ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

FINANCIAL REPORT

December 31, 2012 and 2011

ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

FINANCIAL REPORT

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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

Report on the Financial Statements

We have audited the accompanying statements of net position of the Oneida-Herkimer Solid Waste Management Authority (Authority) (a New York public benefit corporation), as of and for the years ended December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 10 and the schedule of funding progress on page 25 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 who considers it to be an essential part of 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 supplementary 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

On behalf of the Oneida-Herkimer Solid Waste Management Authority, I am pleased to submit this 2012 Annual Financial Report developed in compliance with accounting standards generally accepted in the United States of America. This year marks the 24th anniversary since the formation of the Authority.

This past year was another productive year for the Authority. Authority expenses in 2012 were reduced by 2.4%. This reduction was achieved in part by operation of the Authority's single stream recycling center, which opened on January 3, 2012. Beyond operational savings, the facility brought added convenience to residents and businesses, while cutting collection expenses in the two Counties.

The Authority's landfill gas-to-electricity project also became operational in April of 2012. Revenues associated with this project will help diversify the Authority's income.

The Authority remains 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.

The Authority's Board remains committed to long-term stable rates. The 2012 operating surplus and corresponding positive net 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 ($200,000) and the extension of the landfill liner for new waste disposal cells ($1,150,000). 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

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 2012 annual budget was approximately $26 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, grants, and other user fees. The Authority receives no funds from the Counties.

Authority Board of Directors for 2012

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*	Executive Director of Fort Schuyler Management Corporation; 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
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, 2012 and 2011, and other significant pertinent financial information.

The 2012 financial report continues to reflect the strong operating results of the Authority. The Authority has increased net position by approximately $4.74 million, $4.67 million, and $5.15 million for the years ended December 31, 2012, 2011, and 2010, respectively. This was the result of several factors including:

- Municipal solid waste delivered to Authority facilities declined by about 3% in 2012. The Authority did see an increase in Construction & Demolition material of about 4.4%.

- Recycling markets continued to be strong, and the Authority earned about $2,916,000 and $2,236,000 in recycling sales during 2012 and 2011, respectively.

- The Authority also sold Landfill Gas, per its contract with Waste Management Renewable Energy, and generated $67,450 in revenue.

- The Authority sold carbon credits resulting in $362,671 and $261,689 of revenue during 2012 and 2011, respectively.

- Expenses were closely monitored which resulted in a decrease of over $500,000 in comparison to 2011.

- 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 $200,000 and $250,000 and for the extension of the landfill liner in the amount of $1,150,000 and $1,400,000 during 2012 and 2011, respectively.

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,				
	2012	**2012 vs. 2011**	**2011**	**2011 vs. 2010**	**2010**
ASSETS					
Current assets	$ 16,667,513	18.76%	$ 14,035,149	9.50%	$ 12,817,553
Restricted assets	19,114,775	-5.40%	20,206,484	16.80%	17,300,725
Property, plant, and equipment, net	46,913,563	-4.50%	49,121,864	17.73%	41,723,377
Other assets	716,537	-18.45%	878,665	4.44%	841,303
Total assets	**$ 83,412,388**	**-0.98%**	**$ 84,242,162**	**15.90%**	**$ 72,682,958**
LIABILITIES AND NET POSITION					
Current liabilities	$ 7,854,233	-6.06%	$ 8,360,539	8.77%	$ 7,686,170
Long-term liabilities	46,504,391	-9.82%	51,568,153	13.70%	45,354,397
Total liabilities	54,358,624	-9.29%	59,928,692	12.99%	53,040,567
Net investment in capital assets	415,968	-122.65%	(1,836,193)	-68.44%	(5,818,552)
Net position, restricted	15,751,992	-8.06%	17,133,721	-0.97%	17,300,725
Net position, unrestricted	12,885,804	42.92%	9,015,942	10.49%	8,160,218
Total net position	29,053,764	19.50%	24,313,470	23.78%	19,642,391
Total liabilities and net position	**$ 83,412,388**	**-0.98%**	**$ 84,242,162**	**15.90%**	**$ 72,682,958**

Total assets have increased by 14.7% since 2010. 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 in 2011.

Net position has grown approximately $14.5 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,				
	2012	**2012 vs. 2011**	**2011**	**2011 vs. 2010**	**2010**
Operating revenue	$ 24,563,662	-1.66%	$ 24,979,134	-1.10%	$ 25,256,219
Nonoperating revenue	529,746	-3.94%	551,454	1.80%	541,724
Total revenues	25,093,408	-1.71%	25,530,588	-1.04%	25,797,943
Depreciation expense	3,625,330	0.23%	3,617,006	-6.01%	3,848,425
Other operating expense	14,739,342	-4.92%	15,502,839	4.77%	14,797,567
Nonoperating expense	1,988,442	14.30%	1,739,664	-12.91%	1,997,609
Total expenses	20,353,114	-2.43%	20,859,509	1.05%	20,643,601
Change in net position	**4,740,294**	**1.48%**	**4,671,079**	**-9.38%**	**5,154,342**
NET POSITION, beginning	24,313,470	23.78%	19,642,391	35.58%	14,488,049
NET POSITION, ending	**$ 29,053,764**	**19.50%**	**$ 24,313,470**	**23.78%**	**$ 19,642,391**

The Authority's expenses decreased by about 2.4% for 2012 in comparison to 2011. 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 2012 and 2011 budgets are compared to 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, 2012		
	Actual	Amended Budget	$ Change
Operating revenue	$ 24,563,662	$ 25,485,600	$ (921,938)
Nonoperating revenue	529,746	480,400	49,346
Total revenues	25,093,408	25,966,000	(872,592)
Operating expenses			
Personal	5,362,909	5,476,934	(114,025)
Contractual services	5,444,348	5,457,520	(13,172)
Materials and supplies	1,413,275	1,560,853	(147,578)
Utilities	280,897	361,198	(80,301)
Repairs and maintenance	140,949	173,000	(32,051)
Host community benefits	683,598	697,000	(13,402)
Insurance	144,170	144,500	(330)
Other rental	80,865	84,800	(3,935)
Depreciation and amortization	3,625,330	-	3,625,330
Other operating expense	1,188,331	4,844,195	(3,655,864)
Nonoperating expenses	1,988,442	7,166,000	(5,177,558)
Total expenses	20,353,114	25,966,000	(5,612,886)
Net income	**$ 4,740,294**	**$ -**	**$ 4,740,294**

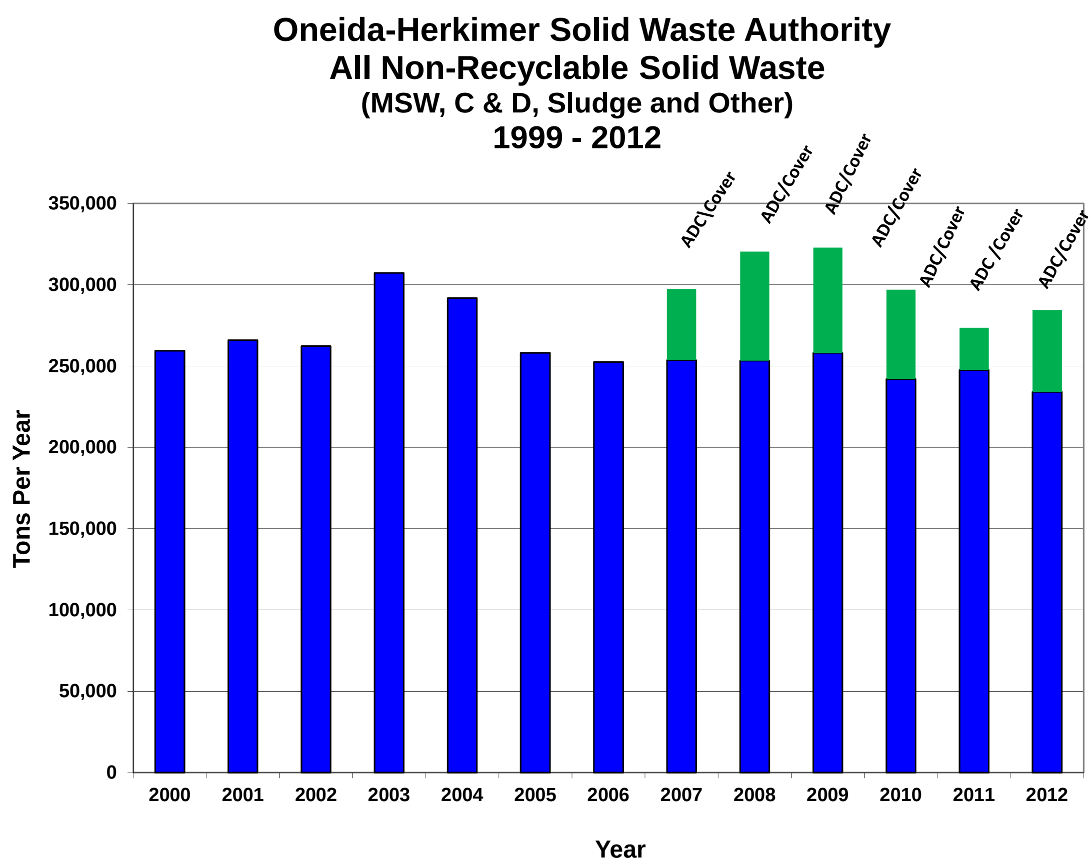
	Year Ended December 31, 2011		
	Actual	Amended Budget	$ Change
Operating revenue	$ 24,979,134	$ 25,783,600	$ (804,466)
Nonoperating revenue	551,454	490,400	61,054
Total revenues	25,530,588	26,274,000	(743,412)
Operating expenses			
Personal	5,198,394	5,119,741	78,653
Contractual services	5,838,429	5,821,232	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)
Host community benefits	706,069	697,000	9,069
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	1,637,679	5,732,980	(4,095,301)
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

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 2012 and 2011 amended budgets. These adjustments are as follows:

	Year Ended December 31, 2012	2011
Net income	$ 4,740,294	$ 4,671,079
Add: bond proceeds for construction of single stream recycling system	-	10,725,000
Deduct: principal payments made on bonds	(5,260,000)	(5,030,000)
Add: depreciation expense	3,625,335	3,617,006
Deduct: acquisition of capital assets, net	(1,458,030)	(10,661,621)
Budget surplus	$ 1,647,599	$ 3,321,464

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.

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

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 2012 and 2011, the Authority had $46.9 million and $49.1 million, respectively, invested in capital assets as indicated in Table A-4.

TABLE A-4
CAPITAL ASSETS

	December 31,				
	2012	2012 vs. 2011	2011	2011 vs. 2010	2010
Land	$ 3,177,447	0.18%	$ 3,171,849	8.07%	$ 2,934,937
Land improvements	37,215,992	0.95%	36,864,796	14.84%	32,100,594
Building and improvements	21,615,509	-2.92%	22,265,067	0.36%	22,184,239
Machinery and equipment	9,365,327	62.95%	5,747,245	1.25%	5,676,461
Vehicles	6,979,556	1.44%	6,880,300	9.33%	6,293,058
Office equipment	266,606	-36.59%	420,469	4.76%	401,356
	78,620,437	4.34%	75,349,726	8.28%	69,590,645
Less accumulated depreciation and amortization	31,711,801	-10.78%	35,544,733	10.00%	32,314,649
Capital assets in service, net	46,908,636	17.85%	39,804,993	6.78%	37,275,996
Construction work in progress	4,927		9,316,871		4,447,381
Total capital assets, net	$ 46,913,563	-4.50%	$ 49,121,864	17.73%	$ 41,723,377

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

The Authority adopted a five-year capital plan with the passage of its annual budget. The five-year plan 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 $47,910,000 and $53,170,000 in outstanding Revenue Bonds at December 31, 2012 and 2011, 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 2012 and 2011. 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
James V. Biamonte, Environmental Coordinator
David E. Lupinski, Director of Recycling

ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

STATEMENTS OF NET POSITION

	December 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,239,159	$ 11,270,137
Investments	5,335,721	-
Accounts receivable, net	2,806,824	2,458,174
Prepaid expenses	285,809	306,838
Total current assets	16,667,513	14,035,149
RESTRICTED ASSETS		
Cash and cash equivalents	6,296,089	8,083,619
Investments	12,744,237	12,048,416
Accrued interest receivable	74,449	74,449
Total restricted assets	19,114,775	20,206,484
OTHER ASSETS		
Capital assets, net	46,913,563	49,121,864
Bond issuance costs and deferred charges, net	716,537	878,665
Total other assets	47,630,100	50,000,529
	$ 83,412,388	**$ 84,242,162**
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current installments of revenue bonds	$ 5,505,000	$ 5,260,000
Accounts payable and accrued liabilities	1,238,371	1,920,279
Deferred revenue	647,211	655,976
Accrued interest payable	463,651	524,284
Total current liabilities	7,854,233	8,360,539
LONG-TERM LIABILITIES		
Revenue bonds, less current installments	42,405,000	47,910,000
Premium on revenue bonds, net	106,033	142,829
Accrued closure and post-closure costs	3,362,783	3,072,763
Accrued postemployment benefits	630,575	442,561
Total long-term liabilities	46,504,391	51,568,153
Total liabilities	54,358,624	59,928,692
NET POSITION		
Net investment in capital assets	415,968	(1,836,193)
Restricted	15,751,992	17,133,721
Unrestricted	12,885,804	9,015,942
Total net position	29,053,764	24,313,470
	$ 83,412,388	**$ 84,242,162**

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 POSITION

	Years Ended December 31, 2012	2011
OPERATING REVENUES		
Tipping fees, net	$ 15,912,867	$ 16,810,176
Solid waste service charge, City of Utica	1,994,075	2,046,896
Refuse bag sales	1,986,317	2,023,750
Toter revenues	651,891	652,193
Recyclable sales	2,916,112	2,236,530
Carbon credit sales	362,671	261,689
Landfill gas sales	67,450	-
Miscellaneous	672,279	947,900
	24,563,662	24,979,134
OPERATING EXPENSES		
Personal services	5,362,909	5,198,394
Contractual services	5,444,348	5,838,429
Materials and supplies	1,413,275	1,459,824
Utilities	280,897	304,750
Repairs and maintenance	140,949	150,194
Host community benefits	683,598	706,069
Insurance	144,170	142,692
Other rental	80,865	64,808
Depreciation	3,625,330	3,617,006
Change in post-closure accrual estimate	315,000	540,000
Miscellaneous	873,331	1,097,679
	18,364,672	19,119,845
Operating income	**6,198,990**	**5,859,289**
NONOPERATING REVENUES (EXPENSES)		
Interest income	464,855	454,619
Interest expense	(1,860,862)	(1,597,897)
Amortization of bond issuance costs	(127,580)	(141,767)
Operating grants	64,891	96,835
	(1,458,696)	(1,188,210)
Change in net position	**4,740,294**	**4,671,079**
NET POSITION, beginning of year	24,313,470	19,642,391
NET POSITION, end of year	**$ 29,053,764**	**$ 24,313,470**

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,	
	2012	**2011**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Received from customers	$ 24,028,456	$ 24,040,890
Paid to suppliers and vendors	(9,552,502)	(9,434,224)
Paid to employees, including benefits	(5,174,895)	(5,045,780)
	9,301,059	**9,560,886**
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of revenue bond principal	(5,260,000)	(5,030,000)
Proceeds from issuance of revenue bonds	-	10,725,000
Premium on revenue bond proceeds	-	120,880
Revenue bond closing costs	-	(233,198)
Interest paid	(1,921,495)	(1,876,007)
Proceeds from sale of capital assets	21,754	207,191
Acquisition of capital assets	(1,458,030)	(10,661,621)
Operating grants	64,891	96,835
	(8,552,880)	**(6,650,920)**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest received	464,855	454,619
Change in restricted cash and cash equivalents	1,787,530	(1,640,791)
Purchases of certificates of deposit, net	(5,335,721)	-
Purchases of restricted investments, net	(695,821)	(1,264,968)
	(3,779,157)	**(2,451,140)**
Net (decrease) increase in cash and cash equivalents	**(3,030,978)**	**458,826**
CASH AND CASH EQUIVALENTS, beginning of year	11,270,137	10,811,311
CASH AND CASH EQUIVALENTS, end of year	**$ 8,239,159**	**$ 11,270,137**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	$ 6,198,990	$ 5,859,289
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	3,625,335	3,617,006
Loss (gain) on sale of capital assets	16,994	(207,191)
Change in assets and liabilities		
Accounts receivable	(543,435)	(750,526)
Prepaid expenses	21,029	(199,978)
Provision for bad debts	194,785	191,734
Accounts payable and accrued liabilities	(681,908)	358,223
Deferred revenue	(8,765)	19,473
Accrued closure and post-closure costs	290,020	520,242
Other postemployment benefits	188,014	152,614
	$ 9,301,059	**$ 9,560,886**

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, 2012, 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 (U.S. 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 statements of net position. Net position (i.e., total assets net of total liabilities) is segregated into restricted and unrestricted components, as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances.
- *Restricted net position* has externally placed constraints on use.
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of "restricted net position" or "net investment in capital assets."

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 $1,709,792 and $1,766,206 for the fiscal years ended December 31, 2012 and 2011, 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 capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Use of Estimates

The preparation of financial statements requires management 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. Short-term investments consist of money market funds with underlying investments in obligations of the U.S. government and repurchase agreements.

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.

Cash deposits with financial institutions are either 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. Cash equivalents in money market funds and investments are held in the Authority's name by their custodian and; therefore, not subject to custodial risk. The Authority's restricted cash equivalents are considered investments for cash flow statement purposes.

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 $345,826 and $342,550 at December 31, 2012 and 2011, respectively. Accounts receivable are written off when deemed uncollectible. During 2012 and 2011, the Authority wrote off $193,272 and $191,635, respectively, of City of Utica user fees. Other write-offs during 2012 and 2011 were not material. 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. Capital Assets, Net

Capital assets, 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 capital assets to determine if any impairment 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, 2012 and 2011.

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

f. Capital Assets, 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. Bond Issuance Costs and Deferred Charges, Net

Bond issuance costs and deferred charges, net, include financing costs incurred related to various revenue bonds' issuances and any losses incurred on the refunding of revenue bonds. 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. Based upon engineering estimates and actual usage, the Regional Landfill has a useful life of over seventy years. 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, 2012 and 2011, the Authority accrued $3,362,783 and $3,072,763, 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, $3,645,131 and $3,324,236 in cash, certificates of deposit, and U.S. obligations have been restricted by the Authority for this purpose at December 31, 2012 and 2011, 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 9) are initially 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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Authority fully adopted GASB Statement No. 63 as of January 1, 2012, and there was no significant impact to the financial statements.

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

m. Reclassifications

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

n. Subsequent Events

The Authority has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 12, 2013, 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 and requirements set by the New York State Department of Environmental Conservation, the use of certain Authority assets is restricted for specific purposes as summarized below:

	December 31,	
	2012	2011
Debt Service Reserve Fund		
Contingency fund to be utilized in case of default	$ 8,056,255	$ 10,673,260
Construction Projects Fund and Bond Redemption and Improvement Fund		
Additional capital expenditures which may be incurred by the Authority	1,518,438	2,352,678
Other Funds		
Interest earned required to be paid to the United States	9,352	9,352
Restricted assets required for debt service	5,811,150	3,772,509
Restricted assets for post-closure monitoring costs	3,645,131	3,324,236
Accrued interest on restricted assets	74,449	74,449
	$ 19,114,775	$ 20,206,484

NOTE 3 - INVESTMENTS

The Authority had the following investments and maturities:

	2012				
		Investment Maturities (in Years)			
Restricted Investments	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Notes/Bonds	$ 6,063,018	$ 2,723,351	$ -	$ -	$ 3,339,667
Repurchase Agreement	3,184,000	-	3,184,000	-	-
Certificates of Deposit	2,902,057	2,653,354	248,703	-	-
Federal Agency Securities	595,162	410,153	104,453	80,556	-
	$ 12,744,237	$ 5,786,858	$ 3,537,156	$ 80,556	$ 3,339,667

		Investment Maturities (in Years)			
Unrestricted Investments	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Certificates of Deposit	$ 5,335,721	$ 5,335,721	$ -	$ -	$ -

NOTE 3 - INVESTMENTS - Continued

	2011				
	Investment Maturities (in Years)				
Restricted Investments	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Notes/Bonds	$ 5,956,672	$ 2,617,005	$ -	$ -	$ 3,339,667
Repurchase Agreement	3,184,000	-	3,184,000	-	-
Federal Agency Securities	2,907,744	2,718,024	107,113	82,607	-
	$ 12,048,416	$ 5,335,029	$ 3,291,113	$ 82,607	$ 3,339,667

a. Credit Risk

All of the Authority's deposits with financial institutions were either covered by FDIC insurance or fully collateralized by authorized investments of the pledging financial institution. The Authority's cash equivalents consist of a money market fund that had a credit rating of AAAm by S&P and Aaa-mf by Moody's.

The Authority's investment policy limits investments to time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by the United States of America, obligations of the State of New York, obligations of certain municipalities, schools districts, or other district corporations, obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies that are authorized by State statutes, certifications of participations, and investments with agencies of the Federal government. All of the Authority's investments had a credit rating AA or higher by major rating agencies.

b. Custodial Credit Risk

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held either by (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. All of the Authority's investments are held under their name with the custodian.

c. Interest Rate Risk

The fair value of the Authority's fixed maturity investments fluctuate in response to changes in market interest rates. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, the liquidity of the instrument, and other general market conditions. The Authority plans to hold its restricted investments to maturity, which minimizes the occurrence of loss on investments.

d. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the Authority's investment in single issues. As of December 31, 2012 and 2011, the Authority had approximately 25% and 26%, respectively, of their restricted investment portfolio in a Citigroup Master Repurchase Agreement. No other issuer makes up more than 5% of the Authority's restricted investment portfolio. The Authority's unrestricted investment in certificates of deposit are entirely invested with the Bank of Utica, however, are fully collateralized. Management of the Authority monitors the credit ratings associated with their underlying investments.

NOTE 4 - CAPITAL ASSET, NET

Capital assets, net, are as follows:

	December 31, 2012				
	MRF, GWC, and HHW	ETS and WTS	Regional Landfill	Other	Total
Land	$ -	$ -	$ 2,780,477	$ 396,970	$ 3,177,447
Land improvements	606,534	262,088	36,340,234	7,136	37,215,992
Buildings and improvements	6,943,289	7,639,356	6,718,673	314,191	21,615,509
Equipment and machinery	8,561,410	291,916	408,653	103,348	9,365,327
Vehicles	1,055,246	1,243,383	4,008,466	672,461	6,979,556
Office equipment	49,320	31,503	68,542	117,241	266,606
	17,215,799	9,468,246	50,325,045	1,611,347	78,620,437
Less accumulated depreciation and amortization	6,855,981	8,617,840	15,228,875	1,009,105	31,711,801
Capital assets in service, net	10,359,818	850,406	35,096,170	602,242	46,908,636
Construction in progress	-	-	-	4,927	4,927
Total capital assets, net	$ 10,359,818	$ 850,406	$ 35,096,170	$ 607,169	$ 46,913,563

	December 31, 2011				
	MRF, GWC, and HHW	ETS and WTS	Regional Landfill	Other	Total
Land	$ -	$ -	$ 2,774,879	$ 396,970	$ 3,171,849
Land improvements	606,534	265,150	35,985,976	7,136	36,864,796
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	49,918,252	1,748,986	75,349,726
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	37,364,579	394,690	39,804,993
Construction in progress	9,316,871	-	-	-	9,316,871
Total capital assets, net	$ 10,257,706	$ 1,104,889	$ 37,364,579	$ 394,690	$ 49,121,864

ONEIDA-HERKIMER
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NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 - CAPITAL ASSETS, NET - Continued

A summary of changes in the Authority's capital assets are as follows:

	December 31, 2012			
	Balance December 31, 2011	Additions	Retirement/ Disposal	Balance December 31, 2012
Land	$ 3,171,849	$ 5,598	$ -	$ 3,177,447
Land improvements	36,864,796	354,258	(3,062)	37,215,992
Buildings and improvements	22,265,067	2,904,378	(3,553,936)	21,615,509
Equipment and machinery	5,747,245	7,260,163	(3,642,081)	9,365,327
Vehicles	6,880,300	228,947	(129,691)	6,979,556
Office equipment	420,469	16,630	(170,493)	266,606
	75,349,726	10,769,974	(7,499,263)	78,620,437
Less accumulated depreciation and amortization	35,544,733	3,627,583	(7,460,515)	31,711,801
Capital assets in service, net	39,804,993	7,142,391	(38,748)	46,908,636
Construction in progress	9,316,871	725,786	(10,037,730)	4,927
Total capital assets, net	$ 49,121,864	$ 7,868,177	$ (10,076,478)	$ 46,913,563

	December 31, 2011			
	Balance December 31, 2010	Additions	Retirement/ Disposal	Balance December 31, 2011
Land	$ 2,934,937	$ 236,912	$ -	$ 3,171,849
Land improvements	32,100,594	4,764,202	-	36,864,796
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	6,146,166	(387,085)	75,349,726
Less accumulated depreciation and amortization	32,314,649	3,617,169	(387,085)	35,544,733
Capital assets in service, net	37,275,996	2,528,997	-	39,804,993
Construction in progress	4,447,381	9,372,148	(4,502,658)	9,316,871
Total capital assets, net	$ 41,723,377	$ 11,901,145	$ (4,502,658)	$ 49,121,864

NOTE 5 - BOND ISSUANCE COSTS AND DEFERRED CHARGES, NET

A summary of bond issuance costs and deferred charges, net of accumulated amortization, is as follows:

	December 31, 2012		
	Cost	Accumulated Amortization	Net Book Value
Financing costs (a)	$ 1,890,470	$ 1,197,558	$ 692,912
Deferred loss on remainder of defeased 1992 Revenue bonds (b)	3,020,986	2,997,361	23,625
Bond issuance costs and deferred charges, net	$ 4,911,456	$ 4,194,919	$ 716,537
Premium on revenue bonds (b)	$ 1,318,924	$ 1,212,891	$ 106,033

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

(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 $105,291 and $107,528 during 2012 and 2011, 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 $20,040 and $43,327 for the years ended December 31, 2012 and 2011, respectively.

NOTE 6 - REVENUE BONDS

At December 31, 2012, 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, beginning in 2014 (a).

At December 31, 2012 and 2011, the Authority has outstanding $4,735,000 and $4,955,000, 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 (a).

NOTE 6 - REVENUE BONDS - Continued

At December 31, 2012 and 2011, the Authority has outstanding $6,700,000 and $10,410,000, 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, 2012 and 2011, the Authority has outstanding $25,750,000 and $27,080,000, 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 paid on April 1, 2003, at a redemption price of 102%.

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

	Principal	Interest	Total
For the year ending December 31, 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
2017	2,520,000	1,436,066	3,956,066
For the years ending December 31, 2018 through 2022	13,910,000	5,351,087	19,261,087
2023 through 2027	15,675,000	1,714,616	17,389,616
	47,910,000	$ 15,593,273	$ 63,503,273
Less current installments	5,505,000		
Revenue Bonds, less current installments	$ 42,405,000		

Interest expense related to the Revenue Bonds was $1,860,862 and $1,935,180 for the years ended December 31, 2012 and 2011, respectively. Interest expense totaling $344,783 was capitalized related to the construction of the single stream recycling center as of December 31, 2011.

NOTE 7 - 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:

2012	$ 602,389
2011	409,345
2010	388,528

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

NOTE 8 - 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 active employees as of December 31, 2012 and 2011. 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, 2012 and 2011. Although these funds are designated for this purpose, they are reflected in unrestricted net position and can be used for operations if needed. During 2012 and 2011, premiums paid by the Authority on behalf of current retirees totaled $5,282 and $7,340, 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	$ 188,014
Net OPEB obligation, beginning of year	442,561
Net OPEB obligation, end of year	$ 630,575

NOTE 8 - ACCRUED POSTEMPLOYMENT BENEFITS - Continued

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years ended December 31, 2012 and 2011, was as follows:

Fiscal Year	Annual OPEB Cost	Expected Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	$ 166,066	$ 13,452	8.10%	$ 442,561
December 31, 2012	194,099	6,085	3.13%	630,575

Funded Status and Funding Progress. As of June 11, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,662,462 and $1,464,381 at December 31, 2012 and 2011, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was $1,363,994 and $1,316,201 at December 31, 2012 and 2011, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 122% and 111%, 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 supplementary 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.

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 years ended December 31, 2012 and 2011.

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 7.25% initially, reduced to an ultimate rate of 4.3%, was used. The dental trend rate used was 4%.

NOTE 8 - ACCRUED POSTEMPLOYMENT BENEFITS - Continued

Health Insurance Premiums - 2012 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. The projected unit credit 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, 2012, was twenty-seven years.

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, 2011	$ -	$ 1,464,381	$ 1,464,381	0%	$ 1,316,201	111%
December 31, 2012	-	1,662,462	1,662,462	0%	1,363,994	122%

NOTE 9 - 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 $171,220 and $190,220 during the years ended December 31, 2012 and 2011, respectively. There was $43,994 and $50,604 due to the City of Utica at December 31, 2012 and 2011, 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 and the revenues generated from the sale of refuse bags to residents used to dispose of residential waste. For the years ended December 31, 2012 and 2011, the cost of waste removal, which is included in contractual services, was $3,781,587 and $3,759,406, offset by solid waste service charge revenues of $1,992,620 and $2,044,292 and refuse bag sales of $1,415,575 and $1,436,128, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES - Continued

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, 2012 and 2011, the cost of waste removal was $1,208,826 and $1,210,010, offset by refuse bag sales of $570,742 and $587,622 and total rental fees of $651,891 and $652,193, respectively.

b. 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 years ended December 31, 2012 and 2011, $362,671 and $261,689, respectively, was earned related to the sale of carbon credits.

c. 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. The commercial operation date occurred in May 2012. For the year ended December 31, 2012, $67,450 was earned related to the sale of landfill gas.

d. 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.

f. 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 10 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term *deferred* in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

NOTE 10 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED - Continued

In March 2012, GASB issued Statement No. 66, *Technical Corrections - an Amendment of Statements No. 10 and No. 62.* This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

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

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the Oneida-Herkimer Solid Waste Management Authority (Authority), as of December 31, 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 12, 2013

ONEIDA-HERKIMER
SOLID WASTE MANAGEMENT AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2012

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

None.