The Authority
ONEIDA-HERKIMER SOLID WASTE AUTHORITY

Financial Report

December 31, 2014 and 2013

Oneida-Herkimer Solid Waste Management Authority

Financial Report

December 31, 2014 and 2013

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SAXBST
ACCOUNTING / TAX / ADVISORY

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 statements of net position as of December 31, 2014 and 2013, 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 of 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, 2014 and 2013, and the changes in its net position and its 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, including the budgetary comparison information, 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 Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The introduction and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, 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 13, 2015

Oneida-Herkimer
Solid Waste Management Authority

Management's Discussion and Analysis
December 31, 2014 and 2013

Introduction

On behalf of the Oneida-Herkimer Solid Waste Management Authority, I am pleased to submit this 2014 Annual Financial Report developed in compliance with accounting standards generally accepted in the United States of America. This year marks the 26th 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 for the second consecutive year as a result of increasing and diversifying its revenues. The year also marked our third 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.

In 2014, the Authority entered into an agreement to process Oswego County's recyclables, further diversifying its revenues.

2014 also marked the first full year of operation of the Authority's landfill gas-to-electricity project with two landfill gas-to-electricity generators. The facility generated enough electricity to meet the annual needs of over 3,300 homes. Revenues associated with this project are part of the diversification of the Authority's income stream.

In March 2014, the Authority and both Oneida and Herkimer Counties renewed and extended their Solid Waste Management Agreements for an additional 25 years. These agreements, which spell out the obligations that the Authority would undertake on behalf of the Counties with regard to local solid waste management, have been successful, providing significant benefits to both Counties, the Authority, and the residents of Oneida and Herkimer Counties.

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 2014 operating surplus and corresponding positive net asset position is a result of careful planning and the decision to establish reserves for future capital projects. Specifically, the Authority continued reserves for major landfill equipment replacement ($400,000) and the extension of the landfill liner for new waste disposal cells ($2,500,000). 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, 2014 and 2013

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 2014 budget was approximately $27.9 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 2014

Name	Business Affiliation
Neil C. Angell, Chairman *Vice Chairman, Finance Committee*	Town of Verona Dairy Farmer and former Oneida County Legislator and Member of the Agricultural Economic Development Committee
Kenneth A. Long, Vice Chairman *Finance Committee* *Vice Chairman, Audit Committee* *Chairman, Governance Committee*	Business Manager of Central Valley Central School District and former Herkimer County Legislator
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 J. Bono	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
Alicia Dicks *FOIL Appeals Committee*	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
James M. D'Onofrio *FOIL Appeals Committee*	President of Arlott Office Products and Member of Oneida County Board of Legislators
James A. Franco	Retired DPW Superintendent, Village of Herkimer

Authority Profile - Continued

Name	**Business Affiliation**
Barbara Freeman *Governance Committee* *Chair, FOIL Appeals Committee*	Retired Teacher; Director, Center for Family Life and Recovery, Inc. After School Programs; Member, Village and Town of Boonville Environmental Councils
Robert J. Roberts, III *Audit Committee* *Finance Committee*	Executive Director of The House of the Good Shepherd
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 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, 2014 and 2013, and other significant pertinent financial information.

The 2014 financial report continues to reflect the strong operating results of the Authority. The Authority has increased net position by approximately $3.89 million, $7.44 million, and $4.84 million for the years ended December 31, 2014, 2013, and 2012, respectively. This was the result of several factors including:

Financial Highlights - Continued

- The Authority's tipping fee revenue decreased about $250,000 from 2013 primarily from a reduction in select tipping fees.
- The sale of recyclables generated $2,576,440 in revenues in 2014.
- The Authority sold Landfill Gas and shared in a Power Purchase Agreement, per its contract with Waste Management Renewable Energy, and generated $434,606 and $431,303 in revenue during 2014 and 2013, respectively.
- The Authority sold carbon credits resulting in $411,396 and $411,971 of revenue during 2014 and 2013, 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 $400,000 for 2014 and for the extension of the landfill liner in the amount of $2,500,000.

∗ In 2014, the Authority contracted with Oswego County to process its recyclables. The Authority earned $446,796 in processing fees.

∗ While expenses grew by almost 4% in 2014, the majority of the increase was attributable to increased depreciation expenses.

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,				
	2014	2014 vs. 2013	2013	2013 vs. 2012	2012
ASSETS					
Current assets	$ 24,936,522	12.59%	$ 22,148,438	28.27%	$ 17,267,717
Restricted assets	12,389,284	-32.55%	18,368,236	-0.79%	18,514,571
Capital assets, net	46,454,000	4.16%	44,598,994	-4.93%	46,913,563
Other assets	49,763	-13.06%	57,236	-35.51%	88,752
Total assets	**$ 83,829,569**	**-1.58%**	**$ 85,172,904**	**2.88%**	**$ 82,784,603**
LIABILITIES AND NET POSITION					
Current liabilities	$ 4,055,607	-43.03%	$ 7,118,951	-1.22%	$ 7,207,022
Long-term liabilities	39,365,248	-5.25%	41,546,893	-10.66%	46,504,391
Total liabilities	43,420,855	-10.78%	48,665,844	-9.39%	53,711,413
Deferred inflow	655,778		641,087		647,211
Net investment in capital assets	17,802,320		16,453,627		13,849,586
Net position, restricted	1,321,037		1,234,274		1,302,202
Net position, unrestricted	20,629,579		18,178,072		13,274,191
Total net position	39,752,936	10.84%	35,865,973	26.17%	28,425,979
Total liabilities, deferred inflow and net position	**$ 83,829,569**	**-1.58%**	**$ 85,172,904**	**2.88%**	**$ 82,784,603**

Financial Analysis - Continued

While total assets have remained relatively consistent since 2012 (1.2% increase), long-term liabilities have decreased approximately 15.35% during the same period principally due to scheduled payments on the Authority's long-term bonds.

Net position has grown approximately $11.3 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 Position

	Years Ended December 31,				
	2014	2014 vs. 2013	2013	2013 vs. 2012	2012
Operating revenue	$ 24,769,082	-1.48%	$ 25,141,287	2.35%	$ 24,563,662
Nonoperating revenue	534,086	-81.48%	2,883,805	444.38%	529,746
Total revenues	25,303,168	-9.71%	28,025,092	11.68%	25,093,408
Depreciation expense	4,445,013	22.33%	3,633,485	0.22%	3,625,330
Other operating expense	15,606,593	1.79%	15,331,449	4.02%	14,739,342
Nonoperating expense	1,364,599	-15.77%	1,620,164	-14.34%	1,891,446
Total expenses	21,416,205	4.04%	20,585,098	1.62%	20,256,118
Change in net position	**3,886,963**	**-47.76%**	**7,439,994**	**53.81%**	**4,837,290**
NET POSITION, *beginning*	35,865,973	26.17%	28,425,979	20.51%	23,588,689
NET POSITION, *ending*	**$ 39,752,936**	**10.84%**	**$ 35,865,973**	**26.17%**	**$ 28,425,979**

The Authority's expenses increased by about 4% for 2014 in comparison to 2013. This is principally the result of additional depreciation expense related to the landfill.

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 2014 and 2013 budgets are compared to actual results in Table A-3.

Oneida-Herkimer
Solid Waste Management Authority

Management's Discussion and Analysis
December 31, 2014 and 2013

Budgetary Highlights - Continued

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

	Year Ended December 31, 2014		
	Actual	**Amended Budget**	**$ Change**
Operating revenue	$ 24,769,082	$ 22,762,475 *	$ 2,006,607
Nonoperating revenue	534,086	330,300	203,786
Total revenues	25,303,168	23,092,775	2,210,393
Operating expenses			
Salaries, wages and benefits	5,778,436	5,793,489	(15,053)
Contractual services	5,884,526	5,554,052	330,474
Materials and supplies	1,396,549	1,646,994	(250,445)
Utilities	344,481	345,100	(619)
Repairs and maintenance	195,708	171,300	24,408
Host community benefits	698,455	695,500	2,955
Leachate disposal	403,201	337,500	65,701
Insurance	161,915	165,000	(3,085)
Other rental	78,742	88,600	(9,858)
Depreciation and amortization	4,445,013	-	4,445,013
Other operating expense	664,580	561,631 *	102,949
Nonoperating expenses	1,364,599	7,733,609	(6,369,010)
Total expenses	21,416,205	23,092,775	(1,676,570)
Net income	**$ 3,886,963**	**$ -**	**$ 3,886,963**

* *Excludes $3,184,000 transfer from the liquidation of the 1998 Debt Service Reserve Fund.*

* Budgetary Highlights - Continued

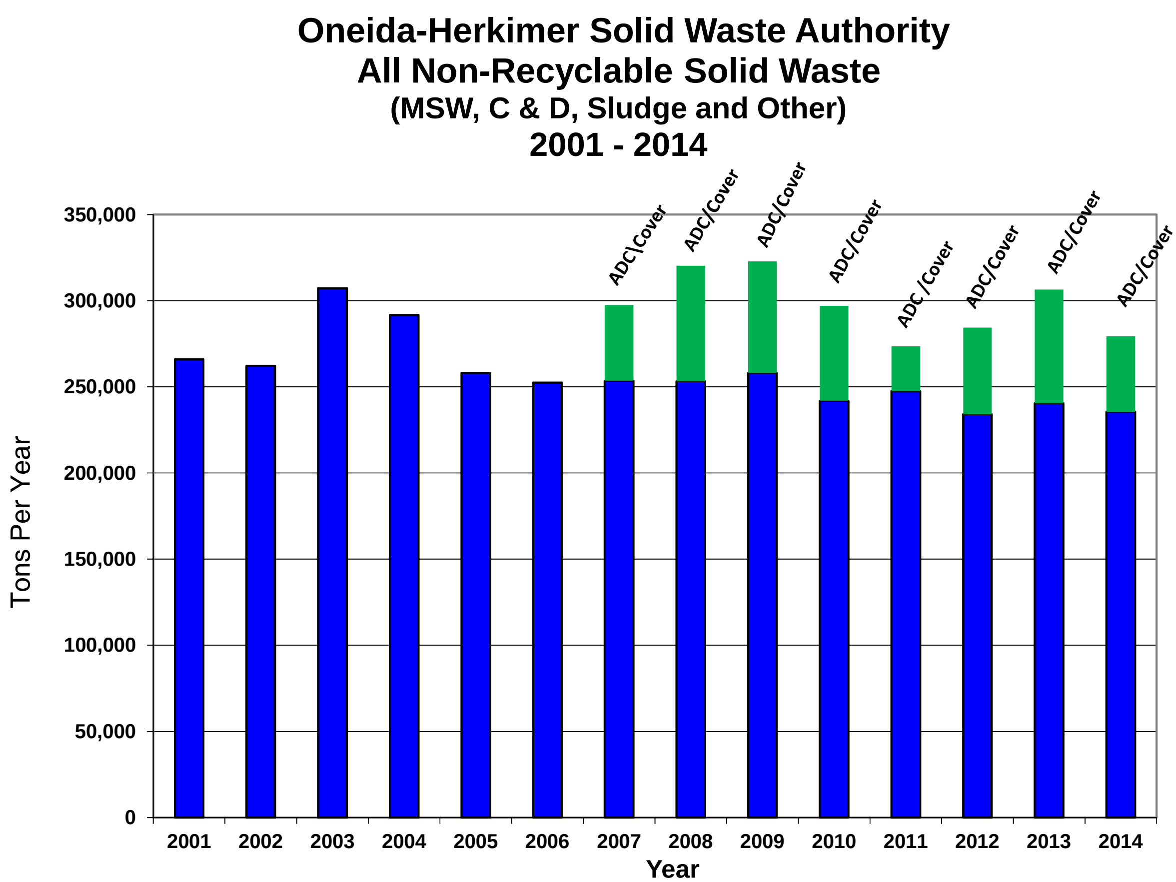
Table A-3 - Continued
Condensed Statement of Revenues, Expenses, and Changes in Net Position vs. Budget

	Year Ended December 31, 2013		
	Actual	**Amended Budget**	**$ Change**
Operating revenue	$ 25,141,287	$ 23,620,471	$ 1,520,816
Nonoperating revenue	2,883,805	487,900	2,395,905
Total revenues	28,025,092	24,108,371	3,916,721
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)
Leachate disposal	253,200	360,000	(106,800)
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	1,022,860	981,421	41,439
Nonoperating expenses	1,620,164	8,511,118	(6,890,954)
Total expenses	20,585,098	24,108,371	(3,523,273)
Net income	**$ 7,439,994**	**$ -**	**$ 7,439,994**

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 2014 and 2013 amended budgets. These adjustments are as follows:

	Year Ended December 31,	
	2014	2013
Net income	$ 3,886,963	$ 7,439,994
Deduct: principal payments made on bonds	(5,475,000)	(5,505,000)
Add: depreciation expense	4,445,013	3,633,485
Deduct: acquisition of capital assets, net	(6,300,517)	(1,229,333)
Budget surplus (deficit)	$ (3,443,541)	$ 4,339,146

General Trends and Significant Events



Flow Control

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

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

During 2007, the case was finally and definitively decided.

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

Flow Control - Continued

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

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

Capital Assets

At the end of 2014 and 2013, the Authority had approximately $46.5 million and $44.6 million, respectively, invested in capital assets as indicated in Table A-4.

Table A-4
Capital Assets

	December 31,				
	2014	2014 vs. 2013	2013	2013 vs. 2012	2012
Land	$ 3,213,958	0.00%	$ 3,213,958	1.15%	$ 3,177,447
Land improvements	37,891,528	14.86%	32,990,667	0.85%	32,713,333
Building and improvements	21,663,480	0.07%	21,648,428	0.15%	21,615,509
Machinery and equipment	9,549,283	1.44%	9,414,015	2.36%	9,197,032
Vehicles	7,645,052	3.22%	7,406,798	3.62%	7,147,852
Office equipment	232,477	-20.45%	292,236	9.61%	266,606
	80,195,778	6.98%	74,966,102	1.14%	74,117,779
Less accumulated depreciation and amortization	38,748,014	10.79%	34,973,050	10.28%	31,711,801
Capital assets in service, net	41,447,764	3.64%	39,993,052	-5.69%	42,405,978
Construction work in progress	5,006,236		4,605,942		4,507,585
Total capital assets, net	$ 46,454,000	4.16%	$ 44,598,994	-4.93%	$ 46,913,563

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 $2,195,000 and $5,584,500 per year. The funds for capital projects are covered by the system tipping fee, reserves, and/or debt issuance.

Debt Administration

The Authority had $36,930,000 and $42,405,000 in outstanding Revenue Bonds at December 31, 2014 and 2013, 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 2014 and 2013. 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, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,561,626	$ 4,314,691
Investments	15,141,123	12,815,673
Receivables, net	2,782,785	4,725,017
Prepaid expenses	450,988	293,057
Total current assets	24,936,522	22,148,438
RESTRICTED ASSETS		
Cash and cash equivalents	2,724,472	3,684,357
Investments	9,624,042	14,609,430
Accrued interest receivable	40,770	74,449
Total restricted assets	12,389,284	18,368,236
OTHER ASSETS		
Capital assets, net	46,454,000	44,598,994
Other	49,763	57,236
Total other assets	46,503,763	44,656,230
	$ 83,829,569	**$ 85,172,904**
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Current installments of revenue bonds	$ 2,380,000	$ 5,475,000
Accounts payable and accrued liabilities	1,335,440	1,244,225
Accrued interest payable	340,167	399,726
Total current liabilities	4,055,607	7,118,951
LONG-TERM LIABILITIES		
Revenue bonds, less current installments	34,550,000	36,930,000
Premium on revenue bonds, net	69,567	82,407
Accrued closure and post-closure costs	3,721,212	3,710,156
Accrued postemployment benefits	1,024,469	824,330
Total long-term liabilities	39,365,248	41,546,893
Total liabilities	43,420,855	48,665,844
DEFERRED INFLOWS	655,778	641,087
NET POSITION		
Net investment in capital assets	17,802,320	16,453,627
Restricted	1,321,037	1,234,274
Unrestricted	20,629,579	18,178,072
Total net position	39,752,936	35,865,973
	$ 83,829,569	**$ 85,172,904**

See accompanying Notes to Financial Statements.

Oneida-Herkimer
Solid Waste Management Authority

Statements of Revenues, Expenses, and Changes In Net Position

	Years Ended December 31, 2014	2013
OPERATING REVENUES		
Tipping fees, net	$ 16,039,070	$ 16,299,395
Solid waste service charge, City of Utica	2,060,125	2,012,920
Refuse bag sales	1,982,977	1,952,323
Toter revenues	633,133	646,108
Recyclable sales	2,576,440	2,729,621
Carbon credit sales	411,396	411,971
Landfill gas sales	434,606	431,303
Miscellaneous	631,335	657,646
	24,769,082	25,141,287
OPERATING EXPENSES		
Salaries, wages and benefits	5,778,436	5,695,234
Contractual services	5,884,526	5,542,769
Materials and supplies	1,396,549	1,445,523
Utilities	344,481	297,914
Repairs and maintenance	195,708	154,561
Host community benefits	698,455	687,707
Leachate disposal	403,201	253,200
Insurance	161,915	155,655
Other rental	78,742	76,026
Depreciation	4,445,013	3,633,485
Change in post-closure accrual estimate	34,575	372,151
Miscellaneous	630,005	650,709
	20,051,606	18,964,934
Operating income	**4,717,476**	**6,176,353**
NONOPERATING REVENUES (EXPENSES)		
Interest income	416,630	448,092
Interest expense	(1,356,626)	(1,611,855)
Other	(7,973)	(8,309)
Operating grants	117,456	2,435,713
	(830,513)	1,263,641
Change in net position	**3,886,963**	**7,439,994**
NET POSITION, *beginning of year*	35,865,973	28,425,979
NET POSITION, *end of year*	**$ 39,752,936**	**$ 35,865,973**

See accompanying Notes to Financial Statements.

Oneida-Herkimer
Solid Waste Management Authority

Statements of Cash Flows

	Years Ended December 31, 2014	Years Ended December 31, 2013
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Received from customers	$ 24,507,965	$ 24,895,030
Paid to suppliers and vendors	(9,686,742)	(9,088,599)
Paid to employees, including benefits	(5,578,297)	(5,501,479)
	9,242,926	**10,304,952**
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of revenue bond principal	(5,475,000)	(5,505,000)
Interest paid	(1,429,025)	(1,675,780)
Proceeds from sale of capital assets	65,965	30,301
Acquisition of capital assets	(6,300,517)	(1,229,333)
Operating grants	2,072,456	435,713
	(11,066,121)	**(7,944,099)**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest received	450,307	448,092
Change in restricted cash and cash equivalents	959,885	2,611,732
Purchases of certificates of deposit, net	(2,325,450)	(7,479,952)
Redemptions (purchases) of restricted investments, net	4,985,388	(1,865,193)
	4,070,130	**(6,285,321)**
Net increase (decrease) in cash and cash equivalents	**2,246,935**	**(3,924,468)**
CASH AND CASH EQUIVALENTS, *beginning of year*	4,314,691	8,239,159
CASH AND CASH EQUIVALENTS, *end of year*	**$ 6,561,626**	**$ 4,314,691**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	$ 4,717,476	$ 6,176,353
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	4,445,013	3,633,485
(Gain) on sale of capital assets	(65,965)	(120,303)
Change in assets and liabilities		
Receivables	(209,843)	(119,830)
Prepaid expenses	(157,931)	(7,248)
Provision for bad debts	197,075	201,637
Accounts payable and accrued liabilities	91,215	5,854
Unearned revenue	14,691	(6,124)
Accrued closure and post-closure costs	11,056	347,373
Other postemployment benefits	200,139	193,755
	$ 9,242,926	**$ 10,304,952**

See accompanying Notes to Financial 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). 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.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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."

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

b. Basis of Accounting and Presentation of Financial Statements - Continued

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 $1,569,915 and $1,625,743 for the fiscal years ended December 31, 2014 and 2013, 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. Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 was $348,794 and $345,056 at December 31, 2014 and 2013, respectively. Accounts receivable are written off when deemed uncollectible. During 2014 and 2013, the Authority wrote off $197,075 and $193,593, respectively, of City of Utica user fees. There were no other write-offs during 2014, and write-offs in 2013 were not material. Recoveries of accounts receivable previously written off are recorded as a recovery of bad debt when received.

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

e. Receivables, Net - Continued

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, included a $2,000,000 grant due the Authority from New York State under a Municipal Waste Reduction and Recycling State Assistance Program. The grant was received in 2014.

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

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 statements 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 statements 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 statements of revenues, expenses, and changes in net position. Deferred outflows on refunded bonds were not material at December 31, 2014 and 2013.

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

g. Bond Issuance Costs and Deferred Charges - Continued

Deferred inflows represents revenues billed in advance under contracts with the City of Utica and the Villages of Ilion, Frankfort, Herkimer, Mohawk, and Dolgeville (Note 9). The revenues are recognized in income in the period in which the related services are rendered.

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, 2014 and 2013, the Authority accrued $3,686,637 and $3,710,156, 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, $4,000,628 and $3,942,395 in cash, certificates of deposit, and U.S. obligations have been restricted by the Authority for this purpose at December 31, 2014 and 2013, respectively.

i. Accrued Postemployment Benefits

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

j. Tax Status

The Authority is exempt from federal, state, and local income taxes.

k. New Accounting Pronouncements

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes 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.

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

k. New Accounting Pronouncements - Continued

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.

The Authority adopted GASB Statements No. 69 and No. 70 as of January 1, 2014. There was no significant impact to the financial statements as a result of these adoptions.

l. Reclassifications

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

m. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through March 13, 2015, 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, 2014	December 31, 2013
Debt Service Reserve Fund		
Contingency fund to be utilized in case of default	$ 4,882,236	$ 8,050,883
Construction Projects Fund and Bond Redemption and Improvement Fund		
Additional capital expenditures which may be incurred by the Authority	1,000,852	918,234
Other Funds		
Interest earned required to be paid to the United States		9,352
Restricted assets required for debt service	2,464,799	5,372,923
Restricted assets for post-closure monitoring costs	4,000,627	3,942,395
Accrued interest on restricted assets	40,770	74,449
	$ 12,389,284	$ 18,368,236

Note 3 - Investments

The Authority had the following investments and maturities:

2014

Restricted Investments	Fair Value	Investment Maturities (in Years) Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Notes/Bonds/Bills	$ 3,797,648	$ 457,981	$ -	$ -	$ 3,339,667
Repurchase Agreements	-	-	-	-	-
Certificates of Deposit	5,213,112	1,744,320	3,468,792	-	-
Federal Agency Securities	613,282	75,000	165,000	268,282	105,000
	$ 9,624,042	$ 2,277,301	$ 3,633,792	$ 268,282	$ 3,444,667

Unrestricted Investments	Fair Value	Investment Maturities (in Years) Less than 1	1 to 5	6 to 10	More than 10
Certificates of Deposit	$ 15,141,123	$ 15,141,123	$ -	$ -	$ -

2013

Restricted Investments	Fair Value	Investment Maturities (in Years) Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury Notes/Bonds	$ 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	-
	$ 14,609,430	$ 4,003,945	$ 6,978,281	$ 287,537	$ 3,339,667

Unrestricted Investments	Fair Value	Investment Maturities (in Years) Less than 1	1 to 5	6 to 10	More than 10
Certificates of Deposit	$ 12,815,673	$ 12,815,673	$ -	$ -	$ -

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 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 its name with the custodian.

Note 3 - Investments - Continued

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, 2014, the Authority had approximately 40% of its restricted investment portfolio in U.S. Treasury Bonds. As of December 31, 2013, the Authority had approximately 25% of its 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 its underlying investments.

Note 4 - Capital Asset, Net

Capital assets, net, are as follows:

	December 31, 2014				
	MRF, GWC, and HHW	ETS and WTS	Regional Landfill	Other	Total
Land	$ -	$ -	$ 2,816,988	$ 396,970	$ 3,213,958
Land improvements	656,978	307,251	36,921,813	5,486	37,891,528
Buildings and improvements	6,962,014	7,662,943	6,721,873	316,650	21,663,480
Equipment and machinery	8,642,573	340,483	471,254	94,973	9,549,283
Vehicles	1,404,566	1,435,595	4,125,861	679,030	7,645,052
Office equipment	36,210	13,844	72,338	110,085	232,477
	17,702,341	9,760,116	51,130,127	1,603,194	80,195,778
Less accumulated depreciation and amortization	8,238,637	8,465,971	20,976,282	1,067,124	38,748,014
Capital assets in service, net	9,463,704	1,294,145	30,153,845	536,070	41,447,764
Construction in progress	-	-	5,006,236	-	5,006,236
Total capital assets, net	$ 9,463,704	$ 1,294,145	$ 35,160,081	$ 536,070	$ 46,454,000

Note 4 - Capital Asset, Net - Continued

	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	32,074,927	7,136	32,990,667
Buildings and improvements	6,946,614	7,667,751	6,718,672	315,391	21,648,428
Equipment and machinery	8,590,301	300,852	419,514	103,348	9,414,015
Vehicles	1,448,655	1,253,130	4,032,551	672,462	7,406,798
Office equipment	49,320	31,503	68,542	142,871	292,236
	17,661,415	9,535,315	46,131,194	1,638,178	74,966,102
Less accumulated depreciation and amortization	7,534,859	8,804,782	17,549,732	1,083,677	34,973,050
Capital assets in service, net	10,126,556	730,533	28,581,462	554,501	39,993,052
Construction in progress	-	-	4,605,942	-	4,605,942
Total capital assets, net	$ 10,126,556	$ 730,533	$ 33,187,404	$ 554,501	$ 44,598,994

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

	December 31, 2014			
	Balance December 31, 2013	Additions	Retirement/ Disposal	Balance December 31, 2014
Land	$ 3,213,958	$ -	$ -	$ 3,213,958
Land improvements	32,990,667	4,910,911	(10,050)	37,891,528
Buildings and improvements	21,648,428	72,620	(57,568)	21,663,480
Equipment and machinery	9,414,015	186,053	(50,785)	9,549,283
Vehicles	7,406,798	716,929	(478,675)	7,645,052
Office equipment	292,236	13,709	(73,468)	232,477
	74,966,102	5,900,222	(670,546)	80,195,778
Less accumulated depreciation and amortization	34,973,050	4,445,510	(670,546)	38,748,014
Capital assets in service, net	39,993,052	1,454,712	-	41,447,764
Construction in progress	4,605,942	4,902,952	(4,502,658)	5,006,236
Total capital assets, net	$ 44,598,994	$ 6,357,664	$ (4,502,658)	$ 46,454,000

Note 4 - Capital Asset, Net - Continued

	December 31, 2013			
	Balance December 31, 2012	Additions	Retirement/ Disposal	Balance December 31, 2013
Land	$ 3,177,447	$ 36,511	$ -	$ 3,213,958
Land improvements	32,713,333	277,334	-	32,990,667
Buildings and improvements	21,615,509	32,919	-	21,648,428
Equipment and machinery	9,197,032	305,983	(89,000)	9,414,015
Vehicles	7,147,852	542,599	(283,653)	7,406,798
Office equipment	266,606	25,630	-	292,236
	74,117,779	1,220,976	(372,653)	74,966,102
Less accumulated depreciation and amortization	31,711,801	3,633,902	(372,653)	34,973,050
Capital assets in service, net	42,405,978	(2,412,926)	-	39,993,052
Construction in progress	4,507,585	103,284	(4,927)	4,605,942
Total capital assets, net	$ 46,913,563	$ (2,309,642)	$ (4,927)	$ 44,598,994

The amounts in construction in progress relate to costs to construct landfill cells for the Authority's RLF. The Authority's fourth cell was placed in service in 2014. Through December 31, 2014, the Authority has spent approximately $4,900,000 on construction of a fifth cell. The total estimated cost of the fifth cell is $5,000,000.

Note 5 - Revenue Bonds

Revenue Bonds of the Authority are summarized as follows:

2011 Revenue Bonds

At December 31, 2014 and 2013, the Authority has outstanding $9,660,000 and $10,725,000, respectively, 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, 2014 and 2013, the Authority has outstanding $4,265,000 and $4,505,000, 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 $245,000 to $430,000 payable annually on April 1 through 2027.

1998 Revenue Bonds

At December 31, 2013, the Authority has outstanding $2,785,000 of 1998 Revenue Bonds. The bonds were paid off in 2014. 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 was payable semi-annually at interest rates ranging from 4.20% to 5.50%.

Note 5 - Revenue Bonds - Continued

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, 2014 and 2013, the Authority has outstanding $23,005,000 and $24,390,000, 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 $1,420,000 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 initial Agreements with both Oneida County and Herkimer County expired in 2014 and were renewed for an additional 25-year period. As part of the renewal process, the security and guarantee of the debt service payments afforded by the original Agreements, will automatically apply to the renewal 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,			
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	2,685,000	1,200,982	3,885,982
2020 through 2024	14,890,000	4,014,856	18,904,856
2025 through 2027	9,415,000	526,940	9,941,940
	36,930,000	$ 11,681,843	$ 48,611,843
Less current installments	2,380,000		
Revenue Bonds, less current installments	$ 34,550,000		

Note 5 - Revenue Bonds - Continued

Interest expense related to the Revenue Bonds, net of the EFC subsidy credit and administrative fee, was $1,369,467 and $1,611,855 for the years ended December 31, 2014 and 2013, respectively.

Note 6 - New York State Employees' Retirement System

The Authority participates in the New York State and Local Employees' Retirement System (System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

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

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

2014	$ 685,941
2013	694,355
2012	602,389

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

Note 7 - Accrued Postemployment Benefits

Plan Description - The Authority provides health care insurance benefit programs for certain retired employees. The program provides for continuation of medical, prescription drug, and dental insurance benefits for certain retirees and can be amended by action of the Authority. Employees covered include the employees of the administration, nonrepresented employees, and select employees who transferred employment from a local government to the Authority. There were 21 and 23 active employees who are eligible for health insurance benefits upon retirement as of December 31, 2014 and 2013, respectively. The program is open to new entrants in these categories.

Funding Policy - Currently, the Authority's cost of its postemployment benefits program is determined on a pay-as-you-go basis and is, therefore, unfunded. However, to demonstrate financial responsibility, the Authority established a Postretirement Benefits Reserve to designate certain cash balances to fund the program's future liabilities. The balance of this designation was approximately $77,000 at both December 31, 2014 and 2013. Although these funds are designated for this purpose, they are reflected in unrestricted net position and can be used for operations if needed. During 2014 and 2013, premiums paid by the Authority on behalf of current retirees totaled $10,200 and $7,342, respectively.

Note 7 - 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	$ 200,139
Net OPEB obligation, *beginning of year*	824,330
Net OPEB obligation, *end of year*	$ 1,024,469

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, 2014 and 2013, were as follows:

Fiscal Year	Annual OPEB Cost	Expected Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	$ 218,408	$ 18,269	8.36%	$ 1,024,469
December 31, 2013	206,055	11,500	5.58%	824,330

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $1,998,841 and $1,823,525 at December 31, 2014 and 2013, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was $1,229,627 and $1,303,666 at December 31, 2014 and 2013, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 162% and 140%, 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, 2014 and 2013.

Note 7 - 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, 2014, was twenty-five 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, 2014	$ -	$ 1,988,841	$ 1,988,841	0%	$ 1,229,627	162%
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%

Note 8 - Commitments and Contingencies

a. City of Utica Contract

Prior to the approval of the current contract with the City of Utica, in 1991 the Authority passed a resolution to pay the City of Utica in recognition of Utica being host to the Recycling Center, Eastern Transfer Station, and Green Waste Compost Facility. The resolution established a payment of $1 per ton by the Authority to Utica for all materials delivered to the facilities in Utica, and it guaranteed a minimum of $100,000 per year. The resolution specified the payment for as long as the Authority uses the Eastern Transfer Station for transport of waste out of the region. The Authority made a Host Community Benefit payment in the amount of $180,244 and $174,786 during the years ended December 31, 2014 and 2013, respectively. There was $45,072 and $41,959 due to the City of Utica at December 31, 2014 and 2013, 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, 2014 and 2013, the cost of waste removal, which is included in contractual services, was $3,602,959 and $3,506,175 offset by solid waste service charge revenues of $2,059,186 and $2,011,724 and refuse bag sales of $1,408,170 and $1,395,481, 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, 2014 and 2013, the cost of waste removal was $1,183,273 and $1,197,847, offset by refuse bag sales of $574,807 and $556,842, and toter rental fees of $633,133 and $646,108, 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, 2014 and 2013, $411,396 and $411,971, respectively, was earned related to the sale of carbon credits.

Note 8 - 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, 2014 and 2013, $434,606 and $431,303, 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 $455,000 and $450,000 in 2014 and 2013, respectively.

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. Recyclable sales are reported net of amounts credited to Oswego County under this agreement. Processing fees for 2014 were $446,796.

g. Operating Leases

The Authority has an agreement to lease a forklift, which calls for monthly payments of $1,218. The Authority paid $14,616 in lease payments for the years ended December 31, 2014 and 2013. Future minimum lease obligations on the preceding lease are as follows:

For the year ending December 31,		
2015	$	14,616
2016		4,872

h. 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.

Note 8 - Commitments and Contingencies - Continued

i. 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.

j. Sale of Electricity

In 2015, the Authority entered into a solar power purchase agreement with a third-party. Pursuant to the agreement, the third party will install and operate a solar panel system on Authority owned property. The agreement has an initial term of twenty years with two additional five-year renewal options. Power from the system will be sold to the Authority at contractual rates over the term of the agreement.

Note 9 - 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. 71 amends Statement No. 68 to require that, when transitioning to the new position standards, a state or local government recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. The provisions of Statement No. 71 are effective simultaneously with the provisions of Statement No. 68.

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

ACCOUNTING / TAX / ADVISORY

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, 2014, 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 13, 2015.

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 13, 2015