

**Oneida-Herkimer  
Solid Waste Management Authority**

Financial Report

December 31, 2013 and 2012



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**Oneida-Herkimer  
Solid Waste Management Authority**

Financial Report

December 31, 2013 and 2012

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CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-12
<b>Financial Statements</b>	
Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	14
Statements of Cash Flows	15
Notes to Financial Statements	16-31
<b>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></b>	32-33

## 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 financial statements of the Oneida-Herkimer Solid Waste Management Authority (Authority) (a New York public benefit corporation), which comprise the statement of net position as of December 31, 2013, 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.

### *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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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, 2013, and the results of its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 5 to the financial statements, during 2013, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65). The provisions of GASB No. 65 are retroactive, and the Authority has restated certain prior period amounts to conform to the presentation requirements.

***Other Matters***

***Prior Year Financial Statements***

The financial statements of the Authority, as of and for the year ended December 31, 2012, were audited by Bollam, Sheedy, Torani & Co. LLP which merged with Sax Macy Fromm & Co., PC to form SaxBST LLP as of January 1, 2014. Bollam, Sheedy, Torani & Co. LLP's report dated March 12, 2013, expressed an unmodified opinion on those statements.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12 and the schedule of funding progress on page 28 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 14, 2014, 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.

SaxBST LLP

Albany, New York  
March 14, 2014



# Oneida-Herkimer Solid Waste Management Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### Introduction

On behalf of the Oneida-Herkimer Solid Waste Management Authority, I am pleased to submit this 2013 Annual Financial Report developed in compliance with accounting standards generally accepted in the United States of America. This year marks the 25th anniversary since the formation of the Authority.

This past year was another productive year for the Authority. The Authority was able to lower solid waste tipping fees as a result of increasing and diversifying its revenues. The year also marked our second full year of operating our single stream recycling center which provided operational savings and added convenience for residents while cutting collection expenses in the two counties.

The Authority's landfill gas-to-electricity project which became operational in April of 2012 expanded in 2013 with the addition of a second generator. Revenues associated with this project are part of the diversification of the Authority's income stream.

The Authority remains in a very stable financial position. While lowering rates and keeping expenses in check, 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 2013 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 (\$560,000). 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.

Neil Angell  
Chairman

# Oneida-Herkimer Solid Waste Management Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### Authority Profile

The Oneida-Herkimer Solid Waste Management Authority was created by the State Legislature at 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 2013 budget was approximately \$25.8 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 2013

<u>Name</u>	<u>Business Affiliation</u>
<b>Neil C. Angell, Chairman</b> <i>Vice Chairman, Finance Committee</i>	Town of Verona Dairy Farmer and former Oneida County Legislator and Member of the Agricultural Economic Development Committee
<b>Harry A. Hertline, Treasurer</b> <i>Chairman, Finance Committee</i> <i>Chairman, Audit Committee</i>	Korean War Air Force Veteran, Retired GE Unit Contract Manager, and former Minority Leader Oneida County Board of Legislators
<b>Vincent J. Bono</b>	Partner in Bono Brothers LLC, Property Management Group, current Chairman of the Board of the Herkimer County Legislature and Vice Chairman of the Herkimer County Industrial Development Agency
<b>Alicia Dicks</b> <i>FOIL Appeals Committee</i>	Executive Director of Fort Schuyler Management Corp., Member of the Mohawk Valley Economic Development Growth Enterprise, Oneida County School and Business Alliance, and Rob Esche "Save of the Day" Foundation
<b>James M. D'Onofrio</b> <i>FOIL Appeals Committee</i>	President of Arlott Office Products and Member of Oneida County Board of Legislators

# Oneida-Herkimer Solid Waste Management Authority

Management's Discussion and Analysis  
December 31, 2013 and 2012

## Authority Profile - Continued

### Authority Board of Directors for 2013

<u>Name</u>	<u>Business Affiliation</u>
<b>James A. Franco</b>	Retired DPW Superintendent, Village of Herkimer
<b>Barbara Freeman</b> <i>Governance Committee Chair, FOIL Appeals Committee</i>	Retired Teacher, After School Programs Director for Center for Family Living and Recovery, Inc., Member of Boonville Environmental Conservation Council
<b>Kenneth A. Long</b> <i>Finance Committee Vice Chairman, Audit Committee Chairman, Governance Committee</i>	Business Manager of Central Valley Central School District and former Herkimer County Legislator
<b>Robert J. Roberts, III</b> <i>Audit Committee Finance Committee</i>	Executive Director of The House of the Good Shepherd
<b>James Williams</b> <i>Governance Committee</i>	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.

# Oneida-Herkimer Solid Waste Management Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### **Audit Assurance**

Since the Authority has been established, we have received an unmodified opinion with each annual independent audit commonly referred to as a clean opinion. The current unmodified opinion from our auditors, SaxBST LLP, 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, 2013 and 2012, and other significant pertinent financial information.

The 2013 financial report continues to reflect the strong operating results of the Authority. The Authority has increased net position by approximately \$7.44 million, \$4.84 million, and \$4.67 million for the years ended December 31, 2013, 2012, and 2011, respectively. This was the result of several factors including:

- The Authority was able to reduce rates in 2013 for MSW, Sludge, and Asbestos.
- Municipal solid waste delivered to Authority facilities increased by about 1.4% in 2013. The Authority also saw an increase in Construction & Demolition material of about 14% over 2012.
- Recycling markets continued to be strong, and the Authority earned about \$2,729,000 and \$2,916,000 in recycling sales during 2013 and 2012, respectively.
- The Authority also sold Landfill Gas and shared in a Power Purchase Agreement, per its contract with Waste Management Renewable Energy, and generated \$431,303 in revenue. The Authority also added a second engine during 2013.
- The Authority sold carbon credits resulting in \$411,971 and \$362,671 of revenue during 2013 and 2012, respectively.
- 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 for 2013 and 2012 and for the extension of the landfill liner in the amount of \$560,000 and \$1,150,000 during 2013 and 2012, respectively.

# Oneida-Herkimer Solid Waste Management Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### Financial Analysis

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

**Table A-1  
Condensed Statements of Net Position**

	December 31,				
	2013	2013 vs. 2012	2012	2012 vs. 2011	2011
<b>ASSETS</b>					
Current assets	\$ 21,558,630	29.35%	\$ 16,667,513	18.76%	\$ 14,035,149
Restricted assets	18,958,044	-0.82%	19,114,775	-5.40%	20,206,484
Capital assets, net	44,598,994	-4.93%	46,913,563	-4.50%	49,121,864
Other assets	<u>57,236</u>	-35.51%	<u>88,752</u>	-42.33%	<u>153,884</u>
<b>Total assets</b>	<b><u>\$ 85,172,904</u></b>	<b>2.88%</b>	<b><u>\$ 82,784,603</u></b>	<b>-0.88%</b>	<b><u>\$ 83,517,381</u></b>
<b>LIABILITIES AND NET POSITION</b>					
Current liabilities	\$ 7,760,038	-1.20%	\$ 7,854,233	-6.06%	\$ 8,360,539
Long-term liabilities	<u>41,546,893</u>	-10.66%	<u>46,504,391</u>	-9.82%	<u>51,568,153</u>
Total liabilities	<u>49,306,931</u>	-9.29%	<u>54,358,624</u>	-9.29%	<u>59,928,692</u>
Net investment in capital assets	3,619,630		415,968		(1,836,193)
Net position, restricted	15,247,888		15,751,992		17,133,721
Net position, unrestricted	<u>16,998,455</u>		<u>12,258,019</u>		<u>8,291,161</u>
Total net position	<u>35,865,973</u>	26.17%	<u>28,425,979</u>	20.51%	<u>23,588,689</u>
<b>Total liabilities and net position</b>	<b><u>\$ 85,172,904</u></b>	<b>2.88%</b>	<b><u>\$ 82,784,603</u></b>	<b>-0.88%</b>	<b><u>\$ 83,517,381</u></b>

While total assets have remained relatively consistent since 2011 (1.98% increase), long-term liabilities have decreased approximately 19.4% during the same period principally due to scheduled payments on the Authority's long-term bonds.

Net position has grown approximately \$12.2 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.

# Oneida-Herkimer Solid Waste Management Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### Financial Analysis - Continued

**Table A-2  
Condensed Statements of Revenues, Expenses, and  
Changes in Net Position**

	Years Ended December 31,				
	2013	2013 vs. 2012	2012	2012 vs. 2011	2011
Operating revenue	\$ 25,141,287	2.35%	\$ 24,563,662	-1.66%	\$ 24,979,134
Nonoperating revenue	2,883,805	444.38%	529,746	-3.94%	551,454
Total revenues	<u>28,025,092</u>	11.68%	<u>25,093,408</u>	-1.71%	<u>25,530,588</u>
Depreciation expense	3,633,485	0.22%	3,625,330	0.23%	3,617,006
Other operating expense	15,331,449	4.02%	14,739,342	-4.92%	15,502,839
Nonoperating expense	1,620,164	-14.34%	1,891,446	8.72%	1,739,664
Total expenses	<u>20,585,098</u>	1.62%	<u>20,256,118</u>	-2.89%	<u>20,859,509</u>
<b>Change in net position</b>	<b>7,439,994</b>	<b>53.81%</b>	<b>4,837,290</b>	<b>3.56%</b>	<b>4,671,079</b>
<b>NET POSITION, beginning</b>	<u>28,425,979</u>	20.51%	<u>23,588,689</u>	24.69%	<u>18,917,610</u>
<b>NET POSITION, ending</b>	<u><b>\$ 35,865,973</b></u>	<b>26.17%</b>	<u><b>\$ 28,425,979</b></u>	<b>20.51%</b>	<u><b>\$ 23,588,689</b></u>

The Authority's expenses increased by about 1.6% for 2013 in comparison to 2012. This is principally the result of increases in personal services and fuel.

### 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 2013 and 2012 budgets are compared to actual results in Table A-3.

# Oneida-Herkimer Solid Waste Management Authority

Management's Discussion and Analysis  
December 31, 2013 and 2012

## Budgetary Highlights - Continued

**Table A-3  
Condensed Statement of Revenues, Expenses,  
and Changes in Net Position vs. Budget**

	<b>Year Ended December 31, 2013</b>		
	<b>Actual</b>	<b>Amended Budget</b>	<b>\$ Change</b>
Operating revenue	\$25,141,287	\$23,620,471	\$ 1,520,816
Nonoperating revenue	2,883,805	487,900	2,395,905
<b>Total revenues</b>	<b>28,025,092</b>	<b>24,108,371</b>	<b>3,916,721</b>
Operating expenses			
Personal	5,695,234	5,712,677	(17,443)
Contractual services	5,542,769	5,497,202	45,567
Materials and supplies	1,445,523	1,596,553	(151,030)
Utilities	297,914	355,500	(57,586)
Repairs and maintenance	154,561	173,000	(18,439)
Host community benefits	687,707	694,000	(6,293)
Insurance	155,655	144,500	11,155
Other rental	76,026	82,400	(6,374)
Depreciation and amortization	3,633,485	-	3,633,485
Other operating expense	1,276,060	981,421	294,639
Nonoperating expenses	1,620,164	8,871,118	(7,250,954)
<b>Total expenses</b>	<b>20,585,098</b>	<b>24,108,371</b>	<b>(3,523,273)</b>
<b>Net income</b>	<b>\$ 7,439,994</b>	<b>\$ -</b>	<b>\$ 7,439,994</b>
	<b>Year Ended December 31, 2012</b>		
	<b>Actual</b>	<b>Amended Budget</b>	<b>\$ Change</b>
Operating revenue	\$24,563,662	\$25,485,600	\$ (921,938)
Nonoperating revenue	529,746	480,400	49,346
<b>Total revenues</b>	<b>25,093,408</b>	<b>25,966,000</b>	<b>(872,592)</b>
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	1,891,446	7,166,000	(5,274,554)
<b>Total expenses</b>	<b>20,256,118</b>	<b>25,966,000</b>	<b>(5,709,882)</b>
<b>Net income</b>	<b>\$ 4,837,290</b>	<b>\$ -</b>	<b>\$ 4,837,290</b>

# Oneida-Herkimer Solid Waste Management Authority

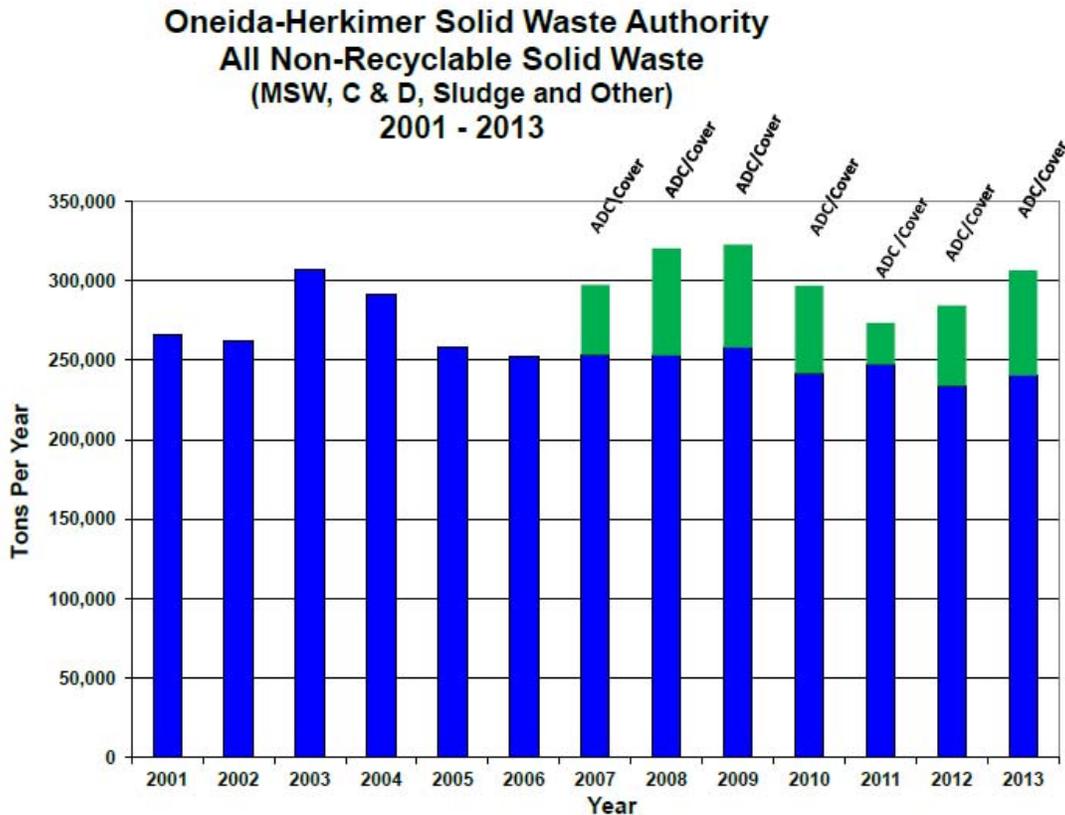
Management's Discussion and Analysis  
December 31, 2013 and 2012

## 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 2013 and 2012 amended budgets. These adjustments are as follows:

	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Net income	\$ 7,439,994	\$ 4,837,290
Deduct: principal payments made on bonds	(5,505,000)	(5,260,000)
Add: depreciation expense	3,633,485	3,625,335
Deduct: acquisition of capital assets, net	(1,229,333)	(1,458,030)
Budget surplus	<b>\$ 4,339,146</b>	<b>\$ 1,744,595</b>

## General Trends and Significant Events



# Oneida-Herkimer Solid Waste Management Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### Flow Control

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

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

During 2007, the case was finally and definitively decided.

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

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 2013 and 2012, the Authority had \$44.6 million and \$46.9 million, respectively, invested in capital assets as indicated in Table A-4.

**Table A-4  
Capital Assets**

	December 31,				
	2013	2013 vs. 2012	2012	2012 vs. 2011	2011
Land	\$ 3,213,958	1.15%	\$ 3,177,447	0.18%	\$ 3,171,849
Land improvements	37,493,325	0.75%	37,215,992	0.95%	36,864,796
Building and improvements	21,648,429	0.15%	21,615,509	-2.92%	22,265,067
Machinery and equipment	9,582,310	2.32%	9,365,327	62.95%	5,747,245
Vehicles	7,238,502	3.71%	6,979,556	1.44%	6,880,300
Office equipment	292,236	9.61%	266,606	-36.59%	420,469
	<u>79,468,760</u>	1.08%	<u>78,620,437</u>	4.34%	<u>75,349,726</u>
Less accumulated depreciation and amortization	<u>34,973,050</u>	10.28%	<u>31,711,801</u>	-10.78%	<u>35,544,733</u>
Capital assets in service, net	44,495,710	-5.14%	46,908,636	17.85%	39,804,993
Construction work in progress	<u>103,284</u>		<u>4,927</u>		<u>9,316,871</u>
Total capital assets, net	<u>\$ 44,598,994</u>	-4.93%	<u>\$ 46,913,563</u>	-4.50%	<u>\$ 49,121,864</u>

# Oneida-Herkimer Solid Waste Management Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### **Capital Assets - Continued**

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 \$947,000 and \$6,367,900 per year. The funds for capital projects are covered by the system tipping fee, reserves, and/or debt issuance.

### **Debt Administration**

The Authority had \$42,405,000 and \$47,910,000 in outstanding Revenue Bonds at December 31, 2013 and 2012, 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 2013 and 2012. 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](http://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,	
	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,724,883	\$ 8,239,159
Investments	12,815,673	5,335,721
Receivables, net	4,725,017	2,806,824
Prepaid expenses	293,057	285,809
Total current assets	21,558,630	16,667,513
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	4,274,165	6,296,089
Investments	14,609,430	12,744,237
Accrued interest receivable	74,449	74,449
Total restricted assets	18,958,044	19,114,775
<b>OTHER ASSETS</b>		
Capital assets, net	44,598,994	46,913,563
Other	57,236	88,752
Total other assets	44,656,230	47,002,315
	<b>\$ 85,172,904</b>	<b>\$ 82,784,603</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current installments of revenue bonds	\$ 5,475,000	\$ 5,505,000
Accounts payable and accrued liabilities	1,244,225	1,238,371
Unearned revenue	641,087	647,211
Accrued interest payable	399,726	463,651
Total current liabilities	7,760,038	7,854,233
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds, less current installments	36,930,000	42,405,000
Premium on revenue bonds, net	82,407	106,033
Accrued closure and post-closure costs	3,710,156	3,362,783
Accrued postemployment benefits	824,330	630,575
Total long-term liabilities	41,546,893	46,504,391
Total liabilities	49,306,931	54,358,624
<b>NET POSITION</b>		
Net investment in capital assets	3,619,630	415,968
Restricted	15,247,888	15,751,992
Unrestricted	16,998,455	12,258,019
Total net position	35,865,973	28,425,979
	<b>\$ 85,172,904</b>	<b>\$ 82,784,603</b>

See accompanying Notes to Financial Statements.

**Oneida-Herkimer  
Solid Waste Management Authority**

Statements of Revenues, Expenses, and Changes In Net Position

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUES</b>		
Tipping fees, net	\$16,264,674	\$15,912,867
Solid waste service charge, City of Utica	2,012,920	1,994,075
Refuse bag sales	1,952,323	1,986,317
Toter revenues	646,108	651,891
Recyclable sales	2,729,621	2,916,112
Carbon credit sales	411,971	362,671
Landfill gas sales	431,303	67,450
Miscellaneous	692,367	672,279
	<b>25,141,287</b>	<b>24,563,662</b>
<b>OPERATING EXPENSES</b>		
Personal services	5,695,234	5,362,909
Contractual services	5,542,769	5,444,348
Materials and supplies	1,445,523	1,413,275
Utilities	297,914	280,897
Repairs and maintenance	154,561	140,949
Host community benefits	687,707	683,598
Insurance	155,655	144,170
Other rental	76,026	80,865
Depreciation	3,633,485	3,625,330
Change in post-closure accrual estimate	372,151	315,000
Miscellaneous	903,909	873,331
	<b>18,964,934</b>	<b>18,364,672</b>
<b>Operating income</b>	<b>6,176,353</b>	<b>6,198,990</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	448,092	464,855
Interest expense	(1,611,855)	(1,860,862)
Amortization	(8,309)	(30,584)
Operating grants	2,435,713	64,891
	<b>1,263,641</b>	<b>(1,361,700)</b>
<b>Change in net position</b>	<b>7,439,994</b>	<b>4,837,290</b>
<b>NET POSITION, <i>beginning of year, as restated</i></b>	<b>28,425,979</b>	<b>23,588,689</b>
<b>NET POSITION, <i>end of year</i></b>	<b>\$35,865,973</b>	<b>\$28,425,979</b>

See accompanying Notes to Financial Statements.

**Oneida-Herkimer  
Solid Waste Management Authority**

Statements of Cash Flows

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Received from customers	\$ 24,895,030	\$ 24,028,456
Paid to suppliers and vendors	(9,088,599)	(9,552,502)
Paid to employees, including benefits	(5,501,479)	(5,174,895)
	<b>10,304,952</b>	<b>9,301,059</b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments of revenue bond principal	(5,505,000)	(5,260,000)
Interest paid	(1,675,780)	(1,921,495)
Proceeds from sale of capital assets	30,301	21,754
Acquisition of capital assets	(1,229,333)	(1,458,030)
Operating grants	435,713	64,891
	<b>(7,944,099)</b>	<b>(8,552,880)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Interest received	448,092	464,855
Change in restricted cash and cash equivalents	2,021,924	1,787,530
Purchases of certificates of deposit, net	(7,479,952)	(5,335,721)
Purchases of restricted investments, net	(1,865,193)	(695,821)
	<b>(6,875,129)</b>	<b>(3,779,157)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,514,276)</b>	<b>(3,030,978)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>8,239,159</b>	<b>11,270,137</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 3,724,883</b>	<b>\$ 8,239,159</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income	\$ 6,176,353	\$ 6,198,990
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	3,633,485	3,625,335
(Gain) loss on sale of capital assets	(120,303)	16,994
Change in assets and liabilities		
Accounts receivable	(119,830)	(543,435)
Prepaid expenses	(7,248)	21,029
Provision for bad debts	201,637	194,785
Accounts payable and accrued liabilities	5,854	(681,908)
Unearned revenue	(6,124)	(8,765)
Accrued closure and post-closure costs	347,373	290,020
Other postemployment benefits	193,755	188,014
	<b>\$ 10,304,952</b>	<b>\$ 9,301,059</b>

See accompanying Notes to Financial Statements.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## 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, 2013, 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).

### b. Basis of Accounting and Presentation of Financial Statements

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 is classified 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 \$1,625,743 and \$1,709,792 for the fiscal years ended December 31, 2013 and 2012, 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.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 1 - Organization and Summary of Significant Accounting Policies - Continued

### *c. Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

### *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. Receivables, 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 approximated \$346,000 at both December 31, 2013 and 2012. Accounts receivable are written off when deemed uncollectible. During 2013 and 2012, the Authority wrote off \$193,593 and \$193,272, respectively, of City of Utica user fees. Other write-offs during 2013 and 2012 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.

Receivables, net at December 31, 2013, include \$2,000,000 representing amounts due the Authority from New York State under a Municipal Waste Reduction and Recycling State Assistance Program.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 1 - Organization and Summary of Significant Accounting Policies - Continued

### *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, 2013 and 2012.

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*

Bond issuance costs, other than prepaid insurance costs, are expensed as incurred in the statement of revenues, expenses, and changes in net position. Gains or losses on the refunding of bonds are reported as deferred inflows or outflows in the statement of net position and are amortized over the shorter of the remaining maturities of the refunded bonds or the newly issued bonds, utilizing the effective interest rate method. Amortization of deferred losses on refunded bonds is reported as a component of interest expense in the statement of revenues, expenses, and changes in net position. Deferred outflows on refunded bonds were not material at December 31, 2013.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 1 - Organization and Summary of Significant Accounting Policies - Continued

### *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, 2013 and 2012, the Authority accrued \$3,710,156 and \$3,362,783, 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, \$3,942,395 and \$3,497,220 in cash, certificates of deposit, and U.S. obligations have been restricted by the Authority for this purpose at December 31, 2013 and 2012, respectively.

### *i. Unearned 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 classified as unearned and are 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 Pronouncements*

GASB 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 statements 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.

GASB Statement No. 66, *Technical Corrections*. This statement establishes clarifications on two recently issued statements, No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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.

The Authority adopted GASB Statements No. 65 and No. 66 as of January 1, 2013 (see Note 5).

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 1 - Organization and Summary of Significant Accounting Policies - Continued

### *m. Reclassifications*

Certain reclassifications were made to the prior year amounts in order to conform to the current year presentation.

### *n. Subsequent Events*

The Authority has evaluated subsequent events for potential recognition or disclosure through March 14, 2014, 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,	
	2013	2012
<i>Debt Service Reserve Fund</i>		
Contingency fund to be utilized in case of default	\$ 8,050,883	\$ 8,056,255
<i>Construction Projects Fund and Bond Redemption and Improvement Fund</i>		
Additional capital expenditures which may be incurred by the Authority	1,508,042	1,518,438
<i>Other Funds</i>		
Interest earned required to be paid to the United States	9,352	9,352
Restricted assets required for debt service	5,372,923	5,811,150
Restricted assets for post-closure monitoring costs	3,942,395	3,645,131
Accrued interest on restricted assets	74,449	74,449
	<u>\$18,958,044</u>	<u>\$19,114,775</u>

## Note 3 - Investments

The Authority had the following investments and maturities:

Restricted Investments	2013				
	Investment Maturities (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Notes/Bonds/Bills	\$ 5,708,416	\$ 2,368,749	\$ -	\$ -	\$ 3,339,667
Repurchase Agreements	3,184,000	-	3,184,000	-	-
Certificates of Deposit	5,203,218	1,493,784	3,709,434	-	-
Federal Agency Securities	513,796	141,412	84,847	287,537	-
	<u>\$ 14,609,430</u>	<u>\$ 4,003,945</u>	<u>\$ 6,978,281</u>	<u>\$ 287,537</u>	<u>\$ 3,339,667</u>
Unrestricted Investments	Investment Maturities (in Years)				
Fair Value	Less than 1	1 to 5	6 to 10	More than 10	
Certificates of Deposit	<u>\$ 12,815,673</u>	<u>\$ 12,815,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 3 - Investments - Continued

Restricted Investments	2012				
	Investment Maturities (in Years)				
	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 Agreements	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	-
	<u>\$ 12,744,237</u>	<u>\$ 5,786,858</u>	<u>\$ 3,537,156</u>	<u>\$ 80,556</u>	<u>\$ 3,339,667</u>
Unrestricted Investments	Investment Maturities (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Certificates of Deposit	<u>\$ 5,335,721</u>	<u>\$ 5,335,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### 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 AA+ 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, 2013 and 2012, 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 investments consist entirely of certificates of deposit invested with the Bank of Utica. All certificates of deposit are fully collateralized. Management of the Authority monitors the credit ratings associated with their underlying investments.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 4 - Capital Asset, Net

Capital assets, net, are as follows:

	December 31, 2013				
	MRF, GWC, and HHW	ETS and WTS	Regional Landfill	Other	Total
Land	\$ -	\$ -	\$ 2,816,988	\$ 396,970	\$ 3,213,958
Land improvements	626,525	282,079	36,577,584	7,137	37,493,325
Buildings and improvements	6,946,614	7,667,751	6,718,673	315,391	21,648,429
Equipment and machinery	8,758,596	300,852	419,514	103,348	9,582,310
Vehicles	1,280,360	1,253,130	4,032,550	672,462	7,238,502
Office equipment	49,320	31,503	68,542	142,871	292,236
	<u>17,661,415</u>	<u>9,535,315</u>	<u>50,633,851</u>	<u>1,638,179</u>	<u>79,468,760</u>
Less accumulated depreciation and amortization	<u>7,534,859</u>	<u>8,804,782</u>	<u>17,549,732</u>	<u>1,083,677</u>	<u>34,973,050</u>
Capital assets in service, net	10,126,556	730,533	33,084,119	554,502	44,495,710
Construction in progress	<u>-</u>	<u>-</u>	<u>103,284</u>	<u>-</u>	<u>103,284</u>
Total capital assets, net	<u>\$ 10,126,556</u>	<u>\$ 730,533</u>	<u>\$ 33,187,403</u>	<u>\$ 554,502</u>	<u>\$ 44,598,994</u>
	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
	<u>17,215,799</u>	<u>9,468,246</u>	<u>50,325,045</u>	<u>1,611,347</u>	<u>78,620,437</u>
Less accumulated depreciation and amortization	<u>6,855,981</u>	<u>8,617,840</u>	<u>15,228,875</u>	<u>1,009,105</u>	<u>31,711,801</u>
Capital assets in service, net	10,359,818	850,406	35,096,170	602,242	46,908,636
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,927</u>	<u>4,927</u>
Total capital assets, net	<u>\$ 10,359,818</u>	<u>\$ 850,406</u>	<u>\$ 35,096,170</u>	<u>\$ 607,169</u>	<u>\$ 46,913,563</u>

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 4 - Capital Assets, Net - Continued

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

	December 31, 2013			
	Balance December 31, 2012	Additions	Retirement/ Disposal	
Land	\$ 3,177,447	\$ 36,511	\$ -	\$ 3,213,958
Land improvements	37,215,992	277,333	-	37,493,325
Buildings and improvements	21,615,509	32,920	-	21,648,429
Equipment and machinery	9,365,327	305,983	(89,000)	9,582,310
Vehicles	6,979,556	542,599	(283,653)	7,238,502
Office equipment	266,606	25,630	-	292,236
	<u>78,620,437</u>	<u>1,220,976</u>	<u>(372,653)</u>	<u>79,468,760</u>
Less accumulated depreciation and amortization	<u>31,711,801</u>	<u>3,633,902</u>	<u>(372,653)</u>	<u>34,973,050</u>
Capital assets in service, net	46,908,636	(2,412,926)	-	44,495,710
Construction in progress	<u>4,927</u>	<u>103,284</u>	<u>(4,927)</u>	<u>103,284</u>
Total capital assets, net	<u>\$ 46,913,563</u>	<u>\$ (2,309,642)</u>	<u>\$ (4,927)</u>	<u>\$ 44,598,994</u>

	December 31, 2012			
	Balance December 31, 2011	Additions	Retirement/ Disposal	
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
	<u>75,349,726</u>	<u>10,769,974</u>	<u>(7,499,263)</u>	<u>78,620,437</u>
Less accumulated depreciation and amortization	<u>35,544,733</u>	<u>3,627,583</u>	<u>(7,460,515)</u>	<u>31,711,801</u>
Capital assets in service, net	39,804,993	7,142,391	(170,493)	46,908,636
Construction in progress	<u>9,316,871</u>	<u>725,786</u>	<u>(10,037,730)</u>	<u>4,927</u>
Total capital assets, net	<u>\$ 49,121,864</u>	<u>\$ 7,868,177</u>	<u>\$ (10,208,223)</u>	<u>\$ 46,913,563</u>

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 5 - Other Assets

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that recognize, as deferred outflows of resources, certain items that were previously reported as assets. In accordance with the standards of GASB No. 65, debt issuance costs, except any portion related to prepaid issuance costs, are recognized as an expense in the period incurred.

The retroactive adoption of the standard resulted in a reduction to beginning of period bond issuance costs and unrestricted net assets as follows:

	As Previously Reported	Effect of Change	As Currently Reported
Statement of net position			
Other assets	<u>\$ 716,537</u>	<u>\$ (627,785)</u>	<u>\$ 88,752</u>
Net position, unrestricted	<u>\$ 12,885,804</u>	<u>\$ (627,785)</u>	<u>\$ 12,258,019</u>
Statement of changes in net position			
Amortization	<u>\$ 127,580</u>	<u>\$ (96,996)</u>	<u>\$ 30,584</u>
Change in net position	<u>\$ 4,740,294</u>	<u>\$ 96,996</u>	<u>\$ 4,837,290</u>

## Note 6 - Revenue Bonds

Revenue Bonds of the Authority are summarized as follows:

### *2011 Revenue Bonds*

At December 31, 2013 and 2012, the Authority has outstanding \$10,725,000 of 2011 Revenue Bonds. The bonds were originally issued at \$10,725,000 principally to finance the design, procurement, and installation of a single-stream recyclables processing system. Bond proceeds were also used to fund the debt service reserve fund and to fund costs incurred in connection with the issuance. 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 and through 2025.

### *2007 Revenue Bonds*

At December 31, 2013 and 2012, the Authority has outstanding \$4,505,000 and \$4,735,000, respectively, of 2007 Revenue Bonds. The bonds were originally issued at \$5,730,000 to refinance outstanding notes, finance the costs incurred in connection with the issuance of the bonds, and to fund the debt service reserve fund. Interest is payable semi-annually at interest rates ranging from 4.125% to 4.20%. Remaining principal payments range from \$240,000 to \$430,000 payable annually on April 1 through 2027.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 6 - Revenue Bonds - Continued

### *1998 Revenue Bonds*

At December 31, 2013 and 2012, the Authority has outstanding \$2,785,000 and \$6,700,000, 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%. The remaining principal installment of \$2,785,000 is payable on April 1, 2014.

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%.

### *EFC Revenue Bonds*

At December 31, 2013 and 2012, the Authority has outstanding \$24,390,000 and \$25,750,000, 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, and is charged an annual administrative fee by, the 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.

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.

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

	Principal	Interest	Total
For the year ending December 31,			
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
2018	2,595,000	1,322,894	3,917,894
2019 through 2023	14,390,000	4,696,159	19,086,159
2024 through 2027	12,600,000	1,046,650	13,646,650
	42,405,000	<u>\$ 13,502,012</u>	<u>\$ 55,907,012</u>
Less current installments	5,475,000		
Revenue Bonds, less current installments	<u>\$ 36,930,000</u>		

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## **Note 6 - Revenue Bonds - Continued**

Interest expense related to the Revenue Bonds, net of the EFC subsidy credit and administrative fee, was \$1,611,855 and \$1,860,862 for the years ended December 31, 2013 and 2012, respectively.

## **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:

2013	\$ 685,093
2012	602,389
2011	545,793

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, 2013 and 2012. 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, 2013 and 2012. Although these funds are designated for this purpose, they are reflected in unrestricted net position and can be used for operations if needed. During 2013 and 2012, premiums paid by the Authority on behalf of current retirees totaled \$7,342 and \$5,282, respectively.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 8 - Accrued Postemployment Benefits - Continued

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	\$193,755
Net OPEB obligation, <i>beginning of year</i>	<u>630,575</u>
Net OPEB obligation, <i>end of year</i>	<u><u>\$824,330</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 years ended December 31, 2013 and 2012, was as follows:

Fiscal Year	Annual OPEB Cost	Expected Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 206,055	\$ 12,300	5.97%	\$ 824,330
December 31, 2012	194,099	6,085	3.13%	630,575

*Funded Status and Funding Progress.* As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,823,525 and \$1,662,462 at December 31, 2013 and 2012, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,303,666 and \$1,363,994 at December 31, 2013 and 2012, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 140% and 122%, 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, 2013 and 2012.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 8 - Accrued Postemployment Benefits - Continued

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%.

*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, 2013, was twenty-six years.

### Required Supplementary Information Other Postemployment Benefits Schedule of Funding Progress Unaudited

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, 2013	\$ -	\$1,823,525	\$1,823,525	0%	\$1,303,666	140%
December 31, 2012	-	1,662,462	1,662,462	0%	1,363,994	122%
December 31, 2011	-	1,464,381	1,464,381	0%	1,316,201	111%

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## 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 \$174,786 and \$171,220 during the years ended December 31, 2013 and 2012, respectively. There was \$41,959 and \$43,994 due to the City of Utica at December 31, 2013 and 2012, 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, 2013 and 2012, the cost of waste removal, which is included in contractual services, was \$3,522,175 and \$3,781,587, offset by solid waste service charge revenues of \$2,011,724 and \$1,992,620 and refuse bag sales of \$1,395,481 and \$1,415,575, respectively.

### *b. Villages of Ilion, Frankfort, Herkimer, Dolgeville, and Mohawk 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 \$4,000 and \$7,000.

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, 2013 and 2012, the cost of waste removal was \$1,197,847 and \$1,208,826, offset by refuse bag sales of \$556,842 and \$570,742 and total rental fees of \$646,108 and \$651,891, respectively.

### *c. Sale of Climate Reserve Tonnes*

The Authority has entered into agreements with a third party for the sale of Climate Reserve Tonnes (carbon credits). The agreements are in effect through September 30, 2017. For the years ended December 31, 2013 and 2012, \$411,971 and \$362,671, respectively, was earned related to the sale of carbon credits.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 9 - Commitments and Contingencies - Continued

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

The Authority has entered into an agreement with a third party (Lessee) which provides for the Lessee to construct, own, and operate an electric generation facility on property adjacent to the Authority's landfill and gas extraction facilities. All landfill gas generated at the landfill is purchased by the Lessee who makes payments to the Authority based on the electricity generated and the electricity sold. The agreement continues for ten years after the commercial operation date (May 2012). For the years ended December 31, 2013 and 2012, \$431,303 and \$67,460, respectively, was earned related to the sale of landfill gas.

### *e. Host Community Benefit Agreements*

In connection with the operation of the Regional Landfill Facility (RLF), the Authority has entered into various long-term agreements with certain municipalities impacted by the RLF. The agreements generally provide for minimum payments to the municipalities for a period of 25 years and contain provisions for additional or reduced payments in the event accepted tonnage varies from contractually stated amounts. Host community benefit expense was \$450,000 in both 2013 and 2012.

### *f. Oswego County Intergovernmental Agreement*

During 2013, the Authority entered into an intergovernmental agreement with Oswego County whereby, beginning in 2014, the Authority will accept, process, and market residential recyclable materials from Oswego County. The agreement provides for fixed, per ton payments to the Authority through 2018. Amounts received by the Authority from the sale of the recycled material will be credited back to Oswego County using monthly averages received by the Authority from the sale of all recyclable commodities.

### *g. 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.

### *h. 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.

# Oneida-Herkimer Solid Waste Management Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## **Note 10 - Accounting Standard Issued But Not Yet Implemented**

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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement established accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement provides specific accounting and financial reporting guidance for combinations in this environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement provides financial reporting and disclosure guidance to those governments that extend and receive nonexchange financial guarantees, thereby enhancing comparability of financial statements among governments.

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, 2013, 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 14, 2014.

**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.

SaxBST LLP

Albany, New York  
March 14, 2014