

PORT WASHINGTON GARBAGE DISTRICT

FINANCIAL STATEMENTS
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANT
Year ended December 31, 2011

David R. Brackett
Certified Public Accountant

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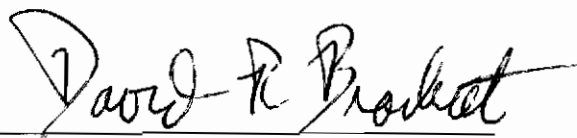
Board of Commissioners
Port Washington Garbage District
Port Washington, NY

I have audited the accompanying financial statements of the Port Washington Garbage District, a component unit of the Town of North Hempstead, as of and for the year ended December 31, 2011. My responsibility is to express an opinion on these financial statements based on my audit.

The audit was conducted in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that the audit performed provides a reasonable basis for expressing an opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Washington Garbage District at December 31, 2011 and the results of its operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles as applied to state and local governmental entities and Governmental Accounting Standards Board Opinion 34.

David R. Brackett



Certified Public Accountant

Port Washington, NY
April 26, 2012

PORT WASHINGTON GARBAGE DISTRICT

Management's Discussion and Analysis

December 31, 2011

Our discussion and analysis of the financial performance of the Port Washington Garbage District, a component unit of the Town of North Hempstead, New York (the District), provides an overview of the District's financial activities for the year ended December 31, 2011. Please read it in conjunction with the District's financial statements and notes to financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Government fund financial statements tell how services were financed in the short term as well as what remains for future spending. Government fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's general fund. The District's basic services are reported in funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation after the fund financial statements.

CONDENSED FINANCIAL INFORMATION

Our analysis below focuses on the net assets and changes in net assets as set forth in the following condensed financial statement:

Assets	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Current and other assets	<u>\$ 1,936,003</u>	<u>\$ 819,011</u>

PORT WASHINGTON GARBAGE DISTRICT

Management's Discussion and Analysis

December 31, 2011

CONDENSED FINANCIAL INFORMATION (continued)

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Liabilities		
Total Liabilities	<u>\$ 1,035,688</u>	<u>\$ 137,989</u>
Net Assets		
Invested in Capital Assets	\$ 24,750	\$ 24,750
Restricted Fund Balance	42,000	
Unrestricted Fund Balance	<u>833,565</u>	<u>656,272</u>
Total Net Assets	<u>\$ 900,315</u>	<u>\$ 681,022</u>
Change in Net Assets		
Total Revenues	\$2,159,330	\$2,053,163
Total Expenses	<u>1,940,037</u>	<u>1,888,401</u>
Change in Net Assets	\$ 219,293	\$ 164,762
Net Assets – Beginning of Year	<u>681,022</u>	<u>516,260</u>
Net Assets – End of Year	<u>\$ 900,315</u>	<u>\$ 681,022</u>

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$219,293 due primarily to operating revenues in excess of expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reported budget and actual in the general fund as follows:

	Original Budget	Final Budget	Actual Amounts	Variances
Revenues	\$ 2,086,546	\$ 2,086,546	\$ 2,159,336	\$ 72,790
Expenditures	\$ 2,086,546	\$ 2,086,546	\$ 1,941,102	\$ 145,444
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 218,234</u>	<u>\$ 218,234</u>

Total actual revenues in excess of estimated revenues are primarily from amounts received as Payments in Lieu of Taxes (Pilot) which were not budgeted.

Total expenditures were less than amounts budgeted due primarily to the fact that tipping fees charged by the TNH Solid Waste Management Authority were less than the projected amounts.

PORT WASHINGTON GARBAGE DISTRICT

Management's Discussion and Analysis

December 31, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District derives all of its operating revenues, other than interest earned on investments, from real property tax assessments collected by the Town of North Hempstead and forwarded to the District semi-annually.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Management at Port Washington Garbage District, P.O. Box 608, Port Washington, NY 11050 or on the web at *pwgarbagedistrict.com*.

Port Washington Garbage District
Statement of Net Assets
As of December 31, 2011

ASSETS

Cash and Equivalents	1,002,720.31
Receivables	80.39
Inventory	790.50
Prepaid Expenses	1,895.16
Due From Town of North Hempstead	12,753.38
Due From Nassau County	893,013.01
Capital Assets (Net)	<u>24,750.00</u>
Total Assets	<u><u>1,936,002.75</u></u>

LIABILITIES

Accrued Liabilities	308.56
Accounts Payable	139,663.46
Bond Anticipation Notes	<u>895,716.00</u>
Total Liabilities	1,035,688.02

NET ASSETS

Invested in Capital Assets	24,750.00
Fund Balance Appropriated for 2012 Budget	42,000.00
Unrestricted Fund Balance	<u>833,564.73</u>
Total Net Assets	<u><u>900,314.73</u></u>

The accompanying notes are an integral part of the financial statements.

David R. Brackett
Certified Public Accountant

Port Washington Garbage District
Statement of Activities
For the Year Ended December 31, 2011

	<u>Net (Expenses)/Revenues and Changes in Net Assets</u> Governmental Activities
Governmental Activities	
Home and Community Service	<u>1,940,036.57</u>
Total Governmental Activities	<u>1,940,036.57</u>
Total for All Activities	<u><u>1,940,036.57</u></u>
General Revenues	
Real Property Taxes and Related Tax Items	2,147,656.83
Other Revenue	10,055.41
Interest Earnings	<u>1,617.51</u>
Total General Revenues	<u>2,159,329.75</u>
Change in Net Assets	219,293.18
Net Assets - Beginning of Year	<u>681,021.55</u>
Net Assets - End of Year	<u><u>900,314.73</u></u>

The accompanying notes are an integral part of the financial statements.

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Port Washington Garbage District
Balance Sheet
Governmental Funds
As of December 31, 2011

ASSETS

Cash	152,200.44
Cash in Time Deposits	<u>850,519.87</u>
Total Cash and Equivalents	1,002,720.31
Due from Nassau County	893,013.01
Due from the Town of North Hempstead	12,753.38
Land	<u>24,750.00</u>
TOTAL ASSETS	<u>1,933,236.70</u>

LIABILITIES

Payroll Taxes Payable	308.56
Bond Anticipation Notes	<u>895,716.00</u>
Total Liabilities	896,024.56

FUND BALANCES

Reserved for Encumbrances	139,663.46
Investment in General Fixed Assets	24,750.00
Fund Balance Reserved for 2012 Budget	42,000.00
Unreserved Fund Balance	<u>830,798.68</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>1,933,236.70</u>

The accompanying notes are an integral part of the financial Statements.

David R. Brackett
Certified Public Accountant

Port Washington Garbage District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Compared with Budget Appropriations
For the Year Ended December 31, 2011

	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Real Property Taxes	2,084,528.00	2,084,527.62	(0.38)
Interest and Earnings	2,018.00	1,623.61	(394.39)
Unclassified	0.00	73,184.62	73,184.62
TOTAL REVENUES	2,086,546.00	2,159,335.85	72,789.85
EXPENDITURES			
Garbage Collection	2,036,496.00	1,909,095.25	127,400.75
Legal Notices	1,200.00	83.00	1,117.00
Commissioners' Salaries	12,000.00	9,760.00	2,240.00
Election Expenses	4,000.00	1,014.74	2,985.26
Commissioners' Bonds	600.00	255.00	345.00
Insurance	4,000.00	2,602.50	1,397.50
Attorney Fees	15,000.00	5,000.00	10,000.00
Auditing	3,250.00	3,250.00	0.00
Equipment	5,000.00	3,208.28	1,791.72
Office Supplies, Stationery, Postage & Post Office Box	2,000.00	2,188.46	(188.46)
Rent	3,000.00	3,744.00	(744.00)
Consultant Fees	0.00	0.00	0.00
Miscellaneous	0.00	900.99	(900.99)
TOTAL EXPENDITURES	2,086,546.00	1,941,102.22	145,443.78
(EXCESS) OF EXPENDITURES OVER REVENUES	0.00	218,233.63	218,233.63
Fund Balance - December 31, 2010	654,565.05	654,565.05	0.00
Fund Balance - December 31, 2011	654,565.05	872,798.68	218,233.63

The accompanying notes are an integral part of the financial statements.

David R. Brackett
Certified Public Accountant

Port Washington Garbage District
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of the Governmental Funds
 To the Change in Net Assets Shown in the Statement of Activities
 For the Year Ended December 31, 2011

Net change in Fund Balances shown for total governmental funds. 218,233.63
 This amount differs from the change in net assets shown in the Statement of
 Activities because of the following:

Outlays for acquisition of expendable items (inventory) are recorded in
 governmental funds as expenditures. However, in the Statement of Activities
 the cost of these assets is allocated to the period in which they are used. This is
 the amount by which the cost of the items actually used during the current period
 exceeded the amount expended for inventory type assets.

Current year expenditures	3,208.28	
Allocated expenses	<u>3,335.48</u>	(127.20)

Income from investments is recorded in the government funds when the income is
 received (on maturity of the investment). In the Statement of Activities, this income
 is recorded in the period in which it is earned. This is the amount by which the
 amount actually received exceeds the amount earned during the period.

Current year income	1,617.51	
Amount received	<u>1,623.61</u>	(6.10)

Expenditures for insurance premiums and rent are recorded in the governmental
 funds when the payments are due. In the Statement of Activities, these costs are
 allocated over the applicable time periods that they pertain to. Insurance
 premiums are allocated over the period that they are prepaid for. This
 is the amount by which the current year expenditures exceeded the costs
 allocated to the period.

Current year expenditures	6,601.50	
Allocated expenses	<u>5,408.65</u>	1,192.85

Change in net assets of governmental activities shown in the Statement of Activities 219,293.18

Port Washington Garbage District
Reconciliation of the Total Fund Balances Shown in
The Governmental Funds to the Statement of Net Assets
As of December 31, 2011

Amount of total fund balances in the fund financial statements for the combined governmental funds.	872,798.68
This amount differs from the amount of Net Assets shown in the Statement of Net Assets due to the following:	
Accrued interest earned on investments is included as an asset in the government-wide statements and is added.	80.39
Capital assets are included as assets in the government-wide statements and are added.	24,750.00
Amounts for inventory are included in the government-wide statements and are added.	790.50
Amounts for prepaid expenses are included in the government-wide statements as assets and are added.	<u>1,895.16</u>
Total Net Assets – End of Year	<u>900,314.73</u>

PORT WASHINGTON GARBAGE DISTRICT
Port Washington, NY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Port Washington Garbage District (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management which is responsible for their integrity and objectivity.

Financial Reporting Entity

The Port Washington Garbage District is a component unit of the Town of North Hempstead.

Basis of Accounting

The Statement of Net Assets and Statement of Activities are presented in conformity with GASB 34 and incorporate accounting principles similar to those used by non-governmental entities. The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances are presented on the modified accrual basis in accordance with Accounting Policies and Uniform System of Accounts for Towns Prescribed by the New York State Office of the State Comptroller, Department of Audit and Control, which for governmental accounting is Generally Accepted Accounting Principles. Reconciliations are presented following the Statement of Revenues, Expenditures, and Changes in Fund Balances which explain the differences in accounting principles between the alternative presentations.

Revenues

Real property taxes are levied by the Town of North Hempstead on behalf of the District. The taxes are levied annually on January 1 and become a lien on that date. Taxes are collected on a semi annual basis with the first half collected during the period January 1 to February 10 and the second half collected during the period July 1 to August 10. The District receives the full amount of its levy from the tax collections after February 10 and August 10.

Expenditures

Expenditures are recorded as incurred in the Statement of Revenues, Expenditures, and Changes in Fund Balances and are allocated over the periods to which the expenditures relate in the Statement of Activities.

Encumbrances

Encumbrances outstanding at the end of the year are reported as a reservation of the fund balance on the Balance Sheet. In the case of the District, these amounts represent Accounts Payable and are represented as such in the Statement of Net Assets.

Budgetary Policy

The District prepares and submits its proposed budget to the Town of North Hempstead during the month of October preceding the beginning of the next calendar year, which after a public hearing, adopts the budget.

The proposed budget includes the proposed expenditures and the proposed means of financing those expenditures. Appropriations for the current year are increased by the amount of encumbrances carried forward from the prior year to arrive at adjusted budgetary appropriations.

2. Cash Management

The District invests its available funds in money market savings accounts or bank certificates of deposit. These monies are deposited in Federal Deposit Insurance Corporation insured commercial banks. Collateral is required for deposits not covered by federal deposit insurance.

3. Fund Balance

The District maintains a Fund Balance to meet its operating expenditures for the first six weeks of the following calendar year, since the District does not receive its first half real property tax revenue from the tax receiver until near the end of the second month of operations in a calendar year.

In addition, the District maintains a fund balance to meet any unforeseen increase in District expenditures. If the District were to run out of funds during any accounting period, funds would have to be borrowed from the Town of North Hempstead to meet its commitments, resulting in additional expense to the taxpayers of the District.

4. Bond Anticipation Notes, Amount due from Nassau County and Contingent Liabilities

For several years, the District (along with other commissioner operated garbage districts and the Town of North Hempstead) has been a defendant in a number of lawsuits brought by several local utilities which challenge *ad valorem* taxes levied on such utilities. One such case has resulted in a judgement which was paid by the District (\$893,013.01) by using the proceeds from the sale of bond anticipation notes (\$895,716.00). There are other cases pending. The Town of North Hempstead has a judgement against Nassau County, requiring

it to pay the judgement under what is colloquially referred to as the "County Guarantee", which is found in County Administrative Code Section 6-26.00. The Court of Appeals denied the County's motion for leave to appeal the order granting summary judgement to the Town. An action by Keyspan has resulted in an additional judgement of approximately \$2.5 million. Steps have been taken to obtain a similar judgement in this case. The remaining cases are in various stages of litigation. It has been the Town's position that all of the cases are covered by the County Guarantee requiring an eventual payment or reimbursement of any judgements by the County. Any further liability in these cases would be allocated between the Town and the commissioner-operated districts.

While the Town believes that all such judgements will eventually be either paid or reimbursed by the County, the ultimate financial impact of these cases on the District remains uncertain as of the date of this audit.

5. Unclassified Revenue

The unclassified revenue represents payments received from Nassau County for Payments in Lieu of Taxes (Pilot) in the amount of \$63,129.21. These payments are made by property owners who have been granted property tax exemptions by the county. In addition the district realized a premium of \$10,055.41 from the sale of bond anticipation notes.

6. Lease Obligations

The District has entered into a series of 6 month leases of storage space with Public Storage. The current rental rate is \$208.00 per month.