

**FINANCIAL STATEMENTS**

**ONONDAGA COUNTY RESOURCE  
RECOVERY AGENCY**

**DECEMBER 31, 2013 AND 2012**

## ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

### TABLE OF CONTENTS

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	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
FINANCIAL STATEMENTS:	
Statements of Net Position - December 31, 2013 and 2012	8
Statements of Revenues, Expenses and Changes in Net Position - For the Years Ended December 31, 2013 and 2012	9
Statements of Cash Flows - For the Years Ended December 31, 2013 and 2012	10-11
Notes to Financial Statements	12-27
REQUIRED SUPPLEMENTARY INFORMATION - Schedule of Funding Progress - December 31, 2013	28
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	29-30

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## 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)**

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**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>
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)**

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**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)

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

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**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.

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

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**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.

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

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**ASSETS**

	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS:</b>		
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)	<u>8,935,000</u>	<u>8,505,000</u>
Total current assets	<u>23,650,645</u>	<u>26,083,114</u>
 <b>NON-CURRENT ASSETS:</b>		
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)	<u>42,062,422</u>	<u>48,428,632</u>
Total noncurrent assets	<u>54,858,376</u>	<u>60,075,077</u>
 <b>TOTAL</b>	 <u>\$ 78,509,021</u>	 <u>\$ 86,158,191</u>

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**LIABILITIES**

	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES:</b>		
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>
<b>NON-CURRENT LIABILITIES:</b>		
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>
<b>TOTAL</b>	<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>
<b>TOTAL</b>	<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**

	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUES:</b>		
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
 <b>OPERATING EXPENSES:</b>		
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
 <b>OPERATING LOSS</b>	<b>(1,685,960)</b>	<b>(4,925,931)</b>
 <b>NON-OPERATING REVENUE (EXPENSE):</b>		
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
 <b>DECREASE IN NET POSITION</b>	<b>(510,383)</b>	<b>(3,359,637)</b>
 <b>NET POSITION - BEGINNING OF YEAR, as restated (NOTE 13)</b>	<b>21,272,856</b>	<b>24,632,493</b>
 <b>NET POSITION - END OF YEAR</b>	<b>\$ 20,762,473</b>	<b>\$ 21,272,856</b>

See Notes to Financial Statements

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

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	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
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)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(4,712,804)	(4,906,457)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	14,285,071	19,191,528
<b>CASH AND CASH EQUIVALENTS - END</b>	\$ 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**

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	<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	<u>2,009</u>	<u>27,363</u>
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**

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**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.

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

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**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**

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**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**

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**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**

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**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	104,307	2,333,756	-	2,438,063
Total property, plant and equipment	<u>17,405,113</u>	<u>2,449,776</u>	<u>-</u>	<u>19,854,889</u>
Less accumulated depreciation	<u>8,177,453</u>	<u>1,114,767</u>	<u>-</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**

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**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	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	<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**

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**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**

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**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**

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**6. BONDS PAYABLE (CONT'D)**

	<u>December 31, 2013</u>	<u>December 31, 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:

	<u>Balance at December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 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**

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**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.

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

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**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**

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**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**

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**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**

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**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.

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

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**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**

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**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**

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<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***

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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.

February 25, 2014  
Syracuse, New York