,129)
State aid	120,000	120,000	290,225	170,225
Total Revenues	<u>27,015,481</u>	<u>27,015,481</u>	<u>31,398,392</u>	<u>4,382,911</u>
EXPENDITURES				
Current:				
General government support	401,000	415,391	415,390	1
Public safety	16,609,657	17,499,472	17,493,915	5,557
Culture and recreation	2,500	2,500	600	1,900
Home and community services	6,379,849	6,512,717	6,454,579	58,138
Employee benefits	5,489,588	5,573,261	5,573,259	2
Total Expenditures	<u>28,882,594</u>	<u>30,003,341</u>	<u>29,937,743</u>	<u>65,598</u>
Excess of Revenues Over Expenditures	<u>(1,867,113)</u>	<u>(2,987,860)</u>	<u>1,460,649</u>	<u>4,448,509</u>
Other Financing Sources (Uses)				
Transfers out	(176,167)	(165,038)	(165,037)	1
Premiums on debt issuance	1,000	1,000	313	(687)
Total Other Financing Sources (Uses)	<u>(175,167)</u>	<u>(164,038)</u>	<u>(164,724)</u>	<u>(686)</u>
Net Change in Fund Balances	<u>\$ (2,042,280)</u>	<u>\$ (3,151,898)</u>	<u>1,295,925</u>	<u>\$ 4,447,823</u>
Fund Balances at Beginning of Year			<u>5,086,826</u>	
Fund Balances at End of Year			<u>\$ 6,382,751</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 5,382,958	\$ 5,382,958	\$ 5,382,960	\$ 2
Real property tax items	48,382	48,382	49,751	1,369
Use of money and property	7,975	7,975	13,458	5,483
Total Revenues	<u>5,439,315</u>	<u>5,439,315</u>	<u>5,446,169</u>	<u>6,854</u>
EXPENDITURES				
Current:				
Public safety	4,906,923	4,860,793	4,755,154	105,639
Employee benefits	565,000	622,787	574,039	48,748
Total Expenditures	<u>5,471,923</u>	<u>5,483,580</u>	<u>5,329,193</u>	<u>154,387</u>
Excess of Revenues Over Expenditures	<u>(32,608)</u>	<u>(44,265)</u>	<u>116,976</u>	<u>161,241</u>
Other Financing (Uses)				
Transfers out	(430,108)	(430,108)	(430,107)	1
Total Other Financing (Uses)	<u>(430,108)</u>	<u>(430,108)</u>	<u>(430,107)</u>	<u>1</u>
Net Change in Fund Balances	<u>\$ (462,716)</u>	<u>\$ (474,373)</u>	<u>(313,131)</u>	<u>\$ 161,242</u>
Fund Balances at Beginning of Year			<u>2,992,702</u>	
Fund Balances at End of Year			<u>\$ 2,679,571</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 11,999,020	\$ 11,999,020	\$ 11,999,025	\$ 5
Real property tax items	102,498	102,498	120,155	17,657
Use of money and property	10,500	10,500	18,866	8,366
Sale of property and compensation for loss	20,000	20,000	80,239	60,239
Miscellaneous revenue	25,000	25,000	20,169	(4,831)
State aid			55,477	55,477
Total Revenues	<u>12,157,018</u>	<u>12,157,018</u>	<u>12,293,931</u>	<u>136,913</u>
EXPENDITURES				
Current:				
Transportation	11,220,412	11,310,412	9,064,752	2,245,660
Total Expenditures	<u>11,220,412</u>	<u>11,310,412</u>	<u>9,064,752</u>	<u>2,245,660</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>936,606</u>	<u>846,606</u>	<u>3,229,179</u>	<u>2,382,573</u>
Other Financing Sources (Uses)				
Transfers in			25,139	25,139
Transfers out	(1,321,907)	(1,321,907)	(1,321,906)	1
Premiums on debt issuance	25,000	25,000	4,934	(20,066)
Total Other Financing Sources (Uses)	<u>(1,296,907)</u>	<u>(1,296,907)</u>	<u>(1,291,833)</u>	<u>5,074</u>
Net Change in Fund Balances	<u>\$ (360,301)</u>	<u>\$ (450,301)</u>	<u>1,937,346</u>	<u>\$ 2,387,647</u>
Fund Balances at Beginning of Year			<u>3,176,474</u>	
Fund Balances at End of Year			<u>\$ 5,113,820</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,460,090	\$ 3,460,090	\$ 3,460,090	\$ -0-
Real property tax items	29,323	29,323	29,551	228
Departmental income	14,100	14,100	14,144	44
Use of money and property	8,935	8,935	12,074	3,139
Interfund revenues	2,589,463	2,589,463	2,589,463	-0-
Total Revenues	<u>6,101,911</u>	<u>6,101,911</u>	<u>6,105,322</u>	<u>3,411</u>
EXPENDITURES				
Current:				
Transportation	4,879,478	4,874,363	4,630,179	244,184
Employee benefits	207,641	207,641	178,397	29,244
Total Expenditures	<u>5,087,119</u>	<u>5,082,004</u>	<u>4,808,576</u>	<u>273,428</u>
Excess of Revenues Over Expenditures	<u>1,014,792</u>	<u>1,019,907</u>	<u>1,296,746</u>	<u>276,839</u>
Other Financing Sources (Uses)				
Transfers out	(1,854,437)	(1,859,552)	(1,858,314)	1,238
Premiums on debt issuance	3,500	3,500	2,128	(1,372)
Total Other Financing Sources (Uses)	<u>(1,850,937)</u>	<u>(1,856,052)</u>	<u>(1,856,186)</u>	<u>(134)</u>
Net Change in Fund Balances	<u>\$ (836,145)</u>	<u>\$ (836,145)</u>	<u>(559,440)</u>	<u>\$ 276,705</u>
Fund Balances at Beginning of Year			<u>3,437,468</u>	
Fund Balances at End of Year			<u>\$ 2,878,028</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 7,824,595	\$ 7,824,595	\$ 7,824,597	\$ 2
Real property tax items	366,251	366,251	75,620	(290,631)
Departmental income	11,073,010	11,073,010	11,985,935	912,925
Intergovernmental charges	230,950	230,950	234,725	3,775
Use of money and property	975,182	975,182	911,527	(63,655)
Sale of property and compensation for loss	25,000	25,000	4,596	(20,404)
Miscellaneous revenue	7,500	7,500	1,888	(5,612)
Interfund revenues	28,050	28,050	28,050	-0-
State aid	-0-	-0-	30,802	30,802
Total Revenues	<u>20,530,538</u>	<u>20,530,538</u>	<u>21,097,740</u>	<u>567,202</u>
EXPENDITURES				
Current:				
Home and community services	15,504,469	15,492,983	14,738,437	754,546
Employee benefits	3,736,946	3,736,946	3,579,756	157,190
Total Expenditures	<u>19,241,415</u>	<u>19,229,929</u>	<u>18,318,193</u>	<u>911,736</u>
Excess of Revenues Over Expenditures				
	<u>1,289,123</u>	<u>1,300,609</u>	<u>2,779,547</u>	<u>1,478,938</u>
Other Financing Sources (Uses)				
Transfers in	-0-	-0-	19,135	19,135
Transfers out	(3,682,957)	(3,705,898)	(3,705,894)	4
Premiums on debt issuance	10,000	10,000	17,843	7,843
Total Other Financing Sources (Uses)	<u>(3,672,957)</u>	<u>(3,695,898)</u>	<u>(3,668,916)</u>	<u>26,982</u>
Net Change in Fund Balances	<u>\$ (2,383,834)</u>	<u>\$ (2,395,289)</u>	<u>(889,369)</u>	<u>\$ 1,505,920</u>
Fund Balances at Beginning of Year			<u>12,852,547</u>	
Fund Balances at End of Year			<u>\$ 11,963,178</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 1,314,488	\$ 1,314,488	\$ 1,314,490	\$ 2
Real property tax items	194	194	204	10
Use of money and property	1,430	1,430	3,294	1,864
Total Revenues	<u>1,316,112</u>	<u>1,316,112</u>	<u>1,317,988</u>	<u>1,876</u>
EXPENDITURES				
Current:				
Culture and recreation	1,321,173	1,345,876	1,344,208	1,668
Total Expenditures	<u>1,321,173</u>	<u>1,345,876</u>	<u>1,344,208</u>	<u>1,668</u>
Excess of Revenues Over Expenditures	<u>(5,061)</u>	<u>(29,764)</u>	<u>(26,220)</u>	<u>3,544</u>
Net Change in Fund Balances	<u>\$ (5,061)</u>	<u>\$ (29,764)</u>	<u>(26,220)</u>	<u>\$ 3,544</u>
Fund Balances at Beginning of Year			<u>365,403</u>	
Fund Balances at End of Year			<u>\$ 339,183</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 FUND
Year Ended December 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
<u>ASSETS</u>				
Town Agency				
Cash and investments	\$ 3,925,076	\$ 502,289,190	\$ 500,251,256	\$ 5,963,010
Service Award Program Assets	2,515,506	221,376		2,736,882
Total Assets - Town	6,440,582	502,510,566	500,251,256	8,699,892
Town Clerk Agency Fund				
Cash and investments	89,237	1,248,239	1,163,044	174,432
Total Assets - Town Clerk	89,237	1,248,239	1,163,044	174,432
Town Receiver of Taxes Agency Fund				
Cash and investments	98,720,098	8,386,610,273	8,431,177,577	54,152,794
Total Assets - Town Receiver of Taxes	98,720,098	8,386,610,273	8,431,177,577	54,152,794
Total Assets	\$ 105,249,917	\$ 8,890,369,078	\$ 8,932,591,877	\$ 63,027,118
<u>LIABILITIES</u>				
Town Agency Fund				
Other liabilities	\$ 6,440,582	\$ 502,510,566	\$ 500,251,256	\$ 8,699,892
Total Liabilities - Town	6,440,582	502,510,566	500,251,256	8,699,892
Town Clerk Agency Funds	89,237	1,248,239	1,163,044	174,432
Total Liabilities - Town Clerk	89,237	1,248,239	1,163,044	174,432
Town Receiver of Taxes Agency Funds	98,720,098	8,386,610,273	8,431,177,577	54,152,794
Total Liabilities - Town Receiver	98,720,098	8,386,610,273	8,431,177,577	54,152,794
Total Liabilities	\$ 105,249,917	\$ 8,890,369,078	\$ 8,932,591,877	\$ 63,027,118

**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 NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
December 31, 2015

	<u>Lakeview Public Library District</u>	<u>Roosevelt Public Library District</u>	<u>Uniondale Public Library District</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 1,511,759	\$ 2,625,040	\$ 3,364,005
Cash and investments, restricted			
Receivables, net of allowance for doubtful accounts	5,410		
Due from other governments			47,076
Prepaid items	1,645	93,515	34,318
Total Current Assets	<u>1,518,814</u>	<u>2,718,555</u>	<u>3,445,399</u>
Non-current Assets:			
Capital assets, net of depreciation	<u>2,569,243</u>	<u>12,939,703</u>	<u>6,385,082</u>
Total Non-Current Assets	<u>2,569,243</u>	<u>12,939,703</u>	<u>6,385,082</u>
Total Assets	<u>4,088,057</u>	<u>15,658,258</u>	<u>9,830,481</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>97,826</u>	<u>92,332</u>	<u>246,289</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	62,318	54,560	209,737
Accrued interest payable	5,722	113,219	27,923
Other accrued liabilities			
Non-current liabilities due within one year			
General obligations bonds payable	87,583	260,495	427,434
Compensated absences payable	33,480	27,631	
Non-current Liabilities due in more than one year:			
General obligation bonds payable	187,050	6,966,880	912,874
Compensated absences payable		110,525	160,966
Other postemployment benefits payable		1,047,116	559,199
Net pension liability	58,249	53,897	163,009
Unamortized bond premium	21,666		105,739
Total Liabilities	<u>456,068</u>	<u>8,634,323</u>	<u>2,566,881</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>3,116</u>	<u>-0-</u>	<u>5,393</u>
NET POSITION			
Net investment in capital assets	2,267,222	5,712,328	4,939,035
Restricted	1,000		14,809
Unrestricted	1,458,477	1,403,939	2,550,652
Total Net Position	<u>\$ 3,726,699</u>	<u>\$ 7,116,267</u>	<u>\$ 7,504,496</u>

Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District	Greater Atlantic Beach Water Reclamation District	Totals
\$ 228,020	\$ 890,414 1,489,207	\$ 1,392,925 3,871,484	\$ 334,804 403,250	\$ 10,346,967 5,763,941
4,125	423,770 1,859 46,911	728,467 47,689	822,749 5,163	1,161,772 871,684 229,241
<u>232,145</u>	<u>2,852,161</u>	<u>6,040,565</u>	<u>1,565,966</u>	<u>18,373,605</u>
	6,086,666	12,057,661	3,979,202	44,017,557
<u>-0-</u>	<u>6,086,666</u>	<u>12,057,661</u>	<u>3,979,202</u>	<u>44,017,557</u>
<u>232,145</u>	<u>8,938,827</u>	<u>18,098,226</u>	<u>5,545,168</u>	<u>62,391,162</u>
<u>-0-</u>	<u>172,842</u>	<u>237,023</u>	<u>20,567</u>	<u>866,879</u>
7,306	190,621	501,644 59,467	8,469 37,273	1,034,655 184,137 59,467
	170,288	13,688	259,286	1,205,086 74,799
	5,551,527		2,894,286	16,512,617
	325,253	480,986	70,798	1,148,528
	732,292	3,259,772	324,998	5,923,377
	130,667	147,037	78,050	630,909
	150,301			277,706
<u>7,306</u>	<u>7,250,949</u>	<u>4,462,594</u>	<u>3,673,160</u>	<u>27,051,281</u>
<u>-0-</u>	<u>20,050</u>	<u>-0-</u>	<u>-0-</u>	<u>28,559</u>
	364,851	12,057,661	1,648,379	26,989,476
	1,674,625	3,704,413	1,225,999	6,620,846
224,839	(198,806)	(1,889,419)	(981,803)	2,567,879
<u>\$ 224,839</u>	<u>\$ 1,840,670</u>	<u>\$ 13,872,655</u>	<u>\$ 1,892,575</u>	<u>\$ 36,178,201</u>

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year ended December 31, 2015

	<u>Lakeview Public Library District</u>	<u>Roosevelt Public Library District</u>	<u>Uniondale Public Library District</u>
REVENUES			
Program revenues:			
Charges for services	\$ 34,596	\$ 16,519	\$ 29,040
Operating grants and contributions			35,688
Real property taxes	1,320,736	2,860,127	3,871,643
Other real property tax items		6,246	253,081
Use of money and property - interest and earnings	5,903	4,837	4,503
Sale of property and compensation for loss		88,903	
Miscellaneous local sources	7,340	5,042	12,178
State aid - unrestricted	4,371	31,283	
Total Revenues	<u>1,372,946</u>	<u>3,012,957</u>	<u>4,206,133</u>
EXPENSES			
Culture and recreation	1,123,594	2,871,423	3,565,439
Home and community services			
Total Expenses	<u>1,123,594</u>	<u>2,871,423</u>	<u>3,565,439</u>
Change in Net Position	249,352	141,534	640,694
Net Position - Beginning of Year	3,494,910	6,940,549	6,910,355
Prior Period Adjustment	(17,563)	34,184	(46,553)
Net Position at Beginning of Year as Restated	<u>3,477,347</u>	<u>6,974,733</u>	<u>6,863,802</u>
Net Position - End of Year	<u>\$ 3,726,699</u>	<u>\$ 7,116,267</u>	<u>\$ 7,504,496</u>

Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District	Greater Atlantic Beach Water Reclamation District	Totals
\$ 4,125	\$ 1,704,817	\$ 2,044,791		\$ 3,833,888
				35,688
33,116	999,985	1,612,317	\$ 1,668,459	12,366,383
		20,025		279,352
229	149,987	432,527	830	598,816
	4,272			93,175
	3,360	23,721	225	51,866
			28,109	63,763
<u>37,470</u>	<u>2,862,421</u>	<u>4,133,381</u>	<u>1,697,623</u>	<u>17,322,931</u>
				7,560,456
109,222	3,014,025	4,325,049	1,713,655	9,161,951
<u>109,222</u>	<u>3,014,025</u>	<u>4,325,049</u>	<u>1,713,655</u>	<u>16,722,407</u>
(71,752)	(151,604)	(191,668)	(16,032)	600,524
296,591	2,023,024	14,073,997	1,924,786	35,664,212
	(30,750)	(9,674)	(16,179)	(86,535)
<u>296,591</u>	<u>1,992,274</u>	<u>14,064,323</u>	<u>1,908,607</u>	<u>35,577,677</u>
<u>\$ 224,839</u>	<u>\$ 1,840,670</u>	<u>\$ 13,872,655</u>	<u>\$ 1,892,575</u>	<u>\$ 36,178,201</u>