

TOWN OF HEMPSTEAD, NEW YORK

FINANCIAL STATEMENTS

Year Ended December 31, 2016

TOWN OF HEMPSTEAD
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
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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, (the "Town") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of six of the seven component units which represent 77.0%, 82.7% and 83.8% respectively, of the assets and deferred outflows of 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.

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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 as of December 31, 2016, 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.

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 – other postemployment benefits (healthcare costs), schedule of proportionate share of the net pension liability, schedule of pension contributions, and the major funds 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's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Albert J. Vignone, Zureck and Company, P.C.

Hauppauge, New York
September 22, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2016

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, 2016. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follows this section.

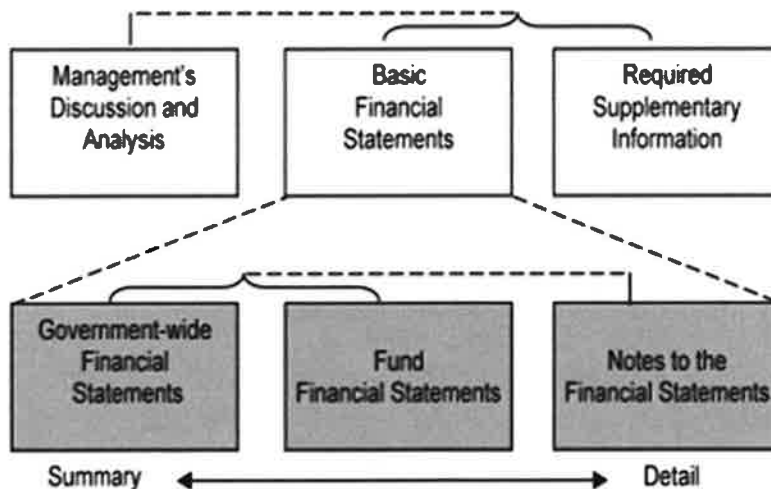
FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of 2016 by \$281,400,521 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 \$75,251,253; the most notable factor contributing to this decrease is the ongoing recognition of OPEB costs in the amount of \$59,172,668.
- As of the close of 2016, the Town's governmental funds reported combined ending fund balances of \$52,097,255. However, the combined ending fund balances excluding the Capital Projects Funds total \$100,993,636, of which \$16,575,711 is not in spendable form, and \$84,417,925, or 83.58%, 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 2016, the Town's total fund balance for the General Fund was \$19,101,815, which increased by \$21,709,781 from the prior year, as revenues and other financing sources of \$186,146,563 exceeded expenditures and other financing uses of \$164,436,782. Real property taxes increased by \$21,346,011 from the prior year primarily to fund the payment of a budget note in 2016.
- The Town's general obligation bonds were \$281,937,382, which was a decrease of 11.21% from the prior year. The Town's short-term debt, inclusive of bond anticipation notes and budget notes, was \$24,803,403 which decreased 56.51% 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, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

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

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

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

The Town's government-wide financial statements 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. Real property taxes, sales taxes, franchise fees, mortgage tax, and state and federal grants finance these activities. The Town also charges fees to customers to help it cover the cost of certain services it provides.

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 (three water districts, one water reclamation district 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 Notes 1.A and 5 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, 2016

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, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

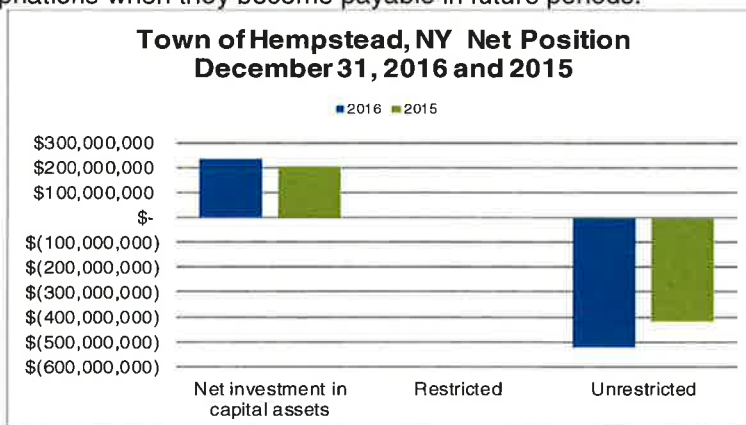
As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$281,400,521 at the close of the most recent year.

Condensed Statement of Net Position
Governmental Activities
as of December 31, 2016 and 2015

	2016	2015
Current and other assets:		
Current assets	\$ 132,231,454	\$ 172,003,322
Capital assets	562,237,353	550,969,027
Other non-current assets	8,315,967	29,010,960
Total assets	<u>702,784,774</u>	<u>751,983,309</u>
Deferred outflows of resources	<u>107,315,721</u>	<u>22,321,840</u>
Total assets and deferred outflows of resources	<u>810,100,495</u>	<u>774,305,149</u>
Current and other liabilities		
Current liabilities	150,540,052	151,075,356
Long-term liabilities	<u>927,664,281</u>	<u>826,955,011</u>
Total liabilities	<u>1,078,204,333</u>	<u>978,030,367</u>
Total deferred inflows of resources	<u>13,296,683</u>	<u>2,424,050</u>
Total liabilities and deferred inflows of resources	<u>1,091,501,016</u>	<u>980,454,417</u>
Net position:		
Net investment in capital assets	234,614,612	204,174,539
Restricted	3,448,533	3,887,760
Unrestricted	<u>(519,463,666)</u>	<u>(414,211,567)</u>
Total net position	<u>\$ (281,400,521)</u>	<u>\$ (206,149,268)</u>

The Town's net investment in capital assets portion of net position, \$234,614,612 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

The deficit unrestricted portion of 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 OPEB, net pension liability, 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, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The total net position of the Town as of December 31, 2016 was a negative \$281,400,521, a decrease of \$75,251,253 over the prior year. Of this amount, \$234,614,612 was the Town's net investment in capital assets, while \$3,448,533 was restricted by statutes or other specific purposes leaving a \$519,463,666 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 OPEB costs. The unfunded liability for postemployment benefits healthcare costs increased in 2016 by \$59,172,668 bringing the unfunded liability at year-end to \$459,022,069.

Changes in Net Position

Governmental Activities

For the years ended December 31, 2016 and 2015

	2016	2015
Program Revenues		
Charges for services	\$ 63,578,975	\$ 59,006,943
Operating grants and contributions	10,341,059	13,980,404
Capital grants and contributions	6,270,902	7,312,890
	80,190,936	80,300,237
General Revenues		
Real property taxes	263,599,544	269,838,270
Real property tax items	10,567,447	4,231,332
Non-property tax items	48,857,312	47,957,385
Interest earnings and financing income	491,005	3,030,126
Mortgage tax	22,260,083	18,317,931
State aid - unrestricted	3,848,885	3,848,885
Other	1,003,655	2,136,646
	350,627,931	349,360,575
Total Revenues	430,818,867	429,660,812
Program Expenses		
General government support	92,612,619	93,450,715
Education	7,200,000	7,094,646
Public safety	52,112,628	49,018,973
Transportation	61,005,723	63,380,386
Economic assistance and opportunity	16,818,567	16,764,553
Culture and recreation	94,813,036	91,184,294
Home and community services	171,829,017	162,585,754
Interest and other debt related costs	9,678,530	10,565,845
Total Expenses	506,070,120	494,045,166
Change in Net Position	(75,251,253)	(64,384,354)
Net Position - Beginning	(206,149,268)	(138,036,782)
Cummulative effect of change in accounting principle*	(3,728,132)	(3,728,132)
Net Position - Beginning as Restated	(206,149,268)	(141,764,914)
Net Position - Ending	\$ (281,400,521)	\$ (206,149,268)

* The cumulative 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.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net position for the years ended December 31, 2016 and 2015, from all government activities, decreased by \$75,251,253 and \$64,384,354 (excluding the effects of the cumulative effect of change in accounting principle), respectively.

Key elements of the governmental activities are:

- Total program revenues decreased slightly by \$109,301 from the prior year. Charges for services increased by \$4,572,032 primarily due to \$1,540,278 increase in public safety fees related to safety inspection fees and fines, a \$1,807,033 increase in home and community fees primarily related to water revenues and \$962,192 increase in general government support related to fines, rental of real property, Town Clerk fees and street opening permits. Operating grants and contributions decreased by \$3,639,345 from the prior year primarily due to \$2,585,140 less in state aid for emergency disasters assistance related to costs incurred from Hurricane Sandy and \$962,432 less in federal aid pertaining to Section 8, Community Development Block Grants and Workforce Investment Act grants. Capital grants and contributions decreased \$1,041,988 from the prior year. This is primarily attributable to \$833,683 less in federal aid for emergency disaster assistance grant revenues and \$431,951 less in state aid for emergency disaster assistance, both relating to Hurricane Sandy.
- Real property taxes decreased \$6,238,726; however real property tax items increased \$6,336,115, for a net increase in \$97,389. Between 2015 and 2016, the revenue related to certain property was changed from real property taxes to real property tax items (payments in lieu of taxes – "PILOT").
- Mortgage tax and non-property tax items (sales tax and franchise fees) increased by \$3,942,152 and \$899,927 respectively, due to housing market conditions, economic conditions and consumer spending.
- Overall expenses increased by \$12,024,954 from the prior year. The \$838,096 decrease in general government support is primarily due to the following: \$413,268 decrease in judgment and claims costs, \$1,899,696 less in general services costs, \$589,312 reduction in depreciation, and \$797,498 of savings in personnel costs. Those cost savings were offset by an increase of \$3,714,656 in employee benefit costs. Public safety costs increased by \$3,093,655 from the prior year due to a \$2,786,577 increase in the costs of employee benefits. Transportation expenses decreased by \$2,374,663 from the prior year primarily due to \$1,546,133 savings in street lighting costs, \$2,632,313 less in snow removal costs, \$1,056,460 less in pollution remediation costs, and \$1,479,462 increase in providing employee benefits. Culture and recreation increase of \$3,628,742 is due to an increase of \$4,472,227 cost of providing employee benefits. Home and community expenses increased \$9,243,263 from the prior year due to increased costs in refuse and garbage collection services of \$7,813,901, increased employee benefit costs of \$5,383,172, a decrease in cost of providing water services of \$1,632,970 and a decrease in rental assistance (Section 8) and community development block grant expenses of \$1,168,992. The aforementioned increases in the cost of employee benefits are primarily related to the Town's pension expense.

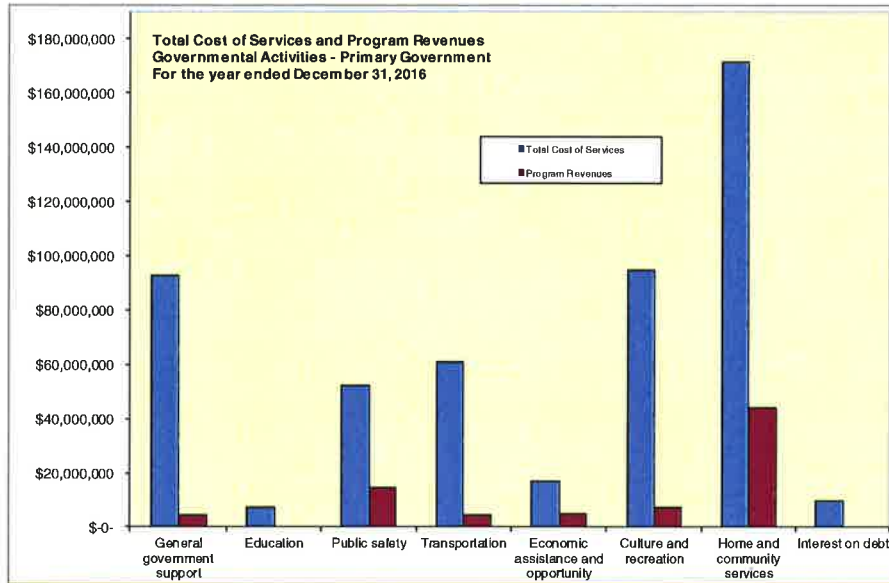
The following chart illustrates the total expenses by program function for the Town's governmental funds.

Net Cost of Services
Governmental Activities
For the years ended December 31, 2016 and 2015

	Total Cost (Expense) of Services		Program Revenues		Net Cost (Revenue) of Services	
	2016	2015	2016	2015	2016	2015
General government support	\$ 92,612,619	\$ 93,450,715	\$ 4,758,753	\$ 3,548,642	\$ 87,853,866	\$ 89,902,073
Education	7,200,000	7,094,646			7,200,000	7,094,646
Public safety	52,112,628	49,018,973	14,709,997	13,363,636	37,402,631	35,655,337
Transportation	61,005,723	63,380,386	4,434,572	5,370,434	56,571,151	58,009,952
Economic assistance and opportunity	16,818,567	16,764,553	4,892,474	4,832,179	11,926,093	11,932,374
Culture and recreation	94,813,036	91,184,294	7,251,448	7,562,997	87,561,588	83,621,297
Home and community services	171,829,017	162,585,754	44,143,692	45,622,349	127,685,325	116,963,405
Interest on debt	9,678,530	10,565,845			9,678,530	10,565,845
	\$ 506,070,120	\$ 494,045,166	\$ 80,190,936	\$ 80,300,237	\$ 425,879,184	\$ 413,744,929

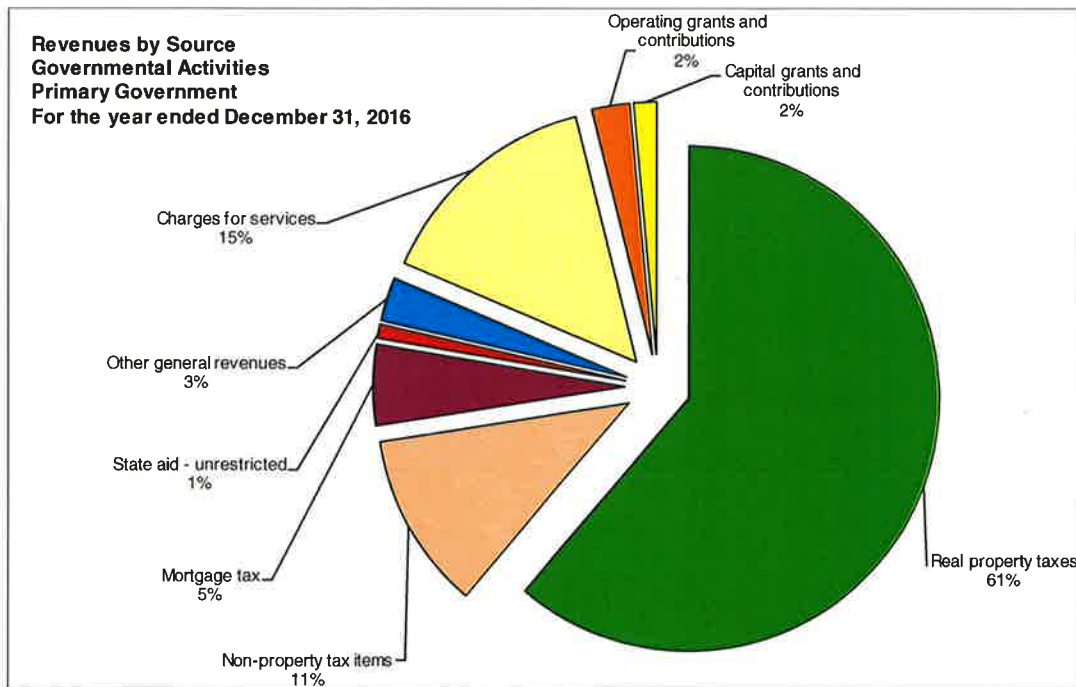
TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)



The total cost of all governmental activities this year was \$506,070,120. The net cost of these services after being subsidized by program revenues of \$80,190,936 was \$425,879,184.

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



TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Revenue by Source For the years ended December 31, 2016 and 2015	2016	2015
Real property taxes	\$ 263,599,544	\$ 269,838,270
Non-property tax items	48,857,312	47,957,385
Mortgage tax	22,260,083	18,317,931
State aid - unrestricted	3,848,885	3,848,885
Other general revenues	12,062,107	9,398,104
Charges for services	63,578,975	59,006,943
Operating grants and contributions	10,341,059	13,980,404
Capital grants and contributions	6,270,902	7,312,890
	<u>\$ 430,818,867</u>	<u>\$ 429,660,812</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, 2016, the Town's governmental funds reported total ending fund balances of \$52,097,255, a decrease of \$52,206,520 in comparison with the prior year. This change in total governmental fund balances was due principally to a decrease in the Capital Projects fund balance of \$45,657,086 as the Town did not issue long-term serial bonds to fund the capital outlay expenditures of \$47,413,611. Additionally, the Refuse and Garbage Fund, Parks Fund, Highway Fund, and Debt Service Fund reported decreases in fund balance from the prior year by \$15,606,657, \$7,490,280, \$5,984,920, and \$125,405, respectively. These decreases were offset by a \$21,709,781 increase in the General Fund and a \$948,047 increase in the combined nonmajor governmental funds.

The category breakdown is as follows:

- **Nonspendable fund balance** – \$16,575,711 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** – \$2,110,666 (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** – \$67,832,339 (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)** – (\$34,421,461) (residual net resources) is the total fund balance in the General Fund and Capital Projects Funds in excess of the nonspendable, restricted and assigned fund balances.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the General Fund was \$19,101,815, a positive change of \$21,709,781 from the prior year. Of this amount, \$4,282,035 not in spendable form (inventory and prepaid items) and \$344,860 is assigned for purchases on order. There is a remaining unassigned fund balance of \$14,474,920.

The key elements of the fund balance increase of \$21,709,781 are as follows:

- The Town budgeted an excess of revenues over expenditures of \$23,342,871 to finance the majority of the budgetary note principal payment of \$30,400,000.
- Overall revenues were \$5,690,977 less than originally expected due to \$14,400,000 of non-property tax items allocated to the Garbage and Refuse Fund, and \$6,561,906 more in state aid as a result of more mortgage taxes received and \$1,679,667 less in inter-fund reimbursements received.
- Total expenditures were \$7,148,854 less than anticipated.
- General government support savings of \$4,275,317 resulted from savings in personal service costs and reductions in expenditures for equipment and contractual services of \$1,773,271 and \$2,502,046, respectively.
- Public safety savings of \$1,317,561 resulted from savings in personal services and reductions in expenditures for contractual services of \$932,260 and \$385,301, respectively.
- Home and community savings of \$1,061,712 resulted from savings in personal services and reductions in expenditures for contractual services of \$316,006 and \$745,706, respectively.
- As the Town did not issue serial bonds during 2016, other financing sources (transfers and premiums) realized was \$192,511 under budget.

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$9,390,867, a decrease of \$5,984,920, or 38.92%, from the prior year. Of this amount, \$5,556,459 is not in spendable form (inventory and prepaid items). The remaining \$3,834,408 of the fund balance is in spendable form as follows: \$91,134 has been assigned by the Town Board for the subsequent year's budget, \$56,267 is assigned for purchases on order and \$3,687,007 is assigned for highway purposes.

The key elements of the fund balance decrease of \$5,984,920 are as follows:

- There was an originally planned decrease of \$4,824,883, inclusive of purchase obligations brought forward of \$45,548, to hold the line on property taxes in 2016.
- Total revenues of \$62,798,218 were consistent with the budgeted revenues of \$62,809,118. Budget to actual fluctuations for real property taxes and real property tax items is due to Nassau County remitting \$1,652,542 of PILOT monies (real property tax items), which in the prior year were real property taxes and thus were budgeted as real property taxes for 2016.
- Transportation expenditures were \$2,071,313 less than expected, due to decreased costs related to \$2,767,010 less in snow removal costs and \$610,128 more in highway machinery and equipment expenditures.
- Other financing sources- transfers in was \$1,476,257 more than expected as the Capital Projects Fund transferred CHIPs state funding for road improvement work expended in the Highway Fund.
- Other financing sources- premiums of debt issuances were \$727,169 under budget as the Town did not issue serial bonds during 2016. However bonds were issued in 2017.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

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 \$9,675,686, a decrease of \$7,490,280, or 43.63%, from the prior year. Of this amount, \$1,936,551 is not in spendable form (inventory and prepaid items). The remaining \$7,739,135 of the fund balance is in spendable form as follows: \$20,418 is assigned for purchase orders and the remaining \$7,718,717 is assigned for park fund purposes.

The key elements of the fund balance decrease of \$7,490,280 are as follows:

- There was an originally planned decrease of \$7,649,609, inclusive of purchase obligations brought forward of \$73,183, to hold the line on property taxes in 2016.
- Departmental income was \$133,073 less than anticipated due to less received in recreational concessions and special recreation charges.
- Savings of \$762,449 in culture and recreation resulted from savings of \$271,778 in personal service costs, \$90,000 in equipment purchases and \$400,671 in contractual expenditures.

Refuse and Garbage Fund

At the end of the current year, the total fund balance of the Refuse and Garbage Fund was \$28,758,335, a decrease of \$15,606,657, or 35.18%, from the prior year. Of this amount, \$2,099,079 is not in spendable form (inventory and prepaid items). The remaining \$26,659,256 of the fund balance is in spendable form, of which \$32,099 is assigned by the Town Board for the subsequent year's budget, \$62,893 is assigned for purchase orders and \$26,564,264 is assigned for refuse and garbage purposes.

The key elements of the fund balance decrease of \$15,606,657 are as follows:

- There was an originally planned decrease of \$25,757,658 inclusive of purchase orders brought forward of \$25,298, to hold the line on property taxes in 2016. During 2016, the Town Board approved an additional appropriation of \$4,569,922 primarily for employee benefits of \$1,460,544, \$3,648,090 for direct home and community services costs, and \$183,361 for transfer out.
- During 2016, The Town Board approved an allocation of non-property tax item revenue (sales tax) of \$12,950,000. Actual revenues recognized were \$14,400,000.
- Sale of property and compensation for loss was \$589,233 less than expected as the recycling revenues were much lower than anticipated.
- Savings of \$1,594,463 in home and community services resulted from reductions in personal service costs and reductions in expenditures for contractual services of \$1,519,328 and \$75,135, respectively.
- Premiums on debt issuance (other financing source) were \$115,832 lower than expected as the Town did not issue serial bonds during 2016.

Capital Projects Fund

At the end of the current year, the Capital Projects Fund had a total fund balance deficit of \$48,896,381. The deficit will be eliminated with the issuance of long-term bonds in subsequent periods.

The fund balance deficit in the Capital Projects Fund increased by \$45,657,086 from the prior year.

- The overall deficit is from differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

Governmental Funds (continued)

Capital Projects Fund (continued)

- The Capital Projects Fund received \$4,139,353 of revenues and \$1,800,889 of other financing sources during 2016 to partially fund the cost of capital outlay. The majority of the revenues consist of \$2,735,576 of state aid and \$1,198,655 of federal aid. Other financing sources consist of \$1,000,889 in transfers from other funds and \$800,000 in capital lease proceeds.
- The capital outlay of \$47,413,611 exceeded the \$5,940,242 of revenues and other financing sources received by \$41,473,369 during the year.
- During 2016, the Capital Projects Fund transferred to various operating funds, \$4,183,717 of which \$4,176,257 was to the Highway Fund to allocate CHIPs state aid for road improvement work expended out of the Highway Fund.

Nonmajor Governmental Funds

The net change in fund balances was an increase of \$948,047.

- There was an originally planned net decrease of \$8,962,185, inclusive of purchase orders brought forward of \$83,189, to hold the line on property taxes in 2016 and an additional appropriation of \$617,010 during 2016.
- The Town Outside Village Fund's fund balance increased \$750,772. Revenues of \$31,489,836 exceeded budgeted amounts by \$4,291,485, primarily due to \$2,825,485 more in departmental income (safety inspection fees), \$711,442 more in fines received and \$507,707 more in state aid for home and community services.
- Fire Protection District Fund's fund balance decreased by \$384,359. Although the Town planned a net decrease of \$601,774, the Town realized \$214,082 in cost savings in employee benefits and contractual costs.
- Street Lighting District Fund's fund balance decreased by \$636,036. The Town planned a net decrease of \$2,007,523, inclusive of purchase orders brought forward of \$14,292. However, the Town realized \$1,295,156 savings in contractual expenditures (primarily in utilities, maintenance and repairs, and restoration/installation of street lights), which offset the planned appropriation of surplus.
- Public Parking District's Fund balance decreased by \$313,281, although the Town planned on a net decrease of \$768,807. The Town realized savings of \$453,611 due to lower than expected personal service costs, capital outlay and contractual costs.
- The Water District Fund's fund balance increased by \$1,768,016. Revenues of \$22,166,427 exceeded budgeted amounts by \$2,062,187, primarily for increased water sales. Expenditures of \$16,990,094 were \$1,924,018 less than budgeted due to savings in personal services and reductions in expenditures for contractual services of \$118,517 and \$1,805,501, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the 2016 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year, the Town Board reduced the budgeted non-property tax items revenue (shared sales tax) by \$12,950,000, for the purpose of allocating the revenue to the Refuse and Garbage Fund. During the year there was a \$1,330,410 or 0.78% 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. Of the \$1,330,410 supplemental appropriations, \$1,178,052 was to provide for additional employee benefits costs.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

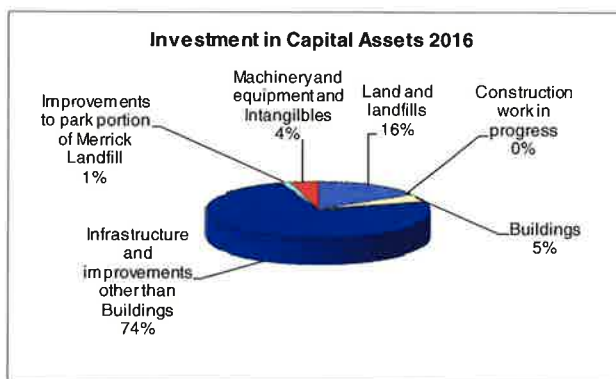
Capital Assets

The Town's investment in capital assets, net of accumulated depreciation for its governmental type activities as of December 31, 2016, amounts to \$562,237,353. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

Capital Assets - Net of Accumulated Depreciation

	Governmental Activities	
	2016	2015
Land and landfills	\$ 86,967,285	\$ 86,967,285
Construction work in progress	631,877	3,693,486
Buildings	26,435,908	24,773,933
Infrastructure and improvements other than building	416,923,275	401,434,734
Improvements to park portion of Merrick landfill	8,098,314	8,638,869
Machinery and equipment	21,250,315	22,419,564
Intangibles- Software	1,930,379	3,041,156
Total Net Capital Assets	\$ 562,237,353	\$ 550,969,027



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 \$281,937,382. The entire debt is backed by the full faith and credit of the Town.

Outstanding Debt

	Governmental Activities	
	2016	2015
General obligation bonds	\$ 281,937,382	\$ 317,525,574
Total	\$ 281,937,382	\$ 317,525,574

In 2016 the Town's total debt decreased by \$35,588,192 or 11.21%.

During 2016 there was no change to its credit ratings. The 2015 ratings were as follows: 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+". However, in March 2017 Standard and Poor's Corporation affirmed the Town's underlying credit of "A+" and revised the outlook from stable to positive.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Outstanding Debt (continued)

State statutes limit the amount of general obligation a governmental entity may issue to 7% of a 5-year average full valuation.

As of March 28, 2017, the Town's debt contracting limitation amount was \$6,779,002,774, and the percentage of debt contracting exhausted was 3.41%.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town's elected and appointed officials considered many factors when preparing the 2017 budget. The Town's statistical data continues to compare favorably to New York State and the United States. The Town's 2016 average unemployment rate of 4.1% compares favorably to New York State's 4.8% and the United States' 4.9%. 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 28.4% in New York State and 23.5% nationwide. According to the U.S. Census Bureau, mean household income in the Town of Hempstead is \$117,518, as compared to New York State's \$86,825 and the United States' \$75,558. 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 the best municipal services at the lowest possible cost. The Town's 2017 budget reduces spending by over 3% or \$13.4 million compared to the 2016 budget, without relying on "one shot" (non-recurring) revenues or the use of reserves. To achieve these spending reductions the Town is aggressively managing workforce costs and cutting discretionary spending. A retirement/severance incentive program offered in 2015 witnessed 57 employees leaving Town service, providing recurring avoided salary costs of \$6.4 million. Another incentive offered in late 2016 resulted in an additional 114 employees leaving Town service, offering additional avoided salary costs of approximately \$10.4 million in 2017. In fact, the full-time budgeted staffing level in the 2017 budget is the lowest it has been in nearly two decades. In cases where long tenured employees were replaced, lower salaried employees have taken their place. An added benefit of the early retirement/severance initiatives 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. Also, an 8.4% reduction in the part-time work force will trim their ranks and save approximately \$1.8 million in 2017. Seasonal employees, primarily summer hires, have also been decreased by approximately 100 individuals producing approximately \$1 million in cost savings. Another cost-saving initiative the town has undertaken is the conversion of 50,000 conventional streetlamps to high efficiency L.E.D. fixtures. This initiative will save taxpayers over \$2 million annually going forward. These factors form the basis of estimating the 2017 budget lines.
- Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011. The Tax Cap Law limits annual increases of the Town's overall real property tax to no more than the lesser of 2% or the rate of inflation. The Tax Cap law took effect with the 2012 budget year. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law, including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the Town. In addition, if the Town uses less than the amount of its allowable tax levy increase in a given fiscal year it may include the unused portion, up to one and one-half percent (1.5%), in calculating its tax levy limit for the following fiscal year. Furthermore, the Town Board may override the limitations if the Town Board enacts, by vote of at least sixty percent of the voting power of the Town Board, a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the Town.

TOWN OF HEMPSTEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

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

- The adopted budget for the fiscal year beginning January 1, 2017 included a 1.8% increase in total taxes levied, constraining growth within New York State's statutory cap.
- When all these factors are considered, the Town's combined fund balances are expected to improve by the close of 2017.
- Chapter 1262-e of Article 29 of New York Tax Law, Establishment of Local Government Assistance Programs in Nassau County was enacted on January 1, 1998. This local government assistance program provides for the towns and cities within Nassau County a revenue sharing source equal to one-third of the revenues received by the County from its imposition of the three-quarters percent sales and use tax during the years 2001-2017. The Town has included \$36,736,000 of local government assistance for the expected shared sales tax revenue in its 2017 budget. After 2017, the legislation providing for this County local assistance/shared sales tax revenue assistance expires.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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TOWN OF HEMPSTEAD
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2016

	Primary Governmental Activities	Nonmajor Component Units
ASSETS		
Current Assets:		
Cash and investments	\$ 56,805,967	\$ 10,025,431
Cash - restricted	2,327,044	5,891,180
Receivables	9,907,960	1,184,826
Due from other governments	40,965,499	589,622
Prepaid items	12,438,534	266,558
Inventory of material and supplies	9,262,558	
Other assets	523,892	
Total Current Assets	<u>132,231,454</u>	<u>17,957,617</u>
Non-Current Assets:		
Receivables, service concession arrangements	1,161,400	
Due from other governments	7,154,567	
Non-depreciable capital assets	87,599,162	346,088
Depreciable capital assets, net of depreciation	474,638,191	42,880,242
Total Non-Current Assets	<u>570,553,320</u>	<u>43,226,330</u>
Total Assets	<u>702,784,774</u>	<u>61,183,947</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension amounts	107,315,721	3,495,535
Total Deferred Outflows of Resources	<u>107,315,721</u>	<u>3,495,535</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	13,489,560	545,459
Accounts payable - capital related debt	4,521,059	
Accrued pension contribution	29,702,669	
Accrued interest payable	3,085,544	167,821
Accrued termination benefits - early retirement incentive	3,514,270	
Bond anticipation notes payable	24,803,403	
Due to other governments	1,519,467	64,770
Unearned revenue	290,069	92,241
Other liabilities		47,800
Non-current liabilities due within one year:		
General obligation bonds payable	39,868,674	1,236,326
Capital lease	1,580,300	
Pension related debt	3,389,066	
Compensated absences	9,330,251	70,433
Claims and judgments payable	12,325,000	
Estimated liability for landfill closure and postclosure care costs	80,320	
Pollution remediation obligations	3,040,400	
Total Current Liabilities	<u>150,540,052</u>	<u>2,224,850</u>
Non-Current Liabilities due in more than one year:		
General obligation bonds payable	254,435,342	15,504,308
Capital lease	13,177,647	
Pension related debt	22,474,182	
Net pension liability	98,006,897	3,098,461
Compensated absences	44,918,170	1,124,985
Claims and judgments payable	31,290,484	
Estimated liability for landfill closure and postclosure care costs	1,436,790	
Pollution remediation obligations	2,902,700	
Other postemployment benefits	459,022,069	6,707,153
Total Non-Current Liabilities	<u>927,664,281</u>	<u>26,434,907</u>
Total Liabilities	<u>1,078,204,333</u>	<u>28,659,757</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	11,617,083	
Deferred service concession arrangement receipts	1,679,600	408,316
Total Deferred Inflows of Resources	<u>13,296,683</u>	<u>408,316</u>
NET POSITION		
Net investment in capital assets	234,614,612	27,067,547
Restricted for:		
Culture and recreation		15,643
Home and community services and Economic assistance and opportunity	436,071	6,426,018
Debt service	1,674,595	
Permanent fund, nonexpendable	1,337,867	
Unrestricted (deficit)	(519,463,666)	2,102,201
Total Net Position	<u>\$ (281,400,521)</u>	<u>\$ 35,611,409</u>

TOWN OF HEMPSTEAD
GOVERNMENT - WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Function/Program	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary Government			
Government Activities:			
General government support	\$ 92,612,619	\$ 4,317,118	\$ 441,635
Education	7,200,000		
Public safety	52,112,628	14,709,997	
Transportation	61,005,723	570,230	
Economic assistance and opportunity	16,818,567	196,228	4,696,246
Culture and recreation	94,813,036	7,075,370	176,078
Home and community services	171,829,017	36,710,032	5,027,100
Interest and other debt related costs	9,678,530		
Total Primary Government	<u>\$ 506,070,120</u>	<u>\$ 63,578,975</u>	<u>\$ 10,341,059</u>
Nonmajor Component Units			
Culture and recreation	\$ 8,802,044	\$ 121,613	\$ 71,761
Home and community services	9,625,041	4,138,076	
Total Component Units	<u>\$ 18,427,085</u>	<u>\$ 4,259,689</u>	<u>\$ 71,761</u>

General Revenue

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

Net Position - Beginning

		Net (Expense) Revenues and Changes in Net Position	
Capital Grants and Contributions	Primary Government	Nonmajor Component Units	
	\$ (87,853,866)		
	(7,200,000)		
	(37,402,631)		
\$ 3,864,342	(56,571,151)		
	(11,926,093)		
	(87,561,588)		
2,406,560	(127,685,325)		
	(9,678,530)		
<u>\$ 6,270,902</u>	<u>\$ (425,879,184)</u>		
		\$ (8,608,670)	
		(5,486,965)	
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (14,095,635)</u>	
	\$ 263,599,544	\$ 12,134,437	
	10,567,447	668,891	
unrestricted	37,716,915		
	11,140,397		
	491,005	596,058	
	22,260,083		
	3,848,885	30,805	
	<u>1,003,655</u>	<u>98,652</u>	
Total General Revenues	<u>350,627,931</u>	<u>13,528,843</u>	
Change in Net Position	(75,251,253)	(566,792)	
	(206,149,268)	36,178,201	
Net Position - Ending	<u>\$ (281,400,521)</u>	<u>\$ 35,611,409</u>	

TOWN OF HEMPSTEAD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	MAJOR FUNDS				
	General	Highway	Parks	Refuse and Garbage	Capital Projects
ASSETS					
Cash and investments	\$ 18,273,486	\$ 3,075,887	\$ 12,358,017	\$ 8,200,339	\$ 1,717,284
Cash - restricted					
Receivables	440,801	457,038	217,166	1,841,320	5,458
Due from other funds	6,707,851	8,515,746	1,602,973	18,598,395	915
Due from other governments	18,856,156		719,158	18,453,101	1,284,569
Inventory of material and supplies	1,772,511	4,726,600	850,993	1,068,148	
Prepaid items	2,509,524	829,859	1,085,558	1,030,931	
Other assets	224,492	45,900	150,900	57,300	
Total Assets	<u>\$ 48,784,821</u>	<u>\$ 17,651,030</u>	<u>\$ 16,984,765</u>	<u>\$ 49,249,534</u>	<u>\$ 3,008,226</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,775,446	\$ 1,136,651	\$ 930,653	\$ 7,872,286	
Accounts payable - capital related debt					\$ 4,521,059
Bond anticipation notes payable				7,105,000	17,698,403
Due to other funds	14,834,096	3,817,954	42,875	6,587	29,685,145
Due to other governments	1,519,467				
Due to retirement system	11,553,997	2,930,283	6,335,551	5,494,349	
Unearned revenue				12,977	
Total Liabilities	<u>29,683,006</u>	<u>7,884,888</u>	<u>7,309,079</u>	<u>20,491,199</u>	<u>51,904,607</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - sidewalk repair		375,275			
Total Deferred Inflows of Resources	<u>-0-</u>	<u>375,275</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	4,282,035	5,556,459	1,936,551	2,099,079	
Restricted					
Assigned	344,860	3,834,408	7,739,135	26,659,256	
Unassigned (deficit)	14,474,920				(48,896,381)
Total Fund Balances (Deficits)	<u>19,101,815</u>	<u>9,390,867</u>	<u>9,675,686</u>	<u>28,758,335</u>	<u>(48,896,381)</u>
Total Liabilities and Fund Balances	<u>\$ 48,784,821</u>	<u>\$ 17,651,030</u>	<u>\$ 16,984,765</u>	<u>\$ 49,249,534</u>	<u>\$ 3,008,226</u>

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 13,180,954	\$ 56,805,967
	2,327,044	2,327,044
	6,427,977	9,389,760
	13,840,359	49,266,239
\$ 1,674,595	1,526,671	42,514,250
	844,306	9,262,558
	519,414	5,975,286
	45,300	523,892
<u>\$ 1,674,595</u>	<u>\$ 38,712,025</u>	<u>\$ 176,064,996</u>
	\$ 1,774,524	\$ 13,489,560
		4,521,059
		24,803,403
	879,582	49,266,239
		1,519,467
	3,388,489	29,702,689
	277,092	290,069
<u>\$ -0-</u>	<u>6,319,687</u>	<u>123,592,466</u>
		375,275
<u>-0-</u>	<u>-0-</u>	<u>375,275</u>
	2,701,587	16,575,711
1,674,595	436,071	2,110,666
	29,254,680	67,832,339
		(34,421,461)
<u>1,674,595</u>	<u>32,392,338</u>	<u>52,097,255</u>
<u>\$ 1,674,595</u>	<u>\$ 38,712,025</u>	<u>\$ 176,064,996</u>

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TOWN OF HEMPSTEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2016

Total Fund Balances - Governmental Funds \$ 52,097,255

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	\$ 87,599,162	
Capital assets - depreciable	889,809,193	
Accumulated depreciation	<u>(415,171,002)</u>	
		562,237,353

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 375,275

Deferred outflows of resources for pensions are not applicable to the funds. 107,315,721

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	(281,937,382)	
Pension related debt	(25,863,248)	
Net pension liability	(98,006,897)	
Compensated absences	(54,248,421)	
Claims and judgments	(43,615,484)	
Estimated liability for landfill closure and postclosure costs	(1,517,110)	
Pollution remediation obligations	(5,943,100)	
Other postemployment benefits	(459,022,069)	
Capital lease	<u>(14,757,947)</u>	
		(984,911,658)

Prepaid items included in the Statement of Net Position. 6,463,248

Long-term receivables are not available to pay for current period expenditures and therefore, are not reported in the funds.	7,285,416	
Deferred inflows of resources, service concession arrangements not reported in the funds.	<u>(1,679,600)</u>	
		5,605,816

Deferred inflows of resources, related to pensions not applicable to the funds. (11,617,083)

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 (12,366,634)

Interest payable and accrued liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position.		<u>(6,599,814)</u>
---	--	--------------------

Net Position of Governmental Activities **\$ (281,400,521)**

TOWN OF HEMPSTEAD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	MAJOR FUNDS				
	General	Highway	Parks	Refuse and Garbage	Capital Projects
REVENUES					
Real property taxes	\$ 61,947,883	\$ 59,978,053	\$ 44,975,803	\$ 66,057,332	
Real property tax items	3,188,220	2,151,312	2,485,638	1,318,334	
Non-property tax items	23,316,915			14,400,000	
Departmental income	6,329,554		2,845,477	11,813,196	
Intergovernmental charges	31,234		948,484	3,017,766	
Use of money and property	1,327,842	116,113	247,698	4,020,792	\$ 10,999
Licenses and permits	1,549,826			30,886	
Fines and forfeitures	22,800		8,600		
Sale of property and compensation for loss	177,068	69,239	2,172	218,267	
Miscellaneous revenue	133,554	333,501	147,318	695,202	194,123
Interfund revenues	61,778,387		30,346,725	1,020,173	
State aid	26,335,791	150,000	176,078		2,735,576
Federal aid					1,198,655
Total Revenues	<u>186,139,074</u>	<u>62,798,218</u>	<u>82,183,993</u>	<u>102,591,948</u>	<u>4,139,353</u>
EXPENDITURES					
Current:					
General government support	81,527,187				
Education	7,200,000				
Public safety	13,534,395				
Transportation	1,536,182	35,200,911			
Economic assistance and opportunity	5,049,807				
Culture and recreation	121,990		62,219,939		
Home and community services	11,097,001			90,606,944	
Employee benefits	37,054,741	12,658,523	22,593,790	23,957,535	
Capital Outlay					47,413,611
Debt Service:					
Principal					
Interest	606,311	371,964		159,240	
Total Expenditures	<u>157,727,614</u>	<u>48,231,398</u>	<u>84,813,729</u>	<u>114,723,719</u>	<u>47,413,611</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,411,460</u>	<u>14,566,820</u>	<u>(2,629,736)</u>	<u>(12,131,771)</u>	<u>(43,274,258)</u>
Other Financing Sources (Uses)					
Transfers in	7,489	4,176,257	688	272	1,000,889
Transfers out	(6,709,168)	(24,750,828)	(4,861,232)	(3,484,326)	(4,183,717)
Premiums on debt issuance		22,831		9,168	
Capital lease proceeds					800,000
Total Other Financing Sources (Uses)	<u>(6,701,679)</u>	<u>(20,551,740)</u>	<u>(4,860,544)</u>	<u>(3,474,886)</u>	<u>(2,382,828)</u>
Net Change in Fund Balances	21,709,781	(5,984,920)	(7,490,280)	(15,606,657)	(45,657,086)
Fund Balance (Deficit) at Beginning 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>
Fund Balance (Deficit) at End of Year	<u>\$ 19,101,815</u>	<u>\$ 9,390,867</u>	<u>\$ 9,675,686</u>	<u>\$ 28,758,335</u>	<u>\$ (48,896,381)</u>

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 30,640,473	\$ 263,599,544
	1,423,943	10,567,447
	11,140,397	48,857,312
	26,723,786	47,712,013
\$ 40,791	229,400	4,267,675
	836,765	6,560,209
		1,580,712
	1,711,642	1,743,042
	109,574	576,320
	1,221,426	2,725,124
	2,776,226	95,921,511
	677,707	30,075,152
	11,447,122	12,645,777
<u>\$ 40,791</u>	<u>88,938,461</u>	<u>526,831,838</u>
	334,897	81,862,084
		7,200,000
	23,146,832	36,681,227
	12,095,723	48,832,816
	4,949,962	9,999,769
	1,235,901	63,577,830
	26,791,807	128,495,752
	10,327,715	106,592,304
		47,413,611
35,588,192	1,295,779	36,883,971
10,514,981	678,497	12,330,993
<u>46,103,173</u>	<u>80,857,113</u>	<u>579,870,357</u>
<u>(46,062,382)</u>	<u>8,081,348</u>	<u>(53,038,519)</u>
45,936,977	330	51,122,902
	(7,133,631)	(51,122,902)
		31,999
		800,000
<u>45,936,977</u>	<u>(7,133,301)</u>	<u>831,999</u>
(125,405)	948,047	(52,206,520)
1,800,000	31,444,291	104,303,775
<u>\$ 1,674,595</u>	<u>\$ 32,392,338</u>	<u>\$ 52,097,255</u>

TOWN OF HEMPSTEAD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (52,206,520)

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	\$ 46,401,762	
Depreciation expense	<u>(35,133,436)</u>	11,268,326

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:

Prepaid items	461,291	
Net change in deferred outflows of resources related to pensions	<u>84,993,881</u>	85,455,172

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Unavailable revenue- sidewalk repair	(91,460)	
Premiums on bond issuances	<u>1,976,715</u>	1,885,255

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:

Repayment of debt principal	35,588,192	
Capital lease issued	<u>(800,000)</u>	34,788,192

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	(2,540,000)	
Net pension liability	(77,978,782)	
Compensated absences	(158,087)	
Termination benefits - early retirement incentive	(1,338,700)	
Claims and judgments	(5,023,442)	
Estimated liability for landfill closure and postclosure care costs	(485,544)	
Pollution remediation obligations	(66,900)	
Other postemployment benefits	(59,172,668)	
Capital lease debt payments	1,295,779	
Accrued interest and accrued liabilities payable	<u>643,749</u>	(144,824,595)

Net change in deferred inflows of resources related to pensions. (11,617,083)

Change in Net Position of Governmental Activities \$ (75,251,253)

TOWN OF HEMPSTEAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2016

	Total Agency Funds
ASSETS	
Cash and investments	\$ 36,301,874
Service award program assets	2,710,573
Total Assets	\$ 39,012,447
 LIABILITIES	
Due to other governments	\$ 39,012,447
Total Liabilities	\$ 39,012,447

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TOWN OF HEMPSTEAD
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December 31, 2016

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TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016

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

Condensed financial statements along with the addresses of the administrative office, for these component units are presented in Note 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. The effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-wide Financial Statements (continued)

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

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

Fund Financial Statements

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

Governmental Funds - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Government funds are further classified as major and nonmajor funds.

The Town reports the following major governmental funds:

General Fund – is the principal operating fund of the Town. This fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

Capital Projects Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

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

Special Grant Fund – is used to account for Federal Aid for the Community Development Block Grant Program, the Workforce Investment Act Program, and the Low Income Housing Program.

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

Fire Protection Districts as follows:

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

Town of Hempstead Street Lighting District

Public Parking Districts as follows:

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

Water Districts as follows:

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

Library Funding Districts as follows:

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

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

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

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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 may be 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.

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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

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.

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 acquisition value (an entry price) at the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. CAPITAL ASSETS (continued)

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 balance sheet or the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity or net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town reports deferred outflows, when applicable, for the following: 1) deferred charges on refundings resulting from the difference in the carrying value of refunded or refunding debt and 2) pension related amounts which consists of the differences between the pension plans expected and actual experience.

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

In the government-wide financial statements, the Town reports deferred inflows of resources associated with pensions which consists of differences between the pension plan's expected and actual experience, changes in assumptions, net differences between the pension plans projected and actual investment earnings, changes in proportion and differences between the Town's contributions and proportionate share of contributions and the Town's contributions made subsequent to the measurement date.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, capital lease, pension related debt, net pension liability, compensated absences, claims and judgments, liability for landfill closure and postclosure care costs, pollution remediation, and other postemployment benefits are recognized in the statement of net position. Bond premiums and discounts 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, 2016

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 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, 2016

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 (OPEB) (HEALTHCARE)

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) through use of the Empire PPO Plan- Core Plus Enhancements (the "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 other 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 NYSEERS" 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, 2016

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, 2016, the Town adopted:

Statement No. 72, "*Fair Value Measurement and Application*," the objective of which is to address accounting and financial reporting issues related to fair value measurements and to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement had no effect on the Town's financial statements.

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," the objective of which is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles. This Statement had no effect on the Town's financial statements.

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 implementation of this Statement required note disclosure of tax abatement programs that reduce the Town's tax revenue.

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 provided 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. This Statement had no effect on the Town's financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*," the objective of which is to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement had no effect on the Town's financial statements.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date of the financial statements. See Note 7 for additional information.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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.

- f) Budgets for the General and certain Special Revenue Funds are legally adopted for each year. The budgets are adopted on a basis of accounting consistent with GAAP, except that outstanding encumbrances are re-appropriated in the subsequent year. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made.
- g) Annual budgets are not prepared for the Capital Projects Fund, Debt Service, Special Grant Fund and Permanent Fund. Programs in the Special Grant Fund are governed by various grant agreements and reports are issued to regulatory authorities on a regular basis. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects, which remain in effect for the life of the project.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities lasting through at least June 15, 2020. No local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); subject to certain limited exceptions and adjustments, however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Town did not vote to override the 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 (DEFICIT)

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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY (continued)

1. FUND BALANCE (DEFICIT) (continued)

	General Fund	Highway Fund	Parks Funds	Refuse and Garbage Funds	Capital Projects Funds	Debt Service Fund	Nonmajor Governmental Funds	Total
Fund Balances:								
Nonspendable:								
Inventory	\$ 1,772,511	\$ 4,726,600	\$ 850,993	\$ 1,068,148			\$ 844,306	9,262,558
Prepaid items	2,509,524	829,859	1,085,558	1,030,931			519,414	5,975,286
Permanent fund principal							1,337,867	1,337,867
Total Nonspendable	4,282,035	5,556,459	1,936,551	2,099,079	\$ -0-	\$ -0-	2,701,587	16,575,711
Restricted for:								
Debt service						1,674,595		1,674,595
Grantors and donor restrictions							436,071	436,071
Total Restricted	-0-	-0-	-0-	-0-	-0-	1,674,595	436,071	2,110,666
Assigned to:								
Subsequent year's budget		91,134		32,099			3,779,926	3,903,159
Purchases on order or contractual obligations	344,860	56,267	20,418	62,893			209,366	693,804
Special revenue funds		3,687,007	7,718,717	26,564,264			25,265,388	63,235,376
Total Assigned	344,860	3,834,408	7,739,135	26,659,256	-0-	-0-	29,254,680	67,832,339
Unassigned, reported in:								
General Fund	14,474,920							14,474,920
Capital Projects					(48,896,381)			(48,896,381)
	14,474,920	-0-	-0-	-0-	(48,896,381)	-0-	-0-	(34,421,461)
Total Fund Balances (Deficits)	\$ 19,101,815	\$ 9,390,867	\$ 9,675,686	\$ 28,758,335	\$ (48,896,381)	\$ 1,674,595	\$ 32,392,338	\$ 52,097,255

2. DEFICIT FUND EQUITY

The Capital Projects Fund deficit, in unassigned fund deficit and total fund deficit of \$48,896,381 at December 31, 2016, 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.

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, 2016 the Town's deposits were \$95,411,060. This amount is inclusive of fiduciary fund deposits of \$36,301,874 and restricted cash of \$2,327,044 but exclusive of petty cash of \$23,825. The bank balances totaled \$104,572,557. Of the bank balance, \$4,338,369 was covered by federal deposit insurance, and \$100,234,188 was covered by collateral with a fair value of \$298,828,130, 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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

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, 2016, the Town did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2016 individual fund interfund receivable and payable balances for the primary government are generally expected to be paid currently. These balances represent various temporary loans, recharges and reimbursements between funds and are stated as follows:

	Receivable	Payable
Primary Government		
<u>Major Funds:</u>		
General Fund	\$ 6,707,851	\$ 14,834,096
Highway	8,515,746	3,817,954
Parks	1,602,973	42,875
Refuse & Garbage	18,598,395	6,587
Capital Projects Fund	915	29,685,145
<u>Nonmajor Funds:</u>		
Town Outside Village		44,864
Special Grant		800,049
Fire Protection	1,707,300	
Street Lighting	4,000,000	8,713
Public Parking	1,393,233	
Water	6,539,775	25,956
Library	200,051	
	\$ 49,266,239	\$ 49,266,239

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 2017.

At December 31, 2016 individual fund interfund transfers balances for the primary government primarily represent receipt and payment of debt service and capital projects expenditures, and are stated as follows:

	Transfer In	Transfer Out
Primary Government		
<u>Major Funds:</u>		
General Fund	\$ 7,489	\$ 6,709,168
Highway	4,176,257	24,750,828
Parks	688	4,861,232
Refuse & Garbage	272	3,484,326
Capital Projects Fund	1,000,889	4,183,717
Debt Service	45,936,977	
<u>Nonmajor Funds:</u>		
Town Outside Village		171,980
Fire Protection		374,679
Street Lighting	20	1,377,445
Public Parking	92	1,799,673
Water	218	3,408,535
Permanent		1,319
	\$ 51,122,902	\$ 51,122,902

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2016 are as follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
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	3,693,486	\$ 13,110,070	\$ 16,171,679	631,877
Total capital assets not being depreciated	<u>90,660,771</u>	<u>13,110,070</u>	<u>16,171,679</u>	<u>87,599,162</u>
Depreciable capital assets				
Infrastructure and improvements other than buildings	781,392,208	39,390,849	110,860,189	709,922,868
Buildings	34,620,609	4,662,687		39,283,296
Improvement to park portion of Merrick landfill	15,741,484			15,741,484
Machinery and equipment	115,418,423	5,375,185	2,626,179	118,167,429
Intangibles - Software	6,659,466	34,650		6,694,116
Total depreciable capital assets	<u>953,832,190</u>	<u>49,463,371</u>	<u>113,486,368</u>	<u>889,809,193</u>
Less accumulated depreciation				
Infrastructure and improvements other than buildings	379,957,474	23,902,308	110,860,189	292,999,593
Buildings	9,846,676	3,000,712		12,847,388
Improvements to park portion of Merrick landfill	7,102,615	540,555		7,643,170
Machinery and equipment	92,998,859	6,544,434	2,626,179	96,917,114
Intangibles - Software	3,618,310	1,145,427		4,763,737
Total accumulated depreciation	<u>\$ 493,523,934</u>	<u>\$ 35,133,436</u>	<u>\$ 113,486,368</u>	<u>415,171,002</u>
Total net depreciable capital assets				<u>474,638,191</u>
Total net capital assets				<u>\$ 562,237,353</u>

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

General government support	\$ 3,214,451
Public safety	618,981
Transportation	18,582,300
Economic assistance and opportunity	77,055
Culture and recreation	5,693,447
Home and community services	6,947,202
Total governmental activities depreciation expense	<u>\$ 35,133,436</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, 2016, the Town has not recorded any such impairment losses.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Discretely Presented Nonmajor Component Units				
Capital assets not being depreciated				
Land	\$ 263,098			\$ 263,098
Construction in progress	1,463,276	\$ 202,925	\$ 1,583,211	82,990
Total capital assets not being depreciated	<u>1,726,374</u>	<u>202,925</u>	<u>1,583,211</u>	<u>346,088</u>
Depreciable capital assets				
Buildings	42,896,747	292,733		43,189,480
Improvements other than buildings	28,710			28,710
Machinery and equipment	7,613,949	1,751,076		9,365,025
Software	13,521,815	597,727	17,838	14,101,704
Infrastructure	6,035,022	26,121		6,061,143
Total depreciable capital assets	<u>70,096,243</u>	<u>2,667,657</u>	<u>17,838</u>	<u>72,746,062</u>
Less total accumulated depreciation	<u>\$ 27,805,060</u>	<u>\$ 2,078,049</u>	<u>\$ 17,289</u>	<u>29,865,820</u>
Total net depreciable capital assets				<u>42,880,242</u>
Total net capital assets				<u>\$ 43,226,330</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 1.50% and are due on April 14, 2017.

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, 2016, the Town had \$24,803,403 in BANs outstanding.

These bond anticipation notes are summarized as follows:

	Balance 1/1/2016	Issued	Redeemed	Balance 12/31/2016
Primary government:				
Refuse and Garbage	\$ 7,984,187	\$ 7,984,187	\$ 8,863,374	\$ 7,105,000
Capital Projects Fund				
Highway	18,650,000	18,650,000	19,601,597	17,698,403
Total bond anticipation notes	<u>\$ 26,634,187</u>	<u>\$ 26,634,187</u>	<u>\$ 28,464,971</u>	<u>\$ 24,803,403</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 bore an interest rate of 2.00%. During 2016, the budget notes were repaid/redeemed out of taxes levied during the year.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

SHORT-TERM DEBT (continued)

Budget Notes (continued)

These budget notes are summarized as follows:

	Balance 1/1/2016	Issued	Redeemed	Balance 12/31/2016
Primary government:				
General Fund	\$ 30,400,000	\$ -0-	\$ 30,400,000	\$ -0-
Total primary government	30,400,000	-0-	30,400,000	-0-
 Total budget notes	 \$ 30,400,000	 \$ -0-	 \$ 30,400,000	 \$ -0-

LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2016 is as follows:

	Beginning Balance 1/1/2016	New Issues/ Additions	Maturities/ Reductions	Ending Balance 12/31/2016	Non-current liabilities due within one year	Non-current liabilities
Primary Government:						
Bonds Payable						
General obligation bonds	\$ 317,525,574		\$ 35,588,192	\$ 281,937,382	\$ 39,868,674	\$ 242,068,708
Plus premiums on issuance	14,343,349		1,976,715	12,366,634		12,366,634
Total Bonds Payable	331,868,923	\$ -0-	37,564,907	294,304,016	39,868,674	254,435,342
Capital lease	15,253,726	800,000	1,295,779	14,757,947	1,580,300	13,177,647
Pension related debt	23,323,248	5,819,256	3,279,256	25,863,248	3,389,066	22,474,182
Net pension liability	20,028,115	107,805,867	29,827,085	98,006,897		98,006,897
Compensated absences	54,090,334	35,446,036	35,287,949	54,248,421	9,330,251	44,918,170
Claims and judgments	32,986,226	24,048,649	13,419,391	43,615,484	12,325,000	31,290,484
Estimated liability for landfill closure and postclosure care costs	1,031,566	565,164	79,620	1,517,110	80,320	1,436,790
Pollution remediation	5,876,200	905,651	838,751	5,943,100	3,040,400	2,902,700
Other postemployment benefits	399,849,401	79,288,000	20,115,332	459,022,069		459,022,069
Total non-current liabilities	\$ 884,307,739	\$ 254,678,623	\$ 141,708,070	\$ 997,278,292	\$ 69,614,011	\$ 927,664,281
 Nonmajor Component Units:						
Bonds Payable						
General obligation bonds	\$ 17,717,703		\$ 1,205,086	\$ 16,512,617	\$ 1,236,326	\$ 15,276,291
Plus premiums on issuance	277,706		49,689	228,017		228,017
Total Bonds Payable	17,995,409	\$ -0-	1,254,775	16,740,634	1,236,326	15,504,308
Net pension liability	630,909	2,986,028	518,476	3,098,461		3,098,461
Compensated absences	1,223,327	238,425	266,334	1,195,418	70,433	1,124,985
Other postemployment benefits	5,923,377	1,200,614	416,838	6,707,153		6,707,153
Total non-current liabilities	\$ 25,773,022	\$ 4,425,067	\$ 2,456,423	\$ 27,741,666	\$ 1,306,759	\$ 26,434,907

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, other 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, 2016

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 4.53%.

A summary of these bonds are as follows:

	Balance 1/1/2016	Issued	Redeemed	Balance 12/31/2016
Primary government:				
Capital Projects Fund:				
General	\$ 55,514,829		\$ 4,971,357	\$ 50,543,472
Highway	151,412,283		18,580,360	132,831,923
Park Districts	38,989,374		3,600,734	35,388,640
Refuse and Garbage Districts	25,944,870		4,520,546	21,424,324
Part-town	1,146,989		130,574	1,016,415
Fire Districts	1,038,080		331,051	707,029
Lighting District	9,452,213		1,047,835	8,404,378
Parking Districts	9,469,901		1,463,014	8,006,887
Water District	24,557,035		942,721	23,614,314
Total primary government	<u>317,525,574</u>	<u>\$ -0-</u>	<u>35,588,192</u>	<u>281,937,382</u>
Nonmajor Component units:				
Library Districts	8,842,316		775,512	8,066,804
Water Districts	8,875,387		429,574	8,445,813
Total nonmajor component units	<u>17,717,703</u>	<u>-0-</u>	<u>1,205,086</u>	<u>16,512,617</u>
Total general obligation bonds	<u>\$ 335,243,277</u>	<u>\$ -0-</u>	<u>\$ 36,793,278</u>	<u>\$ 298,449,999</u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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:

		Principal	Interest	Total Principal and Interest
Years Ending December 31,	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	26,451,486	4,209,843	30,661,329
	2022-2026	98,823,231	10,670,895	109,494,126
	2027-2031	17,288,546	1,328,167	18,616,713
	2032-2036	1,393,978	349,188	1,743,166
	2037-2041	645,943	45,983	691,926
	Total primary government		<u>281,937,382</u>	<u>44,670,237</u>

Nonmajor Component Units:

		Principal	Interest	Total Principal and Interest
Years Ending December 31,	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	678,514	507,020	1,185,534
	2022-2026	3,751,769	2,159,568	5,911,337
	2027-2031	4,081,454	1,382,452	5,463,906
	2032-2036	2,926,022	653,218	3,579,240
	2037-2041	1,164,056	80,155	1,244,211
	Total nonmajor component units		<u>16,512,617</u>	<u>7,093,890</u>
Total Principal and Interest		<u>\$ 298,449,999</u>	<u>\$ 51,764,127</u>	<u>\$ 350,214,126</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, 2016.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

Outstanding Bond Issues

<u>Issue</u>	<u>Average Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>	<u>Final Maturity</u>
General Obligation Serial Bonds-2005, Series B	3.11727%	\$ 16,600,000	\$ 345,000	November 15, 2018
General Obligation Serial Bonds-2006, Series A	3.76550%	33,914,230	7,300,000	March 1, 2018
General Obligation Serial Bonds-2007, Series A	4.13760%	30,348,650	11,070,000	September 1, 2020
General Obligation Serial Bonds-2008, Series A	3.52974%	33,415,000	20,682,306	August 15, 2021
General Obligation Serial Bonds-2008, Series B	4.52663%	15,427,000	8,167,693	August 15, 2038
General Obligation Serial Bonds-2010, Series A	2.99083%	73,377,025	43,550,000	April 15, 2035
General Obligation Serial Bonds-2011, Series A	3.02130%	49,840,320	36,025,000	August 1, 2027
General Obligation Serial Bonds-2011, Series B	3.32884%	6,300,000	4,905,000	August 1, 2030
NYS EFC Refunding Bonds - Series A	2.40364%	1,770,000	310,000	January 15, 2017
NYS EFC Refunding Bonds - Series A	2.81598%	920,000	325,000	June 15, 2019
General Obligation Serial Bonds-2012, Series A	1.85637%	49,869,000	38,210,000	August 15, 2037
General Obligation Serial Bonds-2014, Series A	2.55402%	46,254,170	42,355,000	January 1, 2026
General Obligation Refunding Bonds-2014, Series B	0.69809%	37,860,000	19,620,000	February 1, 2018
General Obligation Serial Bonds - 2015 Series A	2.44205%	67,144,108	65,585,000	December 15, 2028
		<u>\$ 463,039,503</u>	<u>\$ 298,449,999</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, 2016 there are no outstanding bonds considered defeased.

CAPITAL LEASES

During December 2016, the Town entered into a lease agreement for financing the acquisition of street lighting equipment. Under the terms of the agreement, the lessor will purchase \$800,000 of street lighting equipment, which will be leased to the Town through December 2026. The Town is required to make semi-annual installments of \$113,273, including interest at 5.699%, through December 2026. As street lighting equipment will be purchased in installments, the lessor initially deposited \$800,000 in an escrow account. As purchases are made in the name of the lessor, the escrow account will be reduced. As of December 31, 2016, no purchases have been made, and the cash escrow balance, including interest is \$800,120 at December 31, 2016.

During 2015, the Town entered into a lease agreement for financing the acquisition of street lighting equipment. Under the terms of the agreement, the lessor will purchase \$15,289,045 of street lighting equipment, which will be leased to the Town through December 2024. The Town will make semi-annual installments of \$1,974,276 including interest at 2.985%, through December 2024. As the street lighting equipment is being purchased in installments, the lessor initially deposited \$15,253,726 in an escrow account, in the name of the Town. As purchases are made in the name of the lessor, the escrow cash balance is reduced. As of December 31, 2016, \$15,253,726 of street lighting equipment has been purchased and the cash escrow balance including interest earnings is \$452,348 at December 31, 2016. The equipment has been reported in infrastructure assets. The Town recognized \$224,772 of depreciation expense related to these assets.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

CAPITAL LEASES (continued)

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016, are as follows:

Years ending December 31, 2017	\$ 2,030,913
2018	2,087,549
2019	2,087,549
2020	2,087,549
2021	2,087,549
2022-2024	<u>6,489,193</u>
Total minimum lease payments	16,870,302
Less: amount representing interest	<u>(2,112,355)</u>
Present value of minimum lease payments	<u><u>\$ 14,757,947</u></u>

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 (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits Provided

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

Tiers 1 and 2

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

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Tiers 1 and 2 (continued)

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.

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.

Ordinary Death Benefits

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

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%.

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
2016	\$ 25,764,915	\$ 88,077	\$ -0-	\$ -0-	\$ 4,267,444	\$ 30,120,436
2015	29,540,281	557,664	(285,670)	(5,819,256)	3,575,191	27,568,210
2014	29,465,018	70,332	-0-	(7,200,000)	2,709,847	25,045,197

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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016 is \$25,863,248. 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, 2017	\$ 3,389,066	\$ 860,841	\$ 4,249,907
2018	3,502,584	747,323	4,249,907
2019	3,619,935	629,972	4,249,907
2020	3,741,252	508,655	4,249,907
2021	3,866,671	383,239	4,249,910
2022-2025	7,743,740	491,084	8,234,824
	\$ 25,863,248	\$ 3,621,114	\$ 29,484,362

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

At December 31, 2016, the Town reported a liability of \$98,006,897 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, 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, 2016	\$ 98,006,897	0.61062430%

There was no significant change in the Town's proportionate share of 0.59285570% at March 31, 2015 to 0.61062430% at March 31, 2016.

The net pension liability for the nonmajor components units totaled \$3,098,461.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Contributions (continued)

For the year ended December 31, 2016, the Town recognized pension expense of \$35,812,942 in the government-wide statement of activities. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 495,253	\$ 11,617,083
Changes of assumptions	26,135,484	
Net difference between projected and actual earnings on pension plan investments	58,143,068	
Changes in proportion and differences between the Town's contribution and proportionate share of contributions	3,152,170	
Town's contributions subsequent to the measurement date, net of prepaid amounts	19,389,746	
Total	\$ 107,315,721	\$ 11,617,083

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, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension as expense as follows:

Years Ending December 31, 2017	\$ 19,354,688
2018	19,354,688
2019	19,354,688
2020	18,244,828
	\$ 76,308,892

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, 2015
Interest rate	7.00%
Salary increase	3.80%
Cost of living adjustment	1.30%
Inflation Rate	2.50%
Decrement tables	April 1, 2010 - March 31, 2015, System's Experience

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Actuarial Assumptions (continued)

Annuitant mortality rates are based on the April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

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

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

Asset Type:	Allocation	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%
	100.00%	

The discount rate used to calculate the total pension liability was 7.0% for the System; in the prior year 7.5% was utilized. 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.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
Town's proportionate share of the collective net pension liability/(asset)	\$ 220,998,434	\$ 98,006,897	\$ (5,915,696)
Nonmajor component unit's proportionate share of the collective net pension liability (asset)	\$ 6,986,800	\$ 3,098,458	\$ (187,023)

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Pension Plan Fiduciary Net Position

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

Valuation Date	<u>(Dollars in Thousands)</u> April 1, 2015
Employers' total pension liability	\$ (172,303,544)
Plan net position	156,253,265
Employers' net pension liability	<u>\$ (16,050,279)</u>
Ratio of plan net position to the Employers' total pension liability	90.70%

F. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (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 at rates ranging from \$109 to \$134 (depending upon date the retiree reaches age 65) per month, based on the standard 2017 rate. The Medicare Part B premium that is charged varies by income level. Medicare Part B reimbursement valuation was assumed at the basic level.

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 Empire Plan, does not issue a separate report.

The number of participants as of December 31, 2015, the effective date of the most recent 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	<u>222</u>
Total	<u><u>4,314</u></u>

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

F. OTHER POSTEMPLOYMENT BENEFITS (OPEB) HEALTHCARE COSTS (continued)

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.

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

Projected AAL and UAAL as of December 31, 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	103,977,000
AAL and UAAL as of December 31, 2015 using current assumptions	\$ 976,930,000

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

F. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (HEALTHCARE COSTS) (continued)

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2016, the Town's annual other postemployment benefits cost (expense) was \$79,288,000. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled approximately \$20,115,332 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$59,172,668 for the year ended December 31, 2016. For the year ended December 31, 2016 the Town's discretely presented nonmajor component units annual other postemployment benefits cost (expenses) was \$1,200,614. Considering health insurance payments totaling \$416,838, the increase in the other postemployment benefits liability for the nonmajor component units for the year ended December 31, 2016 amounted to \$783,776.

Benefit Obligations and Normal Cost

As of December 31, 2016, rolled forward from the December 31, 2015 actuarial valuation

	Medical, Dental and Medicare Part B
Actuarial Accrued Liability (AAL)	
Active employees	\$ 629,430,000
Retired employees	355,219,000
Total Actuarial Accrued Liability (AAL)	984,649,000
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	\$ 984,649,000
Funded ratio	0%
Annual covered payroll	\$ 162,155,870
UAAL as a percentage of covered payroll	607.22%

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, 2016 (rolled forward from the December 2015 actuarial valuation) amounted to \$984,649,000. The unfunded actuarial accrued liability for the nonmajor components units for the year ended December 31, 2016 amounted to \$13,239,992.

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

F. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (HEALTHCARE COSTS) (continued)

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	\$	32,588,000
Amortization of unfunded actuarial liability (UAAL) over 30 years		52,940,000
Annual required contribution (ARC)		85,528,000
Interest on net OPEB obligation		15,994,000
Adjustment to ARC		(22,234,000)
Annual OPEB Cost		79,288,000
Less: Contribution made		20,115,332
Increase in net OPEB liability		59,172,668
Net OPEB obligation, beginning of year		399,849,401
Net OPEB obligation, end of year	\$	459,022,069
Percentage of annual OPEB cost contributed		25.4%

Funded Status and Funding Progress

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

	<u>Annual OPEB Cost</u>	<u>Annual Contribution Made</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 79,288,000	\$ 20,115,332	25.4%	\$ 459,022,069
2015	79,940,638	19,214,695	24.0%	399,849,401
2014	55,707,098	17,683,579	31.7%	339,123,458

The funded status of the plan as of December 31, 2016 is as follows:

	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
Town	\$ -0-	\$ 984,649,000	\$ 984,649,000	0%	\$ 162,155,870	607.22%
Component Units	-0-	10,969,839	10,969,839	0%	4,366,356	251.24%

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.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. DETAILED NOTES ON ALL FUNDS (continued)

F. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (HEALTHCARE COSTS) (continued)

Actuarial Methods and Assumptions (continued)

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 date of the most recent 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 6.70% and 6.80% 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 6.70% and 6.80%, healthcare cost trend increase for the year ended 2017, increased and/or reduced by decrements to a rate of 6.00% and 50% 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 2052 and 2064, respectively, and 4.0% for pre-65 in 2074 and 4.20% for post-65 in 2074.

A copy of the Town of Hempstead Retiree Medical Program, December 31, 2015 Actuarial Valuation and the December 31, 2016 Roll-Forward 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, 2016, the value of the compensated absences was \$54,248,421 for the primary government. The liability for compensated absences for the nonmajor component units amounted to \$1,195,418.

H. TERMINATION BENEFITS

On September 20, 2016 the Town Board adopted a resolution to provide a retirement incentive to employees leaving service between October 11, 2016 and November 13, 2016. 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, 2017 or within thirty days of providing proof of the length of their retirement system membership. One hundred and eleven (111) employees chose to take the incentive; accordingly the Town has recorded a \$3,514,270 termination benefits-early retirement incentive liability at December 31, 2016.

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, 2016 was \$1,319. The amount of total net position restricted as nonexpendable, in the Permanent Fund, for the Greenfield Cemetery at December 31, 2016 was \$1,337,867.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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	
	2016	2015	2016	2015
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 27,740,000	\$ 26,469,000	\$ 5,246,226	\$ 1,963,251
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>13,045,815</u>	<u>11,492,895</u>	<u>11,002,834</u>	<u>5,555,371</u>
Total incurred claims and claim adjustment expenditures	<u>13,045,815</u>	<u>11,492,895</u>	<u>11,002,834</u>	<u>5,555,371</u>
Payments				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years.	<u>11,495,072</u>	<u>10,221,895</u>	<u>1,924,319</u>	<u>2,272,396</u>
Total unpaid claims and claim adjustment expenditures at the end of the year.	<u>\$ 29,290,743</u>	<u>\$ 27,740,000</u>	<u>\$ 14,324,741</u>	<u>\$ 5,246,226</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.

B. LITIGATION

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

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

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.

On July 24, 2013 Judge Parga sitting in Supreme Court for the County of Nassau issued a series of Short Form Orders which in sum and substance agreed with the Town's arguments herein and ordered the County to 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., (J. Parga) (Nassau Co. Sup. Ct.) (Index No. 1998-12177).

In March 2014, the Appellate Division decided a collection of related cases including the Judge Parga matters. The Court modified Judge Parga's order and directed the Town to pay Verizon in the first instance. The Court also reaffirmed the applicability and viability of the County Guaranty and directed Judge Parga to direct the County to 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.

Judge Marano currently is 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.

In October of 2016 the Town and County entered into an agreement where the County will reimburse the Town for 70% of the sums the Town has already paid to all utility plaintiffs and the County will reimburse the Town 70% of all future sums the Town pays to any utility plaintiffs in these cases, and the Town and County will cooperate with each other to try to limit the future liabilities in these cases (including the aforementioned interest rate litigation). Accordingly the initial receivable recorded of \$25,630,515 has been adjusted to \$17,941,361 at December 31, 2016 and subsequent to year end the amount was collected. As the receivable balance due is considered current at December 31, 2016, the Town no longer reports a non-spendable portion of fund balance related to this receivable.

In February of 2017 Judge Marano issued a preliminary decision indicating he would award Verizon 5.79% interest on judgments covering the 2003-2011 tax years.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

4. COMMITMENTS AND CONTINGENCIES (continued)

B. LITIGATION (continued)

Garbage Taxes and Local Utilities (continued)

The Verizon judgment has been entered at the reduced rate of interest and is currently being appealed from by both the plaintiff and the Town. Final dispositive motions will be submitted by the end of August, 2017 before Judge Marano in the remaining cases. Accordingly in the government-wide statements, the Town has included \$8,008,309 in the judgment and claims liability to provide for the potential interest on the judgment and additionally the Town reports a \$5,605,816 long-term receivable from the County pursuant to the aforementioned agreement

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, 2016.

In the fourth quarter of 2015, the County took the position that it was entitled to hold back from sales tax revenue to the Town, \$4,085,035 which purportedly is equal to what the County had paid to FIT on behalf of the Town resident's tuition for *the* 2004-2005 school year. In an action commenced by the Town of Hempstead, NY, against Nassau County, the trial court determined that the County may not offset against any sums due and owing for the period 2004-2009. The Appellate Division upheld the trial court's decision and the Court of Appeals denied the County's motion to appeal in July 2017. The Town has instituted an action against the County to recoup the \$4,085,035 off set by the County in 2015. In light of the Court of Appeals recent decision denying the County's motion to appeal, it is expected that the County will refund the \$4,085,035 to the Town. When the County refunds the monies to the Town, the Town's action to recoup the monies will be discontinued.

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 \$3.0 million has been included in judgment and claims payable for this matter at December 31, 2016.

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, 2016

4. COMMITMENTS AND CONTINGENCIES (continued)

C. RESOURCE RECOVERY FACILITY

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

The Facility site is owned by the Town of Hempstead Refuse Disposal District (the "District") and has been leased to the 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 under the service agreement exceeds a specified amount, the Town is obligated to make a termination payment corresponding to 25% of the Town's pro rata share (as defined in the new agreement) of any outstanding indebtedness incurred by the Company to finance the cost of prior uncontrollable circumstances.

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

D. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to place a final cover on its landfill sites and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. The Oceanside Landfill stopped receiving waste in July, 1989 and the Merrick Landfill stopped receiving waste in March, 1984. Accordingly, as of December 31, 2016 the Town has recorded a liability of \$1,517,110 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, 2016 has commitments for capital acquisitions and improvements of \$26,140,940 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, 2016

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, 2016 the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Primary Government	
Major Funds:	
General Fund	\$ 344,860
Highway Fund	56,267
Parks Funds	20,418
Refuse and Garbage Funds	62,893
Nonmajor Funds:	
Town Outside Village	142,209
Street Lighting	51,608
Water	15,549
	\$ 693,804

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

G. POLLUTION REMEDIATION OBLIGATIONS

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

The Town:

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

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

At December 31, 2016, the Town has estimated pollution remediation obligations amounts at \$5,943,100 of which \$3,040,000 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, 2016

4. COMMITMENTS AND CONTINGENCIES (continued)

H. SERVICE CONCESSION ARRANGEMENTS

In 2015, the Town entered into an agreement with National Rink Management Corporation for management of the Newbridge Road Park Ice Rink, Pro Shop and concession stand for a ten year period ending March 31, 2025. The agreement includes options for two five-year extensions. Under the terms 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, 2016, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$840,000.

In 2013, the Town entered into an agreement with Mohizif Café and Restaurant, Inc. for the management and maintenance of the restaurant and food service facilities in the Town Hall complex for the next two years. The agreement included options for five one-year extensions. Under the agreement Mohizif Café and Restaurant, Inc. will pay the Town an annual license fee of \$13,200. The value of these payments is estimated to be \$92,400 over the life of the agreement. The Town reports the restaurant and food service facilities in the Town Hall Complex as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2016, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$39,600.

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, 2016, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$800,000.

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, 2016, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$-0-, as the agreement expired during 2016.

I. OTHER

Grant Funding

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Local Government Assistance

The Town receives revenue from the County pursuant to Chapter 1262-e of Article 29 of New York Tax Law, Establishment of Local Government Assistance Programs in Nassau County. This local government assistance program provides for the towns and cities within Nassau County a revenue sharing source equal to one-third of the revenues received by the County from its imposition of the three-quarters percent sales and use tax during the years 2001-2017. This revenue is reported as Non-property taxes- sales tax distribution by county, unrestricted in the statement of activities and as non-property tax items in the statement of revenues, expenditures and changes in fund balances. After 2017, the legislation providing for this County local assistance/shared sales tax revenue assistance expires.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

4. COMMITMENTS AND CONTINGENCIES (continued)

J. MERRICK FIRE DEPARTMENT LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

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

Program Description

Participation, vesting and service credit

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age.

In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates the required number of points in accordance with the system adopted by the program sponsor. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. The program's entitlement age is age 60. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program. 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 May 2017.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

4. COMMITMENTS AND CONTINGENCIES (continued)

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

Fiduciary Investment and Control (continued)

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2016		\$	3,342,103
Assets Available for Benefits			
Annuities	\$		2,710,573
Total Net Assets Available for Benefits			2,710,573
Total Unfunded Benefits/Surplus			631,530
Less: Unfunded Liability/Surplus for Prior Service			(631,530)
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		\$	2,736,882
Changes during the year:			(26,309)
Plan Net Assets, end of year		\$	2,710,573

Contributions

Amount of sponsor's required contribution:			
Minimum	\$		172,209
Maximum	\$		187,967
			81.1% Funded
Amount of sponsor's actual contribution:		\$	172,209

Administration Fees

Administration Fees		\$	4,663
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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, 2016

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, 2016:

Condensed Statement of Net Position:

	Assets			Liabilities			Net Position		
	Current and Other Assets	Capital Assets Net of Depreciation	Deferred Outflows of Resources	Current Liabilities	Bonds and Other Long-Term Liabilities	Deferred Inflows of Resources	Net Investment in Capital Assets	Restricted	Unrestricted
Lakeview Public Library District	\$ 1,840,639	\$ 2,474,475	\$ 324,755	\$ 204,819	\$ 442,240	\$ 36,944	\$ 2,269,084	\$ 1,000	\$ 1,685,782
Roosevelt Public Library District	1,437,968	13,144,615	290,093	493,294	8,182,779	30,752	6,177,735		(11,884)
Uniondale Public Library District	4,007,402	6,151,389	878,271	645,338	2,265,294	95,847	5,168,022	14,643	2,847,918
Cathedral Gardens Water District	212,391			7,867					204,524
Franklin Square Water District	2,761,753	5,671,354	706,539	340,756	7,347,290	112,917	(23,253)	1,442,542	(80,606)
West Hempstead - Hempstead Gardens Water District	6,295,704	11,924,301	824,789	225,297	4,743,333	84,387	11,924,301	3,857,771	(1,790,295)
Greater Atlantic Beach Water Reclamation District	<u>1,401,760</u>	<u>3,860,196</u>	<u>471,088</u>	<u>307,479</u>	<u>3,453,971</u>	<u>47,469</u>	<u>1,551,658</u>	<u>1,125,705</u>	<u>(753,238)</u>
	<u>\$ 17,957,617</u>	<u>\$ 43,226,330</u>	<u>\$ 3,495,535</u>	<u>\$ 2,224,850</u>	<u>\$ 26,434,907</u>	<u>\$ 408,316</u>	<u>\$ 27,067,547</u>	<u>\$ 6,441,661</u>	<u>\$ 2,102,201</u>

Condensed Statement of Activities:

	Program				General Revenue			Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Net Expense (Revenue)	Real Property Taxes and Tax Items	Other	Change	1/1/2016	12/31/2016
Lakeview Public Library District	\$ 1,171,117	\$ 44,182		\$ 1,126,935	\$ 1,329,914	\$ 26,188	\$ 229,167	\$ 3,726,699	\$ 3,955,866
Roosevelt Public Library District	3,845,357	32,927	\$ 33,936	3,778,494	2,813,051	15,027	(950,416)	7,116,267	6,165,851
Uniondale Public Library District	3,785,570	44,504	37,825	3,703,241	4,177,833	51,495	526,087	7,504,496	8,030,583
Cathedral Gardens Water District	58,030	4,125		53,905	33,447	143	(20,315)	224,839	204,524
Franklin Square Water District	3,392,455	1,663,794		1,728,661	1,012,003	214,671	(501,987)	1,840,670	1,338,683
West Hempstead - Hempstead Gardens Water District	4,252,358	2,329,501		1,922,857	1,652,163	389,816	119,122	13,872,655	13,991,777
Greater Atlantic Beach Water Reclamation District	<u>1,922,198</u>	<u>140,656</u>		<u>1,781,542</u>	<u>1,784,917</u>	<u>28,175</u>	<u>31,550</u>	<u>1,892,575</u>	<u>1,924,125</u>
	<u>\$ 18,427,085</u>	<u>\$ 4,259,689</u>	<u>\$ 71,761</u>	<u>\$ 14,095,635</u>	<u>\$ 12,803,328</u>	<u>\$ 725,515</u>	<u>\$ (566,792)</u>	<u>\$ 36,178,201</u>	<u>\$ 35,611,409</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> |
|--|---|

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

6. TAX ABATEMENTS

The Town is subject to tax abatements granted by 1) Nassau County Industrial Development Agency, an entity created by Nassau County and 2) the Town of Hempstead Industrial Development Agency (collectively referred to as the IDAs) and 3) the Town of Hempstead. The IDA's offer these abatement programs to promote, retain, attract and encourage and develop economically sound commerce and industry base to prevent unemployment and economic deterioration with Nassau County and Town of Hempstead, respectively. As of December 31, 2016, the tax abatement program which may be offered by the IDA's on qualified projects and which impacts the Town's revenues is for real property tax abatement. Generally, a qualified project is an applicant submitted project which meet certain economic development criteria (such as job creation/retention) and which either 1) has been or will be financed by the issuance of IDA issued bonds, notes or other evidences of indebtedness with respect thereto or 2) is a straight lease transaction with the IDA has determined to undertake pursuant to a Lease Policy. The IDAs, as a condition of providing assistance, may require that the benefiting company remit a 'payment in lieu of taxes' ("PILOT") payment to offset the amount of taxes abated.

The Town also granted real property tax abatements to promote affordable and senior citizen housing within the Town of Hempstead limits. Pursuant to Section 125 of the Private Housing Finance Law of the State of New York, a qualified project may be included into its privately financed affordable & senior citizen housing tax abatement program. This program provides real property tax abatements of 100% of real property taxes for 25 years on qualified new capital improvements or where the property has a federally-aided mortgage the tax exemption period shall be the period in which the mortgage is outstanding, but in no event longer than 40 years from the date on which the federally-aided mortgage takes effect. During the term of the agreements, the benefiting entity must operate and maintain the property consistent with the terms of the agreement. As a general condition of providing tax relief assistance, the benefiting company enters into a PILOT agreement to offset the taxes abated.

During the year ended December 31, 2016, the agreements the IDAs and the Town ratified, resulted in the following:

	Industrial Development Agency:			
	Town of			
	Hempstead	Nassau County	Town of Hempstead	Total
Real property tax abated	\$ 2,724,520	\$ 2,246,952	\$ 464,727	\$ 5,436,199
PILOTs received	2,113,848	695,074	74,080	2,883,002
Net	\$ 610,672	\$ 1,551,878	\$ 390,647	\$ 2,553,197

The amount of abated taxes reported is based on the assessed value of property per the official assessment tax rolls and tax rates in effect on December 1, 2015, the tax lien date for the 2016 real property tax and PILOT revenue recognized.

The Town also receives PILOT payments pursuant to laws and regulations and therefore not included in this disclosure.

7. SUBSEQUENT EVENTS

In April 2017, the Town issued the 2017 Series A Serial Bonds in the amount of \$75,735,000 which bears interest at 4.0% and matures in April 2030. The bonds were issued primarily for public improvement purposes and financing for the early retirement incentive liability. The Bonds maturing in 2026 and thereafter will be subject to redemption prior to maturity on any date after April 1, 2025 at 100% of the part amount plus accrued interest to the date of redemption.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

8. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are to be implemented in subsequent years:

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. 80, *“Blending Requirements for Certain Component Units – an Amendment of Statement No.14,”* the objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

Statement No. 81, *“Irrevocable Split-Interest Agreements”*, provides guidance over financing reporting for irrevocable split-interest agreements where the government is a beneficiary of the agreement. The provisions of this Statement are effective for periods beginning after December 31, 2016 first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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.

Statement No. 83, *“Certain Asset Retirement Obligations,”* the objective of which is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of the new Statement become effective for the Town for the year ended December 31, 2019.

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

Statement No. 85, *“Omnibus 2017,”* the objective of which is to address practice issues that have been identified during implementation of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of the new Statement become effective for the Town for the year ended December 31, 2018.

TOWN OF HEMPSTEAD
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

8. NEW PRONOUNCEMENTS (continued)

Statement No. 86, "*Certain Debt Extinguishment Issues*," the objective of which is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also addresses reporting for prepaid insurance on debt that is extinguished. The requirements of the new Statement become effective for the Town for the year ended December 31, 2018.

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**

**Schedule of Funding Progress
Other Postemployment Benefits (Healthcare Costs)**

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 63,701,200	\$ 63,701,200	\$ 61,947,883	\$ (1,753,317)
Real property tax items	1,581,683	1,581,683	3,188,220	1,606,537
Non-property tax items	36,250,000	23,300,000	23,316,915	16,915
Departmental income	5,753,275	5,753,275	6,329,554	576,279
Intergovernmental charges	70,000	70,000	31,234	(38,766)
Use of money and property	1,176,000	1,176,000	1,327,842	151,842
Licenses and permits	1,250,500	1,250,500	1,549,826	299,326
Fines and forfeitures	25,000	25,000	22,800	(2,200)
Sale of property and compensation for loss	80,000	80,000	177,068	97,068
Miscellaneous revenue	278,500	278,500	133,554	(144,946)
Interfund revenues	63,458,054	63,458,054	61,778,387	(1,679,667)
State aid	19,773,885	19,773,885	26,335,791	6,561,906
Total Revenues	<u>193,398,097</u>	<u>180,448,097</u>	<u>186,139,074</u>	<u>5,690,977</u>
EXPENDITURES				
Current:				
General government support	85,993,134	85,802,504	81,527,187	4,275,317
Education	7,200,000	7,200,000	7,200,000	-
Public safety	14,851,956	14,851,956	13,534,395	1,317,561
Transportation	1,437,369	1,536,570	1,536,182	388
Economic assistance and opportunity	5,545,403	5,543,679	5,049,807	493,872
Culture and recreation	145,000	121,990	121,990	-
Home and community services	12,158,713	12,158,713	11,097,001	1,061,712
Employee benefits	35,876,693	37,054,745	37,054,741	4
Debt service:				
Interest	304,000	606,311	606,311	-
Total Expenditures	<u>163,512,268</u>	<u>164,876,468</u>	<u>157,727,614</u>	<u>7,148,854</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>29,885,829</u>	<u>15,571,629</u>	<u>28,411,460</u>	<u>12,839,831</u>
Other Financing Sources (Uses)				
Transfers in	-	-	7,489	7,489
Transfers out	(6,742,958)	(6,709,168)	(6,709,168)	-
Premiums on debt issuance	200,000	200,000	-	(200,000)
Total Other Financing Sources (Uses)	<u>(6,542,958)</u>	<u>(6,509,168)</u>	<u>(6,701,679)</u>	<u>(192,511)</u>
Net Change in Fund Balances*	<u>\$ 23,342,871</u>	<u>\$ 9,062,461</u>	<u>21,709,781</u>	<u>\$ 12,647,320</u>
Fund Balances at Beginning of Year			<u>(2,607,966)</u>	
Fund Balances at End of Year			<u>\$ 19,101,815</u>	
* Budgeted net change in fund balance:				
Revenues raised to fund repayment of of budgetary note	\$ 30,400,000			
Appropriation of assigned fund balance including purchase orders brought forward		<u>(7,057,129)</u>		
	<u>\$ 23,342,871</u>			

TOWN OF HEMPSTEAD

HIGHWAY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 61,630,715	\$ 61,630,715	\$ 59,978,053	\$ (1,652,662)
Real property tax items	509,803	509,803	2,151,312	1,641,509
Intergovernmental charges	3,000	3,000		(3,000)
Use of money and property	155,500	155,500	116,113	(39,387)
Sale of property and compensation for loss	35,000	35,000	69,239	34,239
Miscellaneous revenue	325,100	325,100	333,501	8,401
State aid	150,000	150,000	150,000	-0-
Total Revenues	62,809,118	62,809,118	62,798,218	(10,900)
EXPENDITURES				
Current:				
Transportation	36,100,065	37,272,224	35,200,911	2,071,313
Employee benefits	11,955,458	12,658,529	12,658,523	6
Debt service:				
Interest	93,250	371,964	371,964	-0-
Total Expenditures	48,148,773	50,302,717	48,231,398	2,071,319
Excess of Revenues Over Expenditures	14,660,345	12,506,401	14,566,820	2,060,419
Other Financing Sources (Uses)				
Transfers in	2,700,000	2,700,000	4,176,257	1,476,257
Transfers out	(22,935,228)	(24,750,831)	(24,750,828)	3
Premiums on debt issuance	750,000	750,000	22,831	(727,169)
Total Other Financing Sources (Uses)	(19,485,228)	(21,300,831)	(20,551,740)	749,091
Net Change in Fund Balances*	\$ (4,824,883)	\$ (8,794,430)	(5,984,920)	\$ 2,809,510
Fund Balances at Beginning of Year			15,375,787	
Fund Balances at End of Year			\$ 9,390,867	

* 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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 47,017,337	\$ 47,017,337	\$ 44,975,803	\$ (2,041,534)
Real property tax items	460,361	460,361	2,485,638	2,025,277
Departmental income	2,978,550	2,978,550	2,845,477	(133,073)
Intergovernmental charges	934,158	934,158	948,484	14,326
Use of money and property	290,185	290,185	247,698	(42,487)
Fines and forfeitures	3,000	3,000	8,600	5,600
Sale of property and compensation for loss	20,100	20,100	2,172	(17,928)
Miscellaneous revenue	180,030	180,030	147,318	(32,712)
Interfund revenues	30,346,725	30,346,725	30,346,725	-0-
State aid	175,000	175,000	176,078	1,078
Total Revenues	<u>82,405,446</u>	<u>82,405,446</u>	<u>82,183,993</u>	<u>(221,453)</u>
EXPENDITURES				
Current:				
Culture and recreation	64,162,070	62,982,388	62,219,939	762,449
Employee benefits	21,449,432	22,593,794	22,593,790	4
Total Expenditures	<u>85,611,502</u>	<u>85,576,182</u>	<u>84,813,729</u>	<u>762,453</u>
Excess of Revenues Over Expenditures	<u>(3,206,056)</u>	<u>(3,170,736)</u>	<u>(2,629,736)</u>	<u>541,000</u>
Other Financing Sources (Uses)				
Transfers in	-0-	-0-	688	688
Transfers out	(4,483,553)	(4,861,235)	(4,861,232)	3
Premiums on debt issuance	40,000	40,000		(40,000)
Total Other Financing Sources (Uses)	<u>(4,443,553)</u>	<u>(4,821,235)</u>	<u>(4,860,544)</u>	<u>(39,309)</u>
Net Change in Fund Balances*	<u>\$ (7,649,609)</u>	<u>\$ (7,991,971)</u>	<u>(7,490,280)</u>	<u>\$ 501,691</u>
Fund Balances at Beginning of Year			<u>17,165,966</u>	
Fund Balances at End of Year			<u>\$ 9,675,686</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 66,083,463	\$ 66,083,463	\$ 66,057,332	\$ (26,131)
Real property tax items	1,289,718	1,289,718	1,318,334	28,616
Non-property tax items	-0-	12,950,000	14,400,000	1,450,000
Departmental income	12,025,000	12,025,000	11,813,196	(211,804)
Intergovernmental charges	3,350,000	3,350,000	3,017,766	(332,234)
Use of money and property	4,044,250	4,044,250	4,020,792	(23,458)
Licenses & permits	25,000	25,000	30,886	5,886
Sale of property and compensation for loss	807,500	807,500	218,267	(589,233)
Miscellaneous revenue	575,000	575,000	695,202	120,202
Interfund revenues	1,150,000	1,150,000	1,020,173	(129,827)
Total Revenues	<u>89,349,931</u>	<u>102,299,931</u>	<u>102,591,948</u>	<u>292,017</u>
EXPENDITURES				
Current:				
Home and community services	88,553,317	92,201,407	90,606,944	1,594,463
Employee benefits	22,496,994	23,957,538	23,957,535	3
Debt service:				
Principal	799,900			-0-
Interest	81,413	159,240	159,240	-0-
Total Expenditures	<u>111,931,624</u>	<u>116,318,185</u>	<u>114,723,719</u>	<u>1,594,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>(22,581,693)</u>	<u>(14,018,254)</u>	<u>(12,131,771)</u>	<u>1,886,483</u>
Other Financing Sources (Uses)				
Transfers in	-0-	-0-	272	272
Transfers out	(3,300,965)	(3,484,326)	(3,484,326)	-0-
Premiums on debt issuance	125,000	125,000	9,168	(115,832)
Total Other Financing Sources (Uses)	<u>(3,175,965)</u>	<u>(3,359,326)</u>	<u>(3,474,886)</u>	<u>(115,560)</u>
Net Change in Fund Balances*				
	<u>\$ (25,757,658)</u>	<u>\$ (17,377,580)</u>	<u>(15,606,657)</u>	<u>\$ 1,770,923</u>
Fund Balances at Beginning of Year			<u>44,364,992</u>	
Fund Balances at End of Year			<u>\$ 28,758,335</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
OTHER POSTEMPLOYMENT BENEFITS (HEALTHCARE COSTS)
December 31, 2016

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)
12/31/2016	\$ -0-	\$ 984,649,000 *	\$ 984,649,000	0%	\$ 162,155,870	607.22%
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%

*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 suing 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 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
Assmption 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
Impace of aged costs	<u>103,977,000</u>
	<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, 2016

	March 31,		
	2016	2015	2014
Town's proportion of the net pension liability (asset)	0.6106243%	0.5928557%	0.5928557%
Town's proportionate share of the net pension liability (asset)	\$ 98,006,897	\$ 20,028,115	\$ 26,790,317
Covered payroll	\$ 161,514,609	\$ 159,642,317	\$ 165,680,963
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	60.68%	12.55%	16.17%
Plan fiduciary net position as a percentage of total pension liability	90.70%	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, 2016

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
2016	\$ 26,629,215	\$ 25,174,401	\$ 1,454,814	\$ 165,451,834	15.22%
2015	29,683,529	23,549,087	6,134,442	161,046,536	14.62%
2014	30,858,504	23,458,504	7,400,000	161,151,978	14.56%
2013	34,338,009	26,238,009	8,100,000	163,074,266	16.09%
2012	28,657,945	20,807,945	7,850,000	152,991,647	13.60%
2011	22,012,137	17,362,137	4,650,000	146,149,304	11.88%
2010	15,329,190	15,329,190	-0-	145,130,782	10.56%
2009	10,482,429	10,482,429	-0-	141,775,562	7.39%
2008	11,964,508	11,964,508	-0-	137,975,941	8.67%
2007	12,820,809	12,820,809	-0-	132,652,711	9.66%

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 and Local Employees' 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, 2016

	Special Revenue Funds			
	Town Outside Village	Special Grant	Fire Protection	Street Lighting
ASSETS				
Cash and investments	\$ 6,793,707		\$ 712,943	\$ 501,822
Cash - restricted		\$ 989,177		
Accounts receivable	2,307,709		6,657	16,638
Due from other funds			1,707,300	4,000,000
Due from other governments	285,666	1,206,713		
Inventory				307,923
Prepaid items	233,921			
Other assets	25,100			
Total Assets	<u>\$ 9,646,103</u>	<u>\$ 2,195,890</u>	<u>\$ 2,426,900</u>	<u>\$ 4,826,383</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 557,383	\$ 402,466	\$ 131,688	\$ 339,886
Due to retirement system	1,910,333	280,212		
Due to other funds	44,864	800,049		8,713
Unearned revenue		277,092		
Total Liabilities	<u>2,512,580</u>	<u>1,759,819</u>	<u>131,688</u>	<u>348,599</u>
Fund Balances				
Nonspendable	233,921			307,923
Restricted		436,071		
Assigned	6,899,602		2,295,212	4,169,861
Total Fund Balances	<u>7,133,523</u>	<u>436,071</u>	<u>2,295,212</u>	<u>4,477,784</u>
Total Liabilities and Fund Balances	<u>\$ 9,646,103</u>	<u>\$ 2,195,890</u>	<u>\$ 2,426,900</u>	<u>\$ 4,826,383</u>

			Permanent Fund	
Public Parking	Water	Library Funding	Permanent Fund	Total Nonmajor Governmental Funds
\$ 1,259,774	\$ 3,697,450	\$ 215,258		\$ 13,180,954
3,936	4,092,406	631	\$ 1,337,867	2,327,044
1,393,233	6,539,775	200,051		6,427,977
	34,292			13,840,359
	536,383			1,526,671
8,101	277,392			844,306
	20,200			519,414
				45,300
<u>\$ 2,665,044</u>	<u>\$ 15,197,898</u>	<u>\$ 415,940</u>	<u>\$ 1,337,867</u>	<u>\$ 38,712,025</u>
\$ 24,295	\$ 318,806			\$ 1,774,524
76,002	1,121,942			3,388,489
	25,956			879,582
				277,092
<u>100,297</u>	<u>1,466,704</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>6,319,687</u>
8,101	813,775		1,337,867	2,701,587
2,556,646	12,917,419	415,940		436,071
<u>2,564,747</u>	<u>13,731,194</u>	<u>415,940</u>	<u>1,337,867</u>	<u>29,254,680</u>
<u>\$ 2,665,044</u>	<u>\$ 15,197,898</u>	<u>\$ 415,940</u>	<u>\$ 1,337,867</u>	<u>\$ 38,712,025</u>

TOWN OF HEMPSTEAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	Special Revenue Funds			
	Town Outside Village	Special Grant	Fire Protection	Street Lighting
Revenues				
Real property taxes	\$ 4,387,461		\$ 5,241,557	\$ 9,547,731
Real property tax items	174,881		171,578	572,910
Non-property tax items	11,140,397			
Departmental income	12,750,485	\$ 9,477		
Intergovernmental charges				
Use of money and property	3,596	1,371	10,727	20,973
Fines and forfeitures	1,711,442	200		
Sale of property and compensation for loss	10,000			92,671
Miscellaneous revenue	623,875	596,646		
Interfund revenues	9,992			
State aid	677,707			
Federal aid				
Total Revenues	<u>31,489,836</u>	<u>11,447,122</u>	<u>5,423,862</u>	<u>10,234,285</u>
Expenditures				
Current:				
General government support	334,897			
Public safety	18,221,964		4,924,868	
Transportation				7,518,620
Economic assistance and opportunity		4,949,962		
Culture and recreation	315			
Home and community services	6,267,664	7,418,676		
Employee benefits	5,742,244		508,674	
Debt Service:				
Principal				1,295,779
Interest				678,497
Total Expenditures	<u>30,567,084</u>	<u>12,368,638</u>	<u>5,433,542</u>	<u>9,492,896</u>
Excess of Revenues Over Expenditures	<u>922,752</u>	<u>(313,822)</u>	<u>(9,680)</u>	<u>741,389</u>
Other Financing Sources (Uses)				
Transfers in				20
Transfers out	(171,980)		(374,679)	(1,377,445)
Premiums on debt issuance				
Total Other Financing Sources (Uses)	<u>(171,980)</u>		<u>(374,679)</u>	<u>(1,377,425)</u>
Net Change in Fund Balances	750,772	(313,822)	(384,359)	(636,036)
Fund Balances at Beginning of Year	6,382,751	749,893	2,679,571	5,113,820
Fund Balances at End of Year	<u>\$ 7,133,523</u>	<u>\$ 436,071</u>	<u>\$ 2,295,212</u>	<u>\$ 4,477,784</u>

			Permanent Fund	Total Nonmajor Governmental Funds
Public Parking	Water	Library Funding	Permanent Fund	
\$ 3,390,616	\$ 6,768,047	\$ 1,305,061		\$ 30,640,473
103,785	396,601	4,188		1,423,943
				11,140,397
17,676	13,946,148			26,723,786
	229,400			229,400
7,487	788,198	3,094	\$ 1,319	836,765
				1,711,642
	6,903			109,574
	905			1,221,426
2,736,009	30,225			2,776,226
				677,707
				11,447,122
<u>6,255,573</u>	<u>22,166,427</u>	<u>1,312,343</u>	<u>1,319</u>	<u>88,938,461</u>
				334,897
				23,146,832
4,577,103				12,095,723
		1,235,586		4,949,962
	13,105,467			1,235,901
192,170	3,884,627			26,791,807
				10,327,715
				1,295,779
				678,497
<u>4,769,273</u>	<u>16,990,094</u>	<u>1,235,586</u>	<u>-0-</u>	<u>80,857,113</u>
<u>1,486,300</u>	<u>5,176,333</u>	<u>76,757</u>	<u>1,319</u>	<u>8,081,348</u>
92	218			330
(1,799,673)	(3,408,535)		(1,319)	(7,133,631)
<u>(1,799,581)</u>	<u>(3,408,317)</u>	<u>-0-</u>	<u>(1,319)</u>	<u>(7,133,301)</u>
(313,281)	1,768,016	76,757	-0-	948,047
2,878,028	11,963,178	339,183	1,337,867	31,444,291
<u>\$ 2,564,747</u>	<u>\$ 13,731,194</u>	<u>\$ 415,940</u>	<u>\$ 1,337,867</u>	<u>\$ 32,392,338</u>

TOWN OF HEMPSTEAD
TOWN OUTSIDE VILLAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 4,508,539	\$ 4,508,539	\$ 4,387,461	\$ (121,078)
Real property tax items	57,262	57,262	174,881	117,619
Non-property tax items	11,000,000	11,000,000	11,140,397	140,397
Departmental income	9,925,000	9,925,000	12,750,485	2,825,485
Use of money and property	2,550	2,550	3,596	1,046
Fines and forfeitures	1,000,000	1,000,000	1,711,442	711,442
Sale of property and compensation for loss			10,000	10,000
Miscellaneous revenue	525,000	525,000	623,875	98,875
Interfund revenues	10,000	10,000	9,992	(8)
State aid	170,000	170,000	677,707	507,707
Total Revenues	<u>27,198,351</u>	<u>27,198,351</u>	<u>31,489,836</u>	<u>4,291,485</u>
EXPENDITURES				
Current:				
General government support	510,000	418,200	334,897	83,303
Public safety	17,937,500	18,322,580	18,221,964	100,616
Culture and recreation	2,000	2,000	315	1,685
Home and community services	6,469,752	6,469,752	6,267,664	202,088
Employee benefits	5,652,504	5,742,246	5,742,244	2
Total Expenditures	<u>30,571,756</u>	<u>30,954,778</u>	<u>30,567,084</u>	<u>387,694</u>
Excess of Revenues Over Expenditures				
	<u>(3,373,405)</u>	<u>(3,756,427)</u>	<u>922,752</u>	<u>4,679,179</u>
Other Financing Sources (Uses)				
Transfers out	(169,923)	(171,980)	(171,980)	-0-
Premiums on debt issuance	1,000	1,000		(1,000)
Total Other Financing Sources (Uses)	<u>(168,923)</u>	<u>(170,980)</u>	<u>(171,980)</u>	<u>(1,000)</u>
Net Change in Fund Balances				
	<u>\$ (3,542,328)</u>	<u>\$ (3,927,407)</u>	<u>750,772</u>	<u>\$ 4,678,179</u>
Fund Balances at Beginning of Year			<u>6,382,751</u>	
Fund Balances at End of Year			<u>\$ 7,133,523</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 5,382,753	\$ 5,382,753	\$ 5,241,557	\$ (141,196)
Real property tax items	28,461	28,461	171,578	143,117
Use of money and property	9,315	9,315	10,727	1,412
Total Revenues	<u>5,420,529</u>	<u>5,420,529</u>	<u>5,423,862</u>	<u>3,333</u>
EXPENDITURES				
Current:				
Public safety	4,947,036	4,989,454	4,924,868	64,586
Employee benefits	651,500	658,170	508,674	149,496
Total Expenditures	<u>5,598,536</u>	<u>5,647,624</u>	<u>5,433,542</u>	<u>214,082</u>
Excess of Revenues Over Expenditures				
	<u>(178,007)</u>	<u>(227,095)</u>	<u>(9,680)</u>	<u>217,415</u>
Other Financing (Uses)				
Transfers out	(374,679)	(374,679)	(374,679)	-0-
Total Other Financing (Uses)	<u>(374,679)</u>	<u>(374,679)</u>	<u>(374,679)</u>	<u>-0-</u>
Net Change in Fund Balances				
	<u>\$ (552,686)</u>	<u>\$ (601,774)</u>	<u>(384,359)</u>	<u>\$ 217,415</u>
Fund Balances at Beginning of Year			<u>2,679,571</u>	
Fund Balances at End of Year			<u>\$ 2,295,212</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 9,997,208	\$ 9,997,208	\$ 9,547,731	\$ (449,477)
Real property tax items	125,266	125,266	572,910	447,644
Use of money and property	10,500	10,500	20,973	10,473
Sale of property and compensation for loss	20,000	20,000	92,671	72,671
Total Revenues	<u>10,152,974</u>	<u>10,152,974</u>	<u>10,234,285</u>	<u>81,311</u>
EXPENDITURES				
Current:				
Transportation	8,846,252	8,813,776	7,518,620	1,295,156
Debt service:				
Principal - installment purchase debt	1,295,779	1,295,779	1,295,779	-0-
Interest - installment purchase debt	678,497	678,497	678,497	-0-
Total Expenditures	<u>10,820,528</u>	<u>10,788,052</u>	<u>9,492,896</u>	<u>1,295,156</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(667,554)</u>	<u>(635,078)</u>	<u>741,389</u>	<u>1,376,467</u>
Other Financing Sources (Uses)				
Transfers in	-0-	-0-	20	20
Transfers out	(1,344,969)	(1,377,445)	(1,377,445)	-0-
Premiums on debt issuance	5,000	5,000		(5,000)
Total Other Financing Sources (Uses)	<u>(1,339,969)</u>	<u>(1,372,445)</u>	<u>(1,377,425)</u>	<u>(4,980)</u>
Net Change in Fund Balances	<u>\$ (2,007,523)</u>	<u>\$ (2,007,523)</u>	<u>(636,036)</u>	<u>\$ 1,371,487</u>
Fund Balances at Beginning of Year			<u>5,113,820</u>	
Fund Balances at End of Year			<u>\$ 4,477,784</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 3,459,711	\$ 3,459,711	\$ 3,390,616	\$ (69,095)
Real property tax items	31,054	31,054	103,785	72,731
Departmental income	14,000	14,000	17,676	3,676
Use of money and property	9,480	9,480	7,487	(1,993)
Interfund revenues	2,736,009	2,736,009	2,736,009	-0-
Total Revenues	<u>6,250,254</u>	<u>6,250,254</u>	<u>6,255,573</u>	<u>5,319</u>
EXPENDITURES				
Current:				
Transportation	5,020,454	5,007,349	4,577,103	430,246
Employee benefits	216,437	215,535	192,170	23,365
Total Expenditures	<u>5,236,891</u>	<u>5,222,884</u>	<u>4,769,273</u>	<u>453,611</u>
Excess of Revenues Over Expenditures	<u>1,013,363</u>	<u>1,027,370</u>	<u>1,486,300</u>	<u>458,930</u>
Other Financing Sources (Uses)				
Transfers in	-0-	-0-	92	92
Transfers out	(1,785,670)	(1,799,677)	(1,799,673)	4
Premiums on debt issuance	3,500	3,500		(3,500)
Total Other Financing Sources (Uses)	<u>(1,782,170)</u>	<u>(1,796,177)</u>	<u>(1,799,581)</u>	<u>(3,404)</u>
Net Change in Fund Balances	<u>\$ (768,807)</u>	<u>\$ (768,807)</u>	<u>(313,281)</u>	<u>\$ 455,526</u>
Fund Balances at Beginning of Year			<u>2,878,028</u>	
Fund Balances at End of Year			<u>\$ 2,564,747</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 7,074,367	\$ 7,074,367	\$ 6,768,047	\$ (306,320)
Real property tax items	90,241	90,241	396,601	306,360
Departmental income	11,746,710	11,746,710	13,946,148	2,199,438
Intergovernmental charges	237,700	237,700	229,400	(8,300)
Use of money and property	915,572	915,572	788,198	(127,374)
Sale of property and compensation for loss	2,000	2,000	6,903	4,903
Miscellaneous revenue	7,500	7,500	905	(6,595)
Interfund revenues	30,150	30,150	30,225	75
Total Revenues	<u>20,104,240</u>	<u>20,104,240</u>	<u>22,166,427</u>	<u>2,062,187</u>
EXPENDITURES				
Current:				
Home and community services	15,177,902	15,029,485	13,105,467	1,924,018
Employee benefits	3,716,585	3,884,630	3,884,627	3
Total Expenditures	<u>18,894,487</u>	<u>18,914,115</u>	<u>16,990,094</u>	<u>1,924,021</u>
Excess of Revenues Over Expenditures	<u>1,209,753</u>	<u>1,190,125</u>	<u>5,176,333</u>	<u>3,986,208</u>
Other Financing Sources (Uses)				
Transfers in	-0-	-0-	218	218
Transfers out	(3,291,078)	(3,408,538)	(3,408,535)	3
Premiums on debt issuance	10,000	10,000		(10,000)
Total Other Financing Sources (Uses)	<u>(3,281,078)</u>	<u>(3,398,538)</u>	<u>(3,408,317)</u>	<u>(9,779)</u>
Net Change in Fund Balances	<u>\$ (2,071,325)</u>	<u>\$ (2,208,413)</u>	<u>1,768,016</u>	<u>\$ 3,976,429</u>
Fund Balances at Beginning of Year			<u>11,963,178</u>	
Fund Balances at End of Year			<u>\$ 13,731,194</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 1,308,294	\$ 1,308,294	\$ 1,305,061	\$ (3,233)
Real property tax items	916	916	4,188	3,272
Use of money and property	1,745	1,745	3,094	1,349
Total Revenues	<u>1,310,955</u>	<u>1,310,955</u>	<u>1,312,343</u>	<u>1,388</u>
EXPENDITURES				
Current:				
Culture and recreation	1,330,471	1,376,226	1,235,586	140,640
Total Expenditures	<u>1,330,471</u>	<u>1,376,226</u>	<u>1,235,586</u>	<u>140,640</u>
Excess of Revenues Over Expenditures	<u>(19,516)</u>	<u>(65,271)</u>	<u>76,757</u>	<u>142,028</u>
Net Change in Fund Balances	<u>\$ (19,516)</u>	<u>\$ (65,271)</u>	<u>76,757</u>	<u>\$ 142,028</u>
Fund Balances at Beginning of Year			<u>339,183</u>	
Fund Balances at End of Year			<u>\$ 415,940</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, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<u>ASSETS</u>				
Town Agency				
Cash and investments	\$ 5,963,010	\$ 373,887,772	\$ 374,165,664	\$ 5,685,118
Service Award Program Assets	2,736,882		26,309	2,710,573
Total Assets - Town	<u>8,699,892</u>	<u>373,887,772</u>	<u>374,191,973</u>	<u>8,395,691</u>
Town Clerk Agency Fund				
Cash and investments	174,432	1,698,063	1,798,574	73,921
Total Assets - Town Clerk	<u>174,432</u>	<u>1,698,063</u>	<u>1,798,574</u>	<u>73,921</u>
Town Receiver of Taxes Agency Fund				
Cash and investments	54,152,794	7,785,220,414	7,808,830,373	30,542,835
Total Assets - Town Receiver of Taxes	<u>54,152,794</u>	<u>7,785,220,414</u>	<u>7,808,830,373</u>	<u>30,542,835</u>
Total Assets	<u>\$ 63,027,118</u>	<u>\$ 8,160,806,249</u>	<u>\$ 8,184,820,920</u>	<u>\$ 39,012,447</u>
<u>LIABILITIES</u>				
Town Agency Fund				
Other liabilities	\$ 8,699,892	\$ 373,887,772	\$ 374,191,973	\$ 8,395,691
Total Liabilities - Town	<u>8,699,892</u>	<u>373,887,772</u>	<u>374,191,973</u>	<u>8,395,691</u>
Town Clerk Agency Funds				
Total Liabilities - Town Clerk	<u>174,432</u>	<u>1,698,063</u>	<u>1,798,574</u>	<u>73,921</u>
Town Receiver of Taxes Agency Funds				
Total Liabilities - Town Receiver	<u>54,152,794</u>	<u>7,785,220,414</u>	<u>7,808,830,373</u>	<u>30,542,835</u>
Total Liabilities	<u>\$ 63,027,118</u>	<u>\$ 8,160,806,249</u>	<u>\$ 8,184,820,920</u>	<u>\$ 39,012,447</u>

**DISCRETELY PRESENTED
COMPONENT UNITS**

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

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
December 31, 2016

	<u>Lakeview Public Library District</u>	<u>Roosevelt Public Library District</u>	<u>Uniondale Public Library District</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 1,832,773	\$ 1,371,026	\$ 3,971,083
Cash and investments, restricted			
Receivables, net of allowance for doubtful accounts	154		
Due from other governments			917
Prepaid items	7,712	66,942	35,402
Total Current Assets	<u>1,840,639</u>	<u>1,437,968</u>	<u>4,007,402</u>
Non-current Assets:			
Capital assets, net of depreciation	2,474,475	13,144,615	6,151,389
Total Non-Current Assets	<u>2,474,475</u>	<u>13,144,615</u>	<u>6,151,389</u>
Total Assets	<u>4,315,114</u>	<u>14,582,583</u>	<u>10,158,791</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>324,755</u>	<u>290,093</u>	<u>878,271</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	44,861	82,415	88,544
Accrued interest payable	3,897	109,466	19,018
Other accrued liabilities			
Due to other governments	64,770		
Unearned revenue			92,241
Non-current liabilities due within one year			
General obligations bonds payable	91,291	268,224	445,535
Compensated absences payable		33,189	
Non-current Liabilities due in more than one year:			
General obligation bonds payable	110,203	6,698,656	537,832
Compensated absences payable	40,074	132,753	177,451
Other postemployment benefits payable		1,121,540	775,673
Net pension liability	291,963	229,830	774,338
Total Liabilities	<u>647,059</u>	<u>8,676,073</u>	<u>2,910,632</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>36,944</u>	<u>30,752</u>	<u>95,847</u>
NET POSITION			
Net investment in capital assets	2,269,084	6,177,735	5,168,022
Restricted	1,000		14,643
Unrestricted	1,685,782	(11,884)	2,847,918
Total Net Position	<u>\$ 3,955,866</u>	<u>\$ 6,165,851</u>	<u>\$ 8,030,583</u>

Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District	Greater Atlantic Beach Water Reclamation District	Totals
\$ 212,391	\$ 866,500	\$ 1,495,603	\$ 276,055	\$ 10,025,431
	1,442,542	3,908,681	539,957	5,891,180
	416,247	768,425		1,184,826
	2,957		585,748	589,622
	33,507	122,995		266,558
<u>212,391</u>	<u>2,761,753</u>	<u>6,295,704</u>	<u>1,401,760</u>	<u>17,957,617</u>
	5,671,354	11,924,301	3,860,196	43,226,330
<u>-0-</u>	<u>5,671,354</u>	<u>11,924,301</u>	<u>3,860,196</u>	<u>43,226,330</u>
<u>212,391</u>	<u>8,433,107</u>	<u>18,220,005</u>	<u>5,261,956</u>	<u>61,183,947</u>
<u>-0-</u>	<u>706,539</u>	<u>824,789</u>	<u>471,088</u>	<u>3,495,535</u>
7,867	166,385	140,253	15,134	545,459
		47,800	35,440	167,821
				47,800
				64,770
				92,241
	174,371		256,905	1,236,326
		37,244		70,433
	5,520,236		2,637,381	15,504,308
	240,120	456,993	77,594	1,124,985
	897,006	3,574,411	338,523	6,707,153
	689,928	711,929	400,473	3,098,461
<u>7,867</u>	<u>7,688,046</u>	<u>4,968,630</u>	<u>3,761,450</u>	<u>28,659,757</u>
<u>-0-</u>	<u>112,917</u>	<u>84,387</u>	<u>47,469</u>	<u>408,316</u>
	(23,253)	11,924,301	1,551,658	27,067,547
	1,442,542	3,857,771	1,125,705	6,441,661
204,524	(80,606)	(1,790,295)	(753,238)	2,102,201
<u>\$ 204,524</u>	<u>\$ 1,338,683</u>	<u>\$ 13,991,777</u>	<u>\$ 1,924,125</u>	<u>\$ 35,611,409</u>

TOWN OF HEMPSTEAD
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year ended December 31, 2016

	<u>Lakeview Public Library District</u>	<u>Roosevelt Public Library District</u>	<u>Uniondale Public Library District</u>
REVENUES			
Program revenues:			
Charges for services	\$ 44,182	\$ 32,927	\$ 44,504
Operating grants and contributions		33,936	37,825
Real property taxes	1,329,914	2,731,929	3,629,123
Other real property tax items		81,122	548,710
Use of money and property - interest and earnings	2,673	3,681	7,353
Sale of property and compensation for loss			
Miscellaneous local sources	19,280	11,346	44,142
State aid - unrestricted	4,235		
Total Revenues	<u>1,400,284</u>	<u>2,894,941</u>	<u>4,311,657</u>
EXPENSES			
Culture and recreation	1,171,117	3,845,357	3,785,570
Home and community services			
Total Expenses	<u>1,171,117</u>	<u>3,845,357</u>	<u>3,785,570</u>
Change in Net Position	229,167	(950,416)	526,087
Net Position - Beginning of Year	<u>3,726,699</u>	<u>7,116,267</u>	<u>7,504,496</u>
Net Position - End of Year	<u>\$ 3,955,866</u>	<u>\$ 6,165,851</u>	<u>\$ 8,030,583</u>

Cathedral Gardens Water District	Franklin Square Water District	West Hempstead - Hempstead Gardens Water District	Greater Atlantic Beach Water Reclamation District	Totals
\$ 4,125	\$ 1,663,794	\$ 2,329,501	\$ 140,656	\$ 4,259,689
33,447	1,012,003	1,613,104	1,784,917	12,134,437
143	210,653	39,059		668,891
	707	370,325	1,230	596,058
	3,311	19,491	375	97,945
			26,570	30,805
<u>37,715</u>	<u>2,890,468</u>	<u>4,371,480</u>	<u>1,953,748</u>	<u>17,860,293</u>
				8,802,044
<u>58,030</u>	<u>3,392,455</u>	<u>4,252,358</u>	<u>1,922,198</u>	<u>9,625,041</u>
<u>58,030</u>	<u>3,392,455</u>	<u>4,252,358</u>	<u>1,922,198</u>	<u>18,427,085</u>
(20,315)	(501,987)	119,122	31,550	(566,792)
<u>224,839</u>	<u>1,840,670</u>	<u>13,872,655</u>	<u>1,892,575</u>	<u>36,178,201</u>
<u>\$ 204,524</u>	<u>\$ 1,338,683</u>	<u>\$ 13,991,777</u>	<u>\$ 1,924,125</u>	<u>\$ 35,611,409</u>