Onondaga County Resource Recovery Agency

2012 Annual Report

TODAY'S RECYCLING

WASTE-TO-ENERGY | COMPOSTING | RECYCLING

TOMORROW'S RESOURCES

See how at OCRRA.org

TODAY'S YARD WASTE

WASTE-TO-ENERGY | COMPOSTING | RECYCLING

TOMORROW'S LANDSCAPES

See how at OCRRA.org

TODAY'S TRASH

WASTE-TO-ENERGY | COMPOSTING | RECYCLING

TOMORROW'S ENERGY

See how at OCRRA.org

Ravi Raman, P.E.
OCRRA Chairman

Chairman's Report

In June of 2012, Mark Donnelly, a 10 year veteran of the OCRRA Board, took the helm as the Agency's third Executive Director. Mark brings over 30 years of experience with Carrier Corporation to the table. His managerial and environmental expertise is helping OCRRA sustain a high level of environmental proficiency and fiscal efficiency. The Board and the Staff look forward to continued success through Mark's guidance.

OCRRA continues its mission to maintain a world-class waste management system that both benefits and serves our community and our environment.

Each day our Board of Directors and our Staff work to implement innovative strategies in recycling, composting, disposal, waste reduction, and public education and awareness, to make Onondaga County a more healthy and sustainable place to live.

OCRRA has long been an award-winning agency. In 2012, we received recognition via the Solid Waste Association of North America. SWANA acknowledged our local Waste-to-Energy (WTE) Facility as the 2012 Gold Excellence Award winner for Operations.

OCRRA also received one of only five Advocacy Awards for Sustainability from GreeningUSA, a local organization that works to further community awareness of sustainability issues.

The WTE Facility, run in a partnership between Covanta Energy and OCRRA, serves Onondaga County with sustainable waste disposal, processing approximately 990 tons of municipal solid waste per day into more than 39 megawatts of renewable energy – enough to power approximately 30,000 homes.

Since its inception, the Facility has:

- Converted over 5.7 million tons of municipal solid waste into roughly 3.6 million megawatt hours of clean, renewable energy.
- Recovered and recycled more than 173,000 tons of metal, the equivalent amount of steel used to build more than 140,000 automobiles.
- Reduced approximately 5.7 million tons of greenhouse gases based on national averages, which is equal to avoiding the annual greenhouse gases from over 1 million passenger vehicles.

With support from local municipalities, private haulers, material recovery facilities, Covanta Energy, various recycling organizations, and the general public, the OCRRA System continually serves the ever-evolving needs of our community.

The Board of Directors, the Executive Director, and the Staff at OCRRA are committed to developing new solutions and forging viable partnerships in the 21st Century to address the needs of the residents and businesses of Onondaga County by providing state of the art waste management solutions that are both environmentally and fiscally sound.

Executive Director's Report

Mark Donnelly
Executive Director

As the new Executive Director, I am impressed by the breadth and depth of OCRRA's personnel. Having served on the Board of Directors for ten years, I was not intimate with the details of running the Agency. Now, my eyes are wide open to the complexity of serving Onondaga County at a reasonable cost and providing the best programs possible.

Everything the consumer tosses out is somehow handled within the "OCRRA System." This robust system encompasses recycling, composting, food scrap repurposing, waste-to-energy, construction and demolition disposal, household hazardous waste management, battery recycling, and public education on all of these components and more. I am proud to manage a group of people so dedicated to this environmentally-sound community service.

The Board of Directors held its annual election of officers at the end of 2012. The Chairman of the Board is again, Mr. Ravi Raman. Ravi is a long-standing member of the Board and has chaired many Committees including Administration, Audit, and Governance. Vice Chair is Mr. Lee Klosowski, who is on his second term with the OCRRA Board. Lee chaired the 2015 Committee and continues to provide valuable insights with his energy and sustainability background. Treasurer is Mr. Michael Reilly, CPA. Mike recently chaired the Audit Committee and helped to closely analyze OCRRA's processes and finances.

As OCRRA negotiates a future contract with Covanta Energy for processing trash at the Waste-to-Energy (WTE) Facility, we look forward to continuing our long-standing partnership. This will require economic consideration that allows for a mutually-beneficial long-term contract that best services Onondaga County.

Part of the NYSDEC Permit to operate the WTE Facility is based on our ability to maintain a 40% processible* recycling rate. The 2012 rate was a laudable 45%; however, as thin-walling of plastic bottles and cardboard boxes, and newsprint reductions sweep the nation, our statistics may wane. Environmentally, reduction is a good thing, but how do we fill the void?

The OCRRA System is now expanding our Amboy Compost Facility to handle institutional food scraps! Many progressive food waste generators such as restaurants and grocers are already part of our pilot project, saving 50% on disposal costs, while saving the environment too. We look forward to full operating capacity when the leaves fall in 2013.

In addition to helping others, OCRRA works consistently to do our own part to save the environment a little each day. Three OCRRA Facilities underwent electrical system upgrades to reduce consumption, which shrunk electrical expenses by close to 20%.

In summary, we are leaving no stone unturned as we reinvent ourselves to best serve our customers - the residents and business of Onondaga County.

**The processible recycling rate considers only those materials recycled that could have otherwise been disposed of at the WTE Facility. For example, it does not include yard waste, which by law is an unacceptable waste at the WTE Facility.*

Volunteer
Board of Directors

Row 1 (left to right): *Rachel May, Scott Gerharz, Mike Reilly, Matt Millea.*
Row 2: *Ravi Raman, Don Lawless, Khris Dodson, John Copanas, Lee Klosowski, Jake Barrett, Rick Smardon, Andrew Maxwell.*

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

2012 Board Members

Jake Barrett
John Copanas
Khristopher Dodson - *Finance Chair*
Hanah Ehrenreich
Scott Gerharz - *Operations Chair*
Jonathan Kelley
Lee Klosowski, P.E. - *Treasurer*
Donald Lawless - *Administration Chair*
Andrew Maxwell
Rachel May, Ph.D. - *Vice Chair and Recycling Chair*
Matt Millea
Ravi Raman, P.E. - *Board Chair and Governance Chair*
Michael Reilly, CPA - *Audit Chair*
Richard Smardon, Ph.D.

Recycling

After 23 years of the three Rs — Reduce, Reuse, and Recycle — our community continues to rise to the challenge of keeping an ever wider array of unwanted items out of the trash.

Every day, a veritable universe of consumer discards requires proper disposal, and for over two decades, OCRRA has continually expanded opportunities for residents, schools, and businesses in Onondaga County to manage these items in an environmentally-sound way.

Whether it's the burned out fluorescent light bulb from the garage, a restaurant's food waste, an old computer monitor, or this morning's yogurt cup, OCRRA strives to provide the community with smart, new options that protect our environment and conserve precious natural resources for future generations.

In 2012, OCRRA and one of its Recycling Specialists, Sarah Stewart, were recognized by GreeningUSA* with a Sustainability Excellence Award for promoting community sustainability through waste recycling and composting. OCRRA also launched a fresh advertising initiative in 2012, highlighting the various waste management facets of the OCRRA system, all helping our community be more sustainable. To check it out, visit: **www.youtube.com/user/ocrra**

In total, the community again recycled over 500,000 tons of material in 2012, 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; the equivalent of removing over 200,000 passenger vehicles from the road (tabulated per the US EPA's WARM model).

2012 Recycling Program Highlights:

- ***Local Institutions Get On Board the Food Composting Band Wagon***
  Restaurants, hospitals, schools, universities, and other large institutional and commercial food waste generators delivered hundreds of tons of food scraps to the Agency's Amboy Compost Site where tip fees are half the cost of waste disposal – an environmental and economic win! OCRRA submitted a per-

mit application to the NYS Department of Environmental Conservation to process over 9,000 tons of food waste by 2015.

- ***Two+ Tons of Fluorescent Collected***

  Through a unique local partnership with over a dozen neighborhood ACE and True Value Hardware Stores, OCRRA collected and recycled over 7,500 fluorescent bulbs; over two tons. Since the program launched in 2007, over 10 tons of the unwanted bulbs have been collected, each of which contain a small amount of mercury.

- ***Over 57,000 Pounds of Litter Collected***
  OCRRA organized more than 6,400 volunteers as part of the Agency's annual Earth Day Litter Collection in April 2012; over 57,000 pounds of litter were collected in one of the largest environmental events of its kind in the nation. Over two million pounds of litter have been collected since 1994.

GreeningUSA is a not for profit organization that advocates for sustainable communities; learn more by visiting* ***GreeningUSA.org**.*

Syracuse University cafeteria staff collect food scraps for recycling at OCRRA's Amboy Compost Site. Syracuse University is one of many commercial and institutional groups actively participating in composting. Compsoting saves businesses money and helps the environment.

TOMORROW'S RESOURCES

See how at

OCRRA.org®

Transfer Operations

During 2012, both Transfer Stations underwent energy audits by SmartWatt Energy, as part of a National Grid Energy Conservation Program. As a result, OCRRA performed several upgrades to more energy efficient lighting solutions.

Initial results at the Rock Cut Road Transfer Station indicate a reduction in electrical usage of approximately 7,000 KWh per month.

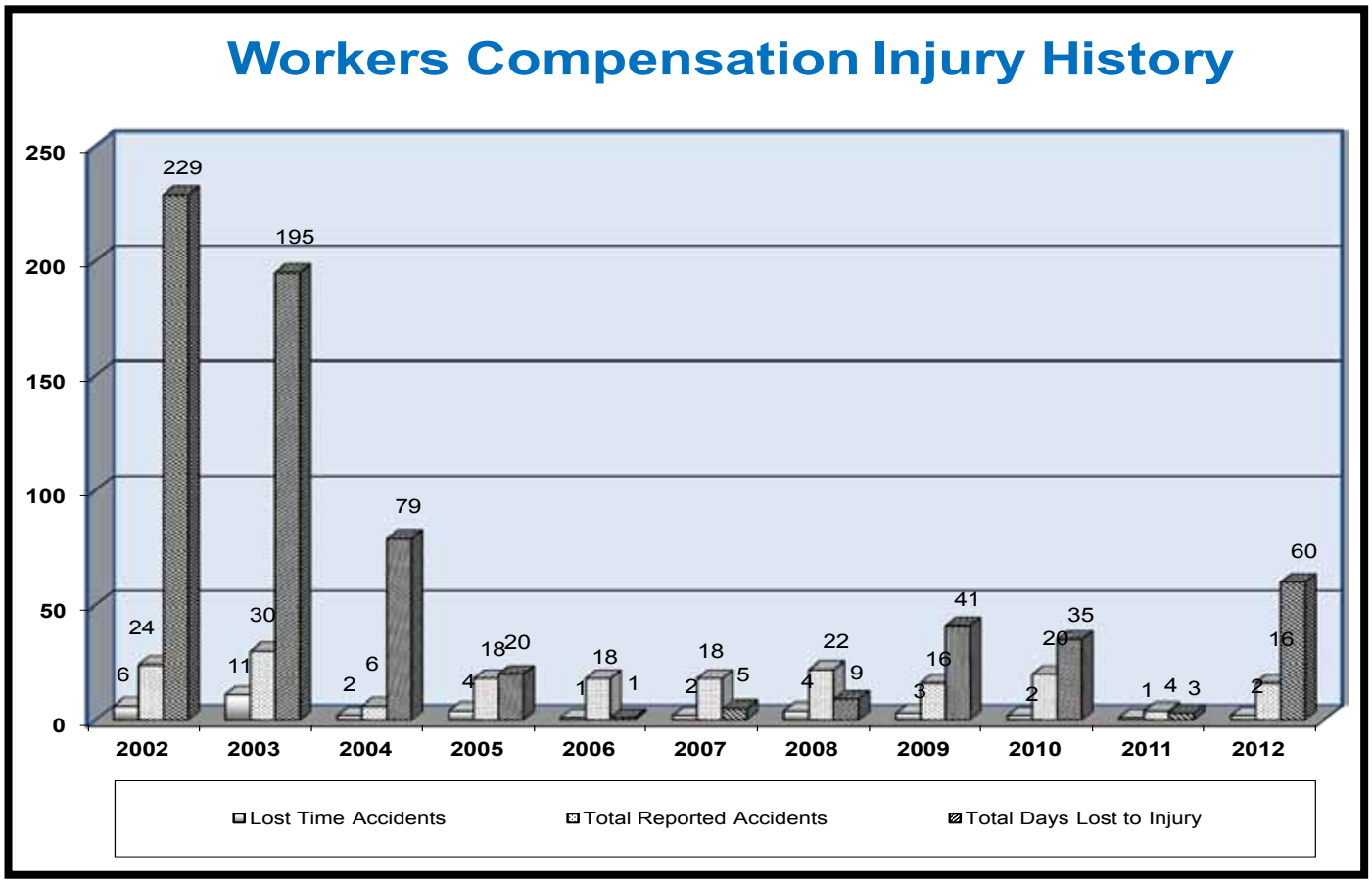
The Ley Creek Transfer Station shows a reduction in usage of 1,800 KWh.

Note: Unlike at Rock Cut Road, Ley Creek invoicing includes heat, water heating, ***and*** lighting. The comparison period from last year was much warmer than the period after the upgrade, so it is likely the reduction in electric usage would have been even higher, had the temperatures for both comparison periods been similar.

These reductions not only lower our cost of operations, but also reduce our carbon footprint.

OCRRA drivers had another safe driving year, traveling over 785,000 miles with only one minor accident. There were no personal injuries as a result of this incident, which was the result of our vehicle being struck in the side by another vehicle entering the highway.

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 workforce at the Ley Creek Transfer Station recovered 89.9% of the materials received at that Facility. This includes nearly 1,800 tons of metal and 225 tons of corrugated cardboard, which were separated and recycled, as well as nearly 77,000 tons of material which was processed and sent to the Waste-to-Energy Facility. This accounted for almost 25% of the waste which was converted to energy during 2012.

We look forward to another safe and productive year in 2013 with an eye toward implementing new strategies to save resources whenever possible.

Heavy equipment mechanic Tom Allen tightens lug nuts on an OCRRA truck. These trucks travel hundreds of miles, daily, delivering ash from the Waste-to-Energy Facility to High Acres Landfill in Rochester, where it has a beneficial use as alternative daily cover.

Rock Cut Road Plant Supervisor Joe Broome contrasts old vs. new energy efficient light bulbs. The new T-8 bulbs were recently installed throughout the Rock Cut Road and Ley Creek Transfer Stations as part of a National Grid Small Business Energy Conservation Program. So far, the upgrades have reduced combined electrical demand at the Transfer Stations by roughly 8,800 KWh a month.

Waste-to-Energy

Powering 15% of Onondaga County Homes with Trash

Despite the community's tremendous recycling success, Onondaga County residents and businesses still generated about 325,000 tons of trash in 2012 – enough to overfill the Carrier Dome. In OCRRA's System, about 95% goes to the Onondaga County Waste-to-Energy (WTE) Facility where it is turned into electricity. In fact, the WTE Facility generates sufficient electricity to power 30,000 homes or roughly 15% of Onondaga County households! Given that the alternative is hauling all of it to an out-of-County landfill, it makes good sense to process the material locally, especially given the care with which the Facility is operated.

OCRRA's core values – integrity and honesty, environmental stewardship, fiscal responsibility, and excellence-in-service are 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 Energy, the operator of the Facility, take great pride in the Facility's strong operational and environmental track record.

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. Emissions from the Facility are carefully monitored through a Continuous Emissions Monitoring System (CEMS) and annual stack testing. The 2012 stack testing results indicate that the Facility continues to meet all its permit limits (see table), with many of the parameters well below the permit limits.

WTE Facility Honored with 2012 Gold Excellence Award

For the second time (2012 and 2000), the Onondaga County WTE Facility was awarded a Gold Excellence Award from the Solid Waste Association of North America . This award recognizes excellence in design, environmental compliance, operational efficiency, cost-effectiveness, safety, and integration into a comprehensive solid waste management system. Given the Facility's strong environmental and operational track record over the past 18 years, this award is well deserved.

New Wastewater Reuse Program

In addition to the metal recycling program that removes about 9,000 tons of ferrous and non-ferrous metals from the ash residue destined for the landfill, the Facility recently implemented a wastewater reuse program. With approval from the New York State Department of Environmental Conservation (NYSDEC), wastewater from several local companies is recycled in the processes at the Facility. This opportunity reduces the amount of fresh water used at the Facility, eliminates the need for companies to haul their wastewater long distances for disposal, saves money for the wastewater generators, and provides a new source of revenue to OCRRA. This joint effort by local companies, Covanta Energy, OCRRA and NYSDEC benefits the local economy and the environment. Currently two companies participate in the program.

2012 ANNUAL STACK TEST RESULTS

		Constituent	Average Measured Emissions[1] Unit 1	Unit 2	Unit 3	Permit Limit[2]	Pass/Fail? P/F
TESTED ANNUALLY	FEDERAL	Cadmium (mg/dscm @ 7% O_2)[3]	3.66E-04	< 1.86E-04	< 2.23E-04	3.50E-02	P
		Cadmium (lb/hr)[3]	5.51E-05	< 2.89E-05	< 3.64E-05	1.90E-03	P
		Carbon Monoxide (lb/hr)	1.24E+00	9.99E-01	1.24E+00	8.04E+00	P
		Dioxins/Furans (ng/dscm @ 7% O_2)	8.99E-01	3.34E-01	6.04E-01	3.00E+01	P
		Hydrogen Chloride (ppmdv @ 7% O_2)	3.32E+00	1.16E+00	3.78E+00	2.50E+01	P
		Hydrogen Chloride (lb/hr)	7.83E-01	2.69E-01	9.43E-01	5.24E+00	P
		Hydrogen Chloride Removal Efficiency (%)	99.6	99.8	99.6	>=95	P
		Lead (mg/dscm @ 7% O_2)[3]	5.09E-03	1.24E-03	1.88E-03	4.00E-01	P
		Lead (lb/hr)[3]	7.66E-04	1.94E-04	3.07E-04	3.81E-02	P
		Mercury (lb/hr)	6.79E-04	2.33E-04	6.81E-04	4.00E-03	P
		Nitrogen Oxides (lb/hr)	4.97E+01	5.39E+01	5.66E+01	5.80E+01	P
		Particulates (gr/dscf @ 7% O_2)	7.12E-04	6.48E-04	6.92E-04	1.00E-02	P
		PM_{10} (gr/dscf @ 7% O_2)	5.63E-04	3.15E-04	3.00E-04	1.00E-02	P
		PM_{10} (lb/hr)	1.94E-01	1.09E-01	1.10E-01	3.16E+00	P
		Sulfur Dioxide (lb/hr)	6.05E+00	4.99E-01	4.86E+00	1.62E+01	P
	STATE	Ammonia (ppmdv @ 7% O_2)	4.83E+00	3.19E+00	< 1.01E+00	5.00E+01	P
		Ammonia (lb/hr)	5.41E-01	3.45E-01	< 1.18E-01	4.88E+00	P
		Dioxins/Furans-2,3,7,8 TCDD TEQ (ng/dscm @ 7% O_2)	1.40E-02	4.75E-03	1.01E-02	4.00E-01	P
		Dioxins/Furans-2,3,7,8 TCDD TEQ (lb/hr)	2.14E-09	7.64E-10	1.62E-09	1.29E-07	P
		Mercury (µg/dscm @ 7% O_2)	4.56E+00	1.50E+00	4.19E+00	2.80E+01	P
		Mercury Removal Efficiency (%)	94.9	98.8	95.2	>=85	P
		Zinc (lb/hr)[3]	4.58E-03	3.00E-03	6.06E-03	1.42E-01	P

NOTES:

[1] Based on three test runs

[2] NYSDEC Title V Permit #7-3142-00028/00009

[3] Unit #1 results are based on June retesting event

UNITS:

gr/dscf = grains per dry standard cubic foot

ppmdv = parts per million dry volume

lb/hr = pounds per hour

ng/dscm = nanograms per dry standard cubic meter

µg/dscm = microgramsper dry standard cubic meter

mg/dscm = milligrams per dry standard cubic meter

@ 7% O_2 = concentration corrected to 7% oxygen

2012 ASH RESIDUE CHARACTERIZATION TEST RESULTS

Semi-Annual Test Results - June 2012

Constituent	*Test Result*	*Permit Limit*	*Pass or Fail*
Cadmium	0.28 mg/L	1 mg/L	Pass
Lead	0.50 mg/L	5 mg/L	Pass

Semi-Annual Test Results - Sept/Oct 2012

Constituent	*Test Result*	*Permit Limit*	*Pass or Fail*
Cadmium	0.61 mg/L	1 mg/L	Pass
Lead	0.57 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.

2012 Financial Statements

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HELPING OUR CLIENTS' 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, 2012 and 2011 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise OCRRA's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2012 and 2011, and the change 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.

Other Matters

In accordance with *Government Auditing Standards,* we have also issued our report dated February 28, 2013, 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* and should be considered for assessing the results of our audit.

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 2-5 and page 26 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.

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.

February 28, 2013
Syracuse, New York

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 are 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.

OCRRA's total net position decreased from last year by $3,484,965. OCRRA's total net positions were $21,565,228 and $25,050,193 and $24,949,099 on December 31, 2012, 2011 and 2010, respectively.

Table 1

	2012	2011	2010
Current Assets	$26,083,114	$30,406,373	$31,659,494
Assets limited as to use	2,418,785	2,328,074	2,494,426
Property, plant and equipment - net	9,227,660	9,123,098	8,029,421
Bond issuance costs - net of accumulated amortization	292,372	417,700	543,028
Facility lease - net of current portion	48,428,632	54,535,756	60,387,219
Total Assets	$86,450,563	$96,811,001	$103,113,588

	2012	2011	2010
Current Liabilities	$13,355,499	$12,980,554	$12,401,874
Long-term Liabilities	51,529,836	58,780,254	65,762,615
Total Liabilities	64,885,335	71,760,808	78,164,489
Net investment in capital assets	9,227,660	9,123,098	8,029,421
Unrestricted	9,918,783	13,599,021	14,425,252
Restricted	2,418,785	2,328,074	2,494,426
Total Net Position	$21,565,228	$25,050,193	$24,949,099

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 2012, 2011 and 2010.

(Continued)

ANALYSIS OF FINANCIAL POSITION (CONT'D)

Table 2

	2012	2011	2010
Operating Revenues	$29,671,874	$33,070,017	$30,012,842
Other Revenues	2,680,155	2,751,333	3,297,894
Total Revenues	$32,352,029	$35,821,350	$33,310,736
Operating Expenses	34,723,133	34,201,304	33,571,644
Other Expenses	1,113,861	1,518,952	1,990,217
Total Expenses	$35,836,994	$35,720,256	$35,561,861
Change in Net Position	(3,484,965)	101,094	(2,251,125)
Net Position – Beginning of Year	25,050,193	24,949,099	27,200,224
Net Position – End of Year	$21,565,228	$25,050,193	$24,949,099

The decrease in OCRRA's net position in 2012 was due primarily to weak energy markets during 2012, reduced tonnage and a decrease in State Grants.

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's restructuring as detailed in the financial statements. As of December 31, 2012, OCRRA funds held by the trustee of $2,418,785 are recorded as Restricted under OCRRA's Net Position. This restricted position increased by $90,711 during 2012 due to the Indenture of Trust agreement between OCRRA and U.S. Bank National Association (the Trustee) that requires OCRRA monthly 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 2012, no payment will be made on the Subordinate Bonds and restricted position showed little change from 2011.

Budgetary Highlights

OCRRA's 2013 adopted budget was based on the 2012 results and anticipates some improvement in the global economy.

(Continued)

OCRRA'S FUNDS (CONT'D)

Capital Assets

At the end of 2012, OCRRA had $9.23 million in capital assets consisting primarily of two transfer stations and various pieces of operating equipment. During 2012 Property, Plant & Equipment, net increased by approximately $104,000 which reflects cash acquisitions of $1,265,000 and retirements and depreciation charges of $1,161,000.

Debt

During 2012, OCRRA reduced outstanding senior lien revenue refunding bonds by $8,090,000 and a net increase on the subordinate debt of $2,397,880 consisting of accreted interest for the year.

OCRRA will not reduce the Series 2003B bonds in 2013 based on the 2012 operating deficit as calculated and made part of the restructured debt and service agreement.

Direct Finance Lease

In 2003, OCRRA refinanced the Project Revenue Bonds issued 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 $22,664,000, including a Capital Charge of approximately $9,204,000 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 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. This is reflected by OCRRA's varied financial results over the past few years.

(Continued)

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

OCRRA's 2013 Budget anticipates the use of $294,000 of reserves. The 2013 Budget is fiscally conservative, reflects steady energy rates and a slight increase in municipal solid waste at prices seven percent higher in 2013. These two enhanced revenues, combined with strict expenditure controls are expected to stabilize 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, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,285,071	$ 19,191,528
Accounts receivable (net of an allowance for bad debts of $50,000 in 2012 and 2011)	1,784,621	2,098,127
Electric revenue receivable	515,801	528,393
Grant receivables	263,541	-
Other receivables	128,471	56,952
Prepaid expenses	600,609	441,373
Facility lease, current portion (NOTE 5)	8,505,000	8,090,000
Total current assets	26,083,114	30,406,373
NON-CURRENT ASSETS:		
Assets limited as to use:		
Funds held by trustee under indenture (NOTE 3)	2,418,785	2,328,074
Property, plant and equipment, net (NOTE 4)	9,227,660	9,123,098
Bond issuance costs, net (NOTE 1)	292,372	417,700
Facility lease, net of current portion (NOTE 5)	48,428,632	54,535,756
Total noncurrent assets	60,367,449	66,404,628
TOTAL	$ 86,450,563	$ 96,811,001

(Continued)

LIABILITIES AND NET POSITION

	2012	2011
CURRENT LIABILITIES:		
Bonds payable - Series A, current portion (NOTE 6)	$ 8,505,000	$ 8,090,000
Deferred revenue, current portion	1,164,612	1,164,612
Accounts payable	3,120,852	3,045,512
Accrued interest	183,958	251,376
Accrued expenses and other current liabilities	381,077	429,054
Total current liabilities	13,355,499	12,980,554
NON-CURRENT LIABILITIES:		
Bonds payable - Series A, net of current portion (NOTE 6)	13,570,000	22,075,000
Bonds payable - Series B (NOTE 6)	36,065,446	33,667,566
Other postemployment benefits (NOTE 8)	341,572	320,258
Deferred revenue, net of current portion	1,552,818	2,717,430
Total non-current liabilities	51,529,836	58,780,254
Total liabilities	64,885,335	71,760,808
NET POSITION:		
Net investment in capital assets	9,227,660	9,123,098
Restricted	2,418,785	2,328,074
Unrestricted	9,918,783	13,599,021
Total net position	21,565,228	25,050,193
TOTAL	$ 86,450,563	$ 96,811,001

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, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Tipping fees	$ 20,819,923	$ 21,734,548
Electric revenue	6,140,939	7,383,120
Recovered material revenue	1,670,365	1,850,761
Grant revenue	338,541	1,460,437
Compost revenue	246,161	182,530
Other	455,945	458,621
Total operating revenues	29,671,874	33,070,017
OPERATING EXPENSES:		
Personal services	5,540,759	5,253,049
Contractual services:		
Landfill contracts	1,601,628	2,059,126
Other contractual services	270,801	225,696
Materials and supplies	894,258	837,657
Professional fees	130,811	96,100
Recycling and composting	452,286	349,418
Hazardous waste disposal	135,320	154,217
Repairs and maintenance	193,776	219,336
Utilities	139,212	153,996
Insurance	237,224	219,171
Operating leases	130,003	110,626
Depreciation and amortization	1,286,312	932,367
Taxes and other payments to Host Communities	359,654	339,221
Other	687,419	466,613
Waste-to-Energy operations cost (NOTE 5)	22,663,670	22,784,711
Total operating expenses	34,723,133	34,201,304
OPERATING LOSS	(5,051,259)	(1,131,287)
OTHER REVENUE (EXPENSE):		
Interest income - cash and repurchase agreements	2,323	4,751
Interest income - non-system	23,858	63,018
Interest income - lease receivable	1,113,861	1,518,952
Interest expense	(1,113,861)	(1,518,952)
Gain on sale of machinery and equipment	375,501	-
Gain on refunding of long-term debt	1,164,612	1,164,612
Other revenue - net	1,566,294	1,232,381
INCREASE (DECREASE) IN NET POSITION	(3,484,965)	101,094
NET POSITION - BEGINNING	25,050,193	24,949,099
NET POSITION - END	$ 21,565,228	$ 25,050,193

See Notes to Financial Statements

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from tipping fees	$ 21,133,428	$ 22,029,307
Receipts from electric revenue	6,153,531	7,553,983
Other operating receipts	2,375,952	3,938,967
Payments to vendors and suppliers	(5,079,064)	(4,533,113)
Payments to employees	(4,501,851)	(4,190,571)
Payments for Waste-to-Energy (WTE) operations	(13,459,804)	(13,560,759)
Payments for insurance and employee benefits	(1,302,795)	(1,164,591)
Net cash provided by operating activities	5,319,397	10,073,223
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on bonds outstanding	(8,090,000)	(7,705,000)
Proceeds from the sale of machinery and equipment	375,501	-
Purchase of property, plant and equipment	(1,265,546)	(1,900,716)
Payments for interest on bonds outstanding	(1,181,279)	(1,583,160)
Net cash utilized in capital and related financing activities	(10,161,324)	(11,188,876)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in funds held by trustee	(90,711)	166,352
Proceeds from interest on invested funds	26,181	67,769
Net cash provided by (utilized in) investing activities	(64,530)	234,121
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,906,457)	(881,532)
CASH AND CASH EQUIVALENTS - BEGINNING	19,191,528	20,073,060
CASH AND CASH EQUIVALENTS - END	$ 14,285,071	$ 19,191,528

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (5,051,259)	$ (1,131,287)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,286,312	932,367
WTE operations used to reduce lease costs	9,203,865	9,223,951
Other postemployment benefits expense	21,314	33,715
Changes in operating assets and liabilities:		
Accounts receivable	313,506	294,759
Other receivables	(322,468)	157,481
Prepaid expenses	(159,236)	304,349
Accounts payable and accrued expenses	27,363	257,888
Total adjustments	10,370,656	11,204,510
Net cash provided by operating activities	$ 5,319,397	$ 10,073,223

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

The Agency recognized a gain of $1,164,612 in 2012 and 2011 related to the deferred gain on refunding of long-term debt.

See Notes to Financial Statements

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 and liabilities (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)

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.

Bond Issuance Costs

Bond issuance costs are amortized on a straight-line basis over the term of the related debt. Accumulated amortization at December 31, 2012 and December 31, 2011 amounted to $1,159,283 and $1,033,955, respectively.

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 28, 2013, the date the financial statements were available to be issued.

(Continued)

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, 2012 there has been no waste delivered to the Landfill.

(Continued)

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

Concentration

The top five haulers combined delivered approximately 68% of the total municipal solid waste to OCRRA during the year ended December 31, 2012.

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)

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:

	2012	2011
Funds accumulated from System revenues to pay for debt service obligations	$ 1,585,313	$ 1,584,074
Accumulation of earnings from System revenues to satisfy general OCRRA obligations	833,472	744,000
Total	$ 2,418,785	$ 2,328,074

4. PROPERTY, PLANT AND EQUIPMENT

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	17,022,905	1,265,546	(883,338)	17,405,113
Less accumulated depreciation	7,899,807	1,160,984	883,338	8,177,453
Property, plant and equipment, net	$ 9,123,098	$ 104,562	$ -	$ 9,227,660

(Continued)

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

Property, plant and equipment activity for the year ended December 31, 2011 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	621,425	5,737	-	627,162
Buildings and improvements	2,445,212	131,193	-	2,576,405
Machinery and vehicles	6,857,086	1,637,128	-	8,494,214
Furniture and fixtures	137,967	-	(26,361)	111,606
Computer equipment	105,923	-	(21,696)	84,227
Leasehold improvements	488,253	122,298	-	610,551
Land improvements	48,310	-	-	48,310
Construction in progress	19,830	10,445	(6,085)	24,190
Total property, plant and equipment	15,170,246	1,906,801	(54,142)	17,022,905
Less accumulated depreciation	7,140,825	807,039	48,057	7,899,807
Property, plant and equipment, net	$ 8,029,421	$1,099,762	$ (6,085)	$ 9,123,098

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)

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:

	2012	2011
Operating and pass through costs	$ 13,339,905	$ 13,171,357
Additional waste processing fee	119,900	389,402
Capital charge	9,203,865	9,223,952
Total	$ 22,663,670	$ 22,784,711

(Continued)

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

Future minimum annual lease payments due from the Partnership are as follows at December 31, 2012:

YEAR ENDING DECEMBER 31,	AMOUNT
2013	$ 9,503,750
2014	9,503,250
2015	45,882,433
Total future minimum lease payments	64,889,433
Less unearned income	7,955,801
Net investment in lease	56,933,632
Current portion	8,505,000
Long-term portion	$ 48,428,632

No payment is due on the Series 2003B Bonds for the year ending December 31, 2012 (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)

6. BONDS PAYABLE (CONT'D)

Increase (decrease) in net position prior to computation of current obligation on 2003B Bonds for the year ended:

		December 31, 2012	December 31, 2011
		$ (3,484,965)	$ 101,094
Add:	Depreciation	1,160,984	807,039
	Amortization	125,328	125,328
Deduct:	Gain on refunding	(1,164,612)	(1,164,612)
	Interest income - non-system	(23,858)	(63,018)
	Gain on sale of equipment	(375,501)	-
Contractually defined surplus (deficit)		(3,762,624)	(194,169)
Series B Share		77%	77%
	Current year liability	$ -	$ -

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, 2012 was as follows:

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

(Continued)

6. BONDS PAYABLE (CONT'D)

Activity relative to bonds payable for the year ended December 31, 2011 was as follows:

	Balance at December 31, 2010	Additions	Reductions	Balance at December 31, 2011
Senior Lien Revenue Refunding Bonds	$ 37,870,000	$ -	$ 7,705,000	$ 30,165,000
Subordinate Lien Revenue Refunding Bonds	31,429,030	2,238,536	-	33,667,566
Total	$ 69,299,030	$ 2,238,536	$ 7,705,000	$ 63,832,566

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:

YEAR ENDING DECEMBER 31,	INTEREST	PRINCIPAL
2013	$ 998,750	$ 8,505,000
2014	568,250	8,935,000
2015	115,875	4,635,000
Total	$ 1,682,875	$ 22,075,000

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)

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
2012	$ 697,845
2011	518,432
2010	382,802

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)

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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. As of January 1, 2007, 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 were 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 post employment benefits.

Annual Pension Cost and Net Pension 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 and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. 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	$ 40,543
Contributions made	(19,229)
Increase in net OPEB obligation	21,314
Net OPEB obligation - beginning of year	320,258
Net OPEB obligation - end of year	$ 341,572
Annual OPEB cost	$ 40,543
Percentage of annual OPEB cost contributed	47.4%

(Continued)

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 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 78,073	4.50	$ 286,543
12/31/2011	48,340	30.25	320,258
12/31/2012	40,543	47.4	341,572

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)

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

Health insurance premiums - 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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 $105,000 and $103,000 during 2012 and 2011, respectively. Obligations under all cancelable and non-cancelable long-term operating leases are as follows at December 31, 2012:

YEAR ENDING DECEMBER 31,	AMOUNT
2013	$ 94,900
2014	95,900
2015	52,000
2016	5,000
2017	5,000
2018-2022	22,500
Total	$ 275,300

Landfill Contracts

OCRRA contracted with Seneca Meadows Landfill, Inc., through May 2011 at established rates for disposal services for incinerator ash residue and other system bypass wastes. The contract also included disposal capacity for bypass and other solid waste to the Seneca Meadows Landfill. Costs incurred under this agreement were $977,730 during 2011. OCRRA has contracted with High Acres Landfill from June 2011 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 $21 to $22.61, over the term of the contract. Costs incurred under this agreement were $1,566,008 and $1,038,379 during 2012 and 2011, 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 2012.

OCRRA recorded PILOT's to Van Buren in the amount of $56,031 and $54,933 in 2012 and 2011, respectively. OCRRA also made payments to Onondaga of approximately $144,000 and $129,000 in 2012 and 2011, respectively for fire and water district assessments. OCRRA anticipates similar payments will be made in 2013.

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 2012 and 2011, 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)

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 2012 and 2011, respectively, OCRRA received an annual average sale price of 3.416 and 3.972 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, 2012, the Agency had collateralized cash balances of approximately $15,450,000.

12. NEW AND UPCOMING PRONOUCENMENTS

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. In addition, GASB Statement No. 62 eliminated the election to apply post-November 30, 1989 FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. The implementation of this guidance did not have a significant effect on OCRRA's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The implementation of this guidance affected the reporting format of the financial statements.

In April 2012, the GASB issued 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 will cause OCRRA to expense its Bond Issuance Cost asset. The effect will be a retroactive restatement, resulting in a decrease in amortization expense of approximately $125,000 and a decrease in beginning net position of approximately $418,000 from the amounts previously reported for the year ended December 31, 2012.

(Concluded)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2012

Year Ended	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio
December 31, 2010	-	$ 319,366	0%
December 31, 2011	-	320,258	0%
December 31, 2012	-	341,572	0%

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DISCENZA
CPAS

HELPING OUR CLIENTS' VISIONS ADD UP

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, 2012, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audits, 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*.

We noted certain matters that we reported to management of OCRRA in a separate letter dated February 28, 2013.

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.

February 28, 2013
Syracuse, New York

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