

**TOWN OF NORTH HEMPSTEAD  
SOLID WASTE MANAGEMENT AUTHORITY**

**AUDITED FINANCIAL STATEMENTS**

Year Ended December 31, 2013

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## 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, 2013, and the related notes to the 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 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.

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### **Basis for Adverse Opinion**

As discussed in Note 1, 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, 2013, 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, 2013, 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 20, 2014, 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.



Hauppauge, New York  
June 20, 2014

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**BALANCE SHEET**  
**GENERAL FUND**  
December 31, 2013

**Assets**

Cash	\$ 1,160,426
Cash - restricted	861,234
Accounts receivable - net of allowances	1,938,178
Prepaid expenses	11,788
Due from primary government	1,611,569
State and federal receivables	<u>2,404,381</u>

Total Assets \$ 7,987,576

**Liabilities**

Accounts payable and accrued liabilities	\$ 2,393,101
Due to primary government	<u>2,908,449</u>

Total Liabilities 5,301,550

**Fund Balance**

Nonspendable - prepaids	11,788
Restricted - debt service	861,234
Unassigned	<u>1,813,004</u>

Total Fund Balance 2,686,026

Total Liabilities and Fund Balance \$ 7,987,576

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**

Year ended December 31, 2013

**Revenues**

Departmental income	\$ 16,686,366
Intergovernmental charges	1,025,000
Use of money and property	62,175
Sale of property and compensation for loss	259,470
Miscellaneous local sources	20,103
Interfund revenues	33,176
State aid	198,964
Federal aid	2,469,094
<b>Total Revenues</b>	<u>20,754,348</u>

**Expenditures**

Home and community services	18,832,006
Employee benefits	800,599
<b>Total Expenditures</b>	<u>19,632,605</u>

**Other Financing Sources (Uses)**

Operating transfers in - primary government	900,824
Operating transfers out - primary government	<u>(900,824)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-0-</u>

Net change in Fund Balance 1,121,743

<b>Fund Balance at Beginning of Year</b>	<u>1,564,283</u>
<b>Fund Balance at End of Year</b>	<u><u>\$ 2,686,026</u></u>

**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, 2013

	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>DEPARTMENTAL INCOME</b>				
Solid waste	\$ 16,038,725	\$ 16,388,725	\$ 16,610,034	\$ 221,309
Other	95,000	95,000	76,332	(18,668)
Total Departmental Income	16,133,725	16,483,725	16,686,366	202,641
<b>INTERGOVERNMENTAL CHARGES</b>				
Services for other governments	1,175,000	1,175,000	1,025,000	(150,000)
Total Intergovernmental Charges	1,175,000	1,175,000	1,025,000	(150,000)
<b>USE OF MONEY AND PROPERTY</b>				
Interest and earnings	1,000	1,000	861	(139)
Rental of real property	50,000	50,000	61,314	11,314
Total Use of Money and Property	51,000	51,000	62,175	11,175
<b>SALE OF PROPERTY AND COMPENSATION FOR LOSS</b>				
Recycling	375,000	375,000	254,174	(120,826)
Recovery of damage to Town property			5,296	5,296
Total Sale of Property and Compensation for Loss	375,000	375,000	259,470	(115,530)
<b>MISCELLANEOUS LOCAL SOURCES</b>				
Reimbursement of Medicare Part D			6,647	6,647
Gifts and donations			150	150
Miscellaneous revenue			13,306	13,306
Total Miscellaneous Local Sources			20,103	20,103
<b>INTERFUND REVENUES</b>				
			33,176	33,176
<b>STATE AID</b>				
State aid - recycling grant	75,000	75,000	50,000	(25,000)
State aid - environmental conservation	100,000	100,000	148,964	48,964
State aid - home and community services	28,000	28,000		(28,000)
Total State Aid	203,000	203,000	198,964	(4,036)
<b>FEDERAL AID</b>				
Federal aid - emergency disaster assistance			2,469,094	2,469,094
Total Federal Aid			2,469,094	2,469,094
Total Revenues	\$ 17,937,725	\$ 18,287,725	\$ 20,754,348	\$ 2,466,623

(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, 2013

	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>HOME AND COMMUNITY SERVICES</b>				
Administration	\$ 949,692	\$ 918,370	\$ 918,370	\$ -0-
Leachate	542,597	549,919	549,919	-0-
Transfer station	14,436,856	15,686,819	15,891,113	(204,294)
Scale house	304,485	369,530	369,530	-0-
Maintenance	327,384	339,507	419,685	(80,178)
Equipment	67,000	86,915	86,915	-0-
Recycling	52,000	60,765	60,765	-0-
Office of sustainability	417,759	375,289	375,289	-0-
Emergency disaster work			160,420	(160,420)
Total Home and Community Services	<u>17,097,773</u>	<u>18,387,114</u>	<u>18,832,006</u>	<u>(444,892)</u>
<b>EMPLOYEE BENEFITS</b>				
State employee retirement system	193,250	205,044	205,044	-0-
Social security	97,327	112,386	112,386	-0-
Workers' compensation	20,000	15,195	15,195	-0-
Disability benefits	25			-0-
Hospital, medical and dental	528,150	466,786	466,786	-0-
Other employee benefits	1,200	1,200	1,188	12
Total Employee Benefits	<u>839,952</u>	<u>800,611</u>	<u>800,599</u>	<u>12</u>
Total Expenditures	<u>17,937,725</u>	<u>19,187,725</u>	<u>19,632,605</u>	<u>(444,880)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		<u>(900,000)</u>	<u>1,121,743</u>	<u>2,021,743</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in - primary government	900,824	900,824	900,824	-0-
Transfers out - primary government	(900,824)	(900,824)	(900,824)	-0-
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -0-</u>	<u>\$ (900,000)</u>	<u>1,121,743</u>	<u>\$ 2,021,743</u>
<b>Fund Balance at Beginning of Year</b>			<u>1,564,283</u>	
Fund Balance at End of Year			<u>\$ 2,686,026</u>	

See notes to financial statements.

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
December 31, 2013

	<u>Total Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 113,023
<b>Total Assets</b>	<u>\$ 113,023</u>
<b>LIABILITIES</b>	
Guarantee and bid deposits payable	\$ 109,249
Other agency liabilities	3,774
<b>Total Liabilities</b>	<u>\$ 113,023</u>

See notes to financial statements.

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**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, 2013, 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, 2013

**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, 2013

**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.

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.

**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).

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**1. Summary of Significant Accounting Policies** (continued)

**D. Assets, Liabilities and Fund Balance** (continued)

**5. Fund Equity Classifications** (continued)

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.

**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.

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**1. Summary of Significant Accounting Policies** (continued)

**E. Revenue and Expenditures** (continued)

**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.
- 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.

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**2. Stewardship, Compliance and Accountability** (continued)

**Budgetary Data** (continued)

- 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, the Authority 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.

At December 31, 2013, the Authority's deposits were \$2,139,707. This amount is inclusive of Fiduciary fund deposits of \$113,023 and restricted cash of \$861,234 but exclusive of petty cash of \$750. The bank balance required to be collateralized was \$1,278,473, of which \$307,550 was covered by Federal Deposit Insurance and \$970,923 was covered by collateral held by the Authority's agent, a third-party financial institution, in the Authority's name. 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.

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2013

**3. Detailed Notes on General Fund (continued)**

**A. Cash and Investments (continued)**

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, 2013, 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 the Authority 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, 2014 through 2018.

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

	<u>Balance</u> 1/1/13	<u>Increases</u>	<u>Reductions</u>	<u>Balance</u> 12/31/13
Revenue Bonds	\$ 5,048,791	\$ -0-	\$ 793,831	\$ 4,254,960
Compensated Absences	203,547	133,158	135,331	201,374

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 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	<u>890,583</u>	<u>10,242</u>	<u>900,825</u>
Totals	<u>\$ 4,254,960</u>	<u>\$ 249,161</u>	<u>\$ 4,504,121</u>

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**3. Detailed Notes on General Fund** (continued)

**B. Indebtedness** (continued)

The Authority paid principal and interest of \$793,831 and \$106,993, respectively for the year ended December 31, 2013.

**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.

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, 2013 and 2014 are as follows:

<u>Tier</u>	<u>Plan/Option</u>	<u>3/31/2013 Rate</u>	<u>3/31/2014 Rate</u>
4	A15/41J	18.6%	21.0%
6	A15/41J1	N/A	11.4%

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**3. Detailed Notes on General Fund** (continued)

**C. Retirement System** (continued)

Funding Policy (continued)

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:

	<u>Amount</u>	<u>% of Covered Payroll</u>	<u>Credits &amp; Miscellaneous Adjustments</u>	<u>Prepayment Discount</u>	<u>2011-2013 Amortization/ Deferral</u>	<u>Total Payment</u>
2013	\$ 255,310	18.49%	\$ 30,613		\$ (104,773)	\$ 181,150
2012	195,510	17.01%	9,826		(69,480)	135,856
2011	158,614	12.61%	38,183	\$ (1,793)	(86,022)	108,982

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.

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 NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**3. Detailed Notes on General Fund (continued)**

**C. Retirement System (continued)**

Funding Policy (continued)

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 - 2013 amortization years is \$268,952. 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 2014	\$ 25,534	\$ 9,439	\$ 34,973
2015	26,430	8,543	34,973
2016	27,357	7,616	34,973
2017	28,316	6,657	34,973
2018	29,310	5,663	34,973
2019-2023	<u>132,005</u>	<u>11,995</u>	<u>144,000</u>
Totals	<u>\$ 268,952</u>	<u>\$ 49,913</u>	<u>\$ 318,865</u>

**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.

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**3. Detailed Notes on General Fund (continued)**

**D. Postemployment Benefits Healthcare Costs (continued)**

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 2013 year, \$206,827 was paid on behalf of 21 retirees and surviving spouses and recorded as an expenditure in the general fund of the Authority.

**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, 2013, the value of the accumulated vacation time and sick leave was \$201,374.

**4. Operating Transfers – Primary Government**

At December 31, 2013, operating transfers out – primary government in the amount of \$900,824 represent payments of debt service. Operating transfers in – primary government represents payments received from the primary government in the amount of \$900,824, 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.

**TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**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.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 69 "*Governmental Combinations and Disposals of Governmental Operations*". The statement establishes accounting and financial reporting standards related to governmental combinations and disposals of governmental operations. As used in this Statement, the term *government combination* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 70 "*Accounting and Reporting for Nonexchange Financial Guarantees*". The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68*". 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 provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

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, New York

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, 2013, 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 20, 2014.

**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 opinions 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. 

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## 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.

A handwritten signature in black ink, appearing to read "Alfred J. Triggiano, Jr., CPA". The signature is written in a cursive style and is positioned above the typed name and date.

Hauppauge, New York  
June 20, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH AUTHORITY INVESTMENT POLICY**

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

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, 2013 through December 31, 2013. 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, 2013 through December 31, 2013.

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 20, 2014

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