TOWN OF NORTH HEMPSTEAD
SOLID WASTE MANAGEMENT AUTHORITY

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2012

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-2
Financial Statements:	
Balance Sheet - General Fund.	3
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	4
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund	5-6
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	7
Notes to Financial Statements	8-20
Other Reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards	21-22
Independent Auditors' Report on Compliance with Authority Investment Policy	23

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Town of North Hempstead Solid Waste Management Authority
Port Washington, New York

We have audited the accompanying financial statements of the general and fiduciary funds of the Town of North Hempstead Solid Waste Management Authority (the "Authority"), a blended component unit of the Town of North Hempstead, New York, as of and for the year ended December 31, 2012, and the related notes to the financial statements, as shown on pages 8-20.

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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PERSONAL SERVICE. TRUSTED ADVICE.

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

245 PARK AVENUE, 24TH FLOOR
NEW YORK, NY 10167
T: 212.792.4075

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

www.avz.com
INDEPENDENT MEMBER OF BKR INTERNATIONAL

Basis for Adverse Opinion

As discussed in Note A, the financial statements of the Authority, are intended to present the financial position, and the changes in financial position of only the general and fiduciary funds attributable to the transactions of the Authority. Accounting principles generally accepted in the United States of America require that the Authority's financial statements present the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Hempstead Solid Waste Management Authority.

Adverse Opinion

In our opinion, because of the significant of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the Authority, as of December 31, 2012, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general and fiduciary funds of the Authority, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated June 27 2013, on our consideration of the Town of North Hempstead Solid Waste Management Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Alfredo Viggiano Jurado & A.C.

Hauppauge, New York
June 27, 2013

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
BALANCE SHEET
GENERAL FUND
December 31, 2012

Assets	
Cash	$ 93,976
Cash - restricted	940,434
Accounts receivable - net of allowances	3,343,040
Prepaid expenses	41,634
Due from primary government	1,838,574
Total Assets	$ 6,257,658
Liabilities	
Accounts payable and accrued liabilities	$ 1,591,323
Due to primary government	3,102,052
Total Liabilities	4,693,375
Fund Balance	
Nonspendable - prepaids	41,634
Restricted - debt service	940,434
Unassigned	582,215
Total Fund Balance	1,564,283
Total Liabilities and Fund Balance	$ 6,257,658

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
Year ended December 31, 2012

Revenues	
Departmental income	$ 16,407,212
Intergovernmental charges	1,198,748
Use of money and property	157,414
Sale of property and compensation for loss	281,337
Miscellaneous local sources	219,867
State aid	72,276
Federal aid	29,741
Total Revenues	18,366,595
Expenditures	
Home and community services	16,104,397
Employee benefits	704,423
Total Expenditures	16,808,820
Other Financing Sources (Uses)	
Operating transfers in - primary government	2,403,798
Operating transfers out - primary government	(2,403,798)
Total Other Financing Sources	-0-
Net change in Fund Balance	1,557,775
Fund Balance at Beginning of Year	6,508
Fund Balance at End of Year	$ 1,564,283

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended December 31, 2012

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance Positive (Negative)
REVENUES				
DEPARTMENTAL INCOME				
Solid waste	$ 16,004,150	$ 16,004,150	$ 16,322,694	$ 318,544
Other	100,500	100,500	84,518	(15,982)
Total Departmental Income	16,104,650	16,104,650	16,407,212	302,562
INTERGOVERNMENTAL CHARGES				
Services for other governments	1,175,000	1,175,000	1,198,748	23,748
Total Intergovernmental Charges	1,175,000	1,175,000	1,198,748	23,748
USE OF MONEY AND PROPERTY				
Interest and earnings	1,000	1,000	582	(418)
Rental of real property	50,000	50,000	156,832	106,832
Total Use of Money and Property	51,000	51,000	157,414	106,414
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Recycling	415,000	415,000	281,337	(133,663)
Total Sale of Property and Compensation for Loss	415,000	415,000	281,337	(133,663)
MISCELLANEOUS LOCAL SOURCES				
Reimbursement of Medicare Part D			15,830	15,830
Refund of prior year expenditures			199,043	199,043
Gifts and donations			3,150	3,150
Miscellaneous revenue			1,844	1,844
Total Miscellaneous Local Sources			219,867	219,867
STATE AID				
State aid - recycling grant	70,000	70,000		(70,000)
State aid - enviornmental conservation	100,000	100,000	62,362	(37,638)
State aid - emergency disaster assistance			9,914	9,914
Total State Aid	170,000	170,000	72,276	(97,724)
FEDERAL AID				
Federal aid - emergency disaster assistance			29,741	29,741
Total Federal Aid			29,741	29,741
Total Revenues	$ 17,915,650	$ 17,915,650	$ 18,366,595	$ 450,945

(continued)

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended December 31, 2012

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance Positive (Negative)
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Administration	$ 1,035,034	$ 1,024,244	$ 983,286	$ 40,958
Leachate	514,135	532,066	472,139	59,927
Transfer station	14,475,030	14,384,821	13,360,360	1,024,461
Scale house	287,260	335,859	335,859	-0-
Maintenance	314,171	354,378	354,378	-0-
Equipment	87,000	61,469	25,837	35,632
Recycling	52,000	52,000	46,045	5,955
Office of sustainability	387,700	379,458	371,778	7,680
Emergency disaster work		154,715	154,715	-0-
Total Home and Community Services	17,152,330	17,279,010	16,104,397	1,174,613
EMPLOYEE BENEFITS				
State employee retirement system	144,920	145,431	145,431	-0-
Social security	90,337	102,217	102,217	-0-
Workers' compensation	15,000	23,219	23,219	-0-
Disability benefits	100	100		100
Hospital, medical and dental	511,763	481,388	433,556	47,832
Other employee benefits	1,200	1,200		1,200
Total Employee Benefits	763,320	753,555	704,423	49,132
Total Expenditures	17,915,650	18,032,565	16,808,820	1,223,745
Excess (Deficiency) of Revenues Over (Under) Expenditures		(116,915)	1,557,775	1,674,690
Other Financing Sources (Uses)				
Transfers in - primary government	2,520,713	2,520,713	2,403,798	(116,915)
Transfers out - primary government	(2,520,713)	(2,403,798)	(2,403,798)	-0-
Total Other Financing Sources		116,915		(116,915)
Net Change in Fund Balance	$ -0-	$ -0-	1,557,775	$ 1,557,775
Fund Balance at Beginning of Year			6,508	
Fund Balance at End of Year			$ 1,564,283	

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2012

		Total Agency Funds
ASSETS		
Cash		$ 85,680
	Total Assets	$ 85,680
LIABILITIES		
Guarantee and bid deposits payable		$ 82,760
Other agency liabilities		2,920
	Total Liabilities	$ 85,680

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. Summary of Significant Accounting Policies

The Solid Waste Management Authority (the "Authority"), of the Town of North Hempstead, New York was created by an amendment of the New York State Public Authorities law, Chapter 638 Title 13-F, effective July 27, 1984. The Authority is a body corporate and politic constituting a public benefit corporation and a public authority of the State of New York. The law authorizes the Authority to provide solid waste management services and to develop appropriate solid waste management facilities for the benefit of the Town of North Hempstead (the "Town") and other municipalities. Its membership consists of a board of seven directors composed, ex officio, of the members of the Town Board of the Town of North Hempstead.

The Authority is a component unit blended into the financial statements of the Town of North Hempstead, New York. The Authority has elected to prepare its financial statements on a fund basis and not in accordance with GASB Statement No. 34. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. These financial statements present only the general and fiduciary funds of the Authority. Accordingly, they do not purport to, and do not, present fairly the financial position of the Authority, as of December 31, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority's more significant accounting policies are described below.

A. Reporting Entity

The Town of North Hempstead, New York is financially accountable, as a result of fiscal dependency, for the Authority. Long-term debt and operating deficits (if any) of the Authority, which are backed by the full faith and credit of the Town, and other fiscal matters, result in a fiscal interdependency with the Town. Accordingly, the Authority has been determined to be a component unit of the Town of North Hempstead, New York.

B. Basis of Presentation - Fund Accounting

Funds Financial Statements - The accounts of the Authority 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 summarized by type in the financial statements. Accordingly, the Authority maintains the following fund types:

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation - Fund Accounting (continued)

Fund Categories

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 based upon determination of financial position and changes in financial position. The following are the Authority's governmental fund types.

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

Fiduciary Funds- the fiduciary fund is used to account for assets held by the Authority in a trustee or custodial capacity.

Agency Fund – accounts for bid deposits and other agency liabilities.

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.

In the funds statements, governmental funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (measurable and available to finance current operations). "Measurable" means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when incurred except that:

a. Expenditures for inventory-type items, if any, are recognized at the time of purchase.

b. Principal and interest on indebtedness are not recognized as an expenditure until due.

c. Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as an expenditure when paid.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Balance

1. Cash and Investments

Cash consists of funds deposited in demand accounts, both interest bearing and non-interest bearing, petty cash, and when utilized, certificates of deposit with maturities of three months or less.

State statutes govern the Authority's investment policy. The Authority has a written investment policy stating that Authority money must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Authority is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies investments made by the Cooperative Liquid Asset Security System (CLASS), and repurchase agreements. When repurchase agreements are executed, the fair value of securities must be equal to 102% of the cost of the repurchase agreement.

CLASS is a cooperative investment plan consisting of U.S. Treasury Obligations and repurchase agreements relating to treasury obligations. Investments are stated at cost, which approximates market. CLASS was established as a cooperative investment arrangement organized under the CLASS Municipal Cooperation Agreement made pursuant to New York General Municipal Law, Article 3A and 5-G. The Authority has no investments in CLASS for 2012.

It is the Authority's policy to require collateral held in the name of the Authority for demand deposits, money market deposits and certificate of deposits, if any, for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

2. Restricted Assets

The Authority has classified certain cash assets as restricted because their use is restricted by law and/or contractual agreement.

3. Receivables and Payables

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

4. Prepaid Items

Prepaid expenses represent amounts paid for health insurance, New York State Health Insurance Program and New York State monitoring costs that will benefit a future period.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Balance (continued)

5. Fund Equity Classifications

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

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

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

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

3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Authority's highest decision making authority is the Board of Commissioners. The Board of Commissioners is not empowered to establish local law; accordingly the Authority will not have committed fund balances.

4) Assigned fund balance reflects the amounts constrained by the Authority's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners and Treasurer have 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 that are not restricted.

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

6. Fund Balance Flow Assumptions

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

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

E. Revenue and Expenditures

1. Postemployment Benefits Healthcare Costs

In addition to providing pension benefits, the Authority provides health insurance coverage and survivor benefits for retired employees and their survivors who meet certain criteria. The Authority recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the general fund in the year paid. The liability for these other postemployment benefits payable is recorded as a long-term liability in the Town of North Hempstead financial statements.

2. Compensated Absences

Compensated absence liabilities and expenditures are reported in the governmental funds only if they have matured, for example, as a result of employee resignations, terminations or retirements. The liability for these compensated absences is recorded as a long-term liability in the Town of North Hempstead financial statements.

3. Operating Transfers – Primary Government

Operating transfers of the Authority consist of payments to/from the Town of North Hempstead for the Authority's appropriate share of debt service.

F. Use of Estimates

The preparation of general purpose 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.

G. Subsequent Events

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

2. Stewardship, Compliance and Accountability

Budgetary Data

The Authority follows the procedures enumerated below with regard to the budgetary data reflected in the financial statements.

a) In November of each year, the Authority submits to the Town Board its proposed annual budget.

2. Stewardship, Compliance and Accountability (continued)

Budgetary Data (continued)

b) At a public meeting held in November, the Commissioners meet to adopt the budget.

c) Pursuant to Section 2801 of the Public Authorities Law, the Authority is required to submit to the governor, chairman, and ranking minority member of the assembly ways and means committee, for their information, budget information on operations and capital construction setting forth the estimated receipts and expenditures for the next year and the current year, and the actual receipts and expenditures for the last completed year.

d) Pursuant to Section 2049-s of the Public Authorities law, the accounts of the Authority are subject to the supervision of the state comptroller and an annual audit is performed by an independent certified accountant. The Authority annually submits a detailed report to the governor, state comptroller, and state legislature, and a copy of the report is filed with the Town Supervisor.

e) 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. The Authority had no outstanding encumbrances at year end.

3. Detailed Notes on General Fund

A. Cash and Investments

Custodial Credit Risk – Deposits/Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are required to 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 Authority's name.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. Detailed Notes on General Fund (continued)

A. Cash and Investments (continued)

At December 31, 2012, the Authority's deposits were $1,119,340. This amount is inclusive of Fiduciary fund deposits of $85,680 and restricted cash of $940,434 but exclusive of petty cash of $750. The bank balance required to be collateralized was $218,316, which was covered by Federal Deposit Insurance. Collateral policies appear in Note 1.D.1.

Credit Risk – State laws limit investments to those authorized by State statutes. The Authority has a written investment policy.

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

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

As of December 31, 2012, the Authority did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

B. Indebtedness

Long-Term Debt

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The long-term debt consists of revenue bonds and compensated absences.

Revenue Bonds – The Authority borrowed money in order to finance the purchase of the Morewood Property. These bonds bear an interest rate of 2.30% and mature on February 1, 2013 through 2018.

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

	Balance 1/1/12	Increases	Reductions	Balance 12/31/12
Revenue Bonds	$ 8,880,000	$ 5,048,791	$ 8,880,000	$ 5,048,791
Compensated Absences	182,132	143,190	121,775	203,547

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. Detailed Notes on General Fund (continued)

B. Indebtedness (continued)

Future principal and interest payments to maturity for the Authority are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2013	$ 793,831	$ 106,993	$ 900,824
2014	812,301	88,523	900,824
2015	831,202	69,622	900,824
2016	850,542	50,282	900,824
2017	870,332	30,492	900,824
2018	890,583	10,242	900,825
Totals	$ 5,048,791	$ 356,154	$ 5,404,945

The Authority issued $5,048,791 Refunding bonds at a rate of 2.300% to advance refund $6,650,000 of the Authority's Revenue Refunding Bonds – 2003 and pay the related costs of issuance. The Authority also liquidated the Debt Service Reserve of $1,904,579 established in 2003 as part of this refunding bond plus $158,333 in interest earnings and the GIC termination premium on the Debt Service Reserve for total sources of $7,111,703. The net proceeds of $7,058,203 (after payment of $53,500 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the refunded bonds. As a result the 2003 bonds are considered defeased.

The Authority advance refunded the 2003 bonds to extend maturity dates for the purpose of reducing its annual payments and was structured for a level debt service over the life of the refunding bonds. As a result there was a gross debt service loss of $380,563 and a net present value economic loss of $101,622.

The Authority paid principal and interest of $2,230,000 and $173,798, respectively for the year ended December 31, 2012.

C. Retirement System

Plan Description

The Town of North Hempstead Solid Waste Management Authority participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. Detailed Notes on General Fund (continued)

C. Retirement System (continued)

Plan Description (continued)

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be found at http://www.osc.state.ny.us/retire/publications/index.php or by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, employees who joined on or after January 1, 2010 who generally contribute 3% of their salary for the entire length of service, and employees who joined on or after April 1, 2012 who contribute 3% to 6% of their salary, depending upon their annual wages, for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employer's contributions based on salaries paid during the System's fiscal year ending March 31.

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

Tier	Plan/Option	3/31/2012 Rate	3/31/2013 Rate
4	A15/41J	15.8%	18.6%

The Authority is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts, using the maximum amortization allowed by law. The credits and miscellaneous adjustments represent modifications made by the NYSERS for prior year's contributions due to differences between estimated and actual salaries for the plan year.

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

	Amount	% of Covered Payroll	Credits & Miscellaneous Adjustments	Prepayment Discount	2011-2012 Amortization/ Deferral	Total Payment
2012	$ 195,510	17.01%	$ 9,826		$ (69,480)	$ 135,856
2011	158,614	12.61%	38,183	$ (1,793)	(86,022)	108,982
2010	79,230	8.20%	(2,895)			76,335

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. Detailed Notes on General Fund (continued)

C. Retirement System (continued)

Funding Policy (continued)

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

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.

- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.

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

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years, when the local employer opts to participate in the program. The total unpaid liability for the Authority for the 2011 and 2012 amortization years is $78,773 and $80,003, respectively. Amortization contributions will be paid in ten equal installments, one per year, but may be prepaid at any time. The Authority 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:

2012 Chapter 57, Laws of 2010

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2013	$ 7,520	$ 2,954	$ 10,474
2014	7,802	2,672	10,474
2015	8,095	2,379	10,474
2016	8,398	2,076	10,474
2017	8,713	1,761	10,474
2018-2021	38,245	3,652	41,897
Totals	$ 78,773	$ 15,494	$ 94,267

3. Detailed Notes on General Fund (continued)

C. Retirement System (continued)

Funding Policy (continued)

2013 Chapter 57, Laws of 2010

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2013	$ 6,979	$ 2,400	$ 9,379
2014	7,188	2,191	9,379
2015	7,404	1,975	9,379
2016	7,626	1,753	9,379
2017	7,855	1,524	9,379
2018-2022	42,951	3,942	46,893
Totals	$ 80,003	$ 13,785	$ 93,788

D. Postemployment Benefits Healthcare Costs

The cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. These costs are included in the Town of North Hempstead's government-wide financial statements. The Town recognized on behalf of the Authority the costs of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Authority's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years and commenced with the 2008 liability.

A copy of the Town of North Hempstead Retiree Medical Program, December 31, 2012 Valuation is available by contacting the Town of North Hempstead, Office of the Comptroller, North Hempstead, New York.

In the general fund financial statement, the Authority recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The Authority's union contracts and ordinances require that it provide its eligible enrollees with 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 Authority 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. During the 2012 year, $186,972 was paid on behalf of 21 retirees and surviving spouses and recorded as an expenditure in the general fund of the Authority.

3. Detailed Notes on General Fund (continued)

E. Compensated Absences

Authority 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, sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Estimated vacation, sick leave and compensatory absences accumulated by employees have not been recorded. Payment of vacation time and sick leave is dependent upon many factors, therefore, timing and future payments is not readily determinable.

However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2012, the value of the accumulated vacation time and sick leave was $203,547.

4. Operating Transfers – Primary Government

At December 31, 2012, operating transfers out – primary government in the amount of $2,403,798 represent payments of debt service. Operating transfers in – primary government represents payments received from the primary government and excess earnings on debt service reserves of $2,324,519 and $79,279, respectively, and were used to offset debt service expenditures.

5. Commitments and Contingencies

Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority currently reports all of its risk management activities in the general fund. The Authority assumes the liability for risks relating to automobile, comprehensive general liability, and excess liability. The Authority has also elected to purchase policies from commercial insurers to provide items such as property and electronic data processing equipment. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

6. New Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Pensions" – an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

6. New Pronouncement (continued)

The Governmental Accounting Standards Board (GASB) has issued Statement No. 66 "Technical Corrections 2012 – an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The requirements of the new statement become effective for fiscal periods beginning after June 15, 2014.

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

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Town of North Hempstead Solid Waste
Management Authority
Port Washington, NY

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the general and fiduciary funds of Town of North Hempstead Solid Waste Management Authority (the "Authority), a blended component unit of the Town of North Hempstead, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PERSONAL SERVICE. TRUSTED ADVICE.

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

245 PARK AVENUE, 24TH FLOOR
NEW YORK, NY 10167
T: 212.792.4075

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

www.avz.com
INDEPENDENT MEMBER OF BKR INTERNATIONAL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alfred W. Viggiano, Jurech & Co., P.C.

Hauppauge, New York
June 27, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AUTHORITY INVESTMENT POLICY

Board of Commissioners
Town of North Hempstead Solid Waste
Management Authority
Port Washington, NY

We have examined the Town of North Hempstead Solid Waste Management Authority's (the "Authority"), a blended component unit of the Town of North Hempstead, New York, compliance with the Authority's investment policy during the period January 1, 2012 through December 31, 2012. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the period January 1, 2012 through December 31, 2012.

This report is intended solely for the information and use of the Board of Commissioners, management of the Authority, Authority Budget Office, and the New York State Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Albrecht, Viggiano, Zureck & Co., P.C.

Hauppauge, New York
June 27, 2013

PERSONAL SERVICE. TRUSTED ADVICE.

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

245 PARK AVENUE, 24TH FLOOR
NEW YORK, NY 10167
T: 212.792.4075

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

www.avz.com
INDEPENDENT MEMBER OF BKR INTERNATIONAL