

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

FINANCIAL REPORT

December 31, 2010 and 2009

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

FINANCIAL REPORT

December 31, 2010 and 2009

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	
Introduction	2
Authority Profile	3
Responsibility and Controls	4
Audit Assurance	4
Financial Highlights	4
Financial Analysis	
Condensed Balance Sheets	5
Condensed Statements of Revenues, Expenses, and Changes in Net Assets	6
Budgetary Highlights	
Condensed Statement of Revenues, Expenses, and Changes in Net Assets vs. Budget	6
General Trends and Significant Events	7
Flow Control	7
Capital Assets	8
Debt Administration	8
Final Comments	9
FINANCIAL STATEMENTS	
Balance Sheets	10
Statements of Revenues, Expenses, and Changes in Net Assets	11
Statements of Cash Flows	12
Notes to Financial Statements	13-24
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>	25
Schedule of Findings and Responses	26

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, 2010 and 2009, 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 opinions.

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, 2010 and 2009, and the related changes in financial position and results of 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, 2011, 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.

The Management's Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

On behalf of the Oneida-Herkimer Solid Waste Management Authority (Authority), I am pleased to submit this 2010 Annual Financial Report developed in compliance with accounting standards generally accepted in the United States of America (GAAP). This year marks the 22nd anniversary since the formation of the Authority.

In 2010, 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. RFPs were completed and contracts were awarded for both of these exciting projects. The single stream conversion will begin in July 2011, and the landfill gas to electricity plant should be completed in late 2011.

Although 2010 continued to be challenging, considering the national and global economic downturn, 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 regions self reliant integrated solid waste management system.

During 2010, Standard & Poors Rating Services (S&P) upgraded the Authority's credit rating from A- to A and provided the Authority with a stable outlook. S&P cited such areas as (1) sound operation of the Authority's landfill, which has positively affected the Authority's operating expenses, and (2) satisfactory historical debt service coverage.

The Authority was able to reduce its annual operating budget by approximately \$1 million from 2009. The Authority reduced expenses by not filling vacant positions, reducing overtime, and reducing other budgeted expense items.

The Authority's Board remains committed to long-term stable rates. The 2010 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 (\$275,000) and the extension of the landfill liner for new waste disposal cells (\$1,540,000). 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, 2010**

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 2010 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 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 2010

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

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

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.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America.

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.

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

FINANCIAL HIGHLIGHTS

The 2010 audit continues to reflect the strong operating results of the Authority. The Authority had a \$5,154,342 addition to its net asset position for 2010. This was the result of several factors including:

- The Authority's Municipal Solid Waste, C&D, and other material received were consistent with 2009.
- Recycling markets continued to be strong throughout 2010, and the Authority earned about \$2,780,000 for sales, which is an increase of over \$1.1 million dollars compared to 2009.
- Expenses were closely monitored and several budgeted positions were left vacant.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

- 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 (\$275,000) and for the extension of the landfill liner (\$1,540,000).

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

- The Authority constructed an additional landfill cell in 2010 that is anticipated to begin use in 2013.
- The Authority constructed an active gas system at the Landfill that will generate electricity. The Authority has entered into a contract with WM Renewal Energy that will construct a plant to generate electricity utilizing landfill gas. The Authority is projected to begin collecting revenue in 2011. In addition, the Authority will be selling carbon credits from this project.

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,		\$ Change	% Change
	2010	2009		
ASSETS				
Current assets	\$ 12,817,553	\$ 14,648,779	\$ (1,831,226)	-12.50%
Restricted assets	17,300,725	16,851,135	449,590	2.67%
Property, plant, and equipment, net	41,723,377	38,915,954	2,807,423	7.21%
Other assets	841,303	1,057,802	(216,499)	-20.47%
Total assets	<u>\$ 72,682,958</u>	<u>\$ 71,473,670</u>	<u>\$ 1,209,288</u>	1.69%
LIABILITIES AND NET ASSETS				
Current liabilities	\$ 7,686,170	\$ 7,119,482	\$ 566,688	7.96%
Long-term liabilities	45,354,397	49,866,139	(4,511,742)	-9.05%
Total liabilities	<u>53,040,567</u>	<u>56,985,621</u>	<u>(3,945,054)</u>	-6.92%
Net assets invested in capital assets, net of related debt	(5,818,552)	(13,487,821)	7,669,269	-56.86%
Net assets, restricted	17,300,725	16,851,135	449,590	2.67%
Net assets, unrestricted	8,160,218	11,124,735	(2,964,517)	-26.65%
Total net assets	<u>19,642,391</u>	<u>14,488,049</u>	<u>5,154,342</u>	35.58%
Total liabilities and net assets	<u>\$ 72,682,958</u>	<u>\$ 71,473,670</u>	<u>\$ 1,209,288</u>	1.69%

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

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

	<u>Years Ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2010</u>	<u>2009</u>		
Operating revenue	\$ 25,256,219	\$ 24,073,662	\$ 1,182,557	4.91%
Non-operating revenue	541,724	574,286	(32,562)	-5.67%
Total revenues	<u>25,797,943</u>	<u>24,647,948</u>	<u>1,149,995</u>	4.67%
Depreciation expense	3,848,425	3,785,140	63,285	1.67%
Other operating expense	14,797,567	14,298,082	499,485	3.49%
Non-operating expense	1,997,609	2,236,153	(238,544)	-10.67%
Total expenses	<u>20,643,601</u>	<u>20,319,375</u>	<u>324,226</u>	1.60%
Change in net assets	5,154,342	4,328,573	825,769	19.08%
NET ASSETS, beginning net assets	<u>14,488,049</u>	<u>10,159,476</u>	<u>4,328,573</u>	42.61%
NET ASSETS, ending net assets	<u>\$ 19,642,391</u>	<u>\$ 14,488,049</u>	<u>\$ 5,154,342</u>	35.58%

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 2010 budget is compared to 2010 actual in Table A-3.

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

	<u>Year Ended December 31, 2010</u>		
	<u>Actual</u>	<u>Amended Budget</u>	<u>\$ Change</u>
Operating revenue	\$ 25,256,219	\$ 25,719,800	\$ (463,581)
Non-operating revenue	541,724	420,200	121,524
Total revenues	<u>25,797,943</u>	<u>26,140,000</u>	<u>(342,057)</u>
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)
Non-operating expenses	<u>1,997,609</u>	<u>6,708,000</u>	<u>(4,710,391)</u>
Total expenses	<u>20,643,601</u>	<u>26,140,000</u>	<u>(5,496,399)</u>
Net income	<u>\$ 5,154,342</u>	<u>\$ -</u>	<u>\$ 5,154,342</u>

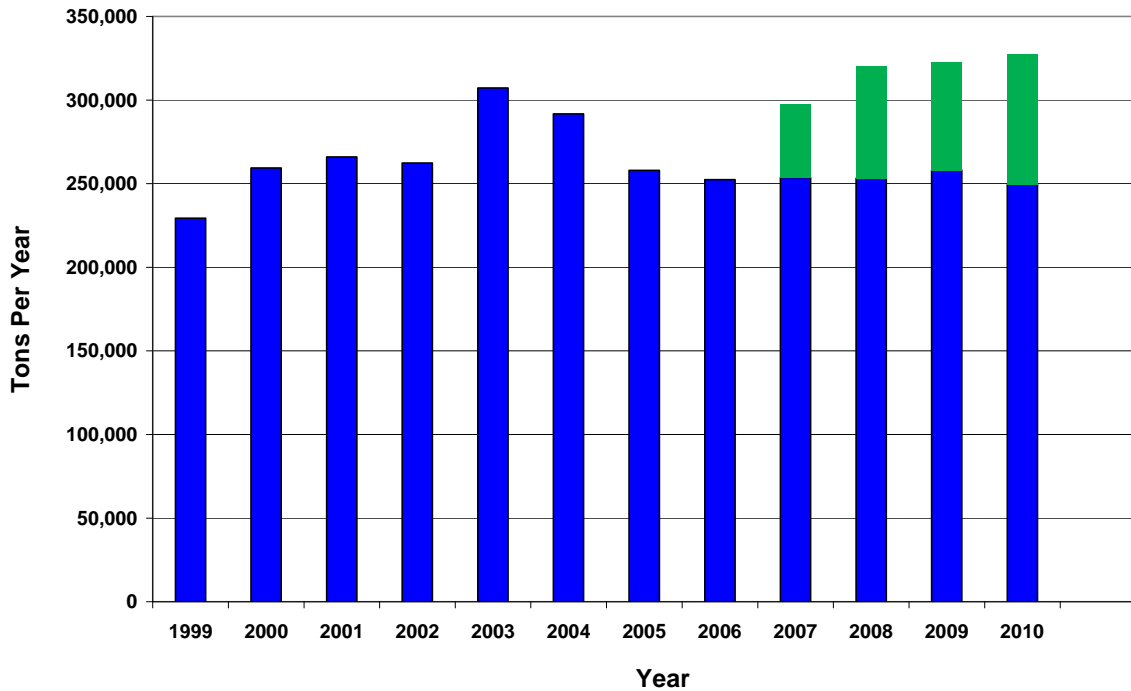
**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

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 2010 amended budget. These adjustments are as follows:

Net income	\$ 5,154,342
Deduct: principal payments made on bonds	(4,815,000)
Add: depreciation expense	3,848,425
Deduct: acquisition of capital assets, net	<u>(6,662,302)</u>
Budget deficit	<u><u>\$ (2,474,535)</u></u>

GENERAL TRENDS AND SIGNIFICANT EVENTS

**Oneida-Herkimer Solid Waste Authority
All Non-Recyclable Solid Waste
(MSW, C & D, Sludge and Other)
1999 - 2010**



FLOW CONTROL

1. 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 violative 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.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

1. 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

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.

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 2010, the Authority had \$41.7 million invested in capital assets as indicated in Table A-4.

**TABLE A-4
CAPITAL ASSETS**

	December 31,		\$ Change	%Change
	2010	2009		
Land	\$ 2,934,937	\$ 2,377,473	\$ 557,464	23.45%
Land improvements	32,100,594	31,249,064	851,530	2.72%
Building and improvements	22,184,239	21,974,049	210,190	0.96%
Machinery and equipment	5,676,461	5,600,802	75,659	1.35%
Vehicles	6,293,058	5,803,104	489,954	8.44%
Office equipment	401,356	399,856	1,500	0.38%
	<u>69,590,645</u>	<u>67,404,348</u>	<u>2,186,297</u>	<u>3.24%</u>
Less: accumulated depreciation and amortization	<u>32,314,649</u>	<u>28,488,394</u>	<u>3,826,255</u>	<u>13.43%</u>
Capital assets in service, net	37,275,996	38,915,954	(1,639,958)	-4.21%
Construction work in progress	<u>4,447,381</u>	<u>-</u>	<u>4,447,381</u>	
Total capital assets, net	<u><u>\$ 41,723,377</u></u>	<u><u>\$ 38,915,954</u></u>	<u><u>\$ 2,807,423</u></u>	<u>7.21%</u>

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 \$47,475,000 in outstanding Revenue Bonds at the end of 2010. 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. 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.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

DEBT ADMINISTRATION - Continued

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 2010. Attached is a more detailed picture developed during the audit process by Bollam, Sheedy, Torani & Co. LLP. 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,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,811,311	\$ 8,724,286
Certificates of deposit	-	4,022,240
Accounts receivable, net	1,899,382	1,786,106
Prepaid expenses	106,860	116,147
Total current assets	12,817,553	14,648,779
RESTRICTED ASSETS		
Cash and cash equivalents	6,442,828	5,907,854
Other investments	10,783,448	10,868,359
Accrued interest receivable	74,449	74,922
Total restricted assets	17,300,725	16,851,135
OTHER ASSETS		
Property, plant, and equipment, net	41,723,377	38,915,954
Intangible assets, net	841,303	1,057,802
Total other assets	42,564,680	39,973,756
	\$ 72,682,958	\$ 71,473,670
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current installments of revenue bonds	\$ 5,030,000	\$ 4,815,000
Accounts payable and accrued liabilities	1,562,056	1,142,211
Deferred revenue	636,503	650,185
Accrued interest payable	457,611	512,086
Total current liabilities	7,686,170	7,119,482
LONG-TERM LIABILITIES		
Revenue bonds, less current installments	42,445,000	47,475,000
Premium on revenue bonds, net	66,929	113,775
Accrued closure and post closure costs	2,552,521	2,131,956
Accrued postemployment benefits, less current amounts	289,947	145,408
Total long-term liabilities	45,354,397	49,866,139
Total liabilities	53,040,567	56,985,621
NET ASSETS		
Invested in capital assets, net of related debt	(5,818,552)	(13,487,821)
Restricted	17,300,725	16,851,135
Unrestricted	8,160,218	11,124,735
Total net assets	19,642,391	14,488,049
	\$ 72,682,958	\$ 71,473,670

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,	
	2010	2009
OPERATING REVENUES		
Tipping fees, net	\$ 17,212,509	\$ 17,209,139
Solid waste service charge, City of Utica	2,040,682	2,036,344
Refuse bag sales	2,016,755	2,026,384
Toter revenues	629,632	611,924
Recyclable sales	2,780,617	1,639,167
Miscellaneous	576,024	550,704
	25,256,219	24,073,662
OPERATING EXPENSES		
Personal services	5,200,181	4,854,598
Contractual services	5,613,744	5,733,771
Materials and supplies	1,246,185	1,022,951
Utilities	291,050	296,169
Repairs and maintenance	130,061	126,848
Insurance	144,432	153,566
Other rental	76,329	59,450
Depreciation	3,848,425	3,785,140
Change in postclosure accrual estimate	440,000	510,000
Miscellaneous	1,655,585	1,540,729
	18,645,992	18,083,222
Operating income	6,610,227	5,990,440
NONOPERATING REVENUES (EXPENSES)		
Interest income	474,906	574,286
Interest expense	(1,821,502)	(2,033,364)
Amortization of bond issuance costs	(176,107)	(202,789)
Operating grants	66,818	-
	(1,455,885)	(1,661,867)
Change in net assets	5,154,342	4,328,573
NET ASSETS, beginning of year	14,488,049	10,159,476
NET ASSETS, end of year	\$ 19,642,391	\$ 14,488,049

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

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

STATEMENTS OF CASH FLOWS

	<u>Years Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Received from customers	\$ 24,923,575	\$ 24,204,540
Paid to suppliers and vendors	(8,556,338)	(8,921,816)
Paid to employees, including benefits	(5,055,642)	(4,709,190)
	<u>11,311,595</u>	<u>10,573,534</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of revenue bond principal	(4,815,000)	(4,606,675)
Interest paid	(1,875,977)	(2,084,980)
Proceeds from sale of capital assets	14,335	30,615
Acquisition of capital assets	(6,662,302)	(544,878)
Operating grants	66,818	-
	<u>(13,272,126)</u>	<u>(7,205,918)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest received	475,379	602,391
Change in restricted cash and cash equivalents	(534,974)	(517,902)
Purchase of certificates of deposit, net	-	(635,074)
Proceeds from maturities of certificates of deposit, net	4,022,240	-
Purchase of restricted investments, net	-	(534,901)
Sale of restricted investments, net	84,911	-
	<u>4,047,556</u>	<u>(1,085,486)</u>
Net increase in cash and cash equivalents	2,087,025	2,282,130
CASH AND CASH EQUIVALENTS, beginning of year	<u>8,724,286</u>	<u>6,442,156</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 10,811,311</u>	<u>\$ 8,724,286</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 6,610,227	\$ 5,990,440
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	3,848,425	3,785,140
Gain on sale of capital assets	(14,335)	(30,597)
Provision for landfill closure costs	420,565	489,920
Provision for bad debts	191,351	203,936
(Increase) decrease in		
Accounts receivable	(304,627)	158,780
Prepaid expenses	9,287	62,186
Increase (decrease) in		
Accounts payable and accrued liabilities	419,845	(234,374)
Deferred revenue	(13,682)	2,695
Other post employment benefits	144,539	145,408
	<u>\$ 11,311,595</u>	<u>\$ 10,573,534</u>

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

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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, 2010, 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) for public authorities. 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 non-operating 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 \$1,787,418 and \$1,785,679 for the fiscal years ended December 31, 2010 and 2009, 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 non-operating 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.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

c. 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.

d. 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 \$342,553 and \$325,053 at December 31, 2010 and 2009, respectively. Accounts receivable are written off when deemed uncollectible. During 2010 and 2009, the Authority wrote off \$1,401 and \$13,936, respectively, of waste accounts. During both 2010 and 2009, the Authority wrote off \$190,000 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.

e. 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, 2010 and 2009.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

f. Intangibles Assets, Net

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

g. 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 sixty-two 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, 2010 and 2009, the Authority accrued \$2,552,521 and \$2,131,956, 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, \$2,772,255 and \$2,317,602 in cash, certificates of deposit, and U.S. obligations have been restricted by the Authority for this purpose at December 31, 2010 and 2009, respectively.

h. 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.

i. 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.

Beginning in 2009, the Authority reports its postemployment benefits in accordance with GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB No. 45 views a postemployment benefit plan as a deferred compensation arrangement, whereby an employer promises to exchange future benefits for employees' current services. GASB No. 45 specifies that accounting for these benefits should be determined under an accrual basis, where the expected value of the benefit is actuarially calculated and recognized as a cost over the working lifetime of employees.

j. Federal Income Taxes

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

k. Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation. These reclassifications had no effect on previously reported results of operations or net assets.

l. Subsequent Events

In preparing the financial statements and notes thereto, the Authority has considered subsequent events through March 14, 2011, the date the financial statements were available to be issued.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

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,	
	2010	2009
<i>Debt Service Reserve Fund</i>		
Contingency fund to be utilized in case of default	\$ 9,641,549	\$ 9,561,788
<i>Construction Projects Fund and Bond Redemption and Improvement Fund</i>		
Additional capital expenditures which may be incurred by the Authority	1,937,983	2,116,898
<i>Rebate Fund</i>		
Interest earned required to be paid to the United States	9,352	9,352
Restricted assets required for debt service	2,865,137	2,770,489
Restricted assets for landfill planning design and construction	-	84
Restricted assets for post-closure monitoring costs	2,772,255	2,317,602
Accrued interest on restricted assets	74,449	74,922
	\$ 17,300,725	\$ 16,851,135

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

	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
	December 31, 2009	
	Cost	Market Value
Cash and cash equivalents	\$ 5,907,854	\$ 5,907,854
Investments		
Repurchase agreements	\$ 3,184,000	\$ 3,184,000
Certificates of deposits	1,000,000	998,993
U.S. obligations	6,622,761	6,685,366
	\$ 10,806,761	\$ 10,868,359
Accrued interest	\$ -	\$ 74,922

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 3 - PROPERTY, PLANT, AND EQUIPMENT, NET

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

	December 31, 2010					Total 2009
	MRF, GWC, and HHW	ETS and WTS	Regional Landfill	Other	Total 2010	
Land	\$ -	\$ -	\$ 2,537,967	\$ 396,970	\$ 2,934,937	\$ 2,377,473
Land improvements	571,561	230,177	31,292,747	6,109	32,100,594	31,249,064
Buildings and improvements	7,531,380	7,629,959	6,713,873	309,027	22,184,239	21,974,049
Equipment and machinery	4,871,935	357,434	349,743	97,349	5,676,461	5,600,802
Vehicles	781,963	1,443,408	3,374,366	693,321	6,293,058	5,803,104
Office equipment	65,767	42,163	65,038	228,388	401,356	399,856
	<u>13,822,606</u>	<u>9,703,141</u>	<u>44,333,734</u>	<u>1,731,164</u>	<u>69,590,645</u>	<u>67,404,348</u>
Less accumulated depreciation and amortization	<u>12,580,097</u>	<u>8,373,742</u>	<u>10,082,047</u>	<u>1,278,763</u>	<u>32,314,649</u>	<u>28,488,394</u>
Capital assets in service, net	1,242,509	1,329,399	34,251,687	452,401	37,275,996	38,915,954
Construction in progress	-	-	4,447,381	-	4,447,381	-
Total capital assets, net	<u>\$ 1,242,509</u>	<u>\$ 1,329,399</u>	<u>\$ 38,699,068</u>	<u>\$ 452,401</u>	<u>\$ 41,723,377</u>	<u>\$ 38,915,954</u>

	December 31, 2009					Total 2008
	MRF, GWC, and HHW	ETS and WTS	Regional Landfill	Other	Total 2009	
Land and improvements	\$ 546,436	\$ 584,324	\$ 32,476,429	\$ 19,348	\$ 33,626,537	\$ 33,368,409
Buildings and improvements	7,531,380	7,436,298	6,712,320	294,051	21,974,049	21,970,760
Equipment and machinery	4,819,758	315,169	397,281	133,632	5,665,840	5,605,371
Vehicles	581,525	1,438,509	2,806,309	976,761	5,803,104	5,678,759
Office equipment	65,767	42,163	-	226,888	334,818	352,430
	<u>13,544,866</u>	<u>9,816,463</u>	<u>42,392,339</u>	<u>1,650,680</u>	<u>67,404,348</u>	<u>66,975,729</u>
Less accumulated depreciation and amortization	<u>11,846,815</u>	<u>7,966,683</u>	<u>7,510,528</u>	<u>1,164,368</u>	<u>28,488,394</u>	<u>24,813,042</u>
	<u>\$ 1,698,051</u>	<u>\$ 1,849,780</u>	<u>\$ 34,881,811</u>	<u>\$ 486,312</u>	<u>\$ 38,915,954</u>	<u>\$ 42,162,687</u>

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

	December 31, 2010				2010
	2009	Additions	Retirement/ Disposal	Adjustment	
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
	<u>67,404,348</u>	<u>2,214,921</u>	<u>(10,726)</u>	<u>(17,898)</u>	<u>69,590,645</u>
Less accumulated depreciation and amortization	<u>28,488,394</u>	<u>3,848,425</u>	<u>(10,726)</u>	<u>(11,444)</u>	<u>32,314,649</u>
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 capital assets, net	<u>\$ 38,915,954</u>	<u>\$ 2,813,877</u>	<u>\$ -</u>	<u>\$ (6,454)</u>	<u>\$ 41,723,377</u>

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 3 - PROPERTY, PLANT, AND EQUIPMENT, NET

	December 31, 2009				2009
	Balance December 31, 2008	Additions	Retirement/ Disposal	Adjustment	
Land and improvements	\$ 33,368,409	\$ 258,128	\$ -	\$ -	\$ 33,626,537
Buildings and improvements	21,970,760	3,289	-	-	21,974,049
Equipment and machinery	5,605,371	60,469	-	-	5,665,840
Vehicles	5,678,759	234,133	(109,788)	-	5,803,104
Office equipment	352,430	-	-	(17,612)	334,818
	<u>66,975,729</u>	<u>556,019</u>	<u>(109,788)</u>	<u>(17,612)</u>	<u>67,404,348</u>
Less accumulated depreciation and amortization	<u>24,813,042</u>	<u>3,785,140</u>	<u>(109,788)</u>	<u>-</u>	<u>28,488,394</u>
	<u>\$ 42,162,687</u>	<u>\$ (3,229,121)</u>	<u>\$ -</u>	<u>\$ (17,612)</u>	<u>\$ 38,915,954</u>

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, 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)	<u>3,020,986</u>	<u>2,852,217</u>	<u>168,769</u>
Intangible assets, net	<u>\$ 4,678,258</u>	<u>\$ 3,836,955</u>	<u>\$ 841,303</u>
Premium on revenue bonds (b)	<u>\$ 1,198,044</u>	<u>\$ 1,131,115</u>	<u>\$ 66,929</u>

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	\$ 1,657,272	\$ 886,365	\$ 770,907
Deferred amount on remainder of defeased 1992 Revenue Bonds (b)	<u>3,020,986</u>	<u>2,734,091</u>	<u>286,895</u>
Intangible assets, net	<u>\$ 4,678,258</u>	<u>\$ 3,620,456</u>	<u>\$ 1,057,802</u>
Premium on revenue bonds (b)	<u>\$ 1,198,044</u>	<u>\$ 1,084,269</u>	<u>\$ 113,775</u>

(a) Includes financing costs incurred relative to the 1992, 1998, 2006, and 2007 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 \$98,375 and \$108,011 during 2010 and 2009, respectively.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 4 - INTANGIBLE ASSETS AND PREMIUM ON REVENUE BONDS - Continued

- (b) 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 premium and deferred amounts are being amortized over the life of the Bonds using the effective interest method. Amortization expense, net of premium amortized, was \$71,280 and \$88,326 for the years ended December 31, 2010 and 2009, respectively.

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

2011	\$ 141,601
2012	112,084
2013	81,026
2014	57,883
2015	54,376
Thereafter	327,404
Total	\$ 774,374

NOTE 5 - REVENUE BONDS

At December 31, 2010 and 2009, the Authority has outstanding \$5,165,000 and \$5,370,000, respectively, of 2007 Revenue Bonds. The bond was originally issued at \$5,730,000 to finance the costs incurred in connection with the issuance of the bond, 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, 2010 and 2009, the Authority has outstanding \$13,925,000 and \$17,255,000, respectively, of 1998 Revenue Bonds. The bond was 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, 2010 and 2009, the Authority has outstanding \$28,385,000 and \$29,665,000, respectively, of 2006 New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue Bonds. The bond was 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 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.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 5 - REVENUE BONDS - Continued

(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%.

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31,	2011	\$ 5,030,000	\$ 2,126,913	\$ 7,156,913
	2012	5,260,000	1,867,560	7,127,560
	2013	5,505,000	1,594,774	7,099,774
	2014	4,410,000	1,344,950	5,754,950
	2015	1,665,000	1,200,280	2,865,280
For the years ending December 31,	2016 through 2020	9,030,000	4,870,626	13,900,626
	2021 through 2025	10,460,000	2,672,328	13,132,328
	2026 through 2027	6,115,000	161,482	6,276,482
		<u>47,475,000</u>	<u>\$ 15,838,913</u>	<u>\$ 63,313,913</u>
Less current installments		<u>5,030,000</u>		
Revenue Bonds, less current installments		<u>\$ 42,445,000</u>		

Interest expense related to the Revenue Bonds was \$1,814,002 and \$2,025,864 for the years ended December 31, 2010 and 2009, respectively.

On December 20, 2010, the Board of Directors authorized the issuance of system revenue bonds to fund the costs of designing, procuring, and installing a single-steam recyclables processing system, to fund any necessary reserves, and to fund the costs of issuance. The original principal amount is not to exceed \$11,000,000.

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:

2010	\$ 388,528
2009	239,807
2008	297,422

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 6 - NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM - Continued

The Authority's contributions made to the System were equal to 100 percent 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 approximately 22 and 24 active employees as of December 31, 2010 and 2009, 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 and \$-0- at December 31, 2010 and 2009, respectively. Although these funds are designated for this purpose, they are reflected in unrestricted net assets and can be used for operations if needed. During 2010 and 2009, premiums paid by the Authority on behalf of current retirees totaled \$7,120 and \$2,124, 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	\$ 147,405
Net OPEB obligation, beginning of year	<u>142,542</u>
 Net OPEB obligation, end of year	 <u><u>\$ 289,947</u></u>

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, 2010, was as follows:

Fiscal Year	Annual OPEB Cost	Expected Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 147,532	\$ 4,990	3.40%	\$ 142,542
December 31, 2010	156,637	9,232	5.90%	289,947

Funded Status and Funding Progress. As of May 19, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,339,905 and \$1,219,100 at December 31, 2010 and 2009, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,265,328 and \$1,186,832 at December 31, 2010 and 2009, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 105.9 percent and 102.7 percent, respectively.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 7 - ACCRUED POSTEMPLOYMENT BENEFITS - Continued

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 supplementary information at the end of this note, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2010 and 2009.

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, 2010, was twenty-nine years.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 7 - ACCRUED POSTEMPLOYMENT BENEFITS - Continued

REQUIRED SUPPLEMENTARY 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, 2009	-	1,219,100	1,219,100	0%	1,186,832	102.70%

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 \$177,772 and \$173,607 during the years ended December 31, 2010 and 2009, respectively. There was \$461,517 and \$43,005 due to the City of Utica at December 31, 2010 and 2009, 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, 2010 and 2009, the cost of waste removal was \$3,708,467 and \$3,660,052, offset by solid waste service charge revenues of \$2,038,478 and \$2,035,265 and refuse bag sales of \$1,423,563 and \$1,424,772, 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.

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009**

NOTE 8 - COMMITMENTS AND CONTINGENCIES - Continued

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

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, 2010 and 2009, the cost of waste removal was \$1,200,211 and \$1,199,264, offset by refuse bag sales of \$593,192 and \$601,612 and total rental fees of \$629,632 and \$611,924, respectively.

c. 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.

d. 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 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED

In December 2010, the Governmental Accounting Standards Board (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.

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

**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**

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

We have audited the financial statements of the Oneida-Herkimer Solid Waste Management Authority (Authority) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 14, 2011. 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 Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Authority'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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Authority's compliance with *Investment Guidelines for Public Authorities*, 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 10-01.

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, 2011

**ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2010**

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

10-01. Investment Policy

Criteria: The Authority's investment policy states that moneys of the Authority not held under a trust indenture or similar instrument governing an issue of the Authority's bonds, notes, or obligations are to be secured by obligations with a market value equal at all times to the amount on deposit.

Condition: One deposit account held by the Authority is not secured by any obligations.

Effect: The Authority is not in compliance with its investment policy.

Cause: The Authority did not invest all deposits in accordance with its investment policy.

Recommendation: All of the Authority's unsecured funds should be moved to an account that is secured by appropriate obligations.

View of Responsible Officials: The unsecured account will be transferred to an FDIC-insured account effective March 16, 2011.