TOWN OF NORTH HEMPSTEAD
SOLID WASTE MANAGEMENT AUTHORITY

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2011

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	8-17
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	18-19

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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 component unit of the Town of North Hempstead, New York, as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the general and fiduciary funds of the Authority. They do not purport to, and do not, present fairly the financial position of the Authority, as of December 31, 2011, 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. In addition, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" as of and for the year ended December 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund and fiduciary funds of the Authority, as of December 31, 2011, 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.

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In accordance with *Government Auditing Standards,* we have also issued our report dated May 30, 2012, 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* and should be considered in assessing the results of our audit.

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

Hauppauge, New York
May 30, 2012

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
BALANCE SHEET
GENERAL FUND
December 31, 2011

Assets		
Cash		$ 76,500
Cash - restricted		2,277,995
Accounts receivable - net of allowances		1,516,236
Prepaid expenses		72,862
Due from primary government		448,658
State and federal receivables		15,636
	Total Assets	$ 4,407,887
Liabilities		
Accounts payable and accrued liabilities		$ 1,361,254
Due to primary government		3,040,125
	Total Liabilities	4,401,379
Fund Balance (Deficit)		
Nonspendable - prepaids		72,862
Restricted - debt service		2,277,995
Unassigned		(2,344,349)
	Total Fund Balance	6,508
	Total Liabilities and Fund Balance	$ 4,407,887

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, 2011

Revenues		
Departmental income		$ 14,966,863
Intergovernmental charges		1,025,000
Use of money and property		26,322
Sale of property and compensation for loss		458,552
Miscellaneous local sources		39,190
State aid		15,636
	Total Revenues	16,531,563
Expenditures		
Home and community services		15,987,983
Employee benefits		647,630
	Total Expenditures	16,635,613
Other Financing Sources (Uses)		
Operating transfers in		2,920,619
Operating transfers out		(2,516,969)
	Total Other Financing Sources	403,650
Net change in Fund Balance		299,600
Fund Deficit at Beginning of Year		(293,092)
	Fund Balance at End of Year	$ 6,508

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, 2011

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance Positive (Negative)
REVENUES				
DEPARTMENTAL INCOME				
Solid waste	$ 18,151,550	$ 18,151,550	$ 14,895,205	$ (3,256,345)
Other	100,500	100,500	71,658	(28,842)
Total Departmental Income	18,252,050	18,252,050	14,966,863	(3,285,187)
INTERGOVERNMENTAL CHARGES				
Services for other governments	1,025,000	1,025,000	1,025,000	-0-
Total Intergovernmental Charges	1,025,000	1,025,000	1,025,000	-0-
USE OF MONEY AND PROPERTY				
Interest and earnings			1,022	1,022
Rental of real property	50,000	50,000	25,300	(24,700)
Total Use of Money and Property	50,000	50,000	26,322	(23,678)
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Recycling	420,000	420,000	458,552	38,552
Total Sale of Property and Compensation for Loss	420,000	420,000	458,552	38,552
MISCELLANEOUS LOCAL SOURCES				
Refund of prior year expenditures			303	303
Miscellaneous revenue			38,887	38,887
Total Miscellaneous Local Sources			39,190	39,190
STATE AID				
State aid - recycling grant			3,037	3,037
State aid - other			12,599	12,599
Total State Aid			15,636	15,636
Total Revenues	$ 19,747,050	$ 19,747,050	$ 16,531,563	$ (3,215,487)

(continued)

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, 2011

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance Positive (Negative)
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Administration	$ 966,569	$ 979,345	$ 966,274	$ 13,071
Leachate	592,824	539,324	501,710	37,614
Transfer station	16,622,824	16,614,849	13,648,515	2,966,334
Scale house	289,654	294,757	294,757	-0-
Maintenance	306,113	337,101	337,101	-0-
Equipment	91,500	49,329	38,054	11,275
Recycling	177,900	216,900	201,572	15,328
Total Home and Community Services	19,047,384	19,031,605	15,987,983	3,043,622
EMPLOYEE BENEFITS				
State employee retirement system	141,739	133,870	110,919	22,951
Social security	84,427	87,097	87,097	-0-
Workers' compensation	5,000	25,978	25,978	-0-
Disability benefits	100	100	8	92
Hospital, medical and dental	468,400	468,400	423,628	44,772
Total Employee Benefits	699,666	715,445	647,630	67,815
Total Expenditures	19,747,050	19,747,050	16,635,613	3,111,437
Deficiency of Revenues Under Expenditures			(104,050)	(104,050)
Other Financing Sources (Uses)				
Transfers in	2,516,969	2,516,969	2,920,619	403,650
Transfers out	(2,516,969)	(2,516,969)	(2,516,969)	-0-
Total Other Financing Uses			403,650	403,650
Net Change in Fund Balance	$ -0-	$ -0-	299,600	$ 299,600
Fund Balance at Beginning of Year			(293,092)	
Fund Balance at End of Year			$ 6,508	

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2011

	Total Agency Funds
ASSETS	
Cash	$ 95,060
Total Assets	$ 95,060
LIABILITIES	
Guarantee and bid deposits payable	$ 90,903
Other agency liabilities	4,157
Total Liabilities	$ 95,060

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

A. Summary of Significant Accounting Policies

The Solid Waste Management Authority (the "Authority"), 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, 2011, 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.

1. Financial 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.

2. 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, 2011

A. Summary of Significant Accounting Policies (continued)

2. 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.

3. Basis of Accounting/Measurement Focus

Measurement focus refers to what is being measured; 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, 2011

A. Summary of Significant Accounting Policies (continued)

4. 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), or (b) will not convert to cash within the current period (i.e. long term receivables and financial assets held for resale), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

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

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

3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The 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 are neither restricted nor committed.

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

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

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

A. Summary of Significant Accounting Policies (continued)

5. Revenue and Expenditures

Operating Transfers

Operating transfers of the Authority consist of payments to the Town of North Hempstead for the Authority's appropriate share of debt service expenditures and insurance and workers' compensation reserves.

6. Postemployment Benefits

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.

7. Prepaid expenses represent amounts paid for health insurance, New York State and Local Employee Retirement System contributions and New York State monitoring costs that will benefit a future period.

B. 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 each Town Board member, acting in their capacity as a Commissioner of the Authority, a copy of its proposed annual budget.

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.

B. Stewardship, Compliance and Accountability (continued)

Budgetary Data (continued)

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.

C. Detailed Notes on All Funds

1. Cash and Investments

The Authority's investment policies are governed by state statutes. In addition, the Authority has its own written investment policy. The Authority's cash must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts, money market accounts, MBIA Cooperative Liquid Asset Security System ("CLASS") and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. agencies, and repurchase agreements.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies.

CLASS is a cooperative investment plan consisting of U.S. Treasury Obligations and repurchase agreements relating to treasury obligations.

Deposits

Deposits at year-end were entirely covered by federal depository insurance or by collateral held by the bank or a custodial bank.

2. 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, 2011

C. Detailed Notes on All Funds (continued)

2. 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, and employees who joined on or after January 1, 2010 who generally contribute 3% of their salary 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, 2011 and 2012 are as follows:

Tier/Plan/Option	3/31/2011 Rate	3/31/2012 Rate
4 A15/41J	11.3%	15.8%

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 Amortization Amount	Total Payment
2011	$ 158,614	12.61%	$ 38,183	$ (1,793)	$ (86,022)	$ 108,982
2010	79,230	8.20%	(2,895)			76,335
2009	49,423	7.59%	1,562	(488)		50,497

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

C. Detailed Notes on All Funds (continued)

2. 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 increase 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 amortization year is $86,022. 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:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2012	$ 7,248	$ 3,226	$ 10,474
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
2017-2021	46,959	5,413	52,372
Totals	$ 86,022	$ 18,720	$ 104,742

C. Detailed Notes on All Funds (continued)

3. Postemployment Benefits Healthcare Costs

Included in the Town of North Hempstead's government-wide financial statements, 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. 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, 2010 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 2011 year, $163,772 was paid on behalf of 20 retirees and surviving spouses and recorded as an expenditure in the general fund of the Authority.

4. 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, 2011, the value of the accumulated vacation time and sick leave was $182,132.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

C. Detailed Notes on All Funds (continued)

5. 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 interest at rates ranging from 2.00% to 4.00% and mature at various dates through 2014.

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

	Balance 1/1/11	Increases	Reductions	Balance 12/31/11
Revenue Bonds	$ 11,035,000	$ -0-	$ 2,155,000	$ 8,880,000
Compensated Absences	164,601	134,845	117,314	182,132

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

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2012	$ 2,230,000	$ 290,713	$ 2,520,713
2013	2,305,000	214,137	2,519,137
2014	4,345,000	86,900	4,431,900
Totals	$ 8,880,000	$ 591,750	$ 9,471,750

The Authority paid principal and interest of $2,155,000 and $361,969, respectively for the year ended December 31, 2011.

The Debt Service Reserve, of $1,904,579, established as part of the refunding bonds issued in the debt service fund amounts to $1,983,310 at December 31, 2011. Activity included a cash disbursement of $449,965, in 2011, used for the benefit of the Authority. The $449,965 was recorded as an operating transfer in the general fund. The balance is expected to be used, if available, to partially offset the 2014 principal payment.

D. Interfund Transfers

At December 31, 2011, interfund transfers out in the amount of $2,516,969 represent payments of debt service. Interfund transfers in totaling $2,920,619 represent amounts received from the primary government and excess debt service reserve fund earnings, and were used to offset debt service expenditures.

E. 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.

F. New Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"*. This statement is for presentation purposes only. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2011.

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

CERTIFIED PUBLIC ACCOUNTANTS

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 the financial statements of the general and fiduciary funds of Town of North Hempstead Solid Waste Management Authority (the "Authority), a component unit of the Town of North Hempstead, as of and for the year ended December 31, 2011 which collectively comprise the Authority's financial statements and have issued our report thereon dated May 30, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designating our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management and others within the entity and federal awarding agencies and pass-through entities 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
May 30, 2012