



**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

FINANCIAL REPORT

December 31, 2011 and 2010

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

FINANCIAL REPORT

December 31, 2011 and 2010

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-7
FINANCIAL STATEMENTS	
Statements of Net Assets	8
Statements of Revenues, Expenses, and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Financial Statements	11-19
SUPPLEMENTAL INFORMATION	
Operating Expenses	20-21
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	22-23
Schedule of Findings and Responses	24-25

INDEPENDENT AUDITOR'S REPORT

Authority Governing Board
Montgomery, Otsego, Schoharie
Solid Waste Management Authority
Howes Cave, New York

We have audited the accompanying statements of net assets of Montgomery, Otsego, Schoharie Solid Waste Management Authority (MOSA) (a New York public benefit corporation) as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of MOSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOSA as of December 31, 2011 and , and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, on our consideration of MOSA's internal control over financial reporting and 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board that considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 14, 2012

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The management of Montgomery, Otsego, Schoharie Solid Waste Management Authority (MOSA) considers it important for the users of these financial statements to review the notes to the financial statements along with Management's Discussion and Analysis to allow a complete understanding of the current position of MOSA. Through the notes, it is possible to obtain an overview of the formation of MOSA, details to support the numbers presented in the financial statements, and an understanding of the estimates incorporated in the financial statements.

AUTHORITY PROFILE

As required by the Service Agreement, MOSA annually estimates the Guaranteed Annual Tonnage (GAT) for each of the member Counties. The GAT is used to determine the official tip fee. Revenues generated by the official tip fee, when added to additional projected revenues, provide the source of funding for MOSA's financial obligations.

Through the Service Agreement, each County accepted the responsibility to assure all solid waste generated or originated within its boundaries is delivered to a MOSA designated facility. If, in any calendar year, the amount of GAT solid waste delivered from all three Counties to MOSA should be less than the Aggregate GAT, the County or Counties responsible for the shortfall are required to pay MOSA a shortfall subsidy. Beginning in 1997, each County subsidized MOSA's official tip fee by annually establishing an individual in-County fee that it believed would encourage the delivery of waste to MOSA facilities so as to fulfill its GAT obligation. In 2011, the Counties chose not to subsidize MOSA based upon:

- A 35% decrease in the MOSA official tip fee, and
- An amendment to the Service Agreement completed in 2010 which reduced the shortfall subsidy to operating costs only.

The Counties remain responsible for deliveries of all waste generated or originated within their boundaries.

RESPONSIBILITY AND CONTROLS

MOSA has prepared and is responsible for the financial statements and related information included in this financial report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefit, management believes its system of internal accounting controls maintains an appropriate cost to benefit balance.

MOSA's system of internal accounting controls is evaluated on an ongoing basis by MOSA's internal financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements. MOSA's Board of Directors established an Audit Committee which is comprised of three independent members of the Board who are not employees and who provide oversight of management's control functions and financial reporting. This committee meets with management and periodically with the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls, and financial reporting matters.

OPERATIONAL HIGHLIGHTS

The 2011 year began with a new transportation and disposal (T&D) contract which reduced the cost for T&D by 21%. This contract employs a different hauling company and landfill than had been previously utilized. The change in the landfills resulted in diversion of waste by a large hauler in Montgomery County. Diversion of waste continued in the Otsego and Schoharie Counties although at lesser rates than in Montgomery County.

During 2011, management continued to promote recycling and reuse of discarded materials. MOSA's recycling efforts were improved by providing containers at all sites to collect recyclable items pulled from delivered waste to be included in a new single stream recycling program. The new single stream recycling program expanded the acceptable categories of plastic. MOSA was able to secure transportation of recycling from the Montgomery and Schoharie sites and receive payment for the material with no additional cost for transportation. Although the service was offered for Otsego County locations, that particular County declined the opportunity.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATIONAL HIGHLIGHTS - Continued

The Service Area, specifically Schoharie County, was severely affected by Hurricane Irene and Tropical Storm Lee. These storms passed through the area in late August and early September, and the destruction left behind required massive efforts to clean up and transport the debris from property, roads, streams, and homes to appropriate disposal facilities. Upon request of the Department of Environmental Conservation (DEC) and Schoharie County, MOSA provided service seven days a week for three weeks at the Howes Cave facility. The disaster increased volumes accepted at the Howes Cave facility from 64 tons per day to 442 tons per day. This required additional equipment, labor, and hours. MOSA also assisted the County with clean up throughout the area, providing containers to towns and villages, as well as staff and equipment to load, transport, and dispose of debris piles that developed in designated temporary transfer sites. The container services were also provided to Otsego and Montgomery Counties as requested by the local planning department and supervisors.

From a governing perspective, the political atmosphere and financial struggles that face the participating Counties continue to be a concern for the organization. Although MOSA has significantly reduced costs and worked to meet the needs of the Counties, Otsego County requested that its local legislators forward an amendment to the original enabling legislation seeking to withdraw from the MOSA system. This legislation passed both houses in 2011 and was signed by the Governor in early February 2012. Management has not determined what financial impact this legislation will have on MOSA.

FINANCIAL HIGHLIGHTS

This section presents management's discussion and analysis of MOSA's financial condition and activities for the year ended December 31, 2011, and should be read in conjunction with the financial statements and accompanying footnotes.

The decision to change the T&D contract was made in 2010 with the effects of this change beginning in 2011. Management was aware that diversion of waste was a possibility due to the change in the landfill that was used. The financial impact of this diversion was analyzed, and it became clear that even with diversion, the cost savings would be greater to all stakeholders by changing the T&D hauler.

At the start of 2011, it was clear a large hauler in Montgomery County was diverting the waste outside of the system. Management worked to develop other avenues to generate revenue to offset this loss. Single stream recycling proved to provide not only cost savings on the transportation of the recyclables, but an additional revenue stream as well. The markets remained strong from May through October 2011; this, in conjunction with cost saving measures established in 2010 and outside waste deliveries, generated ample revenue to support operations through August 2011.

In September 2011, MOSA's operating system was challenged with drastic increases in debris from the flooding that occurred throughout the Service Area. Schoharie County, with severe destruction from the flood, requested additional services from MOSA. To assist the County in meeting its debris removal needs, additional contracts were established, equipment leased, staff reassigned, and hours extended. This resulted in additional costs of over \$1 million. Schoharie County allowed all County flood debris and the clean up of temporary transfer stations to be charged to the County. Due to the high costs of the flood, the County experienced cash flow issues which resulted in MOSA transferring \$1 million from operating reserves to the operating account. These funds were replaced early in 2012 after MOSA received payment of 80% of Schoharie County's bill.

Based upon the efforts of MOSA personnel, MOSA completed the year above budget expectations.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

The following table and discussion refers to the condensed financial statements:

	December 31,				
	2011	2011 vs. 2010	2010	2010 vs. 2009	2009
Current assets	\$ 4,766,308	11.42%	\$ 4,277,651	0.36%	\$ 4,262,428
Restricted assets	1,022,822	-0.24%	1,025,258	1.25%	1,012,623
Property and equipment, net	5,674,404	-10.40%	6,333,264	-10.16%	7,049,866
Other assets	<u>1,151,582</u>	-30.67%	<u>1,661,022</u>	-24.13%	<u>2,189,209</u>
Total assets	<u>\$ 12,615,116</u>	-5.13%	<u>\$ 13,297,195</u>	-8.38%	<u>\$ 14,514,126</u>
Current liabilities	\$ 858,838	69.63%	\$ 506,301	-41.64%	\$ 867,590
Other liabilities	<u>7,198,667</u>	3.78%	<u>6,936,727</u>	2.43%	<u>6,771,883</u>
Total liabilities	<u>8,057,505</u>	8.26%	<u>7,443,028</u>	-2.57%	<u>7,639,473</u>
Net assets, capital	5,674,404	-10.40%	6,333,264	-10.16%	7,049,866
Net assets, restricted	1,022,822	-0.24%	1,025,258	1.25%	1,012,623
Net assets, unrestricted	<u>(2,139,615)</u>	42.23%	<u>(1,504,355)</u>	26.65%	<u>(1,187,836)</u>
Total net assets	<u>4,557,611</u>	-22.15%	<u>5,854,167</u>	-14.84%	<u>6,874,653</u>
Total liabilities and net assets	<u>\$ 12,615,116</u>	-5.13%	<u>\$ 13,297,195</u>	-8.38%	<u>\$ 14,514,126</u>

Assets remained fairly consistent from 2009 to 2010 with a reduction based on depreciation of property and equipment and amortization of intangible assets. The 2011 increase in current assets is the net result of a large accounts receivable balance for flood related work, offset by reduced cash coming in through revenue based on the reduction in the tip fee. Asset changes included purchase of a used compactor, tractor, and mower for a total of \$42,913, and a truck was sold with a carrying value of \$1,926 for a gain on sale of \$7,363. All other changes in property and equipment, net, are the result of depreciation expense. Other assets were reduced based upon the amortization of intangible assets.

The change in current liabilities can be attributed to:

- \$100,000 credit from a hauler which reduced 2010 accounts payable and was applied during 2011, and
- \$170,000 retirement payable in 2011; historically the retirement bill has been paid in December, however, due to the large increase in the amount and the short-term reduction in operating cash, a decision was made to hold payment until 2012 when the bill was actually due.

The increase in other liabilities is the result of present value calculations of the post-closure obligation, which is further disclosed in Note 4.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS - Continued

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGE IN NET ASSETS**

	Years Ended December 31,				
	2011	2011 vs. 2010	2010	2010 vs. 2009	2009
Operating revenue	\$ 9,170,992	0.94%	\$ 9,085,498	-16.77%	\$ 10,915,898
Non-operating revenue	13,278	-6.62%	14,219	-86.18%	102,885
Total revenues	<u>9,184,270</u>	0.93%	<u>9,099,717</u>	-17.42%	<u>11,018,783</u>
Depreciation expense	699,847	-1.20%	708,372	3.29%	685,799
Amortization expense	509,440	-3.55%	528,187	-44.68%	954,764
Other operating expense	9,021,135	3.37%	8,726,716	-3.30%	9,024,342
Non-operating expense	250,404	59.57%	156,928	-126.17%	(599,707)
Total expenses	<u>10,480,826</u>	3.56%	<u>10,120,203</u>	0.55%	<u>10,065,198</u>
Change in net assets	(1,296,556)	27.05%	(1,020,486)	-207.02%	953,585
Beginning net assets	<u>5,854,167</u>	-14.84%	<u>6,874,653</u>	16.10%	<u>5,921,068</u>
Ending net assets	<u>\$ 4,557,611</u>	-22.15%	<u>\$ 5,854,167</u>	-14.84%	<u>\$ 6,874,653</u>

Although waste deliveries increased by 4% in 2010 and 10.8% in 2011 from the prior year, operating revenues decreased in 2010 due to a 19% decrease in the tip fee; in 2011 revenues increased by 1%. The small increase in revenues is due to a 20% decrease in the MOSA Official Tip Fee. The 2011 reduction in tip fee was offset by the revenues generated from all recycling (\$202,175) and flood related services (\$499,847). Non-operating revenue continues to decrease due to declining interest rates.

Amortization expense declined in 2010 due to the bond defeasance, which eliminated the amortization of capitalized interest related to bonds. The 2011 reduction was due to the full amortization of the Solid Waste Management Plan during 2011.

The decrease in other operating expenses in 2010 relates to increased operating efficiencies, including staff reduction, cost savings, and increased recycling. In 2011, the savings in other operating expense associated with the new T&D contract were offset by significant outside contractor costs associated with flood related services.

The increase in non-operating expense reflects the change in the post-closure liability adjustment. Interest rates remain low, resulting in a larger present value post-closure liability. In 2009, the post-closure liability was reduced with a plan to perform repairs and maintenance using staff rather than outside contractors.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGET ANALYSIS

The budget is based on a modified accrual basis; some revenues and expenses reflected in the audited financial statements are not included in the budget.

	Year Ended December 31, 2011			
	Actual - Modified	Original Budget	\$ Change	% Change
Operating revenues	\$ 9,182,444	\$ 7,554,562	\$ 1,627,882	21.55%
Operating expenses				
Finance and administration	498,354	534,543	(36,189)	-6.77%
Landfill	394,411	332,669	61,742	18.56%
Environmental protection	78,296	102,684	(24,388)	-23.75%
Maintenance department	437,706	480,692	(42,986)	-8.94%
Transfer stations	7,625,681	6,243,856	1,381,825	22.13%
Total operating expenses	9,034,448	7,694,444	1,340,004	
Net operating income (loss)	<u>\$ 147,996</u>	<u>\$ (139,882)</u>	<u>\$ 287,878</u>	

During the development of the 2011 budget, the operating efficiencies developed during 2010 were included as cost reductions in the budget. This, along with a new T&D contract reduced costs by \$17.00 per ton and allowed a reduction of the MOSA Official Tip Fee from \$86 in 2010 to \$69 in 2011, a 20% reduction. As the year progressed, new expense reductions and revenue opportunities were developed. These opportunities resulted in financial performance that exceeded budget expectations.

Revenues were above projections for several reasons including:

- Revenue projections were based on a GAT of 102,674 tons; actual deliveries were 110,603 tons, or approximately \$547,100 in additional revenue;
- Fuel surcharges were not budgeted. These generated \$365,000 in revenues which were offset by \$365,900 in charges;
- MOSA converted to single stream recycling at the Montgomery and Schoharie sites and generated \$153,400 in additional revenue, and
- The flood that affected the region required additional services to the municipalities generating a total of \$499,847 in additional revenue to MOSA.

The Environmental Protection Cost Center reduced cost with a change to single stream recycling which eliminated transportation expenses and provided a savings of approximately \$21,000.

The Finance and Administration Cost Center lowered costs by reducing supplies, legal services, and eliminating cleaning services, which together saved approximately \$23,600. The remainder of the savings was due to improved operational efficiencies, including posting information on the website and communicating through email.

The Landfill Cost Center exceeded the budgeted costs due to excessive rainfall that generated 50% more leachate than the five-year average. Although MOSA negotiated improved pricing for the disposal of leachate, cost increased approximately \$57,400 over budget. In addition, leachate outbreaks were addressed by MOSA staff, increasing the labor, material, and equipment costs associated with landfill repairs and maintenance. The total budget overage in this area was approximately \$12,100.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGET ANALYSIS - Continued

The Maintenance Department expended significant hours working on the landfill or, at times, were reassigned to flood clean-up work in the latter part of the year. This resulted in a reduction of costs charged to the Maintenance Department along with less time available to work on transfer station repair and maintenance needs. In turn, there was a reduction in funds expended on general property and equipment repairs.

The Transfer Station Cost Center was significantly above budget. The major contribution to this increase was due to flood clean-up which resulted in additional overtime, outside contractors, equipment rental, an increase in disposal costs, and tonnage managed. This represents approximately \$1,151,300 in additional cost. The fuel surcharge discussed above also added approximately \$365,900 to the transfer station expenses. Prior to the flood, there were savings in the use of overtime, which has reduced the cost. Cost savings were also experienced in the areas of telephone, heat, and electric.

	Year Ended December 31, 2010			
	Actual - Modified	Original Budget	\$ Change	% Change
Operating revenues	\$ 9,099,370	\$ 8,778,988	\$ 320,382	3.65%
Operating expenses				
Finance and administration	539,927	659,206	(119,279)	-18.09%
Landfill	279,257	238,930	40,327	16.88%
Environmental protection	138,848	71,676	67,172	93.72%
Maintenance department	458,210	555,927	(97,717)	-17.58%
Transfer stations	7,353,634	7,376,853	(23,219)	-0.31%
Total operating expenses	8,769,876	8,902,592	(132,716)	
Net operating income (loss)	\$ 329,494	\$ (123,604)	\$ 453,098	

The major contributor to additional revenue in 2010 would be increased tonnage deliveries. With the Northern Transfer Station open full time, additional tons entered the system that appeared to have been previously diverted. Montgomery County continued a demo project taking down vacant dilapidated homes. The recycling revenues were greater than budgeted as well.

Costs were reduced in Finance and Administration mainly due to the elimination of a full time position. Other savings were realized as cost reduction opportunities were pursued. 2010 was the first year with the Post-Closure Agreement, and there were transfers of costs that were previously budgeted in other departments to the Landfill Department; i.e., equipment repairs, labor, and administrative costs. The Environmental Protection Cost Center did not originally allow for household hazardous waste events. When funds were found during the year, these events were scheduled. The transfer of costs from the Maintenance Department to landfill, based on the Post-Closure Agreement, in addition to cost savings procedures, resulted in savings throughout the year. The majority of the transfer station savings was based on efforts to recycle more waste and other cost saving strategies.

FINAL COMMENTS

This financial report is intended to provide a general overview of MOSA's financial position and to illustrate MOSA's accountability for the revenues it receives. If you have any questions concerning this report or require additional financial information, contact Dennis Heaton, Executive Director at (518) 296-8884.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

STATEMENTS OF NET ASSETS

	December 31,	
ASSETS	2011	2010
CURRENT ASSETS		
Cash	\$ 1,205,629	\$ 2,519,883
Cash, reserve	1,592,925	1,204,853
Accounts receivable, net	1,747,237	385,027
Due from other governments	58,061	5,770
Prepaid expenses	29,048	31,083
Inventory	133,408	131,035
Total current assets	4,766,308	4,277,651
RESTRICTED ASSETS		
Cash	18,900	1,025,258
Deposits with other governments	1,003,922	-
	1,022,822	1,025,258
OTHER ASSETS		
Property and equipment, net	5,674,404	6,333,264
Intangible assets, net	1,151,582	1,661,022
	6,825,986	7,994,286
	\$ 12,615,116	\$ 13,297,195
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 559,847	\$ 426,065
Accrued expenses	268,566	80,236
Due to other governments	30,425	-
Total current liabilities	858,838	506,301
NONCURRENT LIABILITIES		
Environmental and closure accruals for purchased landfills	7,145,274	6,887,506
Provision for compensated absences	53,393	49,221
	7,198,667	6,936,727
NET ASSETS		
Invested in capital assets, net of related debt	5,674,404	6,333,264
Restricted for landfill post-closure activity	1,022,822	1,025,258
Unrestricted	(2,139,615)	(1,504,355)
	4,557,611	5,854,167
	\$ 12,615,116	\$ 13,297,195

The accompanying Notes to Financial Statements are an integral part of these statements.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years Ended December 31,			
	2011	%	2010	%
OPERATING REVENUE				
Refuse and garbage charges	\$ 8,359,830	91.2	\$ 8,886,225	97.8
Recycling and recycling services	214,369	2.3	105,798	1.2
State and Federal aid	77,755	0.8	-	-
Other	519,038	5.7	93,475	1.0
	<u>9,170,992</u>	<u>100.0</u>	<u>9,085,498</u>	<u>100.0</u>
OPERATING EXPENSES				
Finance and administration	1,716,835	18.7	1,776,829	19.6
Landfill	394,411	4.3	279,257	3.1
Environmental protection	78,296	0.9	138,850	1.5
Maintenance department	415,199	4.5	414,694	4.6
Transfer station and transportation	7,625,681	83.2	7,353,645	80.9
	<u>10,230,422</u>	<u>111.6</u>	<u>9,963,275</u>	<u>109.7</u>
Operating loss	<u>(1,059,430)</u>	<u>(11.6)</u>	<u>(877,777)</u>	<u>(9.7)</u>
OTHER INCOME (EXPENSE)				
Environmental and landfill closure accrual	(257,768)	(2.8)	(156,928)	(1.7)
Gain on fixed assets	7,364	-	-	-
Interest income	13,278	0.1	14,219	0.2
	<u>(237,126)</u>	<u>(2.7)</u>	<u>(142,709)</u>	<u>(1.6)</u>
CHANGE IN NET ASSETS	<u>(1,296,556)</u>	<u>(14.2)</u>	<u>(1,020,486)</u>	<u>(11.2)</u>
NET ASSETS, beginning of year	<u>5,854,167</u>		<u>6,874,653</u>	
NET ASSETS, end of year	<u>\$ 4,557,611</u>		<u>\$ 5,854,167</u>	

The accompanying Notes to Financial Statements are an integral part of these statements.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2011	2010
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Received from customers	\$ 7,709,155	\$ 9,578,949
Received from others	77,755	-
Paid to suppliers and vendors for goods and services	(7,216,674)	(7,391,764)
Paid to employees including benefits	(1,478,509)	(1,714,752)
	<u>(908,273)</u>	<u>472,433</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and construction of capital assets	(42,913)	(5,216)
Proceeds from sale of equipment	9,290	-
	<u>(33,623)</u>	<u>(5,216)</u>
CASH FLOWS PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Deposits held by other governments	<u>(1,003,922)</u>	<u>-</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest income received	13,278	14,219
Proceeds from sale of investments	-	12,623
Change in reserved cash	(388,072)	-
Change in restricted cash	1,006,358	(658,381)
	<u>631,564</u>	<u>(631,539)</u>
Net decrease in cash	(1,314,254)	(164,322)
CASH, beginning of year	2,519,883	2,684,205
CASH, end of year	<u>\$ 1,205,629</u>	<u>\$ 2,519,883</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (1,059,430)	\$ (877,777)
Amortization	509,440	528,187
Depreciation	699,847	708,371
Bad debt expense	9,195	346
Loss on disposal of assets	-	13,447
Decrease (increase) in		
Accounts receivable	(1,371,411)	498,875
Due from other governments	(52,291)	(5,770)
Prepaid expenses	2,038	6,111
Inventory	(2,370)	(45,984)
Increase (decrease) in		
Provision for compensated absences	4,172	7,916
Accounts payable	133,782	(235,404)
Accrued expenses	188,330	(125,885)
Due to other governments	30,425	-
	<u>\$ (908,273)</u>	<u>\$ 472,433</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Business Organization

The Montgomery, Otsego, Schoharie Solid Waste Management Authority (MOSA) was created as a public benefit corporation under New York State Public Authorities Law §2041, Title 13-AA Chapter 747 of the Laws of 1987 by the New York State Legislature, with powers to construct, operate, and maintain solid waste resource management facilities. MOSA is also empowered to assist in the planning, development, financing, management, and construction of solid waste resource management facilities owned or operated by municipalities or persons inside or outside of MOSA's area of operation.

MOSA is governed by the MOSA Governing Board. The MOSA Governing Board is limited to a maximum of eight members, three appointed by Montgomery County, three appointed by Otsego County, and two appointed by Schoharie County. Authority members are nominated and approved by the Board of Supervisors of the respective Counties.

MOSA began operations during July 1989 with the acquisition of two landfills (Eastern and Central) previously operated by Montgomery County. As part of the acquisition, MOSA assumed the responsibility to carry out the mandated closure of these landfills. In exchange for assuming these liabilities, Montgomery, Otsego, and Schoharie Counties (Counties) have entered into a Service Agreement in which they each guarantee to deliver to MOSA for a period of 25 years 95% of all waste generated within their borders as determined by MOSA. This agreement expires during 2014.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

b. Method of Accounting

MOSA's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to MOSA is determined by its measurement focus. The transactions of MOSA are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net assets. Net assets are segregated into restricted and unrestricted components.

Revenues are recognized when earned and expenses are recognized when incurred. MOSA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the disposal of solid waste. The principal operating revenues of MOSA are charges to customers for user services. Operating expenses include the cost of transfer stations including transportation, finance and administration, landfill, equipment maintenance, and environmental protection. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Cash

Reserved cash consists of amounts reserved for specific purposes by the MOSA Governing Board. Restricted cash consists of amounts restricted by the Post-Closure Monitoring and Maintenance Agreement between MOSA and the Counties.

All cash accounts are either covered by federal depository insurance or collateralized by securities held by the pledging bank's trust department.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

d. Accounts Receivable, Net

Accounts receivable are carried at original invoice. Management determines if an allowance for doubtful accounts is needed by identifying troubled accounts and by using historical experience applied to an aging of accounts as well as regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. Management has provided for an allowance of \$12,711 and \$8,753 at December 31, 2011 and , respectively.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on accounts receivable that are outstanding for more than 30 days at a rate of 1% per month, or 12% per annum, and is recognized as it is charged.

e. Inventory

Inventory consists of fuel and various equipment supplies that are recorded at the lower of cost or market.

f. Deposits with Other Governments

In December 2009, MOSA entered into a Post-Closure Monitoring and Maintenance Agreement with Montgomery, Otsego, and Schoharie Counties (Agreement). In accordance with the Agreement, Montgomery County established a Post-Closure Reserve cash account to pay for extraordinary expenses incurred by MOSA for the remediation of one or more of the landfills. Interest shall accrue and remain in the account, except that interest earnings may be transferred to fund post-closure operations if approved by the three Counties.

g. Property and Equipment, Net

Property and equipment, net, are recorded at cost, except for contributed property and equipment, which is recorded at fair market value or the contributor's net book value if fair market value is not readily ascertainable. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred unless they are greater than \$1,000 and extend the useful life of the asset. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs, and accumulated depreciation and any resultant gain or loss is credited or charged to operations.

Except for those capital assets that have reversionary clauses, management believes that the recorded net book value of the transfer stations is recoverable through related revenues or, if necessary, through disposition at fair market value.

MOSA evaluated prominent events or changes in circumstances affecting property and equipment to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2011 and .

Interest expenses incurred during construction of assets are capitalized. Constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) include capitalized interest to the extent that interest cost (including any related financing costs) over the asset construction period exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing.

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives, using the double-declining balance basis and straight-line basis for buildings and assets purchased after January 1, 2000. The estimated useful lives established to determine depreciation for vehicles, machinery, and equipment vary from three to seven years. Buildings and building improvements are depreciated over 31½ years. Land, land improvements, and construction in progress are not depreciated.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

h. Intangible Assets, Net

Intangible assets are recorded at cost, net of accumulated amortization, and are subject to annual impairment tests. Intangible assets relate to the Service Agreement discussed in Note 1i.

i. Environmental and Closure Accruals

State and federal laws and regulations require that MOSA place a final cap on its landfills when closed and that certain maintenance and monitoring functions at the landfill sites be performed after closure.

As described in Note 1a, MOSA assumed the liability for closing the Eastern and Central Landfills in exchange for a twenty-five year Service Agreement. Management has elected to capitalize the original estimated closure costs of these two landfills and amortize them over the life of the Service Agreement. See Note 3b for additional information.

j. Tax Status

The Authority is exempt from federal income taxes under Internal Revenue Service Code Section 115.

k. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

l. Subsequent Events

MOSA has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 14, 2012, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT, NET

A summary of MOSA's property and equipment, net, is as follows:

	Balance January 1, 2011	Additions	Disposals	Balance December 31, 2011
Building	\$ 11,260,270	\$ -	\$ -	\$ 11,260,270
Machinery and equipment	2,300,045	42,913	-	2,342,958
Vehicles	462,626	-	(38,522)	424,104
Office equipment	299,772	-	-	299,772
	<u>14,322,713</u>	<u>42,913</u>	<u>(38,522)</u>	<u>14,327,104</u>
Less accumulated depreciation	9,078,528	699,847	(36,596)	9,741,779
	<u>5,244,185</u>	<u>(656,934)</u>	<u>(1,926)</u>	<u>4,585,325</u>
Land and improvements	1,089,079	-	-	1,089,079
	<u>\$ 6,333,264</u>	<u>\$ (656,934)</u>	<u>\$ (1,926)</u>	<u>\$ 5,674,404</u>

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 - PROPERTY AND EQUIPMENT, NET - Continued

	Balance January 1, 2010	Additions	Disposals	Balance December 31, 2010
Building	\$ 11,130,983	\$ 129,287	\$ -	\$ 11,260,270
Machinery and equipment	2,294,945	5,100	-	2,300,045
Vehicles	462,626	-	-	462,626
Office equipment	299,772	-	-	299,772
	<u>14,188,326</u>	<u>134,387</u>	<u>-</u>	<u>14,322,713</u>
Less accumulated depreciation	<u>8,370,157</u>	<u>708,371</u>	<u>-</u>	<u>9,078,528</u>
	5,818,169	(573,984)	-	5,244,185
Land and improvements	1,089,079	-	-	1,089,079
Construction work in process	142,618	-	(142,618)	-
	<u>\$ 7,049,866</u>	<u>\$ (573,984)</u>	<u>\$ (142,618)</u>	<u>\$ 6,333,264</u>

NOTE 3 - INTANGIBLE ASSETS, NET

A summary of intangible assets and accumulated amortization is as follows:

	December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
Solid waste management plan (a)	\$ 510,166	\$ 510,166	\$ -
Twenty-five year Service Agreement (b)	12,000,000	10,848,418	1,151,582
	<u>\$ 12,510,166</u>	<u>\$ 11,358,584</u>	<u>\$ 1,151,582</u>
	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Solid waste management plan (a)	\$ 510,166	\$ 494,261	\$ 15,905
Twenty-five year Service Agreement (b)	12,000,000	10,354,883	1,645,117
	<u>\$ 12,510,166</u>	<u>\$ 10,849,144</u>	<u>\$ 1,661,022</u>

- (a) Consists of costs incurred for the development of a twenty-year solid waste management plan (Plan). The Plan was completed during the fall of 1991. Management has elected to amortize the cost of the Plan over its expected useful life of twenty years at \$25,508 per year.
- (b) Represents the originally estimated landfill closure liability assumed in exchange for the twenty-five year Service Agreement. Each of the three participating Counties has Guaranteed Annual Tonnage (GAT) to MOSA. Should actual tonnage deviate more than 10% over or 5% under GAT, the County may be required to contribute to MOSA's operating costs. Amortization of the Service Agreement was \$493,535 and \$502,679 during 2011 and 2010, respectively. At December 31, 2011 and 2010, total tons received to date were 90% and 86% of total expected tons, respectively. Management has elected to amortize the Service Agreement on an annual basis based on (1) the straight-line basis or (2) annual usage to total usage basis, whichever is greater. Amortization is expected to be complete by May 1, 2014, the expiration of the Agreement.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 3 - INTANGIBLE ASSETS, NET - Continued

A schedule of estimated intangible amortization over the next three years, assuming the Service Agreement amortizes ratably over the twenty-five year life, follows:

	Estimated Amortization
For the year ending December 31, 2012	\$ 493,535
2013	493,535
2014	164,512
	\$ 1,151,582

NOTE 4 - ENVIRONMENTAL AND CLOSURE ACCRUALS FOR PURCHASED LANDFILLS

A summary of the environmental and closure accruals, which includes the consulting independent engineer's estimate of the cost of environmental compliance, disposal site upgrading, and landfill closure and post-closure, and related costs and interest capitalization is as follows:

	December 31, 2011			
	Eastern Landfill	Central Landfill	C & D Landfill	Total
Closure	\$ 3,393,301	\$ 2,852,959	\$ 131,053	\$ 6,377,313
Post-closure	6,647,269	3,589,875	87,031	10,324,175
	10,040,570	6,442,834	218,084	16,701,488
Less costs incurred	5,369,758	4,052,476	133,980	9,556,214
	\$ 4,670,812	\$ 2,390,358	\$ 84,104	\$ 7,145,274
	December 31, 2010			
	Eastern Landfill	Central Landfill	C & D Landfill	Total
Closure	\$ 3,393,301	\$ 2,852,959	\$ 131,053	\$ 6,377,313
Post-closure	6,623,320	2,957,504	86,072	9,666,896
	10,016,621	5,810,463	217,125	16,044,209
Less costs incurred	5,083,467	3,939,256	133,980	9,156,703
	\$ 4,933,154	\$ 1,871,207	\$ 83,145	\$ 6,887,506

These estimates are subject to revision based on changes in the law, management's plans, inflation, deflation, technology, discount rate, other circumstances, or differences between estimates and actual costs. Any effects of changes in these amounts are reflected in the statements of revenues, expenses, and changes in net assets as environmental and landfill closure accrual. Management plans to use internal staffing to provide the majority of post-closure monitoring and maintenance. No waste was accepted at the Eastern Landfill after December 31, 1996. No waste has been accepted at the Central and C & D Landfills since April 1993.

The Central Landfill was formally closed as of the end of 1996. The Eastern Landfill was essentially closed at December 31, 1998, with remediations performed during 1999.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 5 - PROVISION FOR COMPENSATED ABSENCES

All permanent employees meeting certain conditions are provided with vacation, sick pay, and certain other leave credits based on the terms of employment. Accumulated unpaid vacation is accrued when incurred, included in provision for compensated absences on the statements of net assets, and totaled \$53,393 and \$49,221 at December 31, 2011 and 2010, respectively. Sick pay and other leave credits do not vest with the employee and are expensed when paid.

NOTE 6 - NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM

MOSA participates in the New York State and Local Employees' Retirement System (System). 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 its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

The System is noncontributory except for (1) employees who joined the System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and (2) employees who join after January 1, 2010, who will contribute 3% of their salary for their entire career. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions.

The required contributions to the System for the current year and two preceding years were:

2011	\$ 170,100
2010	113,341
2009	88,485

MOSA's contributions made to the System were equal to 100 percent of the contributions required for each year.

NOTE 7 - RELATED PARTY TRANSACTIONS

a. Subsidization

During 2010, the Counties subsidized the Official MOSA Tipping Fee of \$86.00 per ton. There were no subsidies provided during 2011. The net amounts of the subsidies, which are included in refuse and garbage revenues, are as follows:

	<u>2011</u>	<u>2010</u>
Montgomery County	\$ -	\$ 494,312
Otsego County	-	518,518
Schoharie County	-	186,368

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 7 - RELATED PARTY TRANSACTIONS - Continued

b. Post-Closure Monitoring and Maintenance

In December 2009, the Counties entered into an agreement with MOSA to annually pay MOSA for post-closure costs. The agreement determined the allocation of the costs based on estimates of land use, population, waste generation, and historic use of the landfills. Each County has elected to have MOSA assess the individual County's share of the annual post-closure expenses through a tip fee adjustment assessed on waste delivered to MOSA and generated in that individual County. An annual reconciliation of all post-closure reimbursements and expenditures is performed, and each County is responsible for any shortfalls between collections through tip fee adjustments and the individual County's share of post-closure costs. For the years ended December 31, 2011 and 2010, the cost allocation and post-closure reimbursements received directly from each County, which are included in refuse and garbage revenues, are as follows:

	December 31, 2011					
	Cost Allocation	Total Post-Closure Expenses	Reserve Funding	Reimbursement Received Through Tip Adjustment and Interest	Reimbursements Received from County	Amount Due To/from County
Montgomery County	42%	\$ 165,653	\$ 5,040	\$ 112,795	\$ 26,814	\$ (31,084)
Otsego County	40%	157,764	4,800	126,453	9,134	(26,977)
Schoharie County	18%	70,994	2,160	93,349	10,230	30,425
	<u>100%</u>	<u>\$ 394,411</u>	<u>\$ 12,000</u>	<u>\$ 332,597</u>	<u>\$ 46,178</u>	<u>\$ (27,636)</u>
	December 31, 2010					
	Cost Allocation	Total Post-Closure Expenses	Reserve Funding	Reimbursement Received Through Tip Adjustment and Interest	Reimbursements Received from County	Amount Due To/from County
Montgomery County	42%	\$ 117,288	\$ 5,040	\$ 133,148	-	\$ 10,820
Otsego County	40%	111,703	4,800	120,126	1,684	5,307
Schoharie County	18%	50,266	2,160	51,736	2,920	2,230
	<u>100%</u>	<u>\$ 279,257</u>	<u>\$ 12,000</u>	<u>\$ 305,010</u>	<u>\$ 4,604</u>	<u>\$ 18,357</u>

c. Workers' Compensation Plan

During 2011 and 2010, MOSA employees were covered under Montgomery County's workers' compensation policy. Workers' compensation payments to Montgomery County totaled \$39,774 and \$44,946 for the years ended December 31, 2011 and 2010, respectively.

d. Other

MOSA paid Otsego County \$172 and \$28,715 for the years ended December 31, 2011 and , respectively, as follows: \$22,127 paid in 2010 was reimbursement for half of the Household Hazardous Waste program costs, \$110 was paid in 2011 for additional 2010 Household Hazardous Waste program costs, \$62 for a water user fee each year, and \$6,526 was paid in 2010 for reimbursement for the overpayment of the 2010 subsidy and duplicate post-closure payment.

MOSA paid Montgomery County \$266 and \$1,134 for the years ended December 31, 2011 and 2010, respectively, as follows: \$160 and \$194 for printing costs and \$106 and \$940 for signs made by the Department of Public Works.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 7 - RELATED PARTY TRANSACTIONS - Continued

d. Other - Continued

MOSA paid Schoharie County \$627 for the year ended December 31, 2011, as a refund of a portion of the 2011 post-closure payment. MOSA paid \$13,122 for the year ended December 31, 2010, for reimbursement for the overpayment of the 2010 subsidy and 2009 GAT shortfall adjustment and \$60 for a notary renewal fee for a MOSA employee.

Otsego County paid MOSA \$10,080 for the use of the MRF Building located at MOSA's Oneonta transfer station for both years ended December 31, 2011 and 2010.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

a. Leases With Others

At December 31, 2011, MOSA has operating lease agreements for two pieces of equipment. The leases include monthly payments totaling \$426. One lease expires in September 2012, and one lease expires in October 2015.

Rental expense under the operating leases totaled \$5,810 and \$6,004 for the years ended December 31, 2011 and 2010, respectively. The minimum rental commitments under these leases are as follows:

For the year ending December 31, 2012	\$ 4,657
2013	3,300
2014	3,300
2015	<u>2,750</u>
	<u>\$ 14,007</u>

b. Significant Customers

MOSA serves various haulers that transport solid waste throughout Montgomery, Otsego, and Schoharie Counties. There are two haulers that comprise 25% and 33% of the tons hauled in 2011 and 2010, respectively. In 2011, 13% of the tons hauled were related to debris removal as a result of two natural disasters.

NOTE 9 - ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED

In December 2010, GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 9 - ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED - Continued

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. MOSA has not yet adopted this statement.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

Management has not estimated the extent of the potential impact of these statements on MOSA's financial statements.

NOTE 10 - SUBSEQUENT EVENTS

During January 2012, the New York State Senate was presented with legislation from Otsego County to terminate its membership in MOSA. This legislation proposed that Montgomery and Schoharie Counties execute a plan to allow for Otsego County's assumption of its proportional and equitable share of MOSA's assets and liabilities. During February 2012, this legislation was enacted, and management is currently assessing the impact of this ruling and what financial impact it will have on MOSA. The financial statements, as presented herein, have not been adjusted to reflect the effects, if any, of this legislation.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

SUPPLEMENTAL INFORMATION - OPERATING EXPENSES

Year Ended December 31, 2011

	<u>Finance and Administration</u>	<u>Landfill</u>	<u>Maintenance</u>	<u>Transfer Station and Transportation</u>	<u>Environmental Protection</u>	<u>Total</u>	<u>% of Revenue</u>
Salaries and wages	\$ 270,143	\$ -	\$ 130,231	\$ 694,882	\$ 7,650	\$ 1,102,906	12.0
Amortization, net	509,440	-	-	-	-	509,440	5.6
Bad debt expense	9,195	-	-	-	-	9,195	0.1
Closure	-	394,411	-	-	-	394,411	4.3
Consultants	21,196	-	560	7,452	-	29,208	0.3
Depreciation	699,847	-	-	-	-	699,847	7.6
Employee benefits	87,854	-	71,524	238,732	590	398,700	4.3
Equipment	-	-	6,930	194	-	7,124	0.1
Equipment lease	1,706	-	-	-	-	1,706	0.0
Equipment repair and maintenance	9,870	-	141,325	-	-	151,195	1.6
Fuel	80	-	9,397	71,349	2,458	83,284	0.9
Heating	6,540	-	8,224	-	-	14,764	0.2
Household hazardous waste	-	-	-	-	49,717	49,717	0.5
Insurance	12,891	-	6,552	29,558	3,171	52,172	0.6
Legal	12,353	-	-	-	-	12,353	0.1
Light and power	5,800	-	-	36,054	-	41,854	0.5
Office furnishings and supplies	3,208	-	128	1,856	-	5,192	0.1
Printing	(151)	-	-	-	-	(151)	(0.0)
Recyclable disposition	-	-	-	-	14,710	14,710	0.2
Retirement	45,326	-	29,456	94,623	-	169,405	1.8
Supplies	760	-	4,713	1,982	-	7,455	0.1
Telephone	6,654	-	2,694	7,065	-	16,413	0.2
Transportation	-	-	-	6,418,644	-	6,418,644	70.0
Travel and lodging	9,839	-	-	6,986	-	16,825	0.2
Uniforms	-	-	3,008	12,828	-	15,836	0.2
Water and sewer	534	-	457	3,316	-	4,307	0.0
Miscellaneous	3,750	-	-	160	-	3,910	0.0
	<u>\$ 1,716,835</u>	<u>\$ 394,411</u>	<u>\$ 415,199</u>	<u>\$ 7,625,681</u>	<u>\$ 78,296</u>	<u>\$ 10,230,422</u>	<u>111.6</u>

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

SUPPLEMENTAL INFORMATION - OPERATING EXPENSES

Year Ended December 31, 2010

	Finance and Administration	Landfill	Maintenance	Transfer Station and Transportation	Environmental Protection	Total	% of Revenue
Salaries and wages	\$ 276,947	\$ -	\$ 150,048	\$ 652,288	\$ 7,616	\$ 1,086,899	12.0
Amortization, net	528,187	-	-	-	-	528,187	5.8
Bad debt expense	346	-	-	-	-	346	0.0
Closure	-	279,257	-	-	-	279,257	3.1
Consultants	21,783	-	528	6,373	-	28,684	0.3
Depreciation	708,371	-	-	-	-	708,371	7.8
Employee benefits	95,797	-	70,775	230,009	828	397,409	4.4
Equipment	-	-	10,221	-	-	10,221	0.1
Equipment lease	1,848	-	-	-	-	1,848	0.0
Equipment repair and maintenance	10,492	-	127,777	-	-	138,269	1.5
Fuel	62	-	9,894	33,889	4,782	48,627	0.5
Heating	5,758	-	5,800	-	-	11,558	0.1
Household hazardous waste	-	-	-	-	82,496	82,496	0.9
Insurance	14,476	-	7,358	30,607	3,560	56,001	0.6
Legal	26,139	-	-	-	-	26,139	0.3
Light and power	8,808	-	-	57,556	-	66,364	0.7
Office furnishings and supplies	9,624	-	118	1,733	-	11,475	0.1
Printing	223	-	-	-	-	223	0.0
Recyclable disposition	-	-	-	-	39,568	39,568	0.4
Retirement	30,247	-	19,912	62,316	-	112,475	1.2
Supplies	242	-	6,353	2,540	-	9,135	0.1
Telephone	6,948	-	2,821	8,403	-	18,172	0.2
Transportation	-	-	-	6,250,022	-	6,250,022	68.8
Travel and lodging	10,441	-	-	3,737	-	14,178	0.2
Uniforms	-	-	2,663	11,110	-	13,773	0.2
Water and sewer	1,717	-	426	2,827	-	4,970	0.1
Miscellaneous	18,373	-	-	235	-	18,608	0.2
	<u>\$ 1,776,829</u>	<u>\$ 279,257</u>	<u>\$ 414,694</u>	<u>\$ 7,353,645</u>	<u>\$ 138,850</u>	<u>\$ 9,963,275</u>	<u>109.7</u>

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

Authority Governing Board
Montgomery, Otsego, Schoharie
Solid Waste Management Authority
Howes Cave, New York

We have audited the financial statements of Montgomery, Otsego, Schoharie Solid Waste Management Authority (MOSA) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 14, 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

Management of MOSA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered MOSA's internal control over financial reporting as a basis for designing 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 MOSA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MOSA'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 MOSA'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 11-01 and 11-02.

We noted certain matters that we reported to management of MOSA in a separate letter dated March 14, 2012.

MOSA's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit MOSA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board, and is not intended to be and should not be used by anyone other than those specified parties.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 14, 2012

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Compliance Findings

11-01. Reports Posted on the Website

Criteria: The New York State Authority Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to the Public Authorities Reform Act (PARA) of 2009. This guidance states that effective immediately, public authorities are required to make specific information available to the public through the internet.

Condition: MOSA did not have its procurement reports for the years ended December 31, 2011 and 2010, posted on its website as required by the PARA.

Cause: There does not appear to be a process in place to regularly review the Authority Budget Office (ABO) website for changes to the law.

Effect: Noncompliance with the Public Authorities Law.

Recommendation: Although we are aware these reports were posted on the website prior to fieldwork ending, MOSA should establish a process that an individual is responsible for reviewing the ABO website on a periodic basis for changes or updates to the law to ensure MOSA is in compliance.

View of Responsible Officials and Planned Corrective Action: Both the Confidential Secretary and Finance Department review the ABO website quarterly for updates. Management has been working on a new webpage which includes a dedicated area for ABO posting requirements. The introduction of the new webpage was delayed due to the flood.

These reports are now posted on the current website, and we will continue to review updates to the ABO website on a quarterly basis.

**MONTGOMERY, OTSEGO, SCHOHARIE
SOLID WASTE MANAGEMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2011**

Section III - Compliance Findings - Continued

11-02. Annual Policy Review

Criteria: The Public Authorities Law, as amended in 2005 by the Public Authorities Accountability Act (PAAA) and in 2009 by PARA, requires state and local authorities to annually review its investment policy.

Condition: MOSA did not review its investment policy during the fiscal year ended December 31, 2011.

Cause: There does not appear to be a process in place to for the Board to regularly review policies.

Effect: Noncompliance with the Public Authorities Law.

Recommendation: The review of MOSA's policies on an annual basis should be performed to comply with Public Authorities Law and to ensure that Board members are aware of the policies in place and whether certain polices need to be amended.

View of Responsible Officials and Planned Corrective Action: Management has included the review of ABO PARIS reporting and Board requirement as part of the second regular Board meeting. This combined with the quarterly review of the website should provide the compliance required.