The Authority

ONEIDA-HERKIMER SOLID WASTE AUTHORITY

# Financial Report

December 31, 2018 and 2017

# Oneida-Herkimer
# Solid Waste Management Authority

Financial Report

December 31, 2018 and 2017

C O N T E N T S

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 component unit of the County of Oneida, New York, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### *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 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, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1k, in 2018, the Authority adopted the new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

***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 to 12 and the proportionate share of the net pension liability on page 37, local government pension contributions on page 38, and the schedule of changes in OPEB liability and OPEB as a Percentage of Covered Payroll on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introduction and statistical information included within management's discussion and analysis 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 7, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

BST & Co. CPAs, LLP

Albany, New York
March 7, 2019

ACCOUNTING / TAX / ADVISORY

The Authority
ONEIDA-HERKIMER SOLID WASTE AUTHORITY
30 YEARS OF SERVICE

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Preserving the environment through integrated recovery and disposal.

# Management's Discussion and Analysis
## December 31, 2018 and 2017

### Introduction

On behalf of the Oneida-Herkimer Solid Waste Management Authority (the Authority), I am pleased to submit this 2018 Annual Financial Report developed in compliance with accounting standards generally accepted in the United States of America. This year marked the 30th anniversary since the formation of the Authority.

The Authority's financial position remains in excellent condition. 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 Board continues to remain committed to maintaining and enhancing the region's self-reliant integrated solid waste management system.

This past year was another financially successful year for the Authority. The improving local economy has increased waste generated and corresponding revenue. Tipping fee revenues realized in 2018 were $17,599,580, an increase of $297,991 or 1.72% from 2017. This increase in tipping fee revenue was achieved at the same time the Authority reduced tipping fees by $2 per ton for its largest waste material class, municipal solid waste.

The Authority paid down $2,315,000 in long-term debt in 2018. Total revenue bond debt outstanding at December 31, 2018 was $22,462,593. Over the past five years, the Authority has reduced long-term revenue bond debt by $19,942,407 all while lowering its rates by 28% since 2006.

Although 2018 recycling sales revenue was down due to the global commodity markets, recyclables processing revenue was up, totaling $781,285. This additional revenue realized for processing Fulton, Lewis and Oswego Counties' recyclables, led to an increase in revenue diversification and less reliance on tipping fees to cover Authority expenses.

In 2016, the Authority initiated a feasibility study to look at the viability of constructing a facility in Utica to divert commercial food waste from the landfill. In 2017, the Authority Board authorized construction of the facility for completion in the Spring of 2019. I am pleased to report that the Authority broke ground on the new facility in October 2018 and is on schedule for an April 2019 opening. This project has a budgeted cost of $3,400,000 and will be paid with current operating revenues and grants. No borrowings will be used to finance any part of this project.

I am proud of the accomplishments and hard work from the employees and my fellow colleagues on the Authority Board. 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.

Kenneth A. Long
Chairman

## Authority Profile

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

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

The Authority's 2018 budget was approximately $26.8 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, sale of carbon credits, sale of landfill gas, and other user fees. The Authority receives no funds from the Counties.

## Authority Board of Directors

| Name | Business Affiliation |
|---|---|
| **Kenneth A. Long, Chairman** | Business Manager of Central Valley Central School District and former Herkimer County Legislator |
| **Vincent J. Bono, Vice Chairman**<br>*Vice Chairman, Audit Committee*<br>*Finance Committee* | Partner in Bono Brothers LLC, Property Management Group; Vice Chairman of the Herkimer County Legislature; and Chairman of the Herkimer County Industrial Development Agency |
| **Harry A. Hertline, Treasurer**<br>*Chairman, Finance Committee*<br>*Chairman, Audit Committee* | Korean War Air Force Veteran, Retired GE Unit Contract Manager, and former Minority Leader Oneida County Board of Legislators |
| **Neil C. Angell** | Town of Verona Dairy Farmer and former Oneida County Legislator and Member of the Agricultural Economic Development Committee |
| **James M. D'Onofrio**<br>*Chair- FOIL Appeals Committee* | President of Arlott Office Products and Member of Oneida County Board of Legislators |
| **James A. Franco**<br>*FOIL Appeals Committee* | Part-time DPW Superintendent, Village of Herkimer |

**Authority Profile - Continued**

| Name | Business Affiliation |
|---|---|
| **Barbara Freeman**<br>*Chair, Governance Committee*<br>*FOIL Appeals Committee* | Retired Teacher; Member, Village and Town of Boonville Environmental Councils |
| **Nancy Novak**<br>*Governance Committee* | Manager Safety & Regulatory Compliance at Bonide Products, Inc.; Member, Mohawk Valley Environmental Information Exchange and Mohawk Valley Safety Professional Consortium |
| **Robert J. Roberts, III**<br>*Audit Committee*<br>*Vice Chair, Finance Committee* | Director of Special Projects, Adjusters International |
| **James Williams**<br>*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 three 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, BST & Co. CPAs, 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, 2018 and 2017, and other significant pertinent financial information.

The 2018 financial report continues to reflect the strong operating results of the Authority. The Authority has increased its net position by $5.39 million and $5.96 million for the years ended December 31, 2018 and 2017, respectively. This was the result of several factors including:

- Revenues increased $783,986 or 2.96% in comparison to 2017. This was achieved at the same time the Authority reduced tipping fees by $2 per ton for its largest waste material class, municipal solid waste.
- The Authority's tipping fee revenues exceeded budget by $3,292,564. The Authority exceeded budget expectations for asbestos, soil/cover, sludge, municipal solid waste and C&D material.
- The Authority earned $1,783,408 in recycling sales during 2018, which was $791,592 under the 2018 budget.
- The Authority sold Landfill Gas and shared in a Power Purchase Agreement, per its contract with Waste Management Renewable Energy, and generated $332,837 in revenue.
- The Authority sold carbon credits resulting in $432,221 of revenue during 2018.
- In 2018, the Authority processed recyclables for Oswego, Lewis, and Fulton Counties. The Authority earned $781,285 in processing fees.
- Expenses increased by 6.62% over 2017 results.
- Salaries/wages and overtime increased 4.48% from 2017.
- Interest expense decreased by $123,084 from 2017, resulting from the defeasance of the 2007 bonds and scheduled debt principal payments.
- The Authority also funded reserves for landfill equipment in the amount of $450,000 for 2018 and for the extension of the landfill liner in the amount of $1,600,000.
- The Authority, once again, fully funded its closure and post-closure funds for the Ash Landfill and Regional Landfill.

## 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 net position.

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

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2018 vs. 2017 | 2017 | 2017 vs. 2016 | 2016 |
| **ASSETS AND DEFERRED OUTFLOWS** | | | | | |
| Current assets | $34,417,090 | 4.27% | $33,007,171 | 1.92% | $32,385,079 |
| Restricted assets | 10,380,855 | 0.97% | 10,281,438 | -4.30% | 10,743,593 |
| Capital assets, net | 45,481,239 | 2.84% | 44,226,197 | 1.74% | 43,471,221 |
| Non current assets | - | 0.00% | - | -100.00% | 36,125 |
| Total assets | 90,279,184 | | 87,514,806 | | 86,636,018 |
| Deferred outflows | 1,881,632 | 53.27% | 1,227,632 | -48.34% | 2,376,155 |
| **Total assets and deferred outflows** | **$92,160,816** | | **$88,742,438** | | **$89,012,173** |
| **LIABILITIES, DEFERRED INFLOWS, AND NET POSITION** | | | | | |
| Current liabilities | $ 3,893,118 | -12.03% | $ 4,425,448 | 7.52% | $ 4,115,788 |
| Long-term liabilities | 27,037,712 | -9.86% | 29,995,899 | -16.32% | 35,844,428 |
| Total liabilities | 30,930,830 | -10.14% | 34,421,347 | -13.86% | 39,960,216 |
| Deferred inflows | 2,512,504 | 153.49% | 991,165 | -5.46% | 1,048,400 |
| Net investment in capital assets | 29,372,807 | | 25,766,311 | | 19,478,106 |
| Net position, restricted | 1,134,983 | | 1,122,046 | | 955,801 |
| Net position, unrestricted | 28,209,692 | | 26,441,569 | | 27,569,650 |
| Total net position | 58,717,482 | 10.10% | 53,329,926 | 11.10% | 48,003,557 |
| **Total liabilities, deferred inflows, and net position** | **$92,160,816** | **3.85%** | **$88,742,438** | **-0.30%** | **$89,012,173** |

Total assets have increased $3.64 million since 2016, and long-term liabilities have decreased approximately 24.57% during the same period principally due to early defeasance of the 2007 bond issue and scheduled payments on the Authority's long-term bonds.

Total net position has grown $10.71 million since the end of 2016 as a result of favorable operations of the Landfill, consistent waste tonnage, diversification of revenues and a tight control over Authority expenses.

## Financial Analysis - Continued

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

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2018 vs. 2017 | 2017 | 2017 vs. 2016 | 2016 |
| Operating revenue | $25,968,834 | -0.21% | $26,023,193 | 8.89% | $23,899,400 |
| Nonoperating revenue | 1,318,073 | 174.75% | 479,728 | -43.67% | 851,612 |
| Total revenues | 27,286,907 | 2.96% | 26,502,921 | 7.08% | 24,751,012 |
| Depreciation expense | 3,547,652 | 2.27% | 3,468,782 | -7.96% | 3,768,841 |
| Other operating expense | 17,702,334 | 8.86% | 16,262,043 | 0.86% | 16,123,171 |
| Nonoperating expense | 649,365 | -19.69% | 808,574 | -17.04% | 974,685 |
| Total expenses | 21,899,351 | 6.62% | 20,539,399 | -1.57% | 20,866,697 |
| **Change in net position** | **5,387,556** | **-9.66%** | **5,963,522** | **53.53%** | **3,884,315** |
| **NET POSITION,** ***beginning of year*** | 53,329,926 | 11.10% | 48,003,557 | 8.80% | 44,119,242 |
| **NET POSITION,** ***end of year*, *as originally stated*** | - | | 53,967,079 | | - |
| Effect of adoption of GASB 75 | - | | (637,153) | | 44,119,242 |
| **NET POSITION,** ***end of year*, *as restated*** | **$58,717,482** | **10.10%** | **$53,329,926** | **11.10%** | **$48,003,557** |

The Authority's overall revenues increased 2.96 or $783,986 from 2017. The Authority's overall expenses increased 6.62% or $1,359,952 from 2017.

## 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 approved by the Treasurer of the Board. Those in excess of $5,000 are approved by resolution of the full Board.

The 2018 and 2017 budgets are compared to actual results in Table A-3.

**Budgetary Highlights - Continued**

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

| | Year Ended December 31, 2018 | | |
|---|---|---|---|
| | **Actual** | **Amended Budget** | **$ Change** |
| Operating revenue | $ 25,968,834 | $ 23,631,915 | $ 2,336,919 |
| Nonoperating revenue | 1,318,073 | 2,102,750 | (784,677) |
| Total revenues | 27,286,907 | 25,734,665 | 1,552,242 |
| Operating expenses | | | |
| Salaries, wages and benefits | 6,392,733 | 6,456,282 | (63,549) |
| Contractual services | 6,809,809 | 6,574,170 | 235,639 |
| Materials and supplies | 1,394,024 | 1,442,173 | (48,149) |
| Utilities | 277,588 | 283,487 | (5,899) |
| Repairs and maintenance | 233,419 | 267,926 | (34,507) |
| Host community benefits | 721,981 | 712,500 | 9,481 |
| Leachate disposal | 598,310 | 405,120 | 193,190 |
| Insurance | 197,709 | 194,947 | 2,762 |
| Other rental | 68,142 | 69,353 | (1,211) |
| Depreciation | 3,547,652 | - | 3,547,652 |
| Other operating expense | 1,008,619 | 765,027 | 243,592 |
| Nonoperating expenses | 649,365 | 8,563,680 | (7,914,315) |
| Total expenses | 21,899,351 | 25,734,665 | (3,835,314) |
| **Change in net position** | **$ 5,387,556** | **$ -** | **$ 5,387,556** |

| | Year Ended December 31, 2017 | | |
|---|---|---|---|
| | **Actual** | **Amended Budget** | **$ Change** |
| Operating revenue | $ 26,023,193 | $ 22,502,060 | $ 3,521,133 |
| Nonoperating revenue | 479,728 | 313,250 | 166,478 |
| Total revenues | 26,502,921 | 22,815,310 | 3,687,611 |
| Operating expenses | | | |
| Personal | 6,386,643 | 6,239,417 | 147,226 |
| Contractual services | 6,103,008 | 5,700,454 | 402,554 |
| Materials and supplies | 1,151,131 | 1,260,137 | (109,006) |
| Utilities | 255,043 | 275,500 | (20,457) |
| Repairs and maintenance | 224,036 | 279,700 | (55,664) |
| Host community benefits | 718,808 | 706,010 | 12,798 |
| Leachate disposal | 433,133 | 360,000 | 73,133 |
| Insurance | 178,853 | 180,000 | (1,147) |
| Other rental | 74,824 | 78,750 | (3,926) |
| Depreciation | 3,468,782 | - | 3,468,782 |
| Other operating expense | 736,564 | 684,800 | 51,764 |
| Nonoperating expenses | 808,574 | 7,050,542 | (6,241,968) |
| Total expenses | 20,539,399 | 22,815,310 | (2,275,911) |
| **Change in net position** | **$ 5,963,522** | **$ -** | **$ 5,963,522** |

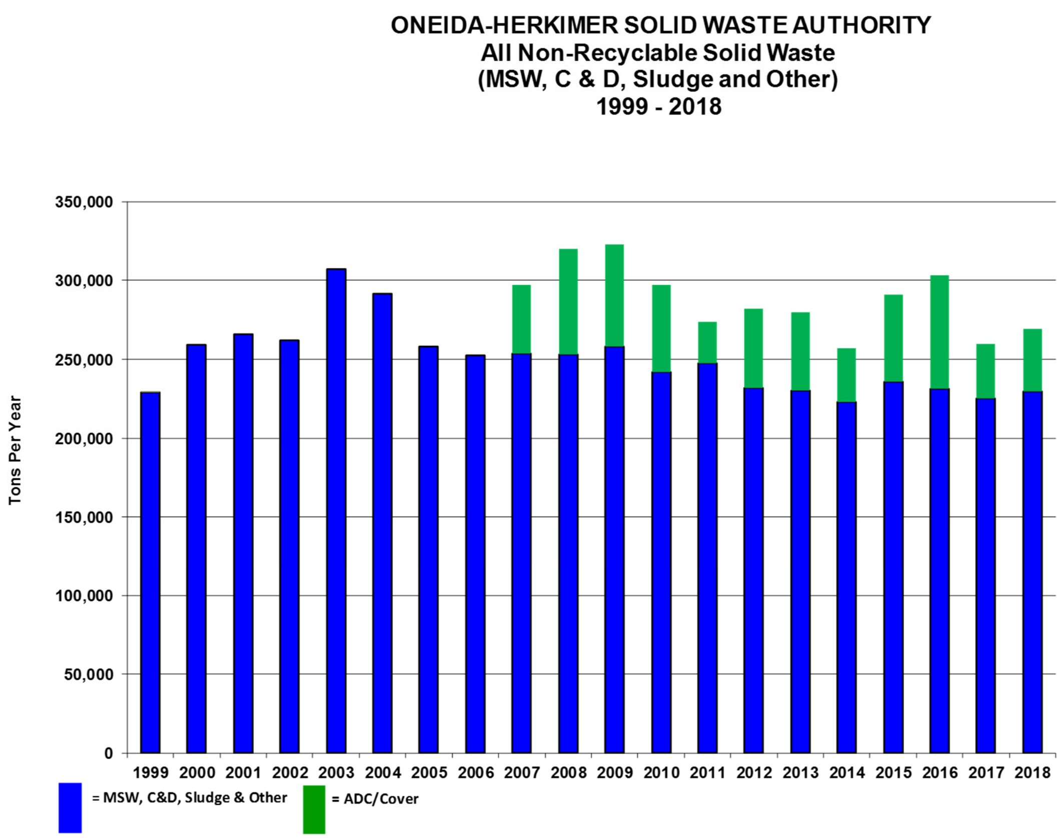
**Budgetary Highlights - Continued**

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 2018 and 2017 amended budgets. These adjustments are as follows:

| | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|
| Change in net position | $ 5,387,556 | $ 5,963,522 |
| Deduct: scheduled principal payments made on bonds (a) | (2,315,000) | (2,520,000) |
| Add: depreciation expense | 3,547,652 | 3,468,782 |
| Deduct: acquisition of capital assets (b) | (4,802,694) | (3,631,331) |
| Budget surplus | $ 1,817,514 | $ 3,280,973 |

(a) The prior year amount excludes early defeasance of $3,495,000 for 2007 Bond issuance.
(b) The prior year amount excludes approximately $592,000 of capital expenditures from the Board authorized supplemental appropriation of $725,000 of 2017 recyclables and carbon credits surplus revenue for the acquisition of capital assets.

**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.

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 2018 and 2017, the Authority had $45.5 million and $44.2 million, respectively, invested in capital assets as indicated in Table A-4.

**Table A-4**
**Capital Assets**

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2018 vs. 2017 | 2017 | 2017 vs. 2016 | 2016 |
| Land | $ 3,270,675 | 0.00% | $ 3,270,675 | 0.00% | $ 3,270,675 |
| Land improvements | 44,067,658 | 0.81% | 43,711,437 | 13.94% | 38,364,839 |
| Building and improvements | 22,995,207 | 1.30% | 22,701,074 | 1.11% | 22,451,203 |
| Machinery and equipment | 10,438,945 | 2.57% | 10,177,151 | 3.09% | 9,871,646 |
| Vehicles | 9,284,173 | -2.35% | 9,507,941 | 8.81% | 8,738,414 |
| Office equipment | 327,919 | 21.64% | 269,587 | -0.35% | 270,536 |
| | 90,384,577 | 0.83% | 89,637,865 | 8.04% | 82,967,313 |
| Less accumulated depreciation and amortization | 50,518,004 | 6.09% | 47,620,029 | 6.53% | 44,701,639 |
| Capital assets in service, net | 39,866,573 | -5.12% | 42,017,836 | 9.81% | 38,265,674 |
| Construction work in progress | 5,614,666 | | 2,208,361 | | 5,205,547 |
| Total capital assets, net | $ 45,481,239 | 2.84% | $ 44,226,197 | 1.74% | $ 43,471,221 |

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 $2,083,000 and $6,938,000 per year. The funds for capital projects are covered by the system tipping fees and reserves.

**Debt Administration**

The Authority had $22,462,593 and $24,777,593 in outstanding Revenue Bonds at December 31, 2018 and 2017, 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 2018 and 2017. 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
Joseph M. Artessa, Comptroller
James V. Biamonte, Environmental Coordinator
Pasquale A. Lisandrelli, Principal Accounting Supervisor
Andrew J. Opperman, Solid Waste Engineer

# Oneida-Herkimer
# Solid Waste Management Authority

## Statements of Net Position

| | December 31, 2018 | December 31, 2017 (Restated) |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 6,655,659 | $ 9,383,039 |
| Investments | 23,837,183 | 20,132,487 |
| Accrued interest receivable | 148,204 | 142,209 |
| Receivables, net | 3,406,980 | 2,963,042 |
| Prepaid expenses and other assets | 369,064 | 386,394 |
| Total current assets | 34,417,090 | 33,007,171 |
| **RESTRICTED ASSETS** | | |
| Cash and cash equivalents | 2,370,565 | 2,586,598 |
| Investments | 7,983,335 | 7,678,537 |
| Accrued interest receivable | 26,955 | 16,303 |
| Total restricted assets | 10,380,855 | 10,281,438 |
| **NON-CURRENT ASSETS** | | |
| Capital assets, net | 45,481,239 | 44,226,197 |
| **DEFERRED OUTFLOWS** | 1,881,632 | 1,227,632 |
| | **$ 92,160,816** | **$ 88,742,438** |
| **LIABILITIES, DEFERRED INFLOWS, AND NET POSITION** | | |
| **CURRENT LIABILITIES** | | |
| Current installments of revenue bonds | $ 2,395,000 | $ 2,315,000 |
| Accounts payable and accrued liabilities | 1,368,480 | 1,949,469 |
| Accrued interest payable | 129,638 | 160,979 |
| Total current liabilities | 3,893,118 | 4,425,448 |
| **LONG-TERM LIABILITIES** | | |
| Revenue bonds, less current installments | 20,067,593 | 22,462,593 |
| Premium on revenue bonds, net | 28,041 | 36,880 |
| Accrued closure and post-closure costs | 3,942,821 | 3,801,209 |
| Net pension liability | 461,847 | 1,330,089 |
| Accrued postemployment benefits | 2,537,410 | 2,365,128 |
| Total long-term liabilities | 27,037,712 | 29,995,899 |
| Total liabilities | 30,930,830 | 34,421,347 |
| **DEFERRED INFLOWS** | 2,512,504 | 991,165 |
| **NET POSITION** | | |
| Net investment in capital assets | 29,372,807 | 25,766,311 |
| Restricted | 1,134,983 | 1,122,046 |
| Unrestricted | 28,209,692 | 26,441,569 |
| Total net position | 58,717,482 | 53,329,926 |
| | **$ 92,160,816** | **$ 88,742,438** |

*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, 2018 | 2017 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Tipping fees, net | $ 17,599,580 | $ 17,301,589 |
| Solid waste service charge, City of Utica | 2,217,297 | 2,083,106 |
| Refuse bag sales | 2,223,950 | 2,035,232 |
| Toter revenues | 752,727 | 719,208 |
| Recyclable sales | 1,783,408 | 2,650,500 |
| Carbon credit sales | 432,221 | 318,752 |
| Landfill gas sales | 332,837 | 318,000 |
| Miscellaneous | 626,814 | 596,806 |
| | 25,968,834 | 26,023,193 |
| **OPERATING EXPENSES** | | |
| Salaries, wages and benefits | 6,392,733 | 6,386,643 |
| Contractual services | 6,809,809 | 6,103,008 |
| Materials and supplies | 1,394,024 | 1,151,131 |
| Utilities | 277,588 | 255,043 |
| Repairs and maintenance | 233,419 | 224,036 |
| Host community benefits | 721,981 | 718,808 |
| Leachate disposal | 598,310 | 433,133 |
| Insurance | 197,709 | 178,853 |
| Other rental | 68,142 | 74,824 |
| Depreciation | 3,547,652 | 3,468,782 |
| Change in post-closure accrual estimate | 154,285 | 10,383 |
| Other | 854,334 | 726,181 |
| | 21,249,986 | 19,730,825 |
| **Operating income** | **4,718,848** | **6,292,368** |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Interest income | 585,989 | 340,403 |
| Interest expense | (649,365) | (772,449) |
| Other expense | - | (36,125) |
| Operating grants and other revenue | 732,084 | 139,325 |
| | 668,708 | (328,846) |
| **Change in net position** | **5,387,556** | **5,963,522** |
| **NET POSITION, *beginning of year*** | 53,329,926 | 48,003,557 |
| **NET POSITION, *end of year*, *as originally stated*** | - | 53,967,079 |
| Effect of adoption of GASB 75 | - | (637,153) |
| **NET POSITION, *end of year*, *as restated*** | **$ 58,717,482** | **$ 53,329,926** |

*See accompanying Notes to Financial Statements.*

# Oneida-Herkimer
# Solid Waste Management Authority

## Statements of Cash Flows

| | Years Ended December 31, 2018 | 2017 |
|---|---|---|
| **CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES** | | |
| Received from customers | $ 27,304,899 | $ 25,311,274 |
| Paid to suppliers and vendors | (11,481,867) | (8,807,958) |
| Paid to employees, including benefits | (7,742,693) | (5,900,941) |
| | **8,080,339** | **10,602,375** |
| **CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Payments of revenue bond principal | (2,315,000) | (6,015,000) |
| Interest paid | (689,545) | (839,976) |
| Proceeds from sale of capital assets | 55,348 | 132,903 |
| Acquisition of capital assets | (4,802,694) | (4,223,759) |
| Operating grants and other revenues | 168,291 | 107,613 |
| | **(7,583,600)** | **(10,838,219)** |
| **CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES** | | |
| Interest received | 569,342 | 343,709 |
| Proceeds from sale of investments | 22,334,241 | 21,248,991 |
| Purchase of investments | (26,343,735) | (20,388,935) |
| | **(3,440,152)** | **1,203,765** |
| **Net increase (decrease) in cash and cash equivalents** | **(2,943,413)** | **967,921** |
| **CASH AND CASH EQUIVALENTS, *beginning of year*** | 11,969,637 | 11,001,716 |
| **CASH AND CASH EQUIVALENTS, *end of year*** | **$ 9,026,224** | **$ 11,969,637** |
| **CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES** | | |
| Operating income | $ 4,718,848 | $ 6,292,368 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 3,547,652 | 3,468,782 |
| Provision for bad debts | 249,781 | 200,387 |
| Gain on sale of capital assets | (55,348) | (132,902) |
| Change in assets and liabilities | | |
| Receivables | (129,926) | (521,782) |
| Prepaid expenses and other assets | 17,330 | 297,729 |
| Deferred outflows | (654,000) | 1,209,335 |
| Accounts payable and accrued liabilities | (580,989) | 572,297 |
| Deferred inflows | 1,521,339 | (57,235) |
| Accrued closure and post-closure costs | 141,612 | (2,971) |
| Net pension liability | (868,242) | (946,599) |
| Accrued postemployment benefits | 172,282 | 222,966 |
| | **$ 8,080,339** | **$ 10,602,375** |

*See accompanying Notes to Financial Statements.*

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

*a. Nature of Business*

The Oneida-Herkimer Solid Waste Management Authority, a component unit of Oneida County, New York (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 conformity 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 deferred outflows, and liabilities and deferred inflows 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 deferred outflows and liabilities and deferred inflows 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 $1,492,569 and $1,551,262 for the years ended December 31, 2018 and 2017, respectively. Operating expenses include the cost of personnel and contractual services, materials and supplies, utilities, change in post-closure accrual estimate, administrative expenses, depreciation on capital assets and other costs related to solid waste administration. 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, deferred outflows, liabilities, and deferred inflows and disclosure of contingent 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. Fair Value Measurement*

The Authority reports certain assets at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date.

*e. Cash and Cash Equivalents*

Cash and cash equivalents consist of cash deposits in banks and other short-term investments, whether unrestricted or restricted, with a maturity of three months or less from the date of purchase. 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 the Federal Deposit Insurance Corporation (FDIC) 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.

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

*f. 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 $362,083 and $348,800 at December 31, 2018 and 2017, respectively. Accounts receivable are written off when deemed uncollectible. During 2018 and 2017, the Authority wrote off $211,613 and $198,148, respectively, of City of Utica user fees. Recoveries of accounts receivable previously written off are recorded as a recovery of bad debt when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on accounts receivable that are outstanding for more than 30 days and is recognized as it is charged. After the receivable becomes past due, accrual of interest continues until the receivable is written off, or a payment agreement is reached with the customer.

*g. Capital Assets, Net*

Capital assets, net, are recorded at cost, except for contributed property and equipment, which are recorded at fair value. 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 | 10 - 50 years |

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value.

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.

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

*h. Bond Issuance Costs, Deferred Inflows, and Deferred Outflows*

Bond issuance costs, other than prepaid insurance costs, are expensed as incurred in the statements of revenues, expenses, and changes in net position.

Deferred outflows of resources are defined as a consumption of assets by the Authority that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of assets by the Authority that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

Deferred inflows include revenues billed in advance under contracts with the City of Utica and the Villages of Ilion, Frankfort, Herkimer, Mohawk, and Dolgeville (Note 8). Revenues are recognized as income in the period in which the related services are rendered. Deferred outflows and inflows also include changes in assumptions related to the net pension liability (Note 6) and post-employment benefits (Note 7).

The components of deferred outflows and inflows are as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Deferred outflows of resources | | |
| Net pension liability related | $ 1,577,482 | $ 1,166,820 |
| Other post employment benefits related | 304,150 | 60,812 |
| | $ 1,881,632 | $ 1,227,632 |
| Deferred inflows of resources | | |
| Net pension liability related | $ 1,508,166 | $ 253,496 |
| Other post employment benefits related | 214,179 | - |
| Unearned revenue | 790,159 | 737,669 |
| | $ 2,512,504 | $ 991,165 |

*i. 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. The Authority complies with the landfill closure and post-closure regulations of the New York State Department of Environmental Conservation (NYSDEC). At December 31, 2018 and 2017, the Authority accrued $3,942,821 and $3,801,209, 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. In compliance with NYSDEC requirements, $3,977,759 and $3,915,345 in certificates of deposit and U.S. Agency securities have been restricted by the Authority for this purpose at December 31, 2018 and 2017, respectively.

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

*j. Tax Status*

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

*k. Adoption of Accounting Standard*

Effective January 1, 2018, the Authority implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information.

As a result of the adoption of GASB 75, the Authority has restated its deferred outflows, accrued postemployment benefits, and net position as of December 31, 2017 as detailed in the table below, incorporated the required disclosures in Note 7, and included a schedule of changes in OPEB liability and OPEB as a percentage of covered payroll as part of the required supplementary information.

| | As Originally Stated | Adoption of GASB 75 | As Restated |
|---|---|---|---|
| Deferred outflows | $ 1,166,820 | $ 60,812 | $ 1,227,632 |
| Accrued postemployment benefits | 1,667,163 | 697,965 | 2,365,128 |
| Unrestricted net position as of December 31, 2017 | 27,078,722 | (637,153) | 26,441,569 |
| Net position as of Decmeber 31, 2017 | 53,967,079 | (637,153) | 53,329,926 |

*l. Subsequent Events*

The Authority has evaluated subsequent events for potential recognition or disclosure through March 7, 2019, 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 NYS DEC, the use of certain Authority assets is restricted for specific purposes as summarized below:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| *Debt Service Reserve Fund* | | |
| Contingency fund to be utilized in case of default | $ 3,134,250 | $ 3,114,643 |
| *Construction Projects Fund and Bond Redemption and Improvement Fund* | | |
| Additional capital expenditures which may be incurred by the Authority | 1,079,150 | 986,023 |
| *Other Funds* | | |
| Restricted assets required for debt service | 2,168,802 | 2,253,922 |
| Restricted assets for post-closure monitoring costs | 3,971,698 | 3,910,547 |
| Accrued interest on restricted assets | 26,955 | 16,303 |
| | $ 10,380,855 | $ 10,281,438 |

## Note 3 - Investments

Fair value of the Authority's investments and related maturities at December 31, 2018 and 2017 is as follows:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | | Investment Maturities (in Years) | | |
| Restricted Investments | Fair Value | Less than 1 | 1 to 5 | 6 to 10 |
| U.S. Treasury Bond State and Local Government Series | $ 2,027,260 | $ - | $ - | $ 2,027,260 |
| Certificates of Deposit | 5,566,447 | 1,487,606 | 4,078,841 | - |
| Federal Agency Securities | 389,628 | 49,650 | 194,856 | 145,122 |
| | $ 7,983,335 | $ 1,537,256 | $ 4,273,697 | $ 145,122 |
| Unrestricted Investments | | | | |
| U.S Treasury Notes | 11,707,638 | $ 8,721,038 | $ 2,986,600 | $ - |
| Certificates of Deposit | 12,129,545 | 9,913,226 | 2,216,319 | - |
| | $ 23,837,183 | $ 18,634,264 | $ 5,202,919 | $ - |

| | December 31, 2017 | | | |
|---|---|---|---|---|
| | | Investment Maturities (in Years) | | |
| Restricted Investments | Fair Value | Less than 1 | 1 to 5 | 6 to 10 |
| U.S. Treasury Bond State and Local Government Series | $2,027,260 | - | - | 2,027,260 |
| Certificates of Deposit | 5,209,189 | 3,428,207 | 1,964,923 | - |
| Federal Agency Securities | 442,088 | 75,000 | 175,000 | 175,000 |
| | $ 7,678,537 | $ 3,503,207 | $ 2,139,923 | $ 2,202,260 |
| Unrestricted Investments | | | | |
| Certificates of Deposit | $ 20,132,487 | $20,132,487 | $ - | $ - |

**Note 3 - Investments - Continued**

*a. Credit Risk*

All of the Authority's investment related 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.

*c. Interest Rate Risk*

The fair value of the Authority's fixed maturity investments fluctuates 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. At December 31, 2018, certificates of deposit held at two financial institutions accounted for approximately 39% of investments. At December 31, 2018, certificates of deposit held at one financial institution accounted for approximately 73% of investments. No other issuer, excluding the U.S. federal government, makes up more than 10% of the Authority's investment portfolio. All certificates of deposit are fully collateralized. Management of the Authority monitors the credit ratings associated with its underlying investments.

*e. Fair Value of Financial Instruments*

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Authority has the ability to access.

**Note 3 - Investments - Continued**

e. *Fair Value of Financial Instruments* - Continued

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2018 and 2017:

*Certificate of deposits*: Valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

*Federal Agency Securities and U.S. Treasury Notes:* Valued based on observable prices for the particular security, or when prices are not observable, the valuation is based on prices of comparable securities or the present value of expected future cash flows.

*U.S. Treasury Bond State and Local Government Series:* The fair value is determined by the bond trustee and cost approximates fair value.

The methods described above may produce a fair value calculation that may not be reflective of future fair values. Furthermore, while the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

A summary of assets measured at fair value on a recurring basis is summarized below:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Certificates of Deposit | $ - | $ 17,695,992 | $ - | $ 17,695,992 |
| Federal Agency Securities | - | 389,628 | - | 389,628 |
| U.S. Treasury Bond State and Local Government Series | - | 2,027,260 | - | 2,027,260 |
| U.S Treasury Notes | - | 11,707,638 | - | 11,707,638 |
| Total investments | $ - | $ 31,820,518 | $ - | $ 31,820,518 |

## Note 3 - Investments - Continued

e. *Fair Value of Financial Instruments* - Continued

| | December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Certificates of Deposit | $ - | $ 25,341,676 | $ - | $ 25,341,676 |
| Federal Agency Securities | - | 442,088 | - | 442,088 |
| U.S. Treasury Bond State and Local Government Series | - | 2,027,260 | - | 2,027,260 |
| Total investments | $ - | $ 27,811,024 | $ - | $ 27,811,024 |

## Note 4 - Capital Asset, Net

Capital assets, net, summarized by facility are as follows:

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | MRF, GWC, and HHW | ETS and WTS | Regional Landfill | Other | Total |
| Capital assets not being depreciated | | | | | |
| Land | $ - | $ - | $ 2,873,705 | $ 396,970 | $ 3,270,675 |
| Construction in progress | 1,084,092 | - | 4,530,574 | - | 5,614,666 |
| Total capital assets not being depreciated | 1,084,092 | - | 7,404,279 | 396,970 | 8,885,341 |
| Capital assets being depreciated | | | | | |
| Land improvements | 841,827 | 518,685 | 42,654,086 | 53,060 | 44,067,658 |
| Buildings and improvements | 7,894,917 | 8,039,872 | 6,743,768 | 316,650 | 22,995,207 |
| Equipment and machinery | 8,965,513 | 418,370 | 925,689 | 129,373 | 10,438,945 |
| Vehicles | 1,920,622 | 1,451,556 | 5,105,537 | 806,458 | 9,284,173 |
| Office equipment | 35,611 | 17,279 | 66,837 | 208,192 | 327,919 |
| | 19,658,490 | 10,445,762 | 55,495,917 | 1,513,733 | 87,113,902 |
| Less accumulated depreciation | 10,808,394 | 9,077,796 | 29,429,593 | 1,202,221 | 50,518,004 |
| Total capital assets being depreciated | 8,850,096 | 1,367,966 | 26,066,324 | 311,512 | 36,595,898 |
| Total capital assets, net | $ 9,934,188 | $ 1,367,966 | $ 33,470,603 | $ 708,482 | $ 45,481,239 |

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | MRF, GWC, and HHW | ETS and WTS | Regional Landfill | Other | Total |
| Capital assets not being depreciated | | | | | |
| Land | $ - | $ - | $ 2,873,705 | $ 396,970 | $ 3,270,675 |
| Construction in progress | 138,405 | - | 2,069,956 | - | 2,208,361 |
| Total capital assets not being depreciated | 138,405 | - | 4,943,661 | 396,970 | 5,479,036 |
| Capital assets being depreciated | | | | | |
| Land improvements | 819,211 | 490,419 | 42,371,685 | 30,122 | 43,711,437 |
| Buildings and improvements | 7,587,764 | 8,052,892 | 6,743,768 | 316,650 | 22,701,074 |
| Equipment and machinery | 8,859,520 | 410,901 | 756,181 | 150,549 | 10,177,151 |
| Vehicles | 2,008,151 | 1,776,537 | 4,856,394 | 866,859 | 9,507,941 |
| Office equipment | 36,210 | 16,800 | 73,613 | 142,964 | 269,587 |
| | 19,310,856 | 10,747,549 | 54,801,641 | 1,507,144 | 86,367,190 |
| Less accumulated depreciation | 10,043,049 | 9,128,583 | 27,233,454 | 1,214,943 | 47,620,029 |
| Total capital assets being depreciated | 9,267,807 | 1,618,966 | 27,568,187 | 292,201 | 38,747,161 |
| Total capital assets, net | $ 9,406,212 | $ 1,618,966 | $ 32,511,848 | $ 689,171 | $ 44,226,197 |

## Note 4 - Capital Asset, Net - Continued

A summary of changes in the Authority's capital assets for the years ended December 31, 2018 and 2017 is as follows:

| | Balance December 31, 2017 | Additions | Retirements/ Disposals | Balance December 31, 2018 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 3,270,675 | $ - | $ - | $ 3,270,675 |
| Construction in progress | 2,208,361 | 4,062,034 | (655,729) | 5,614,666 |
| Total capital assets not being depreciated | 5,479,036 | 4,062,034 | (655,729) | 8,885,341 |
| Capital assets being depreciated | | | | |
| Land improvements | 43,711,437 | 356,221 | - | 44,067,658 |
| Buildings and improvements | 22,701,074 | 320,402 | (26,269) | 22,995,207 |
| Equipment and machinery | 10,177,151 | 293,169 | (31,375) | 10,438,945 |
| Vehicles | 9,507,941 | 344,012 | (567,780) | 9,284,173 |
| Office equipment | 269,587 | 82,585 | (24,253) | 327,919 |
| | 86,367,190 | 1,396,389 | (649,677) | 87,113,902 |
| Less accumulated depreciation | 47,620,029 | 3,547,652 | (649,677) | 50,518,004 |
| Total capital assets being depreciated | 38,747,161 | (2,151,263) | - | 36,595,898 |
| Total capital assets, net | $ 44,226,197 | $ 1,910,771 | $ (655,729) | $ 45,481,239 |

| | Balance December 31, 2016 | Additions | Retirements/ Disposals | Balance December 31, 2017 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 3,270,675 | $ - | $ - | $ 3,270,675 |
| Construction in progress | 5,205,547 | 2,213,593 | (5,210,779) | 2,208,361 |
| Total capital assets not being depreciated | 8,476,222 | 2,213,593 | (5,210,779) | 5,479,036 |
| Capital assets being depreciated | | | | |
| Land improvements | 38,364,839 | 5,346,598 | - | 43,711,437 |
| Buildings and improvements | 22,451,203 | 267,071 | (17,200) | 22,701,074 |
| Equipment and machinery | 9,871,646 | 338,212 | (32,707) | 10,177,151 |
| Vehicles | 8,738,414 | 1,265,035 | (495,508) | 9,507,941 |
| Office equipment | 270,536 | 4,026 | (4,975) | 269,587 |
| | 79,696,638 | 7,220,942 | (550,390) | 86,367,190 |
| Less accumulated depreciation | 44,701,639 | 3,468,780 | (550,390) | 47,620,029 |
| Total capital assets being depreciated | 34,994,999 | 3,752,162 | - | 38,747,161 |
| Total capital assets, net | $ 43,471,221 | $ 5,965,755 | $ (5,210,779) | $ 44,226,197 |

Construction in progress principally relates to costs incurred to construct cells at the Authority's RLF and the source separated organics facility. The Authority's seventh cell was placed in service in January 2019. Outstanding commitments relating to the construction of the Authority's source separated organics facility were $2,330,224 at December 31, 2018.

## Note 5 - Revenue Bonds

A summary of changes in the Authority's revenue bonds is as follows:

| | Balance December 31, 2016 | Additions | Reductions | Balance December 31, 2017 | Additions | Reductions | Balance December 31, 2018 |
|---|---|---|---|---|---|---|---|
| 2011 Revenue Bonds | $ 8,205,000 | $ - | $ (765,000) | $ 7,440,000 | $ - | $ (790,000) | $ 6,650,000 |
| 2007 Revenue Bonds | 3,765,000 | - | (3,765,000) | - | - | - | - |
| 2015 EFC Revenue Bonds | 18,822,593 | - | (1,485,000) | 17,337,593 | - | (1,525,000) | 15,812,593 |
| | $ 30,792,593 | $ - | $ (6,015,000) | $ 24,777,593 | $ - | $ (2,315,000) | $ 22,462,593 |

Revenue bonds of the Authority are summarized as follows:

*2007 Revenue Bonds*

The 2007 revenue 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 was payable semi-annually at interest rates ranging from 4.125% to 4.20%. The 2007 revenue bonds were defeased in 2017.

*2011 Revenue Bonds*

The 2011 revenue bonds were originally issued at $10,725,000 to finance the design, acquisition, 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%. Remaining principal payments range from $830,000 to $1,080,000, payable annually on April 1 through 2025.

*2015 EFC Revenue Bonds*

The New York State Environmental Facilities Corporation (EFC) State Clean Water and Drinking Water Revolving Funds Revenue Bonds were originally issued in 2006 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. The bonds were refunded in 2015. In conjunction with the refunding, the Authority was required to liquidate a portion of its restricted U.S. Treasury Bond State and Local Government Series (SLUG) investment to pay for estimated arbitrage rebates and yield restriction liabilities. The Authority was notified in 2016 by EFC that the value of the SLUG liquidated exceeded the arbitrage and yield restriction liabilities by $464,215. This amount was included in prepaid expenses and other assets on the statement of net position and was applied by EFC to the principal payment paid on April 1, 2017.

Principal installments range from $1,565,000 to $3,962,593 and are payable annually on April 1 through 2026. Interest is payable semi-annually at interest rates ranging from 4.54% to 4.77%, gross of subsidy credit and refunding benefit. The Authority receives a subsidy credit and a refunding benefit toward its annual debt service cost and is charged an annual administrative fee by EFC. The Authority received a subsidy credit of $327,531 and $361,544 for the years ended December 31, 2018 and 2017, respectively, and a refunding benefit of $147,262 and $146,663 for the years ended December 31, 2018 and 2017, respectively.

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.

**Note 5 - Revenue Bonds - Continued**

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

| | Principal | Interest * | Total |
|---|---|---|---|
| For the year ending December 31, | | | |
| 2019 | $ 2,395,000 | $ 1,010,652 | $ 3,405,652 |
| 2020 | 2,475,000 | 895,775 | 3,370,775 |
| 2021 | 2,555,000 | 778,577 | 3,333,577 |
| 2022 | 2,635,000 | 658,144 | 3,293,144 |
| 2023 | 2,720,000 | 530,788 | 3,250,788 |
| 2024 through 2026 | 9,682,593 | 751,567 | 10,434,160 |
| | 22,462,593 | $ 4,625,503 | $ 27,088,096 |
| Less current installments | 2,395,000 | | |
| Revenue Bonds, less current installments | $ 20,067,593 | | |

* EFC interest is reported gross of the subsidy credit and a refunding benefit, which over the remaining life of the bonds will be $2,385,347.

**Note 6 - New York State Employees' Retirement System**

**Plan Description and Benefits Provided**

The Authority participates in the New York State and Local Employees Retirement System (System), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

## Note 6 - New York State Employees' Retirement System - Continued

### Plan Description and Benefits Provided - Continued

*Contributions*

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the System, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. The Authority's contributions for the current year and two preceding years were equal to 100 percent of the required contributions, and were as follows:

| | | |
|---|---|---|
| 2018 | $ | 549,859 |
| 2017 | | 540,463 |
| 2016 | | 558,657 |

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2018 and 2017, the Authority reported liabilities of $461,847 and $1,330,089 for its proportionate share of the net pension liability, respectively. The net pension liabilities were measured as of March 31, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2018 and 2017, the Authority's proportion was 0.0143100% and 0.0141556%, respectively.

For the years ended December 31, 2018 and 2017, the Authority recognized pension expense of $541,645 and $746,342, respectively.

At December 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 164,726 | $ 136,123 | $ 33,331 | $ 201,981 |
| Change of assumptions | 306,243 | - | 454,407 | - |
| Net difference between projected and actual investment earnings on pension plan investments | 670,796 | 1,324,084 | 265,673 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 7,303 | 47,959 | 1,015 | 51,515 |
| Employer contributions subsequent to the measurement date | 428,414 | - | 412,394 | - |
| Total | $ 1,577,482 | $ 1,508,166 | $ 1,166,820 | $ 253,496 |

## Note 6 - New York State Employees' Retirement System - Continued

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - Continued

Authority contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|---|---|---|
| For the year ending December 31, | | |
| 2019 | $ | 82,163 |
| 2020 | | 56,796 |
| 2021 | | (341,282) |
| 2022 | | (156,775) |
| | $ | (359,098) |

### Actuarial Assumptions

The total pension liability at March 31, 2018 and 2017 was determined by using actuarial valuations as of April 1, 2017 and 2016, respectively, with update procedures used to roll forward the total pension liability to March 31, 2018 and 2017. The actuarial valuations used the following actuarial assumptions. The assumptions are consistent from year to year, except as noted:

| | |
|---|---|
| Actuarial Cost Method | Entry age normal |
| Inflation Rate | 2.5 percent |
| Salary Scale | 3.8 percent, indexed by service |
| Investment rate of return, including inflation | 7.00 percent compounded annually, net of expenses |
| Decrement 2017 and 2018 | Based on FY 2011-2015 experience |
| Mortality improvement | Society of Actuaries Scale MP-2014 |

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

**Note 6 - New York State Employees' Retirement System - Continued**

**Actuarial Assumptions - Continued**

| Asset Type | Target Allocation | Long-Term Expected Real Rate |
|---|---|---|
| Domestic equity | 36.00% | 4.55% |
| International equity | 14.00% | 6.35% |
| Private equity | 10.00% | 7.50% |
| Real estate | 10.00% | 5.55% |
| Absolute return strategies | 2.00% | 3.75% |
| Opportunistic portfolio | 3.00% | 5.68% |
| Real assets | 3.00% | 5.29% |
| Bonds and mortgages | 17.00% | 1.31% |
| Cash | 1.00% | -0.25% |
| Inflation-Indexed bonds | 4.00% | 1.25% |
| | 100.00% | |

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the Authority's proportionate share of the net pension liability at December 31, 2018 calculated using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease (6%) | Current Discount (7%) | 1% Increase (8%) |
|---|---|---|---|
| Authority's proportionate share of the net pension liability (asset) | $ 3,494,457 | $ 461,847 | $ (2,103,620) |

## Note 6 - New York State Employees' Retirement System - Continued

### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the Employee's Retirement System as of March 31, were as follows (dollars in thousands):

| | 2018 | 2017 |
|---|---|---|
| Employers' total pension liability | $ 183,400,590 | $ 177,400,286 |
| Plan net position | (180,173,145) | (168,004,363) |
| Employers' net pension liability | $ 3,227,445 | $ 9,395,923 |
| Ratio of plan net position to the employers' total pension liability | 98.2% | 94.7% |

## Note 7 - Other Postemployment Benefits (OPEB)

The Authority provides health care benefits for eligible retired employees comprised of a 50% monthly premium contribution toward their health insurance costs. 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 benefit plan is administered and accounted for as a single-employer defined benefit plan. A summary of active employees and retired employees covered under this benefit plan as of December 31, 2018 is as follows:

| | |
|---|---|
| Actives | 18 |
| Retirees | 5 |
| Total | 23 |

The contribution requirements of benefit plan members and the Authority are established pursuant to applicable collective bargaining and employment agreements. The required rates of the employer and the members may vary depending on the applicable agreement. The Authority is not required to fund the benefit plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the years ended December 31, 2018 and 2017, the Authority paid $35,079 and $27,902, respectively, on behalf of the plan members. The benefit plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the benefit plan.

## Note 7 - Other Postemployment Benefits (OPEB) - Continued

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At December 31, 2018 and 2017, the Authority reported a liability of $2,537,410 and $2,365,128 for its OPEB liability, respectively. The OPEB liability was measured as of January 1, 2018 by an actuarial valuation as of that date. For the years ended December 31, 2018 and 2017, the Authority recognized OPEB expense of 164,856 and $244,676, respectively. The OPEB expense for the year ended December 31, 2017 was determined prior to the adoption of GASB 75. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 214,179 | $ - | $ - |
| Changes of assumptions or other inputs | 243,338 | - | - | - |
| Employer contributions subsequent to the measurement date | 60,812 | - | 60,812 | - |
| | $ 304,150 | $ 214,179 | $ 60,812 | $ - |

Authority contributions subsequent to the measurement date are recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| | |
|---|---|
| Year ending May 31, | |
| 2019 | $ 5,491 |
| 2020 | 5,491 |
| 2021 | 5,491 |
| 2022 | 5,491 |
| 2023 and thereafter | 7,195 |
| Total | $ 29,159 |

*Actuarial Assumptions*. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

| Assumptions | Factor |
|---|---|
| Valuation Date | January 1, 2018 |
| Measurement Date | January 1, 2018 |
| Reporting Date | December 31, 2018 |
| Actuarial Cost Method | Entry Age Normal - Level Percent of Pay |
| Discount Rate | 3.44% |
| Health Care Cost Trend Rates | Society of Actuaries Long-Run Medical Cost Trend Model |
| Salary Scale | 3.50% |
| Inflation | 2.20% |
| Mortality | RP-2014 No Collar Mortality table with generational mortality projections using MP-2017 |

**Note 7 - Other Postemployment Benefits (OPEB) - Continued**

*Actuarial Assumptions* - Continued

The discount rate used to measure the liability was 3.44% based on the Bond Buyer 20-year general obligation bond index.

*Schedule of Changes in Net OPEB Liability*

| | December 31, 2018 |
|---|---|
| Beginning of the year | $ 2,365,128 |
| Charges for the year: | |
| Service cost | 67,811 |
| Interest | 91,554 |
| Differences between expected and actual experience | (254,514) |
| Changes in assumption and other inputs | 289,164 |
| Benefit payments | (21,733) |
| Net changes | 172,282 |
| End of year | $ 2,537,410 |

*Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Trend Rate and Discount Rate*

The following presents the OPEB Liability of the plan as of December 31, 2018 using current health care cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower and 1% higher than the current rate:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| Authority's proportionate share of the OPEB liability | $ 1,726,590 | $ 2,537,410 | $ 2,500,081 |

The following presents the OPEB liability of the plan as of December 31, 2018, calculated using the discount rate of 3.44%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.44%) or 1-percentage-point higher (4.44%) than the current rate:

| | 1% Decrease (2.44%) | Current Discount Rate (3.44%) | 1% Increase (4.44%) |
|---|---|---|---|
| Authority's proportionate share of the OPEB liability | $ 2,448,761 | $ 2,537,410 | $ 1,759,610 |

## Note 8 - Commitments, Contingencies, Risks, and Uncertainties

*a. City of Utica Contract*

The Authority maintains a contract with the City of Utica (City) through March 31, 2023 to provide for collection of waste and recyclables and associated billing throughout the City. In accordance with the contract, and in recognition of the City being host to the Recycling Center, Eastern Transfer Station, and Green Waste Compost Facility, the Authority pays the City Host Community Benefits of $1 per ton for all materials delivered to those facilities as long as the Authority uses the Eastern Transfer Station for transport of waste out of the region, with a guaranteed minimum of $100,000 per year. The Authority made Host Community Benefit payments in the amount of $200,641 and $194,353 during the years ended December 31, 2018 and 2017, respectively. There was $50,031 and $48,064 due to the City at December 31, 2018 and 2017, respectively, which is included in accounts payable and accrued liabilities.

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, 2018 and 2017, the cost of waste removal was $3,993,240 and $3,639,319 offset by solid waste service charge revenues of $2,215,136 and $2,081,054 and refuse bag sales of $1,664,462 and $1,483,092, 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 $8,000.

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 increase fees for refuse bags and toter rentals to cover future losses. For the years ended December 31, 2018 and 2017, the cost of waste removal was $1,261,291 and $1,234,710, offset by refuse bag sales of $559,488 and $552,140, and toter rental fees of $752,727 and $719,208, respectively.

*c. Sale of Climate Reserve Tonnes*

The Authority has entered into an agreement with a third party for the sale of Climate Reserve Tonnes (carbon credits). The agreement is in effect through December 2020. For the years ended December 31, 2018 and 2017, $432,221 and $318,752, respectively, was earned related to the sale of carbon credits.

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

The Authority has entered into an agreement with a 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, 2018 and 2017, $332,837 and $318,000, respectively, was earned related to the sale of landfill gas.

**Note 8 - Commitments, Contingencies, Risks, and Uncertainties - Continued**

*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 $460,010 in 2018 and 2017, respectively.

*f. Intergovernmental Recycling Agreements*

The Authority entered into an intergovernmental agreement with three counties whereby the Authority accepts, processes, and markets residential recyclable materials from the various counties. The agreements provide for fixed, per ton payments to the Authority through 2020. Amounts received by the Authority from the sale of the recycled material are credited back to the counties using monthly averages received by the Authority from the sale of all recyclable commodities. Recyclable sales are reported net of amounts credited to the counties under these agreements. Processing fees for 2018 and 2017 were $781,285 and $783,116, respectively.

*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.

*i. Organics Processing Facility*

In February 2018, the Authority signed a contract with a third party for the design, acquisition, construction and installation of a source separated organics processing facility. The contract price is approximately $3,400,000, and the project is expected to be completed in April 2019.

**Note 9 - Accounting Standards Issued But Not Yet Implemented**

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

**Note 9 - Accounting Standards Issued But Not Yet Implemented - Continued**

GASB Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The requirements are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period.* This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests.* This statement clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. Under the statement, a government entity should report its majority equity interest in a legally separate organization as an investment if that equity interest meets the GASB's definition of an investment. For a majority equity interest in a legally separate entity that does not meet the definition of an investment, the statement requires a government to report the legally separate entity as a component unit. The statement also establishes guidance for remeasuring assets and liabilities of wholly acquired governmental organizations that remain legally separate. That guidance brings the reporting of those acquisitions in line now with existing standards that apply to acquisitions that do not remain legally separate. The requirements for this statement are effective for reporting periods beginning after December 15, 2018.

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

# Oneida-Herkimer
# Solid Waste Management Authority

## Required Supplementary Information
## Schedule of Proportionate Share of the Net Pension Liability

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 549,859 | $ 540,463 | $ 558,657 | $ 699,094 | $ 685,093 | $ 602,389 | $ 545,793 | $ 388,528 | $ 239,807 | $ 297,422 |
| Contributions in relation to the contractually required contribution | 549,859 | 540,463 | 558,657 | 699,094 | 685,093 | 602,389 | 545,793 | 388,528 | 239,807 | 297,422 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - |
| Authority's covered-employee payroll | 4,064,975 | 3,836,397 | 3,695,136 | 3,419,002 | 3,640,306 | 3,458,769 | 3,399,133 | 3,544,966 | 3,599,666 | 3,559,412 |
| Contribution as a percentage of covered-employee payroll | 13.53% | 14.63% | 16.34% | 19.20% | 19.81% | 17.72% | 15.40% | 10.79% | 6.74% | 8.67% |

*See Independent Auditor's Report.*

# Oneida-Herkimer
# Solid Waste Management Authority

## Required Supplementary Information
## Schedule of Local Government Pension Contributions

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Authority's proportion of the net pension liability | 0.0143100% | 0.0141556% | 0.0148470% | 0.0142362% |
| Authority's proportionate share of the net pension liability | $ 461,847 | $ 1,330,098 | $ 2,276,668 | $ 480,933 |
| Authority's covered-employee payroll | $ 4,064,975 | $ 3,836,397 | $ 3,695,136 | $ 3,419,002 |
| Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 11.36% | 34.67% | 61.61% | 14.07% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.2% | 94.7% | 97.9% | 97.9% |

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

*See Independent Auditor's Report.*

# Oneida-Herkimer
# Solid Waste Management Authority

## Required Supplementary Information
## Schedule of Other Postemployment Benefits Liability

| | December 31, 2018 |
|---|---|
| Beginning of the year | $ 2,365,128 |
| Charges for the year | |
| Service cost | 67,811 |
| Interest | 91,554 |
| Differences between expected and actual experience | (254,514) |
| Changes in assumption and other inputs | 289,164 |
| Benefit payments | (21,733) |
| Net changes | 172,282 |
| End of year | $ 2,537,410 |
| Covered payroll | 1,299,431 |
| OPEB liability as a percentage of covered payroll | 195.27% |

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

*See Independent Auditor's Report.*

**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 financial statements of the Oneida-Herkimer Solid Waste Management Authority (Authority), a component unit of the County of Oneida, New York, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 7, 2019.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST & Co. CPAs, LLP

Albany, New York
March 7, 2019