ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

FINANCIAL REPORT

December 31, 2011 and 2010

ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

FINANCIAL REPORT

December 31, 2011 and 2010

C O N T E N T S

BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oneida-Herkimer Solid Waste Management Authority
Utica, New York

We have audited the accompanying balance sheets of the Oneida-Herkimer Solid Waste Management Authority (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 the Authority'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 that 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 the Oneida-Herkimer Solid Waste Management Authority as of December 31, 2011 and 2010, 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 5, 2012, on our consideration of the Oneida-Herkimer Solid Waste Management Authority'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 11 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.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 5, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

On behalf of the Oneida-Herkimer Solid Waste Management Authority (Authority), I am pleased to submit this 2011 Annual Financial Report developed in compliance with accounting principles generally accepted in the United States of America (GAAP). This year marks the 23rd anniversary since the formation of the Authority.

In 2011, the Authority continued to make progress on the planned beneficial use of landfill gas to generate electricity. We also advanced our efforts to convert our dual stream recycling center to single stream. The single stream facility opened on January 3, 2012, and the landfill gas to electricity plant should be completed in the early part of 2012.

Although 2011 continued to be challenging, the Authority remained in a very stable financial position. While continuing to cut costs, the Authority continued to provide a full range of services to handle all categories of waste generated by the region's individuals, businesses, industries, and institutions. The Authority continued its emphasis on reduction and recycling. The Authority remains committed to maintaining and enhancing the region's self-reliant integrated solid waste management system.

During 2011, the Authority financed the construction of the new single stream recycling center. This $10.7 million financing received an overall interest rate of 4.7%. As part of this process, both Moody's and Standard & Poor's upgraded their credit rating of the Authority. Moody's rated the bonds an A2 rating citing improved debt service coverages with the opening of the landfill, flow control, and average tipping fees. Standard & Poor's rated the bond issue an A+ citing sound operations at its landfill, stable growth trends in total waste, and a strong liquidity position.

The Authority's Board remains committed to long-term stable rates. The 2011 operating surplus and corresponding positive net asset position is a result of careful planning and the decision to establish reserves for future capital projects. Specifically, the Authority continued reserves for major landfill equipment replacement ($250,000) and the extension of the landfill liner for new waste disposal cells ($1,400,000). By reserving these funds from current disposal fees, it will reduce or eliminate the need to borrow for these projects in the future. Although the revenue is being collected now, it is not recorded as an expense until the equipment is purchased or the construction is started. Therefore, the Authority will show significant budget surpluses until the years in which these capital projects are started.

While we continue to manage the region's waste and recyclables in a safe, reliable, and efficient manner, I invite you to review this summary of our operations and feel free to call anytime.

Donald Gross
Chairman

ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

AUTHORITY PROFILE

The Oneida-Herkimer Solid Waste Management Authority was created by the State Legislature at the request of the two Counties by passage of Article 8, Title 13-FF of the New York Public Authority Law on September 1, 1988. The Authority is authorized to provide waste management services and to develop appropriate solid waste management facilities for the benefit of Oneida and Herkimer Counties.

The Authority has developed a comprehensive, integrated system of facilities to serve all the residents, businesses, industries, and institutions of Oneida and Herkimer Counties.

The Authority's 2011 annual budget was approximately $26.1 million and covered expenses for disposal of waste, recycling, household hazardous waste, composting, public education, administration, collection of waste, and recyclables in the City of Utica and Villages of Ilion, Frankfort, Herkimer, Mohawk, and Dolgeville, capital purchases, operations, maintenance, and debt service. The Authority currently owns nine operational solid waste management facilities and one closed facility. These facilities are as follows: an administration facility, a recycling center, three solid waste transfer stations, a green waste composting facility, a land clearing debris facility, a household hazardous waste facility, and a regional landfill; and a closed ash landfill.

The Authority's revenue structure is primarily a fee for service system. A system tip fee is charged for all non-recyclable waste delivered to the Authority to cover the majority of expenses in the Authority budget. The Authority receives the remaining revenue from other sources such as investments, sale of recyclables, and grants and user fees. The Authority receives no funds from the Counties.

Authority Board of Directors for 2011

Name	Business Affiliation
Donald Gross, Chairman	Retired Manager of GE Aerospace and Member of Frankfort Zoning Board of Appeals
Neil C. Angell, Vice Chairman *Vice Chairman, Finance Committee*	Town of Verona Dairy Farmer and former Oneida County Legislator and Member of the Agricultural Economic Development Committee
Harry A. Hertline, Treasurer *Chairman, Finance Committee* *Chairman, Audit Committee*	Korean War Air Force Veteran, Retired GE Unit Contract Manager, and former Minority Leader Oneida County Board of Legislators
Vincent A. Casale	Owner of The Casale Group, a political consulting and strategic communications company and a member of the Mohawk School District Board of Education, Herkimer BOCES Board of Education, and Herkimer County Youth Advisory Board
Alicia Dicks *FOIL Appeals Committee*	Director of National Grid, Upstate Community Investment and Member of the Mohawk Valley Economic Development Growth Enterprise, Oneida County School and Business Alliance, and Rob Esche "Save of the Day" Foundation
James M. D'Onofrio *FOIL Appeals Committee*	President of Arlott Office Products and Member of Oneida County Board of Legislators
Barbara Freeman *Governance Committee* *Chair, FOIL Appeals Committee*	Retired Teacher, After School Programs Director for Center for Family Living and Recovery, Inc., Member of Boonville Environmental Conservation Council
Kenneth A. Long *Finance Committee* *Vice Chairman, Audit Committee* *Chairman, Governance Committee*	Business Manager of the Ilion Central School District and former Herkimer County Legislator

AUTHORITY PROFILE - Continued

Robert J. Roberts, III *Audit Committee* *Finance Committee*	CEO/Executive Director of Kids Oneida, Inc.
James Williams *Governance Committee*	Retired from the United States Postal Service, Vietnam War Army Veteran, and Member of the Ava Town Planning Board

RESPONSIBILITY AND CONTROLS

The Authority has prepared and is responsible for the financial statements and related information included in this 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 benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Authority's system of internal accounting controls is evaluated on an ongoing basis by the Authority's 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.

The Finance Committee of the Authority Board of Directors is composed of four members of the Board who are not employees and who provide a broad overview of management's financial reporting and control functions. This Committee meets regularly with management to discuss financial issues.

The Audit Committee of the Authority Board of Directors is composed of three members of the Board who are not employees and who have responsibilities including the hiring of the independent auditor, the compensation to be paid to the auditing firm, and to meet with the independent auditor regarding the Authority's annual audit.

AUDIT ASSURANCE

Since the Authority has been established, we have received an unqualified opinion with each annual independent audit commonly referred to as a clean opinion. The current unqualified opinion from our auditors, Bollam, Sheedy, Torani & Co. LLP, CPAs, is included in this report.

FINANCIAL HIGHLIGHTS

This section of the report presents management's discussion and analysis of the Authority's financial position as of December 31, 2011 and 2010, and other significant pertinent financial information.

The 2011 financial report continues to reflect the strong operating results of the Authority. The Authority has increased net assets by approximately $4.67 million, $5.15 million, and $4.33 million for the years ended December 31, 2011, 2010, and 2009, respectively. This was the result of several factors including:

- Municipal solid waste increased about 800 tons over 2010. Construction and demolition material received was down about 6% as a result of difficult economic conditions. RLF cover/contaminated soil received decreased substantially from 2010 as a result of several large cleanup projects being finished in 2010. The receipt of asbestos material increased as a large asbestos project was completed in 2011.

FINANCIAL HIGHLIGHTS - Continued

- Recycling markets continued to be strong, and the Authority earned about $2,236,000 and $2,780,000 in recycling sales during 2011 and 2010, respectively. This was significant given the fact that the Authority's Recycling Center was under construction while being converted to a single-stream facility during the year.
- The Authority sold carbon credits in 2011 resulting in $261,689 of revenue.
- Expenses were closely monitored and several budgeted positions were left vacant.
- The Authority increased its spending in 2011 on a public information campaign to promote the new Single Stream Recycling processing.
- The Authority, once again, fully funded its closure and post-closure funds for the Ash Landfill and Regional Landfill.
- The Authority also funded reserves for landfill equipment in the amount of $250,000 and $275,000 and for the extension of the landfill liner in the amount of $1,400,000 and $1,540,000 during 2011 and 2010, respectively.

In addition to the above, the Authority had the following capital expenses:

- During 2011, the Authority constructed the new single stream recycling center that was put into use on January 3, 2012. The Authority financed this project by issuing revenue bonds. The Authority sold $10,725,000 of bonds at an interest rate of 4.7%.
- During 2011, construction began on an electrical generating facility utilizing landfill gas at the landfill. The Authority has entered into a contract with WM Renewal Energy to construct the facility. The Authority is projected to begin collecting revenue in 2012. In addition, the Authority sold carbon credits from this project in 2011 and has a contract to collect such revenue through September 30, 2014.
- During 2010, the Authority constructed an additional landfill cell that is anticipated to begin use in 2013.

FINANCIAL ANALYSIS

The balance sheets and statements of revenues, expenses, and changes in net assets and other selected information provide information to management for analysis and planning. These two statements report the Authority's net assets and changes in them.

TABLE A-1
CONDENSED BALANCE SHEETS

	December 31,				
	2011	2011 vs. 2010	2010	2010 vs. 2009	2009
ASSETS					
Current assets	$ 14,035,149	9.50%	$ 12,817,553	-12.50%	$ 14,648,779
Restricted assets	20,206,484	16.80%	17,300,725	2.67%	16,851,135
Property, plant, and equipment, net	49,121,864	17.73%	41,723,377	7.21%	38,915,954
Other assets	878,665	4.44%	841,303	-20.47%	1,057,802
Total assets	**$ 84,242,162**	**15.90%**	**$ 72,682,958**	**1.69%**	**$ 71,473,670**
LIABILITIES AND NET ASSETS					
Current liabilities	$ 8,360,539	8.77%	$ 7,686,170	7.96%	$ 7,119,482
Long-term liabilities	51,568,153	13.70%	45,354,397	-9.05%	49,866,139
Total liabilities	59,928,692	12.99%	53,040,567	-6.92%	56,985,621
Net assets invested in capital assets, net of related debt	(1,836,193)	-68.44%	(5,818,552)	-56.86%	(13,487,821)
Net assets, restricted	20,206,484	16.80%	17,300,725	2.67%	16,851,135
Net assets, unrestricted	5,943,179	-27.17%	8,160,218	-26.65%	11,124,735
Total net assets	24,313,470	23.78%	19,642,391	35.58%	14,488,049
Total liabilities and net assets	**$ 84,242,162**	**15.90%**	**$ 72,682,958**	**1.69%**	**$ 71,473,670**

Total assets have increased by 18% since 2009. This growth is primarily from the Authority's property, plant, and equipment. The Authority had two major projects during this time, including the constructing of a new cell at the Landfill and the construction of a new Single Stream Recycling Center.

Long-term liabilities have increased with the issuance of $10,725,000 of bonds for the Single Stream Recycling Center.

Net assets have grown approximately $14 million over the three-year period as a result of favorable operations of the Landfill, consistent waste tonnage, strong recyclable sales, diversification of revenues, and a tight control over Authority expenses.

TABLE A-2
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years Ended December 31,				
	2011	2011 vs. 2010	2010	2010 vs. 2009	2009
Operating revenue	$ 24,979,134	-1.10%	$ 25,256,219	4.91%	$ 24,073,662
Nonoperating revenue	551,454	1.80%	541,724	-5.67%	574,286
Total revenues	25,530,588	-1.04%	25,797,943	4.67%	24,647,948
Depreciation expense	3,617,006	-6.01%	3,848,425	1.67%	3,785,140
Other operating expense	15,502,839	4.77%	14,797,567	3.49%	14,298,082
Nonoperating expense	1,739,664	-12.91%	1,997,609	-10.67%	2,236,153
Total expenses	20,859,509	1.05%	20,643,601	1.60%	20,319,375
Change in net assets	**4,671,079**	**-9.38%**	**5,154,342**	**19.08%**	**4,328,573**
NET ASSETS, beginning net assets	19,642,391	35.58%	14,488,049	42.61%	10,159,476
NET ASSETS, ending net assets	**$ 24,313,470**	**23.78%**	**$ 19,642,391**	**35.58%**	**$ 14,488,049**

FINANCIAL ANALYSIS - Continued

The Authority's expenses have grown 2.65% over a two-year period. This is the result of close monitoring of expenses and a reduction in personnel and overtime.

BUDGETARY HIGHLIGHTS

The Authority Board of Directors adopts an annual operating budget and a five-year capital plan after thorough review by the Audit and Finance Committee of the Authority Board and a public hearing. Management periodically reviews the budget and informs the Board and Finance Committee if it becomes apparent that the budget as adopted is not in line with actual revenue and expenditures. Variations from the budget are dealt with through budget transfers or amendments. Transfer amounts under $5,000 are done by the Treasurer of the Board. Those in excess of $5,000 are done by resolution of the full Board.

The 2011 and 2010 budgets are compared to the 2011 and 2010 actual results in Table A-3.

TABLE A-3
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS VS. BUDGET

	Year Ended December 31, 2011		
	Actual	Amended Budget	$ Change
Operating revenue	$ 24,979,134	$ 25,783,600	$ (804,466)
Nonoperating revenue	551,454	490,400	61,054
Total revenues	25,530,588	26,274,000	(743,412)
Operating expenses			
Personal	5,198,394	5,119,741	78,653
Contractual services	5,838,429	5,821,232	17,197
Materials and supplies	1,459,824	1,460,245	(421)
Utilities	304,750	361,001	(56,251)
Repairs and maintenance	150,194	158,800	(8,606)
Insurance	142,692	148,201	(5,509)
Other rental	64,808	66,800	(1,992)
Depreciation and amortization	3,617,006	-	3,617,006
Other operating expense	2,343,748	6,429,980	(4,086,232)
Nonoperating expenses	1,739,664	6,708,000	(4,968,336)
Total expenses	20,859,509	26,274,000	(5,414,491)
Net income	$ 4,671,079	$ -	$ 4,671,079

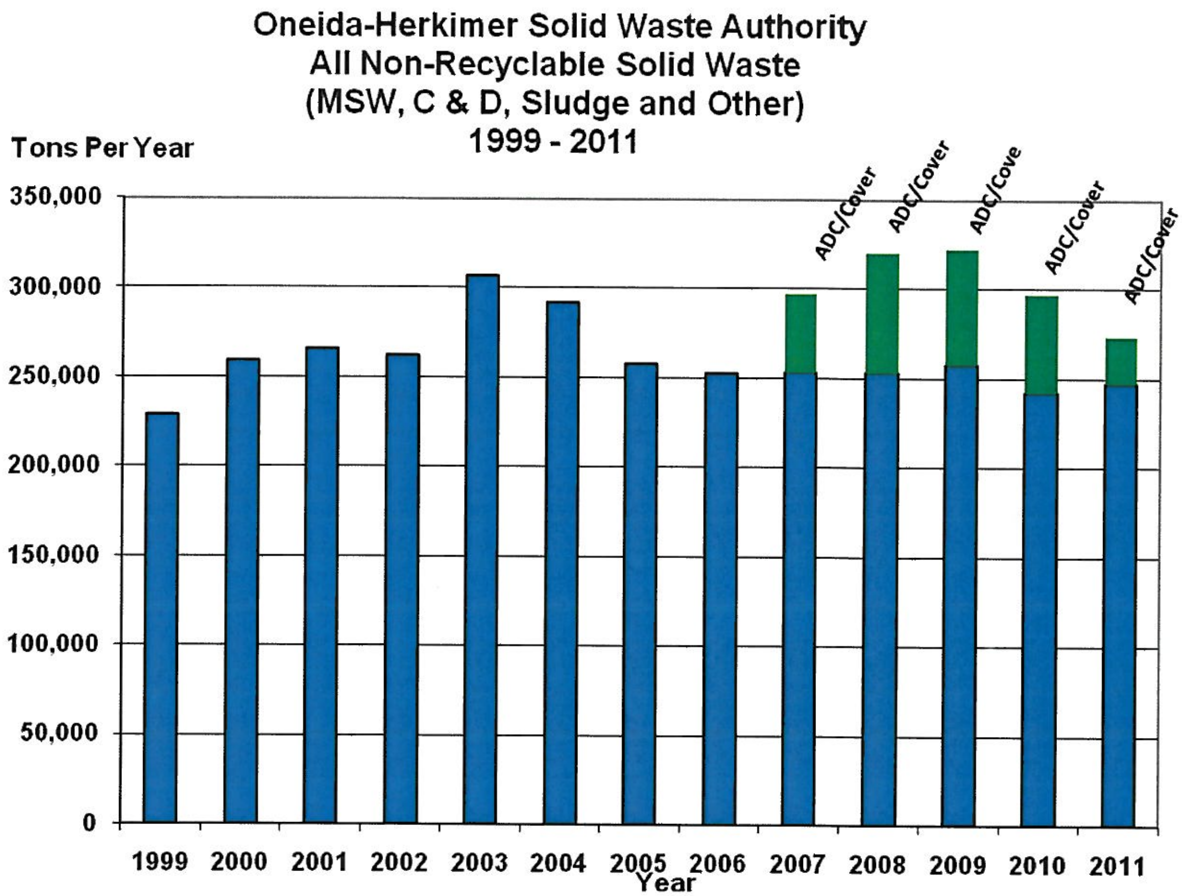
BUDGETARY HIGHLIGHTS - Continued

	Year Ended December 31, 2010		
	Actual	Amended Budget	$ Change
Operating revenue	$ 25,256,219	$ 25,719,800	$ (463,581)
Nonoperating revenue	541,724	420,200	121,524
Total revenues	25,797,943	26,140,000	(342,057)
Operating expenses			
Personal	5,200,181	5,109,377	90,804
Contractual services	5,613,744	5,736,475	(122,731)
Materials and supplies	1,246,185	1,436,530	(190,345)
Utilities	291,050	357,300	(66,250)
Repairs and maintenance	130,061	154,400	(24,339)
Insurance	144,432	149,050	(4,618)
Other rental	76,329	75,800	529
Depreciation and amortization	3,848,425	-	3,848,425
Other operating expense	2,095,585	6,413,068	(4,317,483)
Nonoperating expenses	1,997,609	6,708,000	(4,710,391)
Total expenses	20,643,601	26,140,000	(5,496,399)
Net income	$ 5,154,342	$ -	$ 5,154,342

To make an accurate comparison of actual expenditures to budget, the items discussed above, as well as principal payments on outstanding bonds, depreciation and amortization, and acquisition of capital assets, need to be adjusted to allow for comparison with the 2011 and 2010 amended budgets. These adjustments are as follows:

	Year Ended December 31,	
	2011	2010
Net income	$ 4,671,079	$ 5,154,342
Add: bond proceeds for construction of single stream recycling system	10,725,000	-
Deduct: principal payments made on bonds	(5,030,000)	(4,815,000)
Add: depreciation expense	3,617,006	3,848,425
Deduct: acquisition of capital assets, net	(10,661,621)	(6,662,302)
Budget surplus (deficit)	$ 3,321,464	$ (2,474,535)

GENERAL TRENDS AND SIGNIFICANT EVENTS



FLOW CONTROL

United Haulers Assoc. Inc., et al. v. Oneida-Herkimer Solid Waste Management Authority, et al. - 95-CV-0516, U.S. Dist. Ct., N.D.N.Y., Mordue, J.

In 1995, the Authority and the Counties of Oneida and Herkimer were sued by six local waste hauling firms. They alleged, among other things, that the laws which require them to use specific facilities are in violation of the Commerce Clause of the U.S. Constitution. The laws are legislative acts of each of the Counties. Pursuant to certain Agreements made in May 1989 and December 1989 between the Authority and the Counties, the Authority is charged with the disposal of solid waste and recyclables in the Counties and with the administration of an integrated system of waste management in accordance with New York State law. The Local Laws operate to ensure the continuity of the integrated system.

During 2007, the case was finally and definitively decided.

The Oneida and Herkimer Counties Solid Waste Management Laws were upheld by the United States Supreme Court in a Decision issued April 30, 2007. The Decision written by Chief Justice John Roberts validates the integrated solid waste management system owned and operated by the Oneida-Herkimer Solid Waste Management Authority.

FLOW CONTROL - Continued

United Haulers Assoc. Inc., et al. v. Oneida-Herkimer Solid Waste Management Authority, et al. - 95-CV-0516, U.S. Dist. Ct., N.D.N.Y., Mordue, J. - Continued

The Court recognized that local communities are entitled to develop the kinds of facilities and programs that meet their unique needs and that local communities can set up a fee structure that encourages waste reduction, recycling, and detoxification.

CAPITAL ASSETS

At the end of 2011 and 2010, the Authority had $49.1 million and $41.7 million, respectively, invested in capital assets as indicated in Table A-4.

TABLE A-4
CAPITAL ASSETS

	December 31,				
	2011	2011 vs. 2010	2010	2010 vs. 2009	2009
Land	$ 3,171,849	8.07%	$ 2,934,937	23.45%	$ 2,377,473
Land improvements	32,362,138	0.81%	32,100,594	2.72%	31,249,064
Building and improvements	22,265,067	0.36%	22,184,239	0.96%	21,974,049
Machinery and equipment	5,747,245	1.25%	5,676,461	1.35%	5,600,802
Vehicles	6,880,300	9.33%	6,293,058	8.44%	5,803,104
Office equipment	420,469	4.76%	401,356	0.38%	399,856
	70,847,068	1.81%	69,590,645	3.24%	67,404,348
Less accumulated depreciation and amortization	35,544,733	10.00%	32,314,649	13.43%	28,488,394
Capital assets in service, net	35,302,335	-5.29%	37,275,996	-4.21%	38,915,954
Construction work in progress	13,819,529		4,447,381		-
Total capital assets, net	$ 49,121,864	17.73%	$ 41,723,377	7.21%	$ 38,915,954

The growth of capital assets includes land purchases adjacent to the Landfill, additional vehicles for the facilities, and the construction work in progress for the new Landfill cell and the Single Stream Facility.

The Authority adopted a five-year capital plan with the passage of its annual budget. The five-year plan beginning in 2011 projects spending on capital projects between $587,000 and $11,131,000 per year. The funds for capital projects are covered by the system tipping fee, reserves, and/or debt issuance.

DEBT ADMINISTRATION

The Authority had $53,170,000 and $47,475,000 in outstanding Revenue Bonds at December 31, 2011 and 2010, respectively. Although Oneida and Herkimer Counties guarantee debt service payments in the event that the Authority defaults, the Authority is contractually obligated to set its rates to cover 100% of debt service and operating expenses. Since its inception, the Authority has always raised sufficient revenue to cover operating expenditures, capital purchases, and debt service payments. Because the United States Supreme Court affirmed the County laws and validated the Authority's system, and because the Authority has fostered an extensive working relationship with generators and haulers, and because the Authority has significantly diversified its operations, management is confident that revenues will continue to be sufficient to maintain the integrated solid waste system without assistance from either County. The Authority has never made a request of the Counties for a subsidy.

FINAL COMMENTS

The preceding report summarizes the financial activity for the Authority during 2011 and 2010. The management and staff of the Authority are happy to answer any other questions that may arise after reviewing this report. We can be reached as follows:

Phone: (315)733-1224   7:30 AM - 5:00 PM
Website: ohswa.org

Management Staff

William A. Rabbia, Executive Director
Patrick J. Donovan, Comptroller
Michael V. Wolak, Director of Engineering
James V. Biamonte, Environmental Coordinator
David E. Lupinski, Director of Recycling

ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

BALANCE SHEETS

	December 31, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,270,137	$ 10,811,311
Accounts receivable, net	2,458,174	1,899,382
Prepaid expenses	306,838	106,860
Total current assets	14,035,149	12,817,553
RESTRICTED ASSETS		
Cash and cash equivalents	8,083,619	6,442,828
Other investments	12,048,416	10,783,448
Accrued interest receivable	74,449	74,449
Total restricted assets	20,206,484	17,300,725
OTHER ASSETS		
Property, plant, and equipment, net	49,121,864	41,723,377
Intangible assets, net	878,665	841,303
Total other assets	50,000,529	42,564,680
	$ 84,242,162	$ 72,682,958
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current installments of revenue bonds	$ 5,260,000	$ 5,030,000
Accounts payable and accrued liabilities	1,920,279	1,562,056
Deferred revenue	655,976	636,503
Accrued interest payable	524,284	457,611
Total current liabilities	8,360,539	7,686,170
LONG-TERM LIABILITIES		
Revenue bonds, less current installments	47,910,000	42,445,000
Premium on revenue bonds, net	142,829	66,929
Accrued closure and post-closure costs	3,072,763	2,552,521
Accrued postemployment benefits, less current amounts	442,561	289,947
Total long-term liabilities	51,568,153	45,354,397
Total liabilities	59,928,692	53,040,567
NET ASSETS		
Invested in capital assets, net of related debt	(1,836,193)	(5,818,552)
Restricted	20,206,484	17,300,725
Unrestricted	5,943,179	8,160,218
Total net assets	24,313,470	19,642,391
	$ 84,242,162	$ 72,682,958

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

ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years Ended December 31, 2011	2010
OPERATING REVENUES		
Tipping fees, net	$ 16,810,176	$ 17,212,509
Solid waste service charge, City of Utica	2,046,896	2,040,682
Refuse bag sales	2,023,750	2,016,755
Toter revenues	652,193	629,632
Recyclable sales	2,236,530	2,780,617
Carbon credit sales	261,689	-
Miscellaneous	947,900	576,024
	24,979,134	25,256,219
OPERATING EXPENSES		
Personal services	5,198,394	5,200,181
Contractual services	5,838,429	5,613,744
Materials and supplies	1,459,824	1,246,185
Utilities	304,750	291,050
Repairs and maintenance	150,194	130,061
Insurance	142,692	144,432
Other rental	64,808	76,329
Depreciation	3,617,006	3,848,425
Change in post-closure accrual estimate	540,000	440,000
Miscellaneous	1,803,748	1,655,585
	19,119,845	18,645,992
Operating income	**5,859,289**	**6,610,227**
NONOPERATING REVENUES (EXPENSES)		
Interest income	454,619	474,906
Interest expense	(1,597,897)	(1,821,502)
Amortization of bond issuance costs	(141,767)	(176,107)
Operating grants	96,835	66,818
	(1,188,210)	(1,455,885)
Change in net assets	**4,671,079**	**5,154,342**
NET ASSETS, beginning of year	19,642,391	14,488,049
NET ASSETS, end of year	**$ 24,313,470**	**$ 19,642,391**

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

ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2011	2010
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Received from customers	$ 24,040,890	$ 24,923,575
Paid to suppliers and vendors	(9,434,224)	(8,556,338)
Paid to employees, including benefits	(5,045,780)	(5,055,642)
	9,560,886	**11,311,595**
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of revenue bond principal	(5,030,000)	(4,815,000)
Proceeds from issuance of revenue bonds	10,725,000	-
Premium on revenue bond proceeds	120,880	-
Revenue bond closing costs	(233,198)	-
Interest paid	(1,876,007)	(1,875,977)
Proceeds from sale of capital assets	207,191	14,335
Acquisition of capital assets	(10,661,621)	(6,662,302)
Operating grants	96,835	66,818
	(6,650,920)	**(13,272,126)**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest received	454,619	475,379
Change in restricted cash and cash equivalents	(1,640,791)	(534,974)
Proceeds from maturities of certificates of deposit, net	-	4,022,240
Purchase of restricted investments, net	(1,264,968)	-
Sale of restricted investments, net	-	84,911
	(2,451,140)	**4,047,556**
Net increase in cash and cash equivalents	**458,826**	**2,087,025**
CASH AND CASH EQUIVALENTS, beginning of year	10,811,311	8,724,286
CASH AND CASH EQUIVALENTS, end of year	**$ 11,270,137**	**$ 10,811,311**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	$ 5,859,289	$ 6,610,227
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	3,617,006	3,848,425
Gain on sale of capital assets	(207,191)	(14,335)
Provision for landfill closure costs	520,242	420,565
Provision for bad debts	191,734	191,351
(Increase) decrease in		
Accounts receivable	(750,526)	(304,627)
Prepaid expenses	(199,978)	9,287
Increase (decrease) in		
Accounts payable and accrued liabilities	358,223	419,845
Deferred revenue	19,473	(13,682)
Other postemployment benefits	152,614	144,539
	$ 9,560,886	**$ 11,311,595**

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Business Organization

The Oneida-Herkimer Solid Waste Management Authority (Authority) was created September 1, 1988, as a public benefit corporation under New York State Public Authorities Law §2049, by the New York State Legislature with powers to construct, operate, and maintain solid waste management facilities for the benefit of Oneida and Herkimer Counties (the Counties). As of December 31, 2011, the Authority owns and operates nine facilities, the Western Transfer Station (WTS), the Eastern Transfer Station (ETS), Materials Recovery Facility (MRF), Green Waste Compost Site (GWC), Household Hazardous Waste Facility (HHW), the Webb Transfer Station, Regional Landfill Facility (RLF), the Land Clearing Debris Facility, Administration Building, and owns one closed facility, the Ash Landfill (ALF) (closed during 1998).

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

b. Accounting Method

The Authority'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 the Authority is determined by its measurement focus. The transactions of the Authority 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 balance sheets. Net assets (i.e., total assets net of total liabilities) are segregated into restricted and unrestricted components, as follows:

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances.
- *Restricted net assets* have constraints placed on use, either externally or internally.
- *Unrestricted net assets* consist of assets and liabilities that do not meet the definition of "restricted net assets" or "invested in capital assets, net of related debt."

Revenues are recognized when earned, and expenses are recognized when incurred. The Authority 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 the Authority are charges to customers for user services. Tipping fees are presented net of disposal fees incurred by the Authority in relation to the waste brought to the Authority's facilities. Disposal fees totaled $1,766,206 and $1,787,418 for the fiscal years ended December 31, 2011 and 2010, respectively. Operating expenses include the cost of personal and contractual services, materials and supplies, utilities, change in post-closure accrual estimate, administrative expenses, and depreciation on property, plant, and equipment. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Use of Estimates

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.

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

d. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash deposits in banks, and other short-term investments, whether unrestricted or restricted, with an original maturity of three months or less.

Statutes authorize the Authority to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

Unrestricted and restricted cash equivalents and certificates of deposit, are either adequately covered by federal depository insurance, or collateralized by securities held by the pledging bank's trust department in the Authority's name, or U.S. Government and/or federal agency securities held by the Trustee.

e. Accounts Receivable, Net

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance for doubtful accounts was $342,550 and $342,553 at December 31, 2011 and 2010, respectively. Accounts receivable are written off when deemed uncollectible. During 2011 and 2010, the Authority wrote off $99 and $1,401, respectively, of waste accounts. During 2011 and 2010, the Authority wrote off $191,635 and $190,000, respectively, of City of Utica user fees. Recoveries of accounts receivable previously written off are recorded as a recovery of bad debt when received.

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 and is recognized as it is charged. After the receivable becomes past due, accrual of interest continues until the receivable is written off, or a payment agreement is reached with the customer.

f. Property, Plant, and Equipment, Net

Property, plant, and equipment, net, are recorded at cost, except for contributed property and equipment, which are 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. The Authority uses a capitalization threshold of $1,000 to analyze expenditures for capitalization. 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 income.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, using the straight-line method. The estimated useful lives used in determining depreciation are as follows:

Plant	20 years
Machinery and equipment	3 - 20 years
Vehicles	5 years
Land improvements	15 years
Regional landfill	8 - 50 years

The Authority evaluated prominent events or changes in circumstances affecting property, plant, 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 2010.

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

f. Property, Plant, and Equipment, Net - Continued

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.

g. Intangibles Assets, Net

Intangible assets, net, include financing costs incurred related to various revenue bonds' issuances and bond premiums. These amounts are being amortized over the lives of the respective bonds using the effective interest method.

h. Accrued Closure and Post-Closure Monitoring Costs

The Authority maintains the Ash Landfill (ALF) which reached full capacity at December 31, 1996, and the Regional Landfill (RLF), which began operating in late 2006. The Regional Landfill has a useful life of over seventy years and is based upon an engineering estimate and actual usage. In accordance with New York State Department of Environmental Conservation (NYSDEC) Regulations, the Authority has, and will, implement landfill closure and post-closure requirements. At December 31, 2011 and 2010, the Authority accrued $3,072,763 and $2,552,521, respectively, for estimated closure and post-closure costs. Due to changes in technology or changes in regulations, actual costs may be different from the current accrual. Based on NYSDEC requirements, $3,324,236 and $2,772,255 in cash, certificates of deposit, and U.S. obligations have been restricted by the Authority for this purpose at December 31, 2011 and 2010, respectively.

i. Deferred Revenue

Revenues billed in advance under contracts with the City of Utica and the Villages of Ilion, Frankfort, Herkimer, Mohawk, and Dolgeville (Note 8) are deferred and recorded in income in the period in which the related services are rendered.

j. Accrued Postemployment Benefits

In addition to providing pension benefits, the Authority provides health insurance coverage for certain retired employees. The Authority provides a 50% monthly premium contribution toward the health insurance cost for certain retirees. Eligible retirees may also have a spouse and dependents covered at the retired employees' expense. Healthcare benefits are provided through insurance companies whose premiums are based on the benefits provided. The Authority's policy is to provide for these benefits on a pay-as-you-go basis.

k. Tax Status

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

l. New Accounting Pronouncement

In December 2010, the 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.

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

l. New Accounting Pronouncement - Continued

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The Authority has fully adopted this statement as of December 31, 2011

m. Subsequent Events

The Authority has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 5, 2012, the date the financial statements were available to be issued.

NOTE 2 - RESTRICTED ASSETS

In accordance with the terms of the Authority's bond indentures, the use of certain Authority assets is restricted for specific purposes as summarized below:

	December 31, 2011	December 31, 2010
Debt Service Reserve Fund		
Contingency fund to be utilized in case of default	$ 10,673,260	$ 9,641,549
Construction Projects Fund and Bond Redemption and Improvement Fund		
Additional capital expenditures which may be incurred by the Authority	2,352,678	1,937,983
Rebate Fund		
Interest earned required to be paid to the United States	9,352	9,352
Restricted assets required for debt service	3,772,509	2,865,137
Restricted assets for post-closure monitoring costs	3,324,236	2,772,255
Accrued interest on restricted assets	74,449	74,449
	$ 20,206,484	$ 17,300,725

The investments related to these restricted assets are stated at fair value and are classified as follows:

	December 31, 2011 Cost	December 31, 2011 Market Value
Cash and cash equivalents	$ 8,083,619	$ 8,083,619
Investments		
Repurchase agreements	$ 3,184,000	$ 3,184,000
U.S. obligations	8,812,965	8,864,416
	$ 11,996,965	$ 12,048,416
Accrued interest	$ -	$ 74,449

NOTE 2 - RESTRICTED ASSETS - Continued

	December 31, 2010	
	Cost	Market Value
Cash and cash equivalents	$ 6,442,828	$ 6,442,828
Investments		
Repurchase agreements	$ 3,184,000	$ 3,184,000
U.S. obligations	7,557,758	7,599,448
	$ 10,741,758	$ 10,783,448
Accrued interest	$ -	$ 74,449

NOTE 3 - PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment, net, is as follows:

	December 31, 2011				
	MRF, GWC, and HHW	ETS and WTS	Regional Landfill	Other	Total 2011
Land	$ -	$ -	$ 2,774,879	$ 396,970	$ 3,171,849
Land improvements	606,534	265,150	31,483,318	7,136	32,362,138
Buildings and improvements	7,532,722	7,702,721	6,713,873	315,751	22,265,067
Equipment and machinery	4,879,946	361,134	397,367	108,798	5,747,245
Vehicles	955,963	1,270,388	3,977,615	676,334	6,880,300
Office equipment	65,767	42,163	68,542	243,997	420,469
	14,040,932	9,641,556	45,415,594	1,748,986	70,847,068
Less accumulated depreciation and amortization	13,100,097	8,536,667	12,553,673	1,354,296	35,544,733
Capital assets in service, net	940,835	1,104,889	32,861,921	394,690	35,302,335
Construction in progress	9,316,871	-	4,502,658	-	13,819,529
Total property, plant, and equipment, net	$ 10,257,706	$ 1,104,889	$ 37,364,579	$ 394,690	$ 49,121,864

	December 31, 2010				
	MRF, GWC, and HHW	ETS and WTS	Regional Landfill	Other	Total 2010
Land	$ -	$ -	$ 2,537,967	$ 396,970	$ 2,934,937
Land improvements	571,561	230,177	31,292,747	6,109	32,100,594
Buildings and improvements	7,531,380	7,629,959	6,713,873	309,027	22,184,239
Equipment and machinery	4,871,935	357,434	349,743	97,349	5,676,461
Vehicles	781,963	1,443,408	3,374,366	693,321	6,293,058
Office equipment	65,767	42,163	65,038	228,388	401,356
	13,822,606	9,703,141	44,333,734	1,731,164	69,590,645
Less accumulated depreciation and amortization	12,580,097	8,373,742	10,082,047	1,278,763	32,314,649
Capital assets in service, net	1,242,509	1,329,399	34,251,687	452,401	37,275,996
Construction in progress	-	-	4,447,381	-	4,447,381
Total property, plan,t and equipment, net	$ 1,242,509	$ 1,329,399	$ 38,699,068	$ 452,401	$ 41,723,377

NOTE 3 - PROPERTY, PLANT, AND EQUIPMENT, NET - Continued

A summary of changes in the Authority's property and equipment is as follows:

	December 31, 2011				
	Balance December 31, 2010	Additions	Retirement/ Disposal	Adjustment	Balance December 31, 2011
Land	$ 2,934,937	$ 236,912	$ -	$ -	$ 3,171,849
Land improvements	32,100,594	261,544	-	-	32,362,138
Buildings and improvements	22,184,239	80,828	-	-	22,265,067
Equipment and machinery	5,676,461	70,784	-	-	5,747,245
Vehicles	6,293,058	974,327	(387,085)	-	6,880,300
Office equipment	401,356	19,113	-	-	420,469
	69,590,645	1,643,508	(387,085)	-	70,847,068
Less accumulated depreciation and amortization	32,314,649	3,617,169	(387,085)	-	35,544,733
Capital assets in service, net	37,275,996	(1,973,661)	-	-	35,302,335
Construction in progress	4,447,381	9,372,148	-	-	13,819,529
Total property, plant, and equipment, net	$ 41,723,377	$ 7,398,487	$ -	$ -	$ 49,121,864

	December 31, 2010				
	Balance December 31, 2009	Additions	Retirement/ Disposal	Adjustment	Balance December 31, 2010
Land	$ 2,377,473	$ 557,464	$ -	$ -	$ 2,934,937
Land improvements	31,249,064	851,530	-	-	32,100,594
Buildings and improvements	21,974,049	210,190	-	-	22,184,239
Equipment and machinery	5,600,802	75,659	-	-	5,676,461
Vehicles	5,803,104	518,578	(10,726)	(17,898)	6,293,058
Office equipment	399,856	1,500	-	-	401,356
	67,404,348	2,214,921	(10,726)	(17,898)	69,590,645
Less accumulated depreciation and amortization	28,488,394	3,848,425	(10,726)	(11,444)	32,314,649
Capital assets in service, net	38,915,954	(1,633,504)	-	(6,454)	37,275,996
Construction in progress	-	4,447,381	-	-	4,447,381
Total property, plant, and equipment, net	$ 38,915,954	$ 2,813,877	$ -	$ (6,454)	$ 41,723,377

NOTE 4 - INTANGIBLE ASSETS, NET AND PREMIUM ON REVENUE BONDS

A summary of intangible assets and premium on revenue bonds, net of accumulated amortization, is as follows:

	December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	$ 1,890,470	$ 1,092,266	$ 798,204
Deferred amount on remainder of defeased 1992 Revenue bonds (b)	3,020,986	2,940,525	80,461
Intangible assets, net	$ 4,911,456	$ 4,032,791	$ 878,665
Premium on revenue bonds (b)	$ 1,318,924	$ 1,176,095	$ 142,829

	December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	$ 1,657,272	$ 984,738	$ 672,534
Deferred amount on remainder of defeased 1992 Revenue bonds (b)	3,020,986	2,852,217	168,769
Intangible assets, net	$ 4,678,258	$ 3,836,955	$ 841,303
Premium on revenue bonds (b)	$ 1,198,044	$ 1,131,115	$ 66,929

(a) Includes financing costs incurred relative to the 1992, 1998, 2006, 2007, and 2011 Revenue Bonds. These costs include insurance, underwriter's discount, and other Bond related costs and are being amortized over the life of the Bonds using the effective interest method. During 1998, $246,879 of 1992 Revenue Bond financing costs was expensed in connection with the partial defeasance of the Bonds. Amortization of financing costs was $107,528 and $98,375 during 2011 and 2010, respectively.

(b) The 2011 Bonds were issued at a premium of $120,880, which is amortized over the life of the Bonds. The 1998 Bonds were issued at a premium of $1,198,044, which is amortized over the life of the Bonds. The difference between the net carrying amount of defeased bonds and the reacquisition price of the Bonds is deferred and amortized over the life of the new bond. The deferred amount of the refunding of the 1992 Bonds was $3,020,986. The premiums and deferred amounts are being amortized over the life of the Bonds using the effective interest method. Amortization expense, net of premium amortized, was $43,327 and $71,280 for the years ended December 31, 2011 and 2010, respectively.

Future amortization, net of premium on the 2011 Revenue Bonds and 1998 Serial Bonds, required on intangible assets is as follows for the next five years and thereafter:

2012	$ 125,331
2013	94,273
2014	69,814
2015	65,424
2016	60,911
Thereafter	320,083
Total	$ 735,836

NOTE 5 - REVENUE BONDS

At December 31, 2011, the Authority has outstanding $10,725,000 of 2011 Revenue Bonds. The bonds were originally issued at $10,725,000 to finance the costs incurred in connection with the issuance of the bonds, to fund the debt service reserve fund, and to design, procure, and install a single-stream recyclables processing system. Interest is payable semi-annually at interest rates ranging from 4% to 5%. Principal payments range from $715,000 to $1,080,000 payable annually on April 1.

At December 31, 2011 and 2010, the Authority has outstanding $4,955,000 and $5,165,000, respectively, of 2007 Revenue Bonds. The bonds were originally issued at $5,730,000 to finance the costs incurred in connection with the issuance of the bonds, to fund the debt service reserve fund, and to refinance outstanding notes. Interest is payable semi-annually at interest rates ranging from 4.125% to 4.20%. Principal payments range from $165,000 to $430,000 payable annually on April 1.

At December 31, 2011 and 2010, the Authority has outstanding $10,410,000 and $13,925,000, respectively, of 1998 Revenue Bonds. The bonds were originally issued at $31,840,000 to defease a portion of the 1992 Revenue Bonds, to finance costs incurred in connection with the issuance and to fund the debt service reserve fund. Interest is payable semi-annually at interest rates ranging from 4.20% to 5.50%. Principal installments range from $245,000 to $3,955,000 payable annually on April 1 through 2014 (a)(b).

At December 31, 2011 and 2010, the Authority has outstanding $27,080,000 and $28,385,000, respectively, of 2006 New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue Bonds. The bonds were originally issued at $33,396,675 to finance certain improvements to the Authority's landfill located in the Town of Ava, New York and to refinance certain outstanding indebtedness of the Authority. Interest is payable semi-annually at interest rates ranging from 3.626% to 4.769%. The Authority receives a subsidy credit toward its annual debt service cost from New York State Environmental Facilities Corporation. Principal installments range from $1,240,000 to $5,275,000 and are payable annually on April 1 through 2026 (a).

(a) All assets and revenues of the Authority are pledged as collateral for the Bonds. In addition, the Counties guarantee debt service payments by means of the Solid Waste Management Agreement (Agreement) between the Authority and the Counties. Pursuant to the Authority's enabling legislation, which limits contracts to a period not to exceed 25 years, the Agreements with Oneida County and Herkimer County will expire on May 9, 2014, and December 27, 2014, respectively. The Authority intends to renew the Agreements, subject to the approvals from the governing bodies of the Authority and the Counties. As part of the renewal process, the security and guarantee of the debt service payments afforded by the original Agreements, will automatically apply to any renewal of the Agreements prior to the final maturity of the Authority's existing and future revenue bonds.

(b) During June 1998, the Authority defeased a portion of the 1992 Revenue Bonds by placing the proceeds of the 1998 Revenue Bonds in an irrevocable trust to provide for all future debt service payments on a portion of the 1992 Bonds. Accordingly, the trust account assets and the liabilities for the defeased Bonds are not included in the Authority's financial statements. $28,345,000 in 1992 Bonds outstanding are considered defeased. The defeased Bonds were payable on April 1, 2003, at a redemption price of 102%.

NOTE 5 - REVENUE BONDS - Continued

Future debt service payments required on Revenue Bonds are as follows:

	Principal	Interest	Total
For the year ending December 31, 2012	$ 5,260,000	$ 2,364,048	$ 7,624,048
2013	5,505,000	2,091,261	7,596,261
2014	5,475,000	1,820,138	7,295,138
2015	2,380,000	1,639,868	4,019,868
2016	2,445,000	1,540,237	3,985,237
For the years ending December 31, 2017 through 2021	13,455,000	5,977,523	19,432,523
2022 through 2026	18,220,000	2,515,216	20,735,216
2027	430,000	9,030	439,030
	53,170,000	$ 17,957,321	$ 71,127,321
Less current installments	5,260,000		
Revenue Bonds, less current installments	$ 47,910,000		

Interest expense related to the Revenue Bonds was $1,935,180 and $1,814,002 for the years ended December 31, 2011 and 2010, respectively. Interest expense totaling $344,783 was capitalized related to the construction of the single stream recycling center as of December 31, 2011.

NOTE 6 - NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM

The Authority 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 Systems are noncontributory except for (1) employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and (2) employees who join after January 1, 2010, 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	$ 409,345
2010	388,528
2009	239,807

The Authority's contributions made to the System were equal to 100% of the contributions required for each year.

NOTE 7 - ACCRUED POSTEMPLOYMENT BENEFITS

Plan Description - The Authority provides health care insurance benefit programs for certain retired employees. The program provides for continuation of medical, prescription drug, and dental insurance benefits for certain retirees and can be amended by action of the Authority. Employees covered include the employees of the administration, nonrepresented employees, and select employees who transferred employment from a local government to the Authority. There were 23 and 22 active employees as of December 31, 2011 and 2010, respectively. The program is open to new entrants in these categories.

Funding Policy - Currently, the Authority's cost of its postemployment benefits program is determined on a pay-as-you-go basis and is, therefore, unfunded. However, to demonstrate financial responsibility, the Authority established a Postretirement Benefits Reserve to designate certain cash balances to fund the program's future liabilities. The balance of this designation was $77,000 at December 31, 2011 and 2010. Although these funds are designated for this purpose, they are reflected in unrestricted net assets and can be used for operations if needed. During 2011 and 2010, premiums paid by the Authority on behalf of current retirees totaled $7,340 and $7,120, respectively.

Annual *OPEB Cost and Net OPEB Obligation* - The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount of premiums actually paid, and changes in the Authority's net OPEB obligation:

Annual required contribution and OPEB expense cost	$ 152,614
Net OPEB obligation, beginning of year	289,947
Net OPEB obligation, end of year	$ 442,561

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year ended December 31, 2011, was as follows:

Fiscal Year	Annual OPEB Cost	Expected Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2010	$ 156,637	$ 9,232	5.90%	$ 289,947
December 31, 2011	166,066	13,452	8.10%	442,561

Funded Status and Funding Progress. As of September 27, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,464,381 and $1,339,905 at December 31, 2011 and 2010, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was $1,316,201 and $1,265,328 at December 31, 2011 and 2010, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 111.3% and 105.9%, respectively.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information at the end of this note, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 7 - ACCRUED POSTEMPLOYMENT BENEFITS - Continued

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial computations under GASB No. 45 were provided by the Authority's independent actuaries for the year ended December 31, 2011 and 2010.

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group according to the New York State Retirement System schedule, active plan members were assumed to retire as early as age fifty-five.

Marital Status - 70% of employees are assumed married. Females are assumed to be three years younger than males. Actual spouse coverage information was used for retirees where available.

Mortality - Life expectancies were based on RP 2000 mortality tables for Males and Females.

Turnover and Retirement Incidence - The turnover rates were based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation Tables*. These tables were used as the basis for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 10% initially, reduced to an ultimate rate of 5% after ten years, was used. The dental trend rate used was 4%.

Health Insurance Premiums - 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - No salary increases were assumed since benefits are not based on compensation.

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount rate of 4% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was twenty-eight years.

REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2010	$ -	$ 1,339,905	$ 1,339,905	0%	$ 1,265,328	105.90%
December 31, 2011	-	1,464,381	1,464,381	0%	1,316,201	111.30%

NOTE 8 - COMMITMENTS AND CONTINGENCIES

a. City of Utica Contract

Prior to the approval of the current contract with the City of Utica, in 1991 the Authority passed a resolution to pay the City of Utica in recognition of Utica being host to the Recycling Center, Eastern Transfer Station, and Green Waste Compost Facility. The resolution established a payment of $1 per ton by the Authority to Utica for all materials delivered to the facilities in Utica, and it guaranteed a minimum of $100,000 per year. The resolution specified the payment for as long as the Authority uses the Eastern Transfer Station for transport of waste out of the region. The Authority made a Host Community Benefit payment in the amount of $190,220 and $177,772 during the years ended December 31, 2011 and 2010, respectively. There was $50,604 and $61,517 due to the City of Utica at December 31, 2011 and 2010, respectively, and is included in accounts payable and accrued liabilities.

During 1996, the Authority and the City of Utica entered into a comprehensive contract for the Authority to provide for collection of waste and recyclables and associated billing. In the 1996 Agreement, the $1 per ton payment by the Authority to the City was confirmed.

The Agreement is effective for a twenty-five year period beginning April 1, 1996. Under the Agreement, the Authority receives the City's solid waste service charge revenue to cover the costs of waste removal plus the revenues generated from the sale of refuse bags to residents used to dispose of residential waste. For the years ended December 31, 2011 and 2010, the cost of waste removal was $3,759,406 and $3,818,467, offset by solid waste service charge revenues of $2,044,292 and $2,038,478 and refuse bag sales of $1,436,128 and $1,423,563, respectively.

b. Villages of Ilion, Mohawk, Herkimer, Dolgeville, and Frankfort Contracts

The Authority and the Villages of Ilion, Frankfort, Herkimer, Dolgeville, and Mohawk entered into separate agreements for the coordination of waste and recyclables collection. The Authority provides the coordination services for annual fees of between $3,500 and $5,500.

The Authority receives revenue from the sale of refuse bags to residents used to dispose of residential waste, and from the rental of toters to Village residences. These revenues are then applied to the fees for delivery of waste to the Authority's transfer stations, fees for waste collection, and for the purchase of refuse bags.

In the event that revenues do not cover expenses related to this contract, the Villages will reimburse the Authority on a quarterly basis. At the end of the fiscal year, if revenues exceed expenses, the Authority will reimburse the Villages. For the years ended December 31, 2011 and 2010, the cost of waste removal was $1,210,010 and $1,200,211, offset by refuse bag sales of $587,622 and $593,192 and total rental fees of $652,193 and $629,632, respectively.

c. Sale of Climate Reserve Tonnes

The Authority has entered into an agreement with a corporation for the sale of Climate Reserve Tonnes (carbon credits). The agreement is effective until September 30, 2014. For the year ended December 31, 2011, $261,689 was earned related to the sale of carbon credits.

d. Landfill Gas and Facilities Site Lease and Landfill Gas Purchase Agreement

The Authority has entered into an agreement with a for-profit entity (Lessee) to allow the Lessee to construct, own, and operate an electric generation facility upon the Authority's property adjacent to the Authority's landfill and gas extraction facilities. The Lessee will purchase all landfill gas generated at the landfill and will make payments to the Authority based on the electricity generated and the electricity sold. The Authority is responsible for a portion of the interconnect expenses incurred during construction. The agreement shall continue for ten years after the commercial operation date. As of December 31, 2011, the commercial operation date has not occurred.

NOTE 8 - COMMITMENTS AND CONTINGENCIES - Continued

e. Commitments

The Authority has entered into a contract for the construction of a single stream recycling center (Note 9). The contract totaled $9,570,786, of which $705,876 remained to be completed at December 31, 2011.

f. Litigation

The Authority is involved in certain suits and claims arising from a variety of sources. It is the opinion of management and counsel that the liabilities that may arise from such actions would not result in losses that would materially affect the financial position of the Authority or the results of its operations.

g. Environmental Risks

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Authority expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Authority. The Authority believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

NOTE 9 - SUBSEQUENT EVENT

During 2011 the Authority incurred debt (Note 5) and construction costs to install a single-stream recyclables processing system. The Authority opened its single stream recycling center on January 3, 2012. This facility will be able to process approximately 25 tons of recyclables per hour. The Authority projects that it would reduce sorting staff by approximately forty percent and that the communities serviced by the Authority should see an increase in recycling participation, which will result in reduced tipping fees and collection costs.

NOTE 10 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED

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. The Authority has not yet adopted this statement.

Management has not estimated the extent of potential impact of this statement on the Authority's financial statements.