

Onondaga County Resource Recovery Agency

2013 Annual Report



OCRRA
is more than
BLUE BINS.

We **C**onve**R**t
wa**A**ste into
ene**R**gy.



We a**C**cept
haza**R**dous
wa**A**ste mate**R**ials
for disposal.

And we help with
Compo**S**ting
p**R**og**R**ams.



See all the programs
we're a part of





Michael Reilly
OCRRA Chairman

OCRRA MISSION:

Serve our community by providing a comprehensive solid waste management system that is environmentally, socially and financially sound.

We use innovative strategies such as waste reduction, recycling, composting, disposal, and education, to make our community a more healthy and sustainable place to live.

Chairman’s Report

The OCRRA Mission Statement is prominently displayed on our Boardroom wall as a continuous reminder of the responsibility our Board and OCRRA management assume to maintain a world-class solid waste management system.

In 2013, in addition to processing approximately 316,000 tons of trash into enough electricity to power over 30,000 homes, OCRRA has continued to maintain its award-winning green initiatives. Such achievements include the following:

- On Earth Day 2013, OCRRA announced a new Household Hazardous Waste Drop-Off Program where residents can make appointments online to bring their hazardous materials in Monday through Friday, free of charge, all year long (my wife Pam, is really excited about this one)!
- In 2013, for the second year in a row, OCRRA was selected by alkaline battery manufacturers to participate in a battery recycling pilot program where more than 163,000 alkaline batteries were recycled. OCRRA was one of only five in the U.S that received a grant for this program.
- OCRRA was awarded the Call2Recycle Sustainability Award for its extensive rechargeable battery recycling program.
- OCRRA received the ARC of Onondaga County Robert McAuliffe Community Service Award which recognizes a local organization that integrates individuals with developmental disabilities into their workforce. As part of our battery recycling program, OCRRA contracts with ARC employees who sort close to 2,000 lbs. of batteries each week.

OCRRA’s solid waste management system has been touted as world-class, receiving many awards, including SWANA’s Gold Excellence Award for Operations in 2012. When you are on top, it’s a lonely place and most pessimists would argue that there is only one direction to go — down. At OCRRA, we don’t think in those terms; we are always striving for ways to enhance our performance.

For example, in 2013, the Onondaga County Comptroller’s Office conducted an audit on OCRRA. The Board fully embraced this idea. First, to support that OCRRA has accomplished, and in some cases, surpassed the expectations

and requirements laid out by Onondaga County and the NYS DEC, and second, to be apprised of recommendations where we can continue to improve. The audit report, appropriately labeled, “Onondaga County Resource Recovery Agency - Past, Present and Future” accomplished just that. It is a thorough, well documented report that outlines OCRRA’s historical successes and obstacles, as well as its future challenges and opportunities.

2014 should prove to be a pivotal, yet exciting year. Our contract with our Waste-to-Energy Facility partner, Covanta Energy is up in May of 2015. We are in the midst of negotiating a new arrangement with Covanta that will continue to serve our community’s best interest. We are also working with Onondaga County to develop a potential strategic partnership with Cortland County a regional trash partnership that will, for both counties, not only result in significant financial benefits, but more importantly, will result in a net environmental gain as well.

In 2013, Ravi Raman concluded two-years of leadership as OCRRA’s Board Chair. Always looking forward, Ravi has been a great Chair and will continue to be a valuable Board member. As the new Chair, I am honored to serve on OCRRA’s well-educated, volunteer Board comprised of a diverse group of business, environmental and government leaders who consistently come to the table with innovative ideas that best serve our community.

I am equally honored to work with the OCRRA management team lead by Mark Donnelly, who is now our “seasoned” Executive Director, having served almost two years in this position in addition to serving several years on the Board.

Our Board is not a “rubber stamp” board, nor does OCRRA’s management consist of “yes people.” The Board continuously challenges the already stellar OCRRA management and staff to achieve new heights, and they in turn, challenge us to provide responsible council, all working in tandem as a team to get the best answers in fulfilling the goals outlined in our mission. Just as important, this “OCRRA team” works in concert with the whole community to achieve at least one primary goal — that is, to “save the world a little each day.”

Executive Director's Report

Our volunteer Board of Directors has provided excellent guidance over the past year. 2013 Chairman Ravi Raman, Vice Chair Lee Klosowski and Treasurer Mike Reilly served the Board and the Agency well. 2014 elections created a new slate of officers, lead by Mike Reilly as Chairman, Khris Dodson as Vice Chair and Lee Klosowski filling the role of Treasurer.

The leadership by these officers will continue to make the Board even more effective as the Agency looks forward to so much change in a short period of time.

Many thanks to our past officers for their contributions and volunteer hours spent on behalf of the OCRRA mission.

Contracts are the foundation upon which the OCRRA System sits. Our current service contract with Covanta Energy, the contractor that operates the Waste-to-Energy (WTE) Facility, expires in 2015. OCRRA has been in negotiations with Covanta Energy throughout 2013 and expects strong movement toward a reasonable agreement.

OCRRA looks forward to reaching a similar public-private service agreement as this would allow OCRRA to maintain oversight on the WTE Facility and for OCRRA to continue to fund the green programs our community expects and enjoys.

The Amboy Compost Facility underwent significant expansion in 2013. The \$2.4 million project was strongly support by the NYSDEC, who is pushing entities like OCRRA to divert materials — especially food scraps — out of the waste stream.

As a result, in addition to handling traditional brush, leaves and lawn clippings, food scraps were added to the processing roster at the Amboy Compost Facility.

Many local businesses and institutions have quickly jumped on board and are sending their food scraps to the Amboy Compost Facility for processing, including:

- Marcellus Central School District,
- Le Moyne College,
- Onondaga Community College,
- Syracuse University,
- Wegmans,
- all restaurants at Destiny USA, and
- several local hospitals.

They are not just talking “green,” they are acting green.

This collaboration between food scrap generators and OCRRA results in a nutrient-rich compost that OCRRA sells to our community for use in gardens and landscapes, not to mention green infrastructure projects.

This material is also U.S. Composting Council Seal of Testing Assurance qualified, which means the material is consistent between batches. OCRRA is one of only two agencies in Central New York that can make this claim.

I would like to thank the Agency staff for their diligence, their passion for the environment and their commitment to the OCRRA System. They are leaders, not followers, which is one of the reasons why the OCRRA System is nationally recognized for its environmental excellence.



Mark Donnelly
Executive Director

Volunteer Board of Directors



Row 1 (left to right): Lee Klosowski, Khristopher Dodson, Micheal Reilly, Ravi Raman.

*Row 2: Rachel May, Andrew Maxwell, Jake Barrett, Matthew Millea, John Copanas,
Donald Lawless, John Kelley, Robert Antonacci.*

Missing from photos: Scott Gerharz and Richard Smardon.

The OCRRA Board is governed by individuals that are appointed by various elected county and city officials. They are a respected group of educators, engineers, entrepreneurs, government officials, and business leaders that continually advocate for the best environmental interests of their neighbors.



2013 Board Members

Robert Antonacci, CPA, Esq.

Jake Barrett - *Finance Chair*

John Copanas - *Audit Chair*

Khristopher Dodson - *Recycling Chair*

Scott Gerharz - *Operations Chair*

Jonathan Kelley

Lee Klosowski, P.E. - *Vice Chair*

Donald Lawless - *Administration Chair*

Andrew Maxwell

Rachel May, Ph.D. - *Vice Chair and Recycling Chair*

Matthew Millea

Ravi Raman, P.E. - *Board Chair and Governance Chair*

Michael Reilly, CPA - *Treasurer*

Richard Smardon, Ph.D.

Recycling

Program Takes Major Step Forward in 2013; Develops NY's Largest Food Scrap Composting Operation

In November 2013, after a 6-month construction period, OCRRA “reopened” its Amboy Compost Site, launching the largest food scrap composting facility in New York State. The site is designed to process over 9,000 tons of local institutional and commercial food scraps a year, and will ultimately generate over 30,000 yards of premium compost annually.

OCRRA is currently processing over 50,000 pounds of food scraps weekly, all of which are turned into high-quality compost that is sold back to the community for use in gardens, landscapes and other green projects, including extensive “Save the Rain” green roof and wetland projects at the Rosamond Gifford Zoo.

The list of local generators sending their food scraps to the Amboy Site for recycling into nutrient-rich compost is long and growing: Byrne Dairy, Destiny USA, Le Moyne College, Marcellus School District, OnCenter, Onondaga Community College, Pastabilities, Paul De Lima Coffee, Ramada Inn, St. Camillus Senior Living Center, SUNY

Upstate Medical Center, Syracuse University, University Sheraton and Wegmans are some of the early adopters.

The project is squarely aimed at meeting OCRRA’s vision of “maintaining a world class solid waste management system that makes our community a more sustainable, healthier place to live.”

Currently, the community disposes over 30,000 tons of food scraps annually. OCRRA’s food scrap compost system will help reduce those waste totals, and “close the loop” by recovering organic “waste” to generate a premium soil amendment that returns valuable nutrients to local soils.

Other 2013 Achievements include:

- In total, the community recycled over 550,000 tons of material in 2013, for a 62% recycling rate, resulting in waste disposal costs savings of over \$35 million! This environmental effort prevented the generation of over one million metric tons of carbon dioxide.



- Received the “Robert D. McAuliffe Community Service Award” from ARC of Onondaga for the OCRRA’s battery recovery partnership with that human service agency.
- Launched a new Monday through Friday drop-off service for residential Household Hazardous Waste.
- Saw passage of an NY Extended Producer Responsibility Bill, supported by OCRRA’s Board, requiring thermostat manufactures to collect old mercury-containing units for proper disposal/processing.
- In collaboration with Confidata, helped some 3,250 residents shred and recycle over 125,000 pounds of confidential documents at two “Shred-o-Rama” collection events held at NBT Bank Stadium.
- Collected over 7,700 fluorescent lamps (over 2 tons) as part of partnership with local Ace and True Value hardware stores; over 48,000 lamps (15 tons) have been collected since the 2007 program launch.



A birds-eye view of the newly renovated Amboy Compost Site. The Facility is the largest food scrap composting operation in New York State. It utilizes innovative, low maintenance “aerated static pile” technology which pumps air into the food and yard waste piles, eliminating the need to manually turn the piles. Learn more about the facility at OCRRA.org.

OCRRA
 is more than
BLUE BINS.

Transfer Operations

During 2013, both the Ley Creek and Rock Cut Road Transfer Stations continued to serve the public in a safe and efficient manner. This was accomplished even though staffing remained below authorized levels for a second consecutive year.

OCRRA drivers had another safe driving year travelling over 757,000 miles with no accidents. We have the utmost confidence in the professionalism of our drivers and know that they will continue to practice safe driving techniques at all times.

The work force at the Ley Creek Transfer Station recovered 91.5% of the materials received at that Station. This includes nearly 1,800 tons of metal and 250 tons of corrugated cardboard, which were separated and recycled, as well as nearly 76,000 tons of material that was processed and sent to the Waste-to-Energy Facility. This material accounted for almost 25% of the waste that was converted to electricity at the Facility during 2013.

The Rock Cut Road Transfer Station recovered 200 tons of metal and over 150 tons of corrugated cardboard, which were recycled from the materials dropped off at this public-friendly facility. Over 14,000 vehicles visited the Rock Cut Road Transfer Station during the year to properly dispose of their materials.

OCRRA looks forward to another safe and productive year in 2014, with an eye toward implementing new strategies and efficiencies to save resources whenever possible.

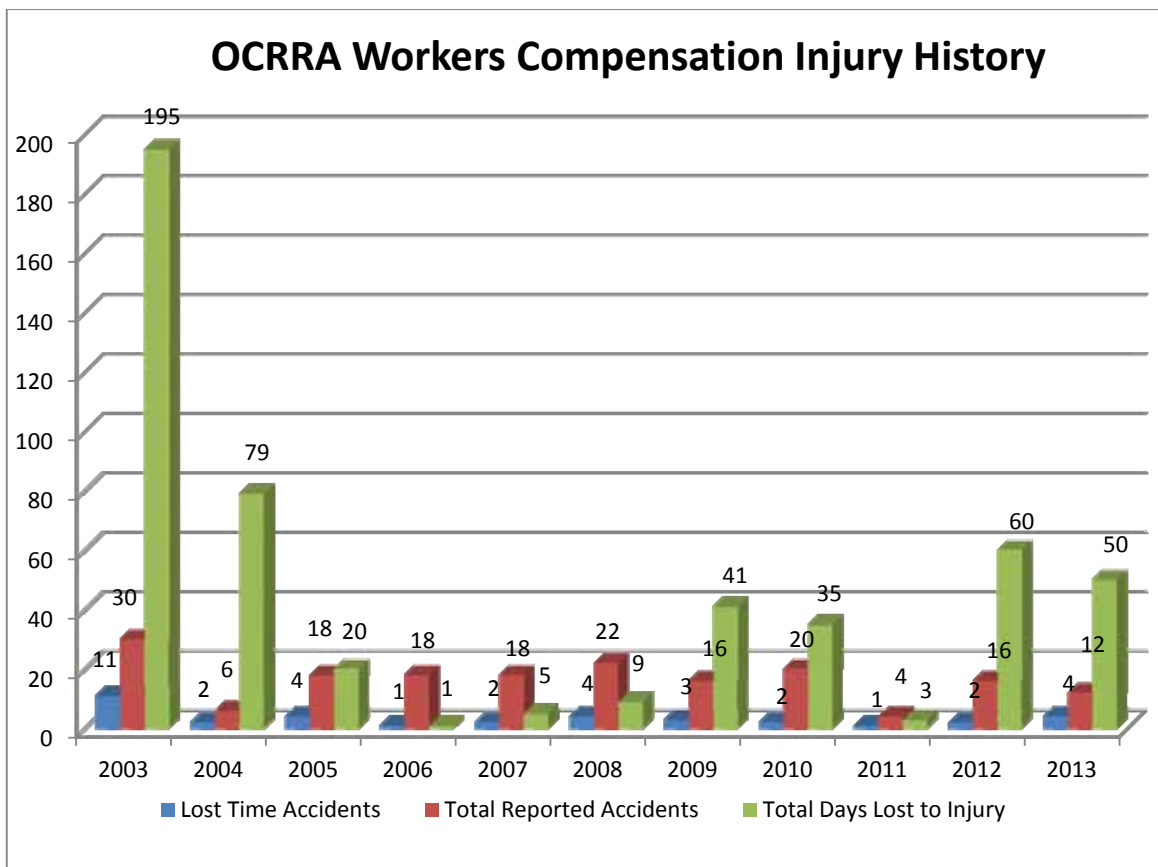


Heavy equipment mechanic Will Coleman services an OCRRA truck. These trucks travel hundreds of miles daily, delivering ash from the Waste-to-Energy Facility to High Acres Landfill near Rochester, where it has a beneficial use as alternative daily cover.





Ley Creek Transfer Station staff uses an excavator to separate recyclable material (e.g., cardboard and metal) from the trash.



We accept
 hazardous
 waste materials
 for disposal.

Waste-to-Energy

The Onondaga County Waste-to-Energy (WTE) Facility, located off Route I-481 in Jamesville, is a key component of OCRRA's environmentally-sound and innovative resource recovery system.

This WTE Facility utilizes a mass-burn combustion system to safely and efficiently generate steam, and ultimately electricity, from the non-recyclable materials in the waste stream.

Without this Facility, the non-recyclable materials generated by the local community would be hauled many miles to out-of-County landfills, as was the case before the Facility was constructed. Instead, this Facility makes responsible and local management of the community's non-recyclable waste stream possible.

OCRRA's core values – integrity and honesty, environmental stewardship, fiscal responsibility, and excellence-in-service provide the foundation for operation of the WTE Facility.

Each year, OCRRA posts detailed annual WTE Reports, as well as all of the annual air and ash testing results on www.OCRRA.org. OCRRA and Covanta, the operator of the Facility, take great pride in the Facility's strong track record of operational and environmental excellence.

In 2013, more than 400 visitors toured the Facility and learned firsthand about its operations.

ENVIRONMENTAL EXCELLENCE

Paramount to Facility operations is ensuring that the Facility's emissions are protective of human health and the environment.

A state-of-the-art air pollution control system is integrated into the Facility so that it may comply with one of the strictest air permits in the nation. This system consists of ammonia injection in the boiler, activated carbon and lime injection in the scrubber, and particulate filtering in the baghouse. Emissions from the Facility are carefully monitored through continuous emissions monitors (CEMs) and annual stack testing.

In addition to reducing the volume of material that must be hauled to out-of-County landfills by 90%, the Onondaga County WTE Facility generates enough electricity to power roughly 30,000 homes (about 15% of Onondaga County households) and the Facility itself. Utilization of non-recyclable materials as a fuel source for electricity generation reduces dependence on fossil fuels and increases energy independence.

We **C**onve**R**t
w**A**ste into
ene**R**gy.

WTE is also a technology that reduces greenhouse gases. Although the combustion process generates carbon dioxide emissions, there are avoided greenhouse gas emissions due to the prevention of landfill methane emissions, the displacement of electricity that would otherwise have been generated using fossil fuels and the recovery of metals for recycling.

Ultimately, there is an overall reduction in greenhouse gases – generally about one ton of greenhouse gas emissions are avoided per ton of trash processed at the WTE Facility.

OPERATIONAL EXCELLENCE

2013 marks the Facility's nineteenth year of safe, reliable and efficient operations. Despite another difficult economic year with historically low trash tonnages, the Facility maintained its strong operational track record.

In 2013, the Facility processed 315,638 tons of non-hazardous, non-recyclable waste (enough to overfill the Syracuse Carrier Dome) and, in doing so, generated 188,215 megawatt hours of electricity – enough to power nearly 30,000 households and the Facility itself.

The Facility's metal recovery systems recovered over 8,000 tons of ferrous and non-ferrous metal for recycling, which would have otherwise ended up in a landfill.

Lastly, about 79,000 tons (25% of the original trash weight) of non-hazardous ash residue were sent to a landfill for use as alternative daily cover (see table for ash testing results). The beneficial reuse of the ash residue means that other materials, such as clean soil, do not need to be used for landfill daily cover.

Coupling environmental and operational excellence at the Onondaga County WTE Facility with one of the highest community recycling rates nationwide, OCRRA certainly succeeds in achieving its mission of serving the local community with a world-class resource recovery system.



2013 ANNUAL STACK TEST RESULTS

	Constituent	Average Measured Emissions ¹			Permit Limit ^c	Pass/Fail? P/F	
		Unit 1	Unit 2	Unit 3			
TESTED ANNUALLY	FEDERAL	Cadmium (mg/dscm @ 7% O ₂)	< 2.0E-04	< 1.8E-04	< 1.8E-04	3.5E-02	P
		Cadmium (lb/hr)	< 3.1E-05	< 2.9E-05	< 2.9E-05	1.9E-03	P
		Carbon Monoxide (lb/hr)	1.33E+00	1.08E+00	1.29E+00	8.04E+00	P
		Dioxins/Furans (ng/dscm @ 7% O ₂)	1.3E+00	2.2E+00	6.8E-01	3.0E+01	P
		Hydrogen Chloride (ppmdv @ 7% O ₂)	2.9E+00	3.7E+00	3.7E+00	2.5E+01	P
		Hydrogen Chloride (lb/hr)	6.73E-01	8.69E-01	9.23E-01	5.24E+00	P
		Hydrogen Chloride Removal Efficiency (%)	99.6	99.5	99.4	>=95	P
		Lead (mg/dscm @ 7% O ₂)	2.30E-03	2.63E-03	1.79E-03	4.00E-01	P
		Lead (lb/hr)	3.51E-04	4.10E-04	2.93E-04	3.81E-02	P
		Mercury (lb/hr)	5E-04	5E-04	3E-04	4E-03	P
	STATE	Nitrogen Oxides (lb/hr)	4.6E+01	5.0E+01	4.9E+01	5.8E+01	P
		Particulates (gr/dscf @ 7% O ₂)	< 2.2E-04	2.6E-04	3.0E-04	1.0E-02	P
		PM ₁₀ (gr/dscf @ 7% O ₂)	3.6E-04	2.5E-04	2.8E-04	1.0E-02	P
		PM ₁₀ (lb/hr)	1.23E-01	< 9.10E-02	1.04E-01	3.16E+00	P
		Sulfur Dioxide (lb/hr)	5.46E+00	3.99E+00	1.90E+00	1.62E+01	P
		Ammonia (ppmdv @ 7% O ₂)	2.5E+00	2.2E+00	1.3E+00	5.0E+01	P
		Ammonia (lb/hr)	2.72E-01	2.43E-01	1.48E-01	4.88E+00	P
		Dioxins/Furans-2,3,7,8 TCDD TEQ (ng/dscm @ 7% O ₂)	2E-02	3E-02	1E-02	4E-01	P
		Dioxins/Furans-2,3,7,8 TCDD TEQ (lb/hr)	2.62E-09	5.42E-09	1.69E-09	1.29E-07	P
		Mercury (µg/dscm @ 7% O ₂)	3.0E+00	3.5E+00	1.9E+00	2.8E+01	P
Mercury Removal Efficiency (%)	95	93	97	>=85	P		
TESTED EVERY 5 YEARS	FEDERAL	Arsenic (lb/hr)	< 2.8E-05	< 2.9E-05	< 2.9E-05	7.8E-04	P
		Beryllium (lb/hr)	< 7.02E-06	< 7.14E-06	< 7.26E-06	1.15E-05	P
		Hydrogen Fluoride (lb/hr)	< 2.85E-02	< 2.86E-02	< 2.85E-02	1.65E-01	P
		VOCs - Total Hydrocarbons (ppmdv @ 7% O ₂)	1.3E+01	3.3E+00	3.8E+00	3.0E+01	P
		VOCs - Total Hydrocarbons (lb/hr)	1.34E+00	3.44E-01	4.02E-01	2.76E+00	P
	STATE	Chromium (lb/hr)	4.57E-04	3.11E-04	3.57E-04	1.93E-03	P
		Copper (lb/hr)	4E-04	4E-04	3E-04	4E-03	P
		Formaldehyde (µg/dscm @ 7% O ₂)	< 1.7E+01	< 1.7E+01	< 1.4E+01	5.0E+01	P
		Hexavalent Chromium - Cr ⁺⁶ (lb/hr)	3E-04	1E-04	2E-04	3E-04	P
		Manganese (lb/hr)	2.2E-04	2.6E-04	3.6E-04	2.3E-02	P
		Nickel (lb/hr)	6E-04	6E-04	5E-04	4E-03	P
		PAHs (µg/dscm @ 7% O ₂)	< 1.1E+00	< 2.7E-01	2.3E-01	1.0E+00	F
		PCBs (µg/dscm @ 7% O ₂)	< 1.1E-02	< 2.4E-02	< 1.2E-02	5.3E-02	P
		Vanadium (lb/hr)	< 3E-05	< 3E-05	< 3E-05	6E-04	P
		Zinc (lb/hr)	4.97E-03	4.06E-03	3.88E-03	6.45E-02	P

NOTES:

¹ Based on three test runs

² NYSDEC Title V Permit #7-3142-00028

UNITS:

@ 7% O₂ = concentration corrected to 7% oxygen

gr/dscf = grains per dry standard cubic foot

ng = nanograms

ppmdv = parts per million dry volume

µg = micrograms

lb/hr = pounds per hour

mg = milligrams

dscm = dry standard cubic meter

The 2013 stack testing results indicate that the Facility is operating acceptably and the air pollution control devices are functioning properly. Many of the tested parameters were considerably below the permit limit. For boiler Unit #1, the average result for polycyclic aromatic hydrocarbons (PAHs) was slightly above the permit limit (but less than 10% of the level determined to be acceptable in the Facility's Health Risk Assessment), as indicated by the "fail" for PAHs. The Facility's continuous emission monitoring system, as well as the results for other simultaneously tested parameters, indicate that the air pollution control equipment was functioning properly and that the boiler was combusting waste efficiently during the Unit #1 PAHs testing. As a result, it is unclear why Unit #1's PAHs levels were slightly above the permit limit. The Facility will now test for PAHs annually to gather additional information, rather than once every five years as required by the Facility's permit.

2013 ASH RESIDUE CHARACTERIZATION TEST RESULTS			
Semi-Annual Test Results - June 2013			
Constituent	Test Result	Permit Limit	Pass or Fail
Cadmium	0.20 mg/L	1 mg/L	Pass
Lead	0.25 mg/L	5 mg/L	Pass
Semi-Annual Test Results - November 2013			
Constituent	Test Result	Permit Limit	Pass or Fail
Cadmium	0.28 mg/L	1 mg/L	Pass
Lead	0.33 mg/L	5 mg/L	Pass
CONCLUSION			
Ash residue does NOT exhibit a hazardous characteristic. As such, it should continue to be managed as a non-hazardous solid waste.			

2013 Financial Statements

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VISIONS ADD UP

Independent Auditor's Report

Members of the Board
Onondaga County Resource Recovery Agency
North Syracuse, New York

Report on the Financial Statements

We have audited the accompanying statements of net position of the Onondaga County Resource Recovery Agency ("OCRRA") as of and for the years ended December 31, 2013 and 2012 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise OCRRA'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to OCRRA'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 OCRRA'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 Onondaga County Resource Recovery Agency as of December 31, 2013 and 2012, and the changes in its financial position, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 13, OCRRA adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

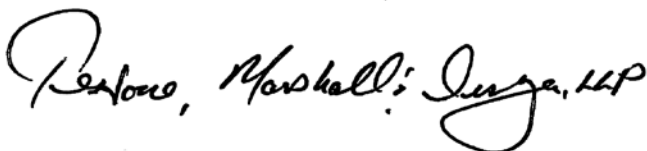
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 4-7 and page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise OCRRA's financial statements as a whole. The other information in the annual report is presented for purposes of additional analysis and is not a required part of the financial statements. The other information in the annual report 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 February 25, 2014, on our consideration of OCRRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCRRA's internal control over financial reporting and compliance.



February 25, 2014
Syracuse, New York

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

ANALYSIS OF FINANCIAL POSITION

One of the most important questions asked about the OCRRA's finances is "*Is OCRRA, as a whole, better off or worse off as a result of the year's activities?*" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about OCRRA's activities in a way that will help answer this question. These two statements report the net position of OCRRA and changes in them. You can think of OCRRA's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in OCRRA's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, consumer behavior and new or changed legislation or regulation.

Another important question is "*What direction OCRRA, as a whole, trended in 2013?*" While OCRRA's total net position decreased by \$510,381, revenues increased over the previous year by more than seven percent and expenses declined. OCRRA's total net position was \$20,762,475 and \$21,272,856 on December 31, 2013 and 2012, respectively.

Table 1

	<u>2013</u>		<u>2012</u>		<u>2011</u>
Current Assets	\$ 23,650,645	\$	26,083,114	\$	30,406,373
Assets limited as to use	2,233,285		2,418,785		2,328,074
Property, plant and equipment - net	10,562,669		9,227,660		9,123,098
Facility lease - net of current portion	<u>42,062,422</u>		<u>48,428,632</u>		<u>54,535,756</u>
Total Assets	\$ 78,509,021	\$	86,158,191	\$	96,393,301
	<u>2013</u>		<u>2012</u>		<u>2011</u>
Current Liabilities	\$ 12,552,022	\$	12,190,887	\$	11,816,338
Long-term liabilities	<u>43,641,708</u>		<u>49,977,018</u>		<u>56,062,824</u>
Total Liabilities	56,193,730		62,167,905		67,879,162
Deferred inflows of resources	1,552,818		2,717,430		3,882,042
Net Position – Net investment in capital assets	10,562,669		9,227,660		9,123,098
Unrestricted	7,966,519		9,626,411		13,181,321
Restricted	<u>2,233,285</u>		<u>2,418,785</u>		<u>2,328,074</u>
Total Net Position	\$ <u>20,762,473</u>	\$	<u>21,272,856</u>	\$	<u>24,632,493</u>

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

ANALYSIS OF FINANCIAL POSITION (CONT'D)

Changes in OCRRA's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position for the years 2013, 2012 and 2011.

Table 2

	<u>2013</u>		<u>2012</u>		<u>2011</u>
Operating Revenues	\$ 32,856,292	\$	29,671,874	\$	33,070,017
Other Revenues	<u>1,864,709</u>		<u>2,680,155</u>		<u>2,751,333</u>
Total Revenues	\$ 34,721,001	\$	32,352,029	\$	35,821,350
Operating Expenses	34,542,252		34,597,805		34,075,976
Other Expenses	<u>689,132</u>		<u>1,113,861</u>		<u>1,518,952</u>
Total Expenses	\$ 35,231,384	\$	35,711,666	\$	35,594,928
Change in Net Position	(510,383)		(3,359,637)		226,422
Net Position – Beginning of Year	<u>21,272,856</u>		<u>24,632,493</u>		<u>24,406,071</u>
Net Position – End of Year	\$ <u>20,762,473</u>	\$	<u>21,272,856</u>	\$	<u>24,632,493</u>

The decrease in OCRRA's net position in 2013 was due primarily to weak, but improving energy markets during 2013 and below average scrap metal prices.

OCRRA'S FUNDS

OCRRA does not utilize Funds or Fund Accounting. OCRRA maintains funds on deposit with a Trustee as required by contractual obligations entered into as part of OCRRA restructuring as detailed in the financial statements. As of December 31, 2013, OCRRA funds held by the trustee of \$2,233,285 are recorded as Restricted under the OCRRA's Net Position. These restricted assets decreased by \$185,500 during 2013 due to the Indenture of Trust agreement between OCRRA and U.S. Bank National Association (the Trustee) that requires OCRRA operating surpluses to be maintained on deposit with the Trustee until any necessary payments are made on the Subordinate Bonds. As there was no operating surplus in 2013 there will not be any payment on the Subordinate Bonds.

Budgetary Highlights

OCRRA's 2014 adopted budget was based on the 2013 results and anticipates continuing incremental improvement in the economy.

(Continued)

OCRRA'S FUNDS (CONT'D)

Capital Assets

At the end of 2013 OCRRA had \$10.6 million in capital assets consisting primarily of two transfer stations and various pieces of operating equipment. During 2013 Property, Plant & Equipment, net increased by approximately \$1,335,000 which reflects acquisitions of \$2,450,000 and retirements and depreciation charges of \$1,115,000.

Debt

During 2013 OCRRA reduced outstanding senior lien revenue refunding bonds by \$8,505,000 and a net increase on the subordinate debt of \$2,568,791 consisting of accreted interest for the year.

OCRRA will not reduce the Series 2003B bonds in 2014 based on the 2013 operating deficit as calculated and made part of the restructured debt and service agreement.

Direct Finance Lease

In December 1992 OCRRA issued Project Revenue Bonds for the purpose of constructing a waste-to-energy facility. The Agency leased the facility to Covanta Onondaga L.P. under a long-term lease expiring May 1, 2015. The annual lease payments approximate debt service payments and Covanta Onondaga L.P. is responsible for paying debt service on the bonds in lieu of making payments on the lease. Notes 5 and 6 to the Financial Statements should be read carefully for a full understanding of the Direct Finance Lease and its relationship to the series 2003A and 2003B Bonds.

The Direct Finance Lease is captured in the Capital Waste-to Energy operations cost of approximately \$23,089,000, including a Capital Charge of approximately \$9,194,000 representing the portion of the Direct Finance Lease attributable to debt service principal and interest on the Series 2003A Bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2013 Budget develops the revenue and expense requirements to continue OCRRA's efforts to provide sound environmental solid waste disposal solutions to our community while recognizing the current economic realities.

OCRRA operates in a highly complex contractual business setting with rigid regulatory oversight. Its waste disposal infrastructure was very expensive to site and construct, leading to high fixed costs of operation. Budgets are designed around historic waste levels. For the years 2004 through 2008 these normally predictable amounts of trash, recyclables, energy revenues and recovered material values tracked consistently with the past decade. Every once in a while those historic assumptions are challenged by unsettled economics that financially impact OCRRA's operations before settling back into more predictable patterns.

(Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONT'D)

OCRRA's 2014 Budget anticipates a small operating surplus of 41,000. The 2014 Budget is fiscally conservative, reflects modestly higher energy rates and a slight increase in municipal solid waste. These two revenues, combined with strict expenditure controls are expected to continue stabilizing OCRRA's financial condition.

OCRRA has adequate reserves to weather even a prolonged recession. Yet by necessity difficult times drive change. Should conditions improve, or get worse, OCRRA will consider case by case program reviews to provide high levels of environmental performance with watchful stewardship of public service fees and reserves.

CONTACT REGARDING THE AGENCY'S FINANCES

This financial report is designed to provide County residents, customers and creditors with a general overview of OCRRA's finances. If you have questions about this report or need additional financial information, contact OCRRA's Public Information Officer at 100 Elwood Davis Road, North Syracuse, NY 13212-4312.

(Concluded)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,572,267	\$ 14,285,071
Accounts receivable (net of an allowance for bad debts of \$50,000 in 2013 and 2012)	2,577,184	1,784,621
Electric revenue receivable	613,000	515,801
Grant receivables	1,091,940	263,541
Other receivables	169,172	128,471
Prepaid expenses	692,082	600,609
Facility lease, current portion (NOTE 5)	8,935,000	8,505,000
Total current assets	23,650,645	26,083,114
NON-CURRENT ASSETS:		
Assets limited as to use:		
Funds held by trustee under indenture (NOTE 3)	2,233,285	2,418,785
Property, plant and equipment, net (NOTE 4)	10,562,669	9,227,660
Facility lease, net of current portion (NOTE 5)	42,062,422	48,428,632
Total noncurrent assets	54,858,376	60,075,077
TOTAL	\$ 78,509,021	\$ 86,158,191

(Continued)

LIABILITIES

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES:		
Bonds payable - Series A, current portion (NOTE 6)	\$ 8,935,000	\$ 8,505,000
Accounts payable	3,114,988	3,120,852
Accrued interest	113,084	183,958
Accrued expenses and other current liabilities	388,950	381,077
Total current liabilities	<u>12,552,022</u>	<u>12,190,887</u>
NON-CURRENT LIABILITIES:		
Bonds payable - Series A, net of current portion (NOTE 6)	4,635,000	13,570,000
Bonds payable - Series B (NOTE 6)	38,634,237	36,065,446
Other postemployment benefits (NOTE 8)	372,471	341,572
Total non-current liabilities	<u>43,641,708</u>	<u>49,977,018</u>
 TOTAL	 <u>56,193,730</u>	 <u>62,167,905</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	<u>1,552,818</u>	<u>2,717,430</u>
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NET POSITION

Net investment in capital assets	10,562,669	9,227,660
Restricted	2,233,285	2,418,785
Unrestricted	<u>7,966,519</u>	<u>9,626,411</u>
 TOTAL	 <u>\$ 20,762,473</u>	 <u>\$ 21,272,856</u>

See Notes to Financial Statements

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING REVENUES:		
Tipping fees	\$ 22,215,458	\$ 20,819,923
Electric revenue	7,339,005	6,140,939
Recovered material revenue	1,467,173	1,670,365
Grant revenue	1,095,441	338,541
Compost revenue	270,511	246,161
Other	468,704	455,945
Total operating revenues	32,856,292	29,671,874
OPERATING EXPENSES:		
Personal services	5,610,141	5,540,759
Contractual services:		
Landfill contracts	1,591,080	1,601,628
Other contractual services	215,327	270,801
Materials and supplies	850,851	894,258
Professional fees	186,679	130,811
Recycling and composting	331,617	452,286
Hazardous waste disposal	55,804	135,320
Repairs and maintenance	174,445	193,776
Utilities	142,802	139,212
Insurance	241,164	237,224
Operating leases	110,164	130,003
Depreciation	1,114,767	1,160,984
Taxes and other payments to Host Communities	362,050	359,654
Other	466,637	687,419
Waste-to-Energy operations cost (NOTE 5)	23,088,724	22,663,670
Total operating expenses	34,542,252	34,597,805
OPERATING LOSS	(1,685,960)	(4,925,931)
NON-OPERATING REVENUE (EXPENSE):		
Interest income - cash and repurchase agreements	1,763	2,323
Interest income - non-system	9,202	23,858
Interest income - lease receivable	689,132	1,113,861
Interest expense	(689,132)	(1,113,861)
Gain on sale of machinery and equipment	-	375,501
Gain on refunding of long-term debt	1,164,612	1,164,612
Non-operating revenue - net	1,175,577	1,566,294
DECREASE IN NET POSITION	(510,383)	(3,359,637)
NET POSITION - BEGINNING OF YEAR, as restated (NOTE 13)	21,272,856	24,632,493
NET POSITION - END OF YEAR	\$ 20,762,473	\$ 21,272,856

See Notes to Financial Statements

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from tipping fees	\$ 21,422,895	\$ 21,133,428
Receipts from electric revenue	7,241,806	6,153,531
Other operating receipts	2,540,231	2,375,952
Payments to vendors and suppliers	(4,692,294)	(5,079,064)
Payments to employees	(4,469,037)	(4,501,851)
Payments for Waste-to-Energy (WTE) operations	(13,894,592)	(13,459,804)
Payments for insurance and employee benefits	(1,343,496)	(1,302,795)
Net cash provided by operating activities	6,805,513	5,319,397
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on bonds outstanding	(8,505,000)	(8,090,000)
Proceeds from the sale of machinery and equipment	-	375,501
Purchase of property, plant and equipment	(2,449,776)	(1,265,546)
Payments for interest on bonds outstanding	(760,006)	(1,181,279)
Net cash utilized in capital and related financing activities	(11,714,782)	(10,161,324)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in funds held by trustee	185,500	(90,711)
Proceeds from interest on invested funds	10,965	26,181
Net cash provided by (utilized in) investing activities	196,465	(64,530)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,712,804)	(4,906,457)
CASH AND CASH EQUIVALENTS - BEGINNING	14,285,071	19,191,528
CASH AND CASH EQUIVALENTS - END	\$ 9,572,267	\$ 14,285,071

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,685,960)	\$ (4,925,931)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,114,767	1,160,984
WTE operations used to reduce lease costs	9,194,133	9,203,865
Other postemployment benefits expense	30,899	21,314
Changes in operating assets and liabilities:		
Accounts receivable	(792,563)	313,506
Grant receivables	(828,399)	(322,468)
Electric revenue receivable and other receivables	(137,900)	-
Prepaid expenses	(91,473)	(159,236)
Accounts payable and accrued expenses	2,009	27,363
Total adjustments	<u>8,491,473</u>	<u>10,245,328</u>
Net cash provided by operating activities	<u>\$ 6,805,513</u>	<u>\$ 5,319,397</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

The Agency recognized a gain of \$1,164,612 in 2013 and 2012 related to the deferred gain on refunding of long-term debt.

See Notes to Financial Statements

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Onondaga County Resource Recovery Agency ("OCRRA") was statutorily created in 1981 as a public benefit corporation under New York State law. OCRRA began active operations in 1990. OCRRA is exempt from federal income taxes under Internal Revenue Service Code Section 115.

Under an agreement between OCRRA and the County of Onondaga, OCRRA is responsible for implementing the County Solid Waste Management Program, as well as the construction, operation and otherwise ensuring the availability of solid waste management and recycling facilities for participating municipalities in the County of Onondaga, State of New York. Under current contracts OCRRA's operations service the thirty-three participating municipalities in Onondaga County.

Measurement Focus and Basis of Accounting

OCRRA operates as a proprietary fund. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported.

OCRRA utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

The accounting policies of OCRRA conform to generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 period. Actual results could differ from these estimates.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts. Statutes authorize OCRRA to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

Unrestricted and restricted cash equivalents are covered or collateralized by either federal depository insurance, securities held by the pledging bank's trust department in OCRRA's name, or U.S. Government and/or federal agency securities held by the Trustee.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. They are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

Property, Plant and Equipment

Property, plant and equipment over \$5,000 are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 4 to 25 years.

Deferred Revenue

In connection with OCRRA's 2003 refunding of its debt (see Note 6), the facility lease was modified (see Note 5) resulting in a gain that has been deferred and is being reflected in revenue over the term of the lease.

Subsequent Events

Subsequent events have been evaluated by management through February 25, 2014, the date the financial statements were available to be issued.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Assets Limited as to Use

Assets limited as to use represent funds restricted as to use under OCRRA's Revenue Bond Agreements.

Net Position

Net position is displayed in three components:

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - net position that does not meet the definition of restricted or net investment in capital assets.

Landfill and Related Costs

OCRRA has secured the required permit for the construction of an in-county landfill to be located in the Town of Van Buren (the "Landfill"). Currently, OCRRA transports the ash from the Waste-to-Energy Facility and other non-recyclable waste that cannot be processed at the facility to the High Acres Landfill, near Fairport, New York under a long-term contract. Construction of the in-county landfill will occur when environmental and economic factors dictate that it is in the best interest of Onondaga County businesses and residents.

The cost of the designated site is included in property, plant and equipment (see Note 4). Engineering and consulting fees related to siting, environmental studies and permitting of the Landfill are capitalized. According to Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, should OCRRA decide to transport waste to the Landfill, OCRRA is required to accrue a portion of the estimated total of closure and postclosure care in each period that waste is accepted at the site. Recognition of such a liability shall begin on the date the Landfill begins accepting waste. As of December 31, 2013 there has been no waste delivered to the Landfill.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Concentration

The top five haulers delivered approximately 71% of the total municipal solid waste to OCRRA during the year ended December 31, 2013.

Environmental and Regulatory Risk

OCRRA operates in an environmentally sensitive industry and is subject to extensive federal and state laws and regulations adopted for the protection of the environment. The laws and regulations are primarily applicable to discharge of emissions into the air and management of solid waste but can also include those related to water use, discharges to water and hazardous waste management. Certain aspects of these laws have extensive and complicated requirements relating to obtaining operating permits, monitoring, record keeping and reporting. Management believes that its facilities are in material compliance with permits and other applicable environmental laws.

2. OPERATING CONSIDERATIONS

The Onondaga County Solid Waste Management System (the "System") has implemented a multi-layer "flow control" arrangement to ensure that all legal means of requiring delivery of waste into the System are utilized. First, OCRRA has "delivery agreements" with all 33 participating municipalities in Onondaga County. Those "delivery agreements" commit each municipality to "deliver or cause the delivery" of municipal solid waste ("MSW") from their community to the System. Most of the residential MSW is delivered to the System pursuant to municipal pick-up, municipally contracted pick-up, and solid waste districts, implemented in accordance with the "delivery agreements". In addition, in 2000 - 2001, all 33 municipalities enacted approved, in-state waste site designation laws committing delivery of all of their MSW to the System, if the MSW is to be disposed of within the State. Also, in 2003, the Onondaga County Legislature enacted a local "flow control" law, based closely on the language and criteria found in the Oneida-Herkimer Law that directed all municipal solid waste in the 33 participating municipalities to OCRRA's public Waste-To-Energy Facility. This type of arrangement was reviewed and deemed Constitutional by the U.S. Supreme Court in its April 2007 Oneida-Herkimer case. Finally, OCRRA has, as additional security, entered into four-year delivery contracts directly with all of the area's trash haulers, wherein they have contractually committed through 2014 to deliver all MSW picked up in the 33 participating municipalities to the System.

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

3. ASSETS LIMITED AS TO USE

Assets limited as to use are held by a trustee in accordance with the terms of the Revenue Bonds Master Bond Resolution (see Note 6). The use of the assets held by Trustee includes the following funds at December 31:

	<u>2013</u>	<u>2012</u>
Funds accumulated from System revenues to pay for debt service obligations	\$ 1,584,699	\$ 1,585,313
Accumulation of earnings from System revenues to satisfy general OCRRA obligations	<u>648,586</u>	<u>833,472</u>
Total	<u>\$ 2,233,285</u>	<u>\$ 2,418,785</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,854,290	-	-	3,854,290
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	627,162	5,782	-	632,944
Buildings and improvements	2,639,880	50,501	-	2,690,381
Machinery and vehicles	8,736,820	48,885	-	8,785,705
Furniture and fixtures	111,606	-	-	111,606
Computer equipment	80,237	10,852	-	91,089
Leasehold improvements	610,551	-	-	610,551
Land improvements	48,310	-	-	48,310
Construction in progress	<u>104,307</u>	<u>2,333,756</u>	-	<u>2,438,063</u>
Total property, plant and equipment	17,405,113	2,449,776	-	19,854,889
Less accumulated depreciation	<u>8,177,453</u>	<u>1,114,767</u>	-	<u>9,292,220</u>
Property, plant and equipment, net	<u>\$ 9,227,660</u>	<u>\$1,335,009</u>	<u>\$ -</u>	<u>\$10,562,669</u>

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Property, plant and equipment activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,854,290	-	-	3,854,290
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	627,162	-	-	627,162
Buildings and improvements	2,576,405	63,475	-	2,639,880
Machinery and vehicles	8,494,214	1,121,954	(879,348)	8,736,820
Furniture and fixtures	111,606	-	-	111,606
Computer equipment	84,227	-	(3,990)	80,237
Leasehold improvements	610,551	-	-	610,551
Land improvements	48,310	-	-	48,310
Construction in progress	24,190	80,117	-	104,307
Total property, plant and equipment	<u>17,022,905</u>	<u>1,265,546</u>	<u>(883,338)</u>	<u>17,405,113</u>
Less accumulated depreciation	<u>7,899,807</u>	<u>1,160,984</u>	<u>883,338</u>	<u>8,177,453</u>
Property, plant and equipment, net	<u>\$ 9,123,098</u>	<u>\$ 104,562</u>	<u>\$ -</u>	<u>\$ 9,227,660</u>

5. FACILITY LEASE AND SERVICE AGREEMENT

In 1992, OCRRA issued Project Revenue Bonds for the purpose of constructing a Waste-to-Energy Facility (the "Facility") and funding certain reserves and other related costs. Pursuant to various agreements, Covanta Onondaga, L.P. (the "Partnership") also funded certain project costs and constructed the Facility. OCRRA leased the Facility and equipment to the Partnership under a long-term lease expiring May 1, 2015 with the Partnership having the option to purchase the Facility for \$1.

In 2003, OCRRA and the Partnership negotiated new lease and service agreements as part of OCRRA's debt restructuring (see Note 6). The duration of the service agreement remains unchanged, expiring May 2015.

Pursuant to the facility lease agreement the real property comprising a portion of the Facility is leased to the Partnership.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013 AND 2012**

5. FACILITY LEASE AND SERVICE AGREEMENT (CONT'D)

Pursuant to the service agreement the Partnership operates and maintains the Facility for the processing of solid waste delivered by OCRRA to the Facility.

All revenues of the Facility, which include rates, fees, charges and other realized income received by OCRRA from the ownership, operation, use or services of the Facility, in excess of expenses, are to be paid directly to the Trustee for the benefit of the Partnership and Trustee. The Partnership is also entitled to 10% of the net revenues received from the sale of electricity and 50% of the net revenues received from the sale of recovered materials during the lease period. Pursuant to the Master Bond Resolution, such amounts will provide for monthly payment of the Service Fee related to the Facility. As the Partnership is responsible for paying debt service on the 2003A Bonds in lieu of making payments on its lease, a portion of the actual cash payment is held by the Trustee for satisfaction of the principal and interest on the 2003A Bonds. Obligations to the 2003B bondholders, if any, as a result of operations, as defined in Note 6, are also to be paid from the funds held by the Trustee on May 1st of the following year.

OCRRA's obligation is unconditional and requires payment by OCRRA if there is no waste delivered; OCRRA remains responsible for debt service until the 2003A Bonds are repaid.

The obligations of the Partnership under the service agreement and facility lease are guaranteed to OCRRA and the Trustee by Covanta Energy Corporation.

Calculations of payments under the service agreement are based on an assumed delivery of 310,000 tons of waste per year. If less is delivered, OCRRA must reimburse the Partnership the shortfall in its share of the electric revenue. For delivery in excess of that amount, OCRRA will pay an additional waste processing fee.

The Waste-to-Energy operations cost is composed of the following:

	<u>2013</u>	<u>2012</u>
Operating and pass through costs	\$ 13,757,861	\$ 13,339,905
Additional waste processing fee	136,730	119,900
Capital charge	<u>9,194,133</u>	<u>9,203,865</u>
Total	<u>\$ 23,088,724</u>	<u>\$ 22,663,670</u>

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

5. FACILITY LEASE AND SERVICE AGREEMENT (CONT'D)

Future minimum annual lease payments due from the Partnership are as follows at December 31, 2013:

YEAR ENDING DECEMBER 31,	AMOUNT
2014	\$ 9,503,250
2015	45,882,432
Total future minimum lease payments	55,385,682
Less unearned income	4,388,260
Net investment in lease	50,997,422
Current portion	8,935,000
Long-term portion	\$ 42,062,422

No payment is due on the Series 2003B Bonds for the year ending December 31, 2013 (see Note 6).

6. BONDS PAYABLE

In 2003, OCRRA issued series 2003A Senior Lien Revenue Refunding Bonds totaling \$82,115,000 and series 2003B Subordinate Lien Revenue Refunding Bonds totaling \$30,000,000. The 2003A bonds bear interest at a rate of 5%. The 2003B bonds will be converted at their accreted value to current interest paying bonds in 2015. Prior to 2015 interest will accrue, but shall not be payable, at the rate of 7% on the 2003B bonds.

In order to secure the 2003A Bonds, OCRRA has pledged all revenues of the System (operating revenues), which include all rates, fees, charges, and other realized income received by OCRRA for the use of the solid waste system including Facility revenues.

The 2003B Bonds are payable solely out of revenues and receipts, funds or monies derived by OCRRA under the Lease Agreement (Note 5) and from amounts otherwise available under the indenture for the payment of the series 2003B Bonds. At maturity, the Partnership is responsible for payment of the remaining balance of Subordinate Lien Revenue Bonds.

In the event that OCRRA's operations produce a surplus, a payment will be made on May 1 of the following year reducing the outstanding 2003B Bonds obligation. As per the Master Bond Resolution, the computation of the surplus will not include depreciation, amortization, or other revenue that is produced outside OCRRA's normal operations.

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

6. BONDS PAYABLE (CONT'D)

	December 31, <u>2013</u>	December 31, <u>2012</u>
Decrease in net position prior to computation of current obligation on 2003B Bonds for the year ended:	\$ (510,383)	\$ (3,359,637)
Add: Depreciation	1,114,767	1,160,984
Deduct: Gain on refunding	(1,164,612)	(1,164,612)
Interest income - non-system	(9,202)	(23,858)
Gain on sale of equipment	<u>-</u>	<u>(375,501)</u>
Contractually defined surplus (deficit)	(569,430)	(3,762,624)
Series B Share	<u>77%</u>	<u>77%</u>
Current year liability	<u>\$ -</u>	<u>\$ -</u>

As a result of the 2003 Refunding, the bond proceeds of \$112,115,000 were combined with assets limited as to use to pay off project revenue bonds of approximately \$123,900,000 issued by OCRRA in 1992 and approximately \$1,450,000 in underwriting fees, insurance, and other issuance costs. As a result, OCRRA recorded an economic gain (difference between the present values of the debt service payments on the old and new debt).

Activity relative to bonds payable for the year ended December 31, 2013 was as follows:

	Balance at <u>December 31, 2012</u>	Additions	Reductions	Balance at <u>December 31, 2013</u>
Senior Lien Revenue Refunding Bonds	\$ 22,075,000	\$ -	\$ 8,505,000	\$ 13,570,000
Subordinate Lien Revenue Refunding Bonds	<u>36,065,446</u>	<u>2,568,791</u>	<u>-</u>	<u>38,634,237</u>
Total	<u>\$ 58,140,446</u>	<u>\$ 2,568,791</u>	<u>\$ 8,505,000</u>	<u>\$ 52,204,237</u>

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

6. BONDS PAYABLE (CONT'D)

Activity relative to bonds payable for the year ended December 31, 2012 was as follows:

	<u>Balance at December 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2012</u>
Senior Lien Revenue Refunding Bonds	\$ 30,165,000	\$ -	\$ 8,090,000	\$ 22,075,000
Subordinate Lien Revenue Refunding Bonds	<u>33,667,566</u>	<u>2,397,880</u>	<u>-</u>	<u>36,065,446</u>
Total	<u>\$ 63,832,566</u>	<u>\$ 2,397,880</u>	<u>\$ 8,090,000</u>	<u>\$ 58,140,446</u>

The Series 2003A Bonds maturing in 2015 are subject to mandatory redemption in part by lot on May 1 annually from mandatory sinking fund installments which extend through 2015 as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2014	\$ 568,250	\$ 8,935,000
2015	<u>115,875</u>	<u>4,635,000</u>
Total	<u>\$ 684,125</u>	<u>\$ 13,570,000</u>

Covenants require OCRRA to impose charges sufficient to pay debt service, enforce certain contractual obligations that assure continued flow of Onondaga County waste into the System, prepare annual budgets and maintain proper books and records, and to furnish appropriate financial information to the Trustee on an annual basis. These bonds are not actively traded and therefore a market value is not readily available.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013 AND 2012**

7. RETIREMENT PLANS

Pension Plan

OCRRA participates in the New York State and Local Employees' Retirement System (the "Retirement System"), which is a cost sharing, multiple public employer defined benefit plan. The Retirement System provides retirement benefits as well as death and disability benefits. Membership in and annual contributions to the Retirement System are required by the New York State Retirement and Social Security Law (NYSRSSL). The Retirement System offers a range of plans and benefits related to years of service and final average salary. All benefits generally vest after five years of credited service.

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Retirement System. The Comptroller shall adopt and may amend rules and regulations for the control of the funds. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

All participating employers in the Retirement System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is noncontributory for employees who joined prior to July 27, 1976. For employees who joined the Retirement System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Retirement System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, and prior to April 1, 2012, employees contribute 3% of their salary throughout their careers. For employees who joined on or after April 1, 2012, employees contribute 3% to 6% of their salary depending on the amount of their salary.

OCRRA is required to contribute at an actuarially determined rate. The required contributions for the current and two preceding years were:

YEAR ENDED DECEMBER 31,	AMOUNT
2013	\$ 723,078
2012	697,845
2011	518,432

Deferred Compensation Plan

OCRRA's employees may elect to participate in the New York State Deferred Compensation Plan under Section 457 of the Tax Law.

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Health Insurance Benefits

In addition to providing pension benefits, OCRRA provides health insurance benefits to certain retired employees between the ages of 55 and 65 and their beneficiaries hired before April 10, 2002 under a single-employer defined benefit healthcare plan, the Onondaga County Resource Recovery Postretirement Healthcare Benefits Plan. The plan is administered by OCRRA. OCRRA's Board of Directors has the authority to establish and amend the plan's benefits.

Funding Policy

Eligible employees who retire from employment between the ages of 55 and 61 may waive their COBRA rights and continue their health insurance benefits (exclusive of dental coverage) by paying the full cost of the coverage. These employees at age 62 may continue coverage until they become Medicare eligible by paying 25% of the coverage with OCRRA contributing the other 75% of premiums for eligible retired plan members and their spouses. Once these employees are eligible for Medicare they lose their coverage and receive payments equal to \$50 per month until their death. The payments are intended to offset the cost of Medicare supplemental benefits, but retirees are not required to use the payments for that purpose. Represented employees hired after January 1, 2002, and non-represented employees hired after April 10, 2002 are not eligible for any postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

OCRRA's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). OCRRA has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is expected to cover normal cost each year. The following table shows the components of OCRRA's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in OCRRA's net OPEB obligation:

Annual required contribution	\$ 46,207
Contributions made	<u>(15,308)</u>
Increase in net OPEB obligation	30,899
Net OPEB obligation - beginning of year	<u>341,572</u>
Net OPEB obligation - end of year	<u>\$ 372,471</u>
Annual OPEB cost	\$ 46,207
Percentage of annual OPEB cost contributed	33.13%

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

OCRRA’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, the net OPEB obligation for the fiscal year 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 48,340	30.25	\$ 320,258
12/31/2012	40,543	47.40	341,572
12/31/2013	46,207	33.13	372,471

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about retirement age and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 63.4 years.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Eligibility - Retirees are entitled to benefits until the age of 65 years.

Healthcare cost trend rate -The expected rate of increase in healthcare insurance premiums was a rate of 10% initially, reduced to an ultimate rate of 5% after eight years.

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Health insurance premiums - 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of OCRRA's cash and cash equivalents, a discount rate of 4% was used.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

OCRRA leases equipment and office facilities under operating leases. Rental payments under these agreements were approximately \$93,000 and \$94,000 during 2013 and 2012, respectively. Obligations under all cancelable and non-cancelable long-term operating leases are as follows at December 31, 2013:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2014	\$ 95,900
2015	52,000
2016	5,000
2017	5,000
2018	5,000
2019-2022	17,500
Total	<u>\$ 180,400</u>

Landfill Contracts

OCRRA has a contract with High Acres Landfill through May 2015. The per ton incinerator ash residue disposal charge will range from \$16 to \$16.81, and the per ton solid waste/bypass solid waste disposal charge will range from \$22 to \$23.11, over the term of the contract. Costs incurred under this agreement were \$1,557,697 and \$1,566,008 during 2013 and 2012, respectively.

(Continued)

9. COMMITMENTS AND CONTINGENCIES (CONT'D)

Host Community Agreements

OCRRA entered into a Host Community Agreement (the “Agreement”) with the Town of Onondaga (“Onondaga”) which defines each party’s rights and obligations related to construction and operation of the Waste-to-Energy facility in Onondaga. The term of the agreement began in December 1992 upon commencement of construction of the Waste-to-Energy facility and continues for 25 years from that date. Annual payments to Onondaga under the terms of the Agreement total \$100,000 plus certain annual escalation costs.

OCRRA entered into an Interim Host Community Agreement (the “Interim Agreement”) with the Town of Van Buren (“Van Buren”) in 1998. The Interim Agreement provides for annual payments to Van Buren during the period prior to development of the landfill facility. The Interim Agreement includes provisions for annual increases based upon a five-year rolling average of the Van Buren tax rate. In no case shall such annual increase be greater than 2%, according to the Interim Agreement. The Host Community Interim Agreement was extended pursuant to an automatic renewal provision through the year 2014.

OCRRA recorded PILOT’s to Van Buren in the amount of \$56,594 and \$56,031 in 2013 and 2012, respectively. OCRRA also made payments to Onondaga of approximately \$144,000 in both 2013 and 2012, respectively for fire and water district assessments.

Property Stabilization

In 1997, OCRRA approved a property stabilization program to assist a limited number of property owners who live immediately adjacent to the landfill site. Payments under the plan make up a portion of the difference between the fully assessed value of a property and the actual sales price. In 2013 and 2012, no such payments were made.

Litigation

OCRRA is a party to various proceedings arising in the normal course of business. It is not likely that the outcome of the aforementioned proceedings will have a significant impact on the financial position of OCRRA. OCRRA’s defense counsel continues to vigorously contest these proceedings.

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

10. NATIONAL GRID AGREEMENT

OCRRA and National Grid participate in an electricity purchase agreement. This contract provides that National Grid will purchase approximately 210,000,000 Kwh per calendar year at the market rate. National Grid and OCRRA have established the upper limit for the agreement at 243,000,000 Kwh. In 2013 and 2012, respectively, OCRRA received an annual average sale price of 4.325 and 3.416 cents per kilowatt hour.

11. CREDIT RISK CONCENTRATION

OCRRA's deposit policies require the Agency's cash to either be covered by depository insurance or collateralized by governmental securities held by the depository institution. At December 31, 2013, the Agency had collateralized cash balances of approximately \$10,400,000.

12. NEW PRONOUNCEMENTS

On January 1, 2013, OCRRA implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement clarifies the appropriate reporting for items previously classified as assets and liabilities consistent with the definitions in GASB Concepts Statement No. 4. The implementation of this statement in 2013 caused OCRRA to expense its Bond Issuance Cost asset and the reclass of deferred revenue from a Liability to a Deferred Inflow of Resources. See Note 13 for the effect, including a restatement, on OCRRA's 2012 financial statements.

13. RESTATEMENT

On January 1, 2013, OCRRA implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Implementation adjustments resulted in a decrease in assets (for bond issuance costs) of \$292,372, a decrease in amortization expense of \$125,328, and a decrease in net position of \$417,700 for the year ended December 31, 2012. The cumulative net effect of the adjustment is as follows:

Net Position Previously Reported January 1, 2012	Effect of Restatement	Net Position Restated at January 1, 2012
\$ 25,050,193	\$ (417,700)	\$ 24,632,493

(Concluded)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2013**

<u>Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>
December 31, 2011	-	320,258	0%
December 31, 2012	-	341,572	0%
December 31, 2013	-	372,471	0%



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Members of the Board
Onondaga County Resource Recovery Agency
North Syracuse, 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 Onondaga County Resource Recovery Agency ("OCRRA") as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OCRRA'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 OCRRA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCRRA'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 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 OCRRA's financial statements are free of 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 OCRRA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCRRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Penlow, Marshall; Judge, LLP". The signature is written in a cursive style.

February 25, 2014
Syracuse, New York

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Business Officer

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Catherine M. Strong
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