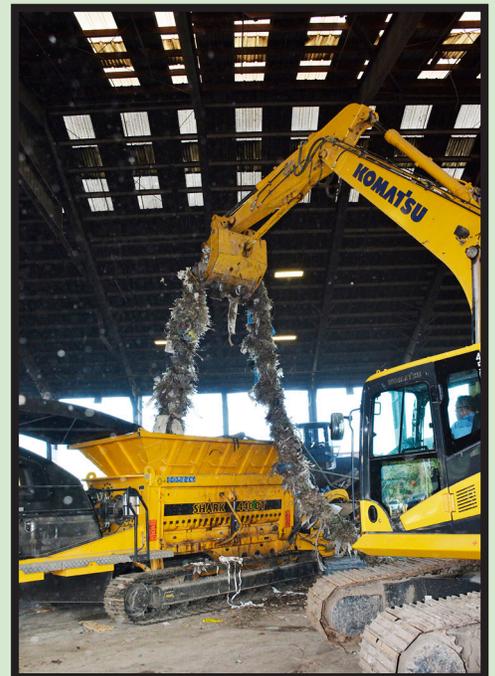


Onondaga County Resource Recovery Agency

2018 Annual Report





John Copanas
OCRRA Board Chair

Chairman's Report

OCRRA, a non-profit public benefit corporation created by the New York State Legislature, delivers a comprehensive solid waste management and resource recovery system to Onondaga County residents.

The OCRRA Board of Directors is comprised of 15 volunteer citizens appointed by the following government offices; the Onondaga County Executive, the Onondaga County Legislature Chair, the Mayor on behalf of the City of Syracuse, and the Towns of Onondaga and Van Buren, our host communities.

OCRRA provides a strong recycling and composting program, a foundation for local waste disposal at the Waste-to-Energy Facility, convenient trash and recycling sites, a robust public education component and award-winning programs for hard to manage materials; such as household toxics, fluorescent light bulbs and other mercury containing devices.

Much of 2018 was devoted to exploring ways to improve our operational efficiency and prepare for compliance with the New York State Department of Environmental Conservation's new Part 360 Regulations. New requirements include conducting the majority of operations inside an enclosed building, instead of our current open-air model of operation.

The Board of Directors commissioned a feasibility study and concluded that consolidating transfer operations at our Rock Cut Road Facility was the most prudent course of action. The Rock Cut Road Transfer Station closed for business at the end of 2018; customers were directed to our Ley Creek Transfer Station until further notice.

OCRRA continues to make progress on the \$15 million in capital improvements at the Waste-to-Energy Facility that began in 2016. The projects are on schedule and under budget, with more than three quarters of the improvements completed.

In 2018, three projects upgrading the air pollution control equipment, air treatment system and cranes were completed. OCRRA saw significant improvements in the WTE

Facility's operation following the completion of these projects. Mercury emissions have dropped below laboratory detection limits, the Facility is recognizing lower ash generation rates and improved efficiency due to new ductwork and insulation that was installed. These improvements were beyond normal maintenance activity; the projects improve Facility operations and reliability to ensure clean, local waste management for the next 20 years.

OCRRA is funded by solid waste tipping fees, Waste-to-Energy electricity generation revenues, metal recovery and state grants. In 2018, after trimming wherever possible, tipping fees were increased to help cover necessary budget costs.

2018 saw the abrupt closure of one of the major haulers in the community and a five-fold increase in recycling costs due to the market collapse, which exposed OCRRA to a substantial loss. While this was certainly unexpected, the fact that no community went without garbage and recycling collection was a testament to the resilience of the OCRRA System. Because OCRRA has fostered a competitive private hauler community and due to advance communication with municipalities and elected officials, normalcy was restored in short order.

The Board of Directors takes its financial and environmental duties seriously and works hard to deliver a reliable, environmentally sound and fiscally responsible local solid waste system.

The success and nationally recognized achievements of OCRRA are due in a large part to the people of Onondaga County, who have actively participated in our programs, provided valuable input and have lead us to have one of the highest recycling rates in the United States...Keep up the good work!

Executive Director's Report

2018 was a year full of peaks and valleys for OCRRA's sustainable solid waste system. A byproduct of increased economic activity is more garbage and recycling—the OCRRA System managed more waste and more recycling in 2018 than in recent history. Recycling markets crashed, raising costs for processing curbside recyclables exponentially. Unprecedented demand for OCRRA Compost and increased school participation in food scrap separation gives hope for adopting growing waste reduction and resource recovery practices. The leadership and stewardship provided by OCRRA's volunteer Board of Directors provides vision, accountability, and pragmatic big-picture thinking that keeps OCRRA delivering a reliable, financially sound and environmentally responsible solid waste system for Onondaga County citizens, while inspiring our neighbors to do the same.

Reliable Resource Recovery

The Onondaga County Resource Recovery Facility (OCRRF) is a Waste-to-Energy Facility that operates all day, every day to combust solid waste to generate electricity and recover all types of metals. 2018 saw OCRRF generate 245,628 megawatt hours of electricity, enough to power roughly 30,000 homes (about 18% of Onondaga County households) and the Facility itself. OCRRF recovered 12,540 tons of metal (ferrous and non-ferrous metal) that otherwise would be landfilled. Unless the metal is in the shape of cans, the high powered OCRRF magnets and metal separation equipment provide the best technology to enable recycling. Emissions testing once again demonstrated that OCRRF is well within its parameters and harmful emissions, like mercury, are non-detected. To view emissions data, visit: www.ocrra.org/about-us/information/reports-and-policies/ Furthermore, the OCRRF helps mitigate climate change locally, in 2018 its operations avoided 273,600 tons of carbon dioxide equivalent emissions.

National Sword Guts Recycling Markets

For more than a decade, China had been the largest export market for much of the world's recyclables. China fully implemented its National Sword policy in 2018. In an effort to improve quality, National Sword effectively banned importation of curbside recyclables, sending markets into free-fall. With a glut of recyclables flooding the market, the cost of processing curbside recyclables was no longer offset by commodity prices. The stellar quality of Onondaga County's recycling stream ensured our curbside recyclable continue to be recycled. OCRRA's Board of Directors remain

committed to recycling and in October 2018 approved increased tip fees to ensure Onondaga County's recyclables continue to be sorted, baled and marketed to become useful products again.

Recycling is a vital part of managing society's solid waste. Annually, the New York State Department of Environmental Conservation (NYSDEC) reports that NYS recycles almost 4 million tons. Statewide, the costs borne by municipalities due to depressed recycling markets is estimated to be about \$42 million additional dollars. Allowing critical municipal recycling programs to fail is not an option. Recyclable materials have value and markets will recover. Additionally, disposal capacity does not exist to trash these items. OCRRA is working with our peers and the NYSDEC to further reduce contamination in the recycle bin such that our materials garner top dollar.

Composting Grows

School kids at 16 schools in Onondaga County now separate their food scraps each day and OCRRA transforms this food waste into desirable compost. OCRRA's continued collaboration with restaurants, schools, hospitals, haulers, landscapers, local retailers and so many more all contributed to the great success of the OCRRA Compost program in 2018. Demand escalated for OCRRA Compost, primarily driven by the Onondaga Lake Restoration Project, where Honeywell engineers purchased enough compost for their project in 2018 and pre-purchased for 2019.

OCRRA's programs are all possible because of the dedicated volunteer Board of Directors that serve the community. In 2018, OCRRA bid farewell to two thoughtful and dedicated leaders, Vice Chair Jeanne Powers and Treasurer Khri Dodson. OCRRA welcomed Jerusha Thomas and Joe Driscoll, both appointed by the Mayor of Syracuse in 2018. At the close of 2018, the OCRRA Board returned John Copanas to his third-term as Board Chair; selected Tony Geiss to serve as Vice Chair and Don Lawless to serve as Treasurer. Renee Czerwiak was returned to serve as Executive Secretary and Maura Farrell as Assistant Executive Secretary.

It is an honor to work with a committed, talented and passionate Board of Directors and staff, all of whom keep their eye on the horizon and empower us each to summit the next mountain to keep saving the world a little each day.



Dereth Glance
Executive Director

Board of Directors

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



John Copanas
Board Chair &
Governance Chair



Jeanne Powers, P.E.
Board Vice Chair &
Audit Chair



Khris Dodson
Board Treasurer



Joe Driscoll



Tony Geiss, P.E.



Travis Glazier



Lee Klosowski, P.E.
Recycling / Operations
Vice Chair



Don Lawless
TIPP Chair



Jessi Lyons
Recycling/Operations Chair



Blair Page, Ph.D.



Ravi Raman
Finance Chair



Mike Reilly, CPA
Administration Chair



Jerusha Thomas

Recycling

Each year, Onondaga County residents recycle nearly 40,000 tons of curbside recyclables, including newspapers, cardboard, plastic bottles and metal cans. Businesses and schools add another 150,000 tons of material, for a total of nearly 200,000 tons.

Keeping this material out of the trash conserves natural resources, reduces greenhouse gasses and supports hundreds of jobs; it is our community's greatest team effort!

Unfortunately, OCRRA's recycling program is not immune to the global recycling market crisis. China, a major importer of recyclables, stopped importing paper in 2018. Result: a 90% drop in value of mixed paper (newspapers, magazines, junk mail). This decline in value means that revenues from blue bin materials is insufficient to cover the costs to sort, bale and transport the materials to market. OCRRA paid significantly more in 2018 for these services.

Material that is clean, properly sorted and contains only accepted material is now more important than ever to ensure we have viable end-markets for our recyclables. The good news is that thanks to the excellent material separation efforts of local residents, schools and businesses, the recyclables generated in Onondaga County are high-quality with

very little contamination; our community recycles right!

Consequently, it is easier to market our recyclables than what is collected and baled in other communities with high contamination. Currently, much of the mixed paper in the OCRRA System is transported to Southeast Asian markets where it is made into new paper products. These challenging market conditions are not expected to improve until additional domestic outlets are developed. In the meantime, OCRRA is withstanding the decline in global recycling markets thanks to the outstanding material quality produced by our local community.

2018 Recycling Achievements

- **Recycling nearly 500,000 tons** of material, for a 56% recycling rate, resulting in waste disposal costs savings of over \$42 million! This environmental effort prevented the generation of over one million metric tons of carbon dioxide.
- **Receiving over \$263,000 in state grants** for Household Hazardous Waste collection expenses, compost equipment and blue bin purchases. Several new grant applications were submitted to the NYSDEC.



- **Collecting 100,000+ pounds of litter** during OCRRA's Earth Day Litter Clean-up on Friday, April 20 and Saturday, April 21. More than 7,000 volunteers from 285 groups participated; more than 2.5 million pounds of litter were collected since 2003; one of the largest Earth Day litter collection events in the country.

- **Shredding and recycling more than 28 tons of paper** from 1,387 residents as part of a June "Shred-o-Rama" event at the NYS Fairgrounds. Since the Agency started this program to help local residents prevent identity theft in 2004, over 1.3 million pounds of confidential documents have been recycled.

- **Hosting a mercury collection event** with Covanta. Thanks to over 130 residents, 168 mercury thermometers and 109 mercury thermostats were collected. The event pre-

vented 505 grams of mercury from entering the environment. This is comparable to recycling more than 151,000 compact fluorescent light bulbs.

- **Collecting 12 tons of unwanted clothes, shoes, bedding and other textiles** for recycling at a November event benefitting the Salvation Army and Rescue Mission.

- Playing a leadership role in urging legislators to **support several Extended Producer Responsibility measures** including alkaline battery recycling as well as a statewide prohibition on single-use plastic bags.

- **Signing a one-year contract with Waste Management for MRF services** (sorting, baling and marketing of curbside recyclables). It limits OCRRA's financial exposure during poor market conditions and ensures an outlet for recovered materials.



Cole Parzych of Environmental Products and Services, right, unloads household toxics from a resident's vehicle. OCRRA offers residents a no charge, year-round hazardous waste drop off program. 1,796 residents were served in 2018.



Rodney Harris of the Salvation Army unloads textiles during the 2018 Textile Recycling Event that benefitted his organization as well as the Rescue Mission. 12 tons of clothes and other textiles were collected for recycling at the event.

Transfer Operations

In 2018, more waste was delivered to the Ley Creek and Rock Cut Road Transfer Stations than in the previous year.

Ley Creek Transfer Station

The Ley Creek Transfer Station received 118,150 tons of material, which is 11,936 tons more than were received in 2017. Of that total, OCRRA delivered 10% more waste to the Waste-to-Energy Facility than the year before.

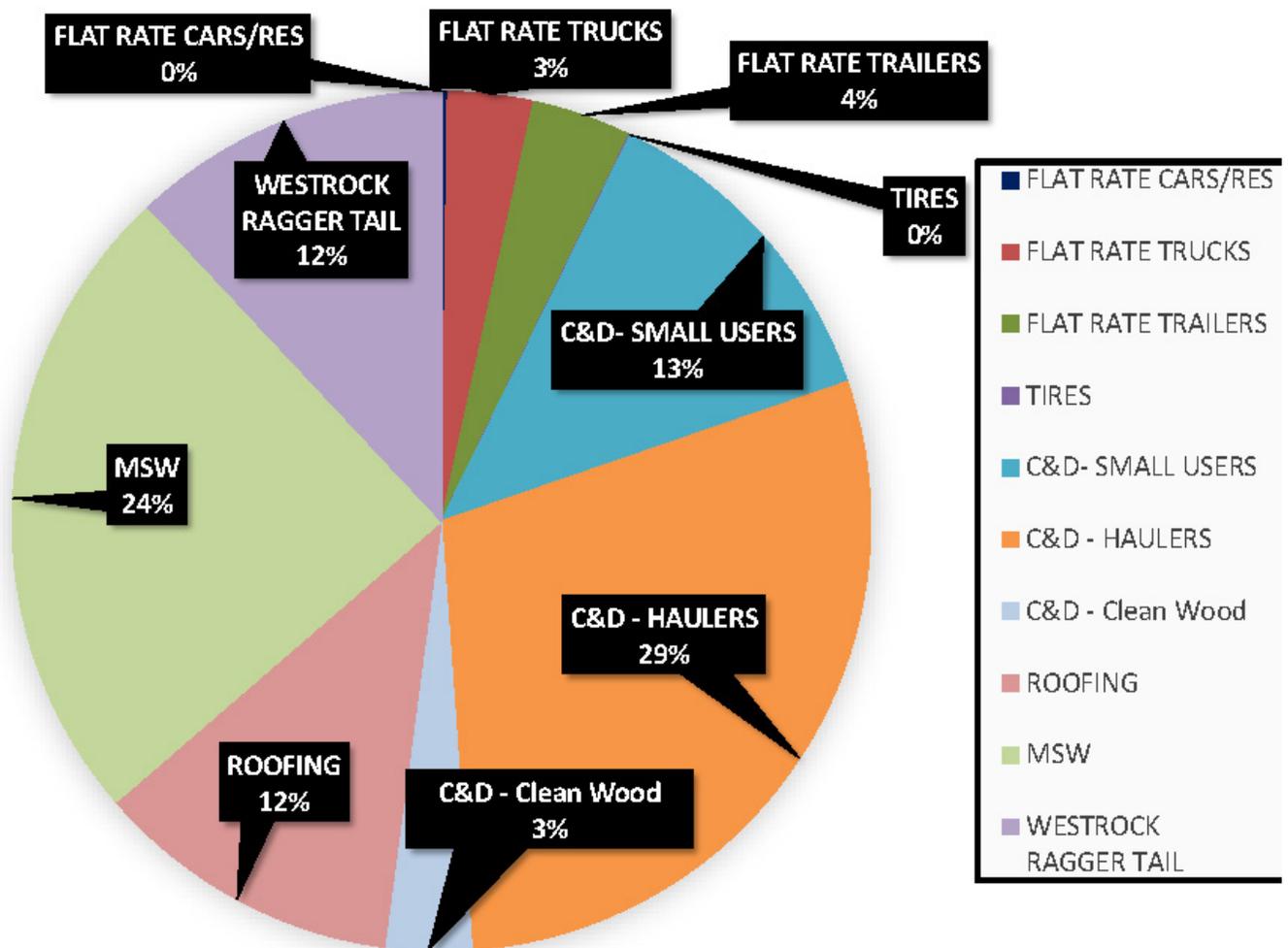
Ley Creek also had an increase in the construction and demolition material that was

by-passed to a landfill; 40,127 tons in 2018 versus 26,796 tons in 2017. Primarily, this material was delivered to the Camillus Landfill in Camillus, NY.

Ley Creek continued to accept ragger tail, a by-product of the paper making process at WestRock in Solvay, NY.

Ley Creek received 15,777 tons of ragger tail in 2018. It was shredded using a TANA shredder purchased specifically for this purpose. Shredding separates the metal from the plastic, allowing for metal recycling.

2018 Ley Creek Tonnages



Rock Cut Road Transfer Station

The Rock Cut Road Transfer Station received 5,202 tons of material in 2018. It was closed at the end of 2018 to facilitate the construction of a new transfer facility that meets all new Part 360 regulations.

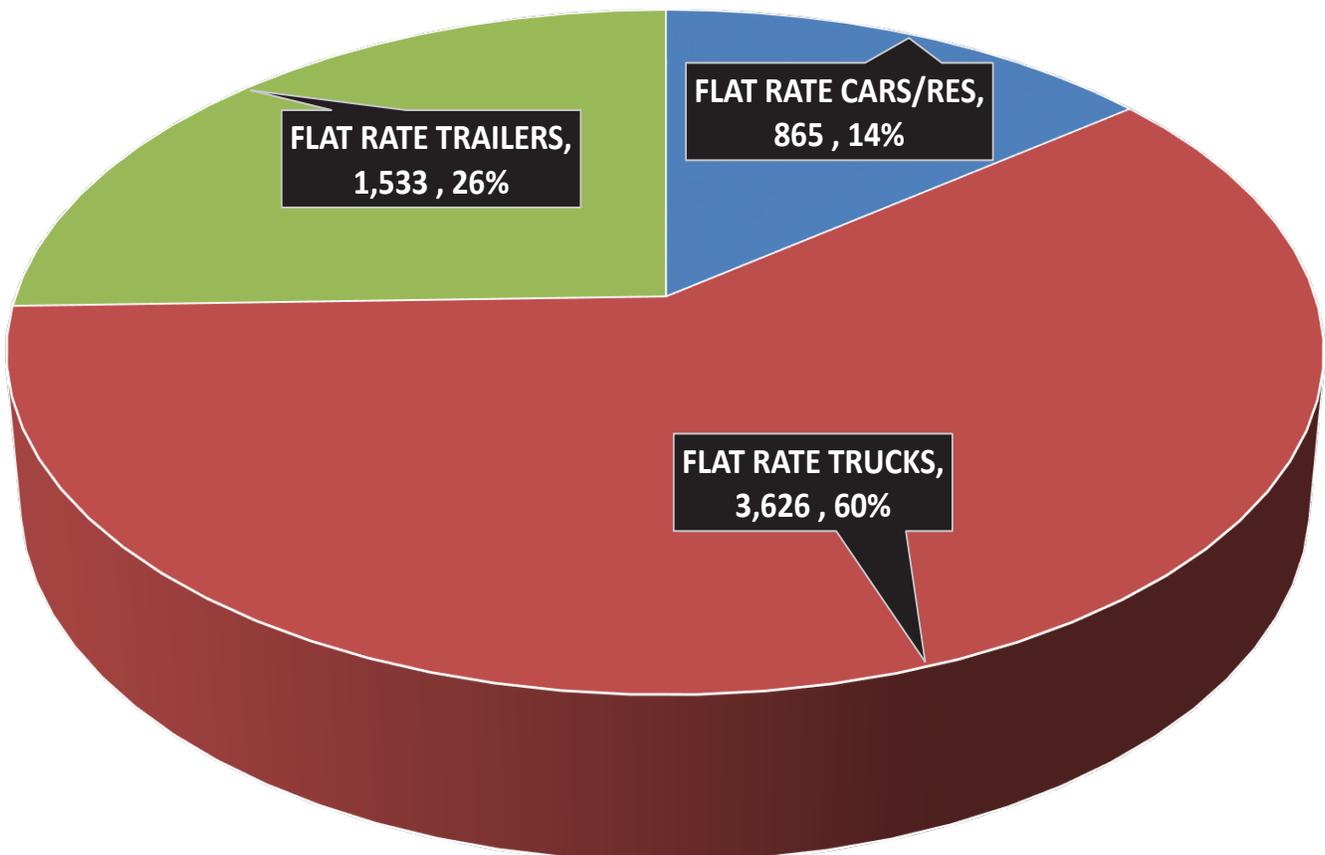
In addition, OCRRA delivered nearly 2,500 truckloads or 80,357 tons of ash to area landfills in 2018. This represented a slight decrease in the amount of ash hauled the previous year. Ash comprised 22% of total waste volume in 2018 and 23% in 2017. This reduction occurred even though there

was an increase in material delivered to the Waste-to-Energy Facility. The reduction was due to waste mix changes, the addition of the plastic materials from West Rock and recent capital improvements, which increased the WTE Facility's efficiency.



2018 Rock Cut Road Tonnages

■ FLAT RATE CARS/RES ■ FLAT RATE TRUCKS ■ FLAT RATE TRAILERS



Compost

In 2018 OCRRA achieved record sales of its bulk compost having distributed more than 15,300 yards of material and making commitments for an additional 15-20,000 yards in 2019 for the Honeywell restoration project along the shores of Onondaga Lake.

OCRRA's pioneering food scrap composting program processed over 12 million pounds of food scraps in 2018 from commercial and institutional generators. This included thousands of pounds of cafeteria food scraps separated daily by more than 7,000 local school children.

After a 90-day processing period, this material was among the thousands of yards of compost that was utilized to restore the habitat along the western shoreline of On-

ondaga Lake as well as in other commercial and residential applications.

Compost revenues were steady and met budget projections, approaching \$740,000; overall, expenses were down leading to one of the program's most successful financial years.

In 2018, OCRRA continued its compost bagging collaboration with Arc of Onondaga. Arc assists individuals with developmental disabilities to achieve their fullest potential. Thousands of bags of OCRRA's STA-certified compost were sold through a network of 30+ lawn and garden retail outlets, helping to return valuable nutrients to local soils.



Students at Cherry Road Elementary School in the Westhill District separate their food scraps, recyclables and trash at lunchtime. They are one of 16 schools in Onondaga County reducing their waste by composting with OCRRA.



Syracuse resident Mark Buselli takes advantage of OCRRA's new "trunk load" option and loads his car with OCRRA's 1/2" general ompost for \$10 a trunk load.

Waste-to-Energy

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

This WTE Facility utilizes a mass-burn combustion system to safely and efficiently generate steam, and ultimately electricity, from the non-recyclable waste materials generated by our local community. Without this Facility, this garbage would be hauled many miles to out-of-County landfills, as was the case before the Facility was constructed. Instead, the WTE Facility enables responsible, local management of the community's non-recyclable waste.

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

Each year, OCRRA posts annual air and ash testing results on www.OCRRA.org. OCRRA and Covanta Onondaga, the operator of the Facility, take great pride in the Facility's strong track record of operational and environmental excellence. In 2018, nearly 320 visitors toured the Facility and learned firsthand about its operations.

ENVIRONMENTAL EXCELLENCE

Paramount to Facility operations is ensuring that the Facility's emissions are protective of human health and the environment. A state-of-the-art air pollution control system is integrated into the Facility so that it may comply with a strict air permit. This system consists of ammonia injection in the

boiler, activated carbon and lime injection in the scrubber, and particulate filtering in the baghouse.

Emissions from the Facility are carefully monitored through continuous emissions monitors (CEMs) and annual stack testing. 2018 air testing results exceeded expectations, with many of the parameters well below the permit limits.

In addition to reducing the volume of material that must be hauled to out-of-County landfills by 90%, the Onondaga County WTE Facility generates enough electricity to power roughly 30,000 homes (about 18% of Onondaga County households) and the Facility itself. Utilization of non-recyclable materials as a fuel source for electricity generation reduces dependence on fossil fuels and increases energy independence.

WTE is also a technology that reduces greenhouse gases. Although the combustion process generates carbon dioxide emissions, there are avoided greenhouse gas emissions due to the prevention of landfill methane emissions, the displacement of electricity that would otherwise have been generated using fossil fuels and the recovery of metals for recycling. There is an overall reduction in greenhouse gases – generally 0.72 tons of carbon dioxide emissions are avoided per ton of trash processed. In 2018, approximately 273,600 tons of carbon dioxide emissions were avoided by processing non-recyclable waste at the WTE Facility.

OPERATIONAL EXCELLENCE

2018 marks the Facility's twenty-fourth year of safe, reliable and efficient operations.

In 2018, the Facility processed 364,865 tons of non-hazardous, non-recyclable waste (enough to overfill the Syracuse Carrier Dome) and, in doing so, generated 245,628 megawatt hours of electricity.

The Facility’s metal recovery systems recovered approximately 12,540 tons of ferrous and non-ferrous metal for recycling, which would have otherwise ended up in a landfill. Lastly, about 77,190 tons (21% of the original trash weight) of non-hazardous ash residue were sent to a landfill for use as alternative daily cover (see table for ash testing results). The beneficial reuse of the ash residue means that other materials, such as clean soil, do not need to be used for landfill daily cover.

In 2018, OCRRA invested over \$3.4 million in capital improvement projects (beyond normal operations and maintenance efforts) to increase the efficiency and long-term reliability of the Facility. The 2018

upgrades included the addition of an anhydrous ammonia system and a refuse crane to increase operational efficiencies, as well as continued replacement and upgrades to the air pollution control devices and emissions monitoring systems.

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

The results from the 2018 stack testing indicate that the Facility is operating acceptably and that the air pollution control devices are functioning properly. As shown by the following graph, many of the tested parameters were considerably below the permit limit.

2018 ASH RESIDUE CHARACTERIZATION TEST RESULTS			
<u>Semi-Annual Test Results - April 2018</u>			
<i>Constituent</i>	<i>Test Result (mg/L)</i>	<i>Permit Limit (mg/L)</i>	<i>Pass or Fail</i>
Cadmium	0.05	1	Pass
Lead	0.47	5	Pass
<u>Semi-Annual Test Results - October 2018</u>			
<i>Constituent</i>	<i>Test Result (mg/L)</i>	<i>Permit Limit (mg/L)</i>	<i>Pass or Fail</i>
Cadmium	0.05	1	Pass
Lead	0.35	5	Pass
<u>CONCLUSION</u>			
<i>Ash residue does NOT exhibit a hazardous characteristic. As such, it should continue to be managed as a non-hazardous solid waste.</i>			

2018 ANNUAL STACK TEST RESULTS

	Constituent	Average Measured Emissions			Permit	Pass/Fail?	3-Boiler	% Permit		
		Unit 1	Unit 2	Unit 3	Limit	P/F	Average	Limit		
TESTED ANNUALLY	FEDERAL	Cadmium (mg/dscm @ 7% O ₂)	< 2.31E-04	2.09E-04	2.98E-04	3.50E-02	P	2.46E-04	0.70%	
		Cadmium (lb/hr)	< 3.40E-05	3.22E-05	4.67E-05	1.90E-03	P	3.76E-05	1.98%	
		Carbon Monoxide (lb/hr)	1.07E+00	1.30E+00	1.28E+00	8.04E+00	P	1.22E+00	15.13%	
		Dioxins/Furans (ng/dscm @ 7% O ₂)	3.09E-01	4.44E-01	5.87E-01	3.00E+01	P	4.47E-01	1.49%	
		Hydrogen Chloride (ppmdv @ 7% O ₂)	2.50E+00	2.36E+00	2.53E+00	2.50E+01	P	2.46E+00	9.85%	
		Hydrogen Chloride (lb/hr)	5.71E-01	5.53E-01	5.97E-01	5.24E+00	P	5.74E-01	10.95%	
		Hydrogen Chloride Removal Efficiency (%)	99.70	99.60	99.60	>= 95.00	P	99.63	--	
		Lead (mg/dscm @ 7% O ₂)	1.71E-03	1.37E-03	1.82E-03	4.00E-01	P	1.63E-03	0.41%	
		Lead (lb/hr)	2.54E-04	2.11E-04	2.86E-04	3.81E-02	P	2.50E-04	0.66%	
		Mercury (lb/hr)	< 6.12E-05	< 1.10E-04	< 5.76E-05	4.00E-03	P	7.63E-05	1.91%	
		Nitrogen Oxides (lb/hr)	4.52E+01	4.62E+01	5.35E+01	5.80E+01	P	4.83E+01	83.28%	
		Particulate (gr/dscf @ 7% O ₂)	9.76E-04	9.17E-04	1.19E-03	1.00E-02	P	1.03E-03	10.28%	
		PM ₁₀ (gr/dscf @ 7% O ₂)	3.70E-04	2.64E-04	1.08E-03	1.00E-02	P	5.71E-04	5.71%	
		PM ₁₀ Filterable (lb/hr)	1.25E-01	8.99E-02	3.73E-01	3.16E+00	P	1.96E-01	6.20%	
		Sulfur Dioxide (lb/hr)	3.48E-01	2.90E+00	4.09E-01	1.62E+01	P	1.22E+00	7.52%	
		STATE	Ammonia (ppmdv @ 7% O ₂)	< 5.53E-01	7.60E-01	5.99E-01	5.00E+01	P	6.37E-01	1.27%
			Ammonia (lb/hr)	< 5.92E-02	8.31E-02	6.61E-02	4.88E+00	P	6.95E-02	1.42%
Dioxins/Furans-2,3,7,8 TCDD TEQ (ng/dscm @ 7% O ₂)	3.67E-03		3.22E-03	6.62E-03	4.00E-01	P	4.50E-03	1.13%		
Dioxins/Furans-2,3,7,8 TCDD TEQ (lb/hr)	5.51E-10		4.92E-10	1.03E-09	1.29E-07	P	6.91E-10	0.54%		
Mercury (µg/dscm @ 7% O ₂)	< 4.13E-01		< 7.14E-01	< 3.68E-01	2.80E+01	P	4.98E-01	1.78%		
Mercury Removal Efficiency (%)	> 99.10		> 97.10	> 99.50	>= 85.00	P	9.86E+01	--		
PAH (µg/dscm @ 7% O ₂)	< 1.31E-01		< 1.32E-01	< 8.35E-03	1.00E+00	P	9.05E-02	9.05%		
Zinc (lb/hr)	4.44E-03	4.13E-03	5.69E-03	6.45E-02	P	4.75E-03	7.37%			

NOTES:

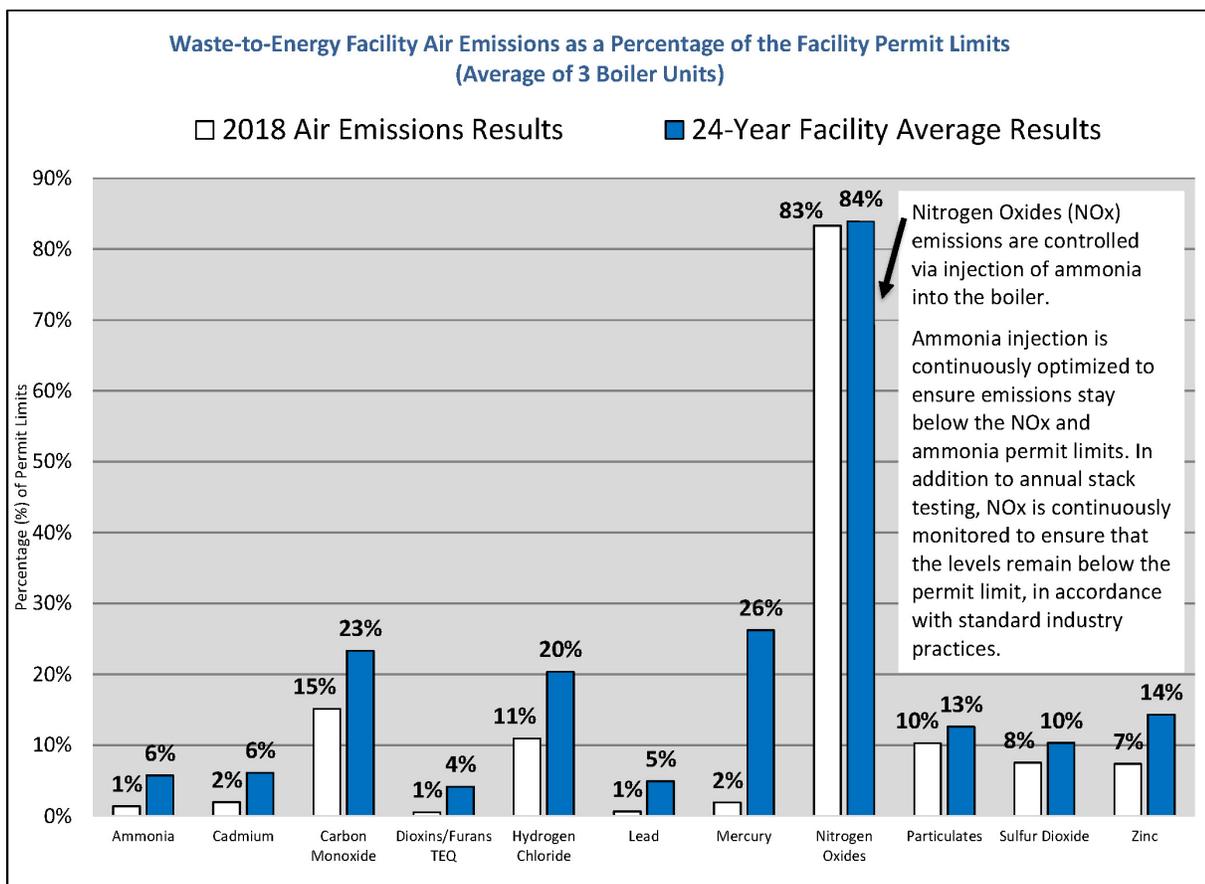
Based on three test runs; used for compliance with permit limit.
 NYSDEC Title V Permit #7-3142-00028
 Based on 3-Boiler Average; informational only; not used for compliance.

UNITS:

gr/dscf = grains per dry standard cubic foot
 ppmdv = parts per million dry volume
 lb/hr = pounds per hour
 dscm = dry standard cubic meter
 @ 7% O₂ = concentration corrected to 7% oxygen

ng = nanograms
 µg = micrograms
 mg = milligrams

The results from the 2018 stack testing indicate that the Facility is operating acceptably and that the air pollution control devices are functioning properly. As shown by the following graph, many of the tested parameters were considerably below the permit limit.



2018 Financial Statements

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

FINANCIAL STATEMENTS

**as of December 31, 2018 and 2017
Together with Independent Auditor's Report**



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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Onondaga County Resource Recovery Agency (OCRRA) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise OCRRA's basic financial statements.

Management's Responsibility for the Financial Statements

OCRRA's 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Onondaga County Resource Recovery Agency as of December 31, 2018 and 2017, and the respective changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits plan – schedule of funding progress, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans 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 basic financial statements. The other information in the annual report, which is the responsibility of management is presented for purposes of additional analysis and is not a required part of the basic 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 March 13, 2019, 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.

Grossman St Amour CPAs

Syracuse, New York
March 13, 2019

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

ANALYSIS OF FINANCIAL POSITION

One of the most important questions asked about the OCRRA’s finances is “*Is OCRRA, as a whole, better off or worse off as a result of the year’s activities?*” The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about OCRRA’s activities in a way that will help answer this question. These two statements report the net position of OCRRA and changes in them. You can think of OCRRA’s net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in OCRRA’s net position 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.

Another important question is whether “*What direction OCRRA, as a whole, trended in 2018?*” OCRRA’s total net position increased by \$1,633,466, revenues increased over the previous year by almost nine percent while expenses increased by approximately seven and one-half percent. OCRRA’s total net position was \$20,529,923 and \$18,896,457 on December 31, 2018 and 2017, respectively.

Table 1

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current assets	\$ 22,497,582	\$ 18,693,237	\$ 18,045,726
Assets limited as to use	1,790,637	5,314,673	8,877,686
Property, plant and equipment - net	11,831,587	11,898,249	10,722,316
Facility lease - net of current portion	<u>49,695,499</u>	<u>51,910,431</u>	<u>54,047,030</u>
 Total assets	 85,815,305	 87,816,590	 91,692,758
 Deferred outflows of resources	 1,571,370	 1,164,447	 2,253,027
 Current liabilities	 7,653,144	 6,224,933	 5,921,146
Long-term liabilities	<u>56,716,263</u>	<u>62,452,996</u>	<u>68,690,503</u>
 Total liabilities	 64,369,407	 68,677,929	 74,611,649
 Deferred inflows of resources	 2,487,345	 1,406,651	 1,531,904
 Net position - Net investment in capital			
Assets	7,771,036	8,998,838	9,218,610
Unrestricted	5,782,731	4,856,854	3,637,381
Restricted	<u>6,976,156</u>	<u>5,040,765</u>	<u>4,946,241</u>
 Total net position	 <u>\$ 20,529,923</u>	 <u>\$ 18,896,457</u>	 <u>\$ 17,802,232</u>

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 2018, 2017 and 2016.

ANALYSIS OF FINANCIAL POSITION (Continued)

Table 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 36,775,211	\$ 33,795,806	\$ 31,013,229
Other revenues	<u>2,243,322</u>	<u>2,224,437</u>	<u>2,528,509</u>
Total revenues	39,018,533	36,020,243	33,541,738
Operating expenses	35,262,000	32,755,151	31,651,573
Other expenses	<u>2,123,066</u>	<u>2,170,867</u>	<u>2,198,530</u>
Total expenses	37,385,066	34,926,018	33,850,103
Change in net position	1,633,466	1,094,225	(308,365)
Net position - beginning of year	<u>18,869,457</u>	<u>17,802,232</u>	<u>18,110,597</u>
Net position end of year	<u>\$ 20,529,923</u>	<u>\$ 18,896,457</u>	<u>\$ 17,802,232</u>

The increase in OCRRA's net position in 2018 was due primarily to stronger commodity markets, higher tipping rates, and increased material processing in 2018 as compared to 2017.

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, 2018, OCRRA funds held by the trustee of \$5,782,731 are recorded as Restricted under the OCRRA's Net Position. These restricted assets are due to the Indenture of Trust agreement between OCRRA and U.S. Bank National Association (the Trustee) that requires OCRRA operating revenues to be maintained on deposit with the Trustee until any necessary payments are made on the 2015 Bonds.

Budgetary Highlights

OCRRA's 2019 adopted budget was based primarily on the 2017 results and anticipated a small incremental improvement in commodity markets and incoming tonnages.

Capital Assets

At the end of 2018 OCRRA had approximately \$11.8 million in capital assets consisting primarily of two transfer stations, a composting facility, and various pieces of operating equipment. During 2018 Property, Plant & Equipment, net decreased by approximately \$66,662, which reflects acquisitions of \$1,471,489 and retirements and depreciation charges of \$1,546,151. Significant acquisitions included two new dump trucks totaling \$314,983 and a loader for \$476,095.

Bonds

During 2018, OCRRA reduced outstanding bonds by \$1,860,000. OCRRA anticipates completing an additional bond sale of approximately \$12,000,000 in 2019, which will be used to renovate the Rock Cut Road transfer facility.

Capital Leases

As of December 31, 2018, OCRRA had approximately \$4.2 million in capital leases outstanding. The Capital Lease program allows OCRRA to spread the cash impact of capital purchases over multiple years.

OCRRA'S FUNDS (Continued)

Direct Finance Lease – through May 2035

On November 12, 2014, OCRRA reached an agreement (extension) with Covanta Onondaga, L.P. to continue the facility lease of the Onondaga County Resource Recovery Facility for 20 years, commencing on May 8, 2015 and continuing until May 8, 2035, with a mutual option of an additional 5 year extension.

OCRRA obtained extension financing for the refunding of the 2003 Series B bonds, and for the establishment of the Capital Refurbishment Fund. See Note 8 for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2019 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, and recent commodity prices. For the last several years normally predictable amounts of trash, recyclables, energy revenues and recovered material values have been more variable. These economic conditions have prompted changes in fees in order to maintain the services OCRRA provides to the community. Additionally, OCRRA's strategic use of reserves during this time of commodity uncertainty has allowed OCRRA to maintain the high quality of its services while minimizing the impact of these fee changes on the community. 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.

During 2018, OCRRA was pleased it was able to maintain and replenish reserve balances held in OCRRA's unrestricted net position.

OCRRA's 2019 Budget was passed at a break-even level. The 2019 Budget is fiscally conservative, reflects modest energy rates, and increases in municipal solid waste tip fees only to the extent necessary to continue the community's curbside recycling program. These revenue and expense items, combined with strict expenditure controls are expected to improve OCRRA's financial condition over time.

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,025,985	7,107,286
Accounts receivable (net of an allowance for bad debts of \$892,888 in 2018 and \$50,000 in 2017)	2,667,665	2,781,576
Electric revenue receivable	526,221	544,940
Metal revenue receivables	136,562	104,241
Prepaid expenses	1,455,180	1,254,429
Facility lease, current portion	1,935,000	1,860,000
Assets limited to use, current portion	<u>6,750,968</u>	<u>5,040,765</u>
Total current assets	<u>22,497,581</u>	<u>18,693,237</u>
NON-CURRENT ASSETS:		
Assets limited as to use:		
Funds held by trustee under indenture	1,790,637	5,314,673
Property, plant and equipment, net	11,831,587	11,898,249
Facility lease, net of current portion	<u>49,695,499</u>	<u>51,910,431</u>
Total noncurrent assets	<u>63,317,723</u>	<u>69,123,353</u>
Total assets	<u>85,815,304</u>	<u>87,816,590</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension related	<u>1,571,370</u>	<u>1,164,447</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	3,684,864	2,963,897
Bonds payable - 2015 Series A, current portion (NOTE 8)	1,935,000	1,860,000
Capital lease liability, current portion	1,106,076	702,080
Accrued interest	391,416	399,794
Accrued expenses and other current liabilities	<u>535,787</u>	<u>299,162</u>
Total current liabilities	<u>7,653,143</u>	<u>6,224,933</u>
NON-CURRENT LIABILITIES:		
Bonds payable - 2015 Series A (NOTE 8)	47,230,000	49,165,000
Bond Premium on refunding of debt	3,755,499	3,985,431
Capital Fund	1,790,637	5,314,673
Capital lease liability	2,954,475	2,197,331
Net Pension liability	420,406	1,154,376
Other postemployment benefits (NOTE 10)	<u>565,246</u>	<u>636,185</u>
Total non-current liabilities	<u>56,716,263</u>	<u>62,452,996</u>
Total liabilities	<u>64,369,406</u>	<u>68,677,929</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension related	1,337,102	185,979
Unearned revenue - bond related	<u>1,150,243</u>	<u>1,220,672</u>
Total deferred inflows of resources	<u>2,487,345</u>	<u>1,406,651</u>
NET POSITION		
Net investment in capital assets	7,771,036	8,998,838
Restricted	5,782,731	5,040,765
Unrestricted	<u>6,976,156</u>	<u>4,856,854</u>
Total net position	<u>\$ 20,529,923</u>	<u>\$ 18,896,457</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Tipping fees	\$ 28,676,456	\$ 27,335,140
Electric revenue	5,137,527	3,910,586
Recovered material revenue	1,400,190	1,178,255
Grant revenue	269,517	90,123
Compost revenue	734,295	735,009
Other	<u>557,226</u>	<u>546,693</u>
Total operating revenues	<u>36,775,211</u>	<u>33,795,806</u>
OPERATING EXPENSES:		
Personal services	5,771,507	6,158,467
Contractual services -		
Landfill contracts	2,147,146	1,772,384
Other contractual services	64,163	65,869
Materials and supplies	713,742	543,073
Professional fees	346,397	224,515
Recycling	855,253	192,509
Compost	244,573	269,426
Hazardous waste disposal	113,406	118,278
Repairs and maintenance	608,443	394,328
Utilities	152,389	124,137
Insurance	624,885	568,144
Operating leases	122,865	208,686
Depreciation	1,486,459	1,166,661
Taxes and other payments to Host Communities	198,776	357,762
Other	1,248,533	510,518
Waste-to-Energy operations cost	<u>20,563,463</u>	<u>20,080,394</u>
Total operating expenses	<u>35,262,000</u>	<u>32,755,151</u>
OPERATING INCOME	<u>1,513,211</u>	<u>1,040,655</u>
NON-OPERATING REVENUE (EXPENSE):		
Interest income - cash and repurchase agreements	23,732	7,140
Interest income - non-system	15,070	5,834
Amortization on 2015 deferred inflow	70,428	70,428
Interest income - lease receivable	2,047,368	2,120,835
Interest expense	(2,047,368)	(2,120,835)
Interest expense capital leases	(75,698)	(50,032)
Gain on sale of machinery and equipment	<u>86,723</u>	<u>20,200</u>
Non-operating revenue, net	<u>120,255</u>	<u>53,570</u>
CHANGE IN NET POSITION	1,633,466	1,094,225
NET POSITION - beginning of year	<u>18,896,457</u>	<u>17,802,232</u>
NET POSITION - end of year	<u>\$ 20,529,923</u>	<u>\$ 18,896,457</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from tipping fees	\$ 28,831,967	\$ 27,421,460
Receipts from electric revenue	5,156,245	3,688,396
Other operating receipts	2,928,907	2,595,925
Payments to vendors and suppliers	(6,331,002)	(4,773,511)
Payments to employees	(4,538,309)	(4,787,014)
Payments for Waste-to-Energy (WTE) operations	(16,376,163)	(15,892,961)
Payments for insurance and employee benefits	<u>(1,688,232)</u>	<u>(1,749,983)</u>
Net cash flow from operating activities	<u>7,983,413</u>	<u>6,502,312</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on bonds outstanding	(1,860,000)	(1,790,000)
Payments on capital lease obligations	(861,146)	(597,301)
Proceeds from the sale of machinery and equipment	92,075	20,200
Purchase of property, plant and equipment	(371,102)	(1,253,083)
Proceeds from capital leases in escrow	968,237	-
Payments for interest on bonds outstanding	<u>(2,361,376)</u>	<u>(2,408,437)</u>
Net cash flow from capital and related financing activities	<u>(4,393,312)</u>	<u>(6,028,621)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net change in funds held by trustee	(1,710,205)	(94,524)
Proceeds from interest on invested funds	<u>38,803</u>	<u>12,974</u>
Net cash flow from investing activities	<u>(1,671,402)</u>	<u>(81,550)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,918,699	392,141
CASH AND CASH EQUIVALENTS - beginning of year	<u>7,107,286</u>	<u>6,715,145</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 9,025,985</u>	<u>\$ 7,107,286</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 1,513,211	\$ 1,040,654
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Depreciation	1,486,459	1,166,661
WTE operations used to reduce lease costs	4,187,300	4,187,433
Other postemployment benefits expense	(70,939)	1,526
Bond insurance amortization	31,416	31,416
Pension expense	4,165	36,833
Changes in:		
Accounts receivable	155,511	86,320
Electric revenue receivable and other receivables	(13,603)	(176,346)
Prepaid expenses	(267,700)	100,033
Accounts payable, accrued expenses and other current liabilities	<u>957,593</u>	<u>27,782</u>
Net cash flow from operating activities	<u>\$ 7,983,413</u>	<u>\$ 6,502,312</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

In 2018, OCRRA purchased approximately \$2,022,000 of fixed assets through capital leases. Of that amount, \$968,237 of capital lease proceeds remained in escrow at December 31, 2018.

In 2017, OCRRA purchased approximately \$1,993,000 of fixed assets through capital leases.

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. ORGANIZATION

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 (County), 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Other Postemployment Benefits

OCRRA provides health insurance benefits to certain retired employees and their spouses and beneficiaries. OCRRA accrues the costs for these benefits based on an annual valuation of future expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, money market accounts, and treasury bills with maturity dates of three months or less.

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. Depreciation expense amounted to \$1,486,459 and \$1,166,661 for the years ended December 31, 2018 and 2017, respectively.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as expense until then.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents a receipt of net position that applies to a future period and so will not be recognized as revenue until then.

Assets Limited as to Use

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

Net Position

GASB requires the classification of net position into three components. These classifications are displayed in three components below:

- 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. See page 14 for detail the \$5,782,731 restricted net position at December 31, 2018.
- c. Unrestricted net position - net position that does not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is OCRRA's policy to use restricted resources first, then unrestricted resources as they are needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, the Seneca Meadows Landfill near Waterloo, New York and the Madison County Landfill near Nelson, New York all under long-term contracts. 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 6). 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, 2018 there has been no waste delivered to the Landfill.

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.

3. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, OCRRA's deposits may not be returned to it.

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.

At December 31, 2018, the carrying value of OCRRA's deposits were approximately \$14,809,000, and the bank balances were approximately \$16,512,000. OCRRA's deposit policies require OCRRA's cash to either be covered by depository insurance or collateralized by governmental securities held by the depository institution. At December 31, 2018, OCRRA had collateralized cash balances of approximately \$6,043,000, and the remainder was covered by depository insurance.

4. OPERATING CONSIDERATIONS

The Onondaga County Solid Waste Management System (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 directs 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. The 33 member municipalities have entered into delivery agreements with automatic renewals through 2035. Finally, OCRRA, as additional security, enters into hauler contracts directly with the area’s private and municipal waste haulers, wherein they have contractually committed to deliver all MSW picked up in the 33 participating municipalities to the System. The contracts provide stiff stipulated contractual damage penalties for violation of that contract provision.

5. 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 8) and represent the restricted net position reported on the Statement of Financial Position. The restricted net position includes the following funds at December 31:

	<u>2018</u>	<u>2017</u>
Funds accumulated from System revenues to pay for debt service obligations	\$ 1,678,720	\$ 1,627,817
Accumulation of earnings from System revenues to satisfy general OCRRA obligations	<u>4,104,011</u>	<u>3,412,948</u>
Total	<u>\$ 5,782,731</u>	<u>\$ 5,040,765</u>

Lease escrow funds in the amount of \$968,237 are included in the December 31, 2018 assets limited to use balance, with the corresponding liability included in the capital lease liability, shown on the statement of net position.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,854,290	-	-	3,854,290
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	672,597	-	82,113	590,484
Buildings and improvements	3,037,239	47,500	9,256	3,075,483
Machinery and vehicles	11,877,168	1,133,621	1,043,270	11,967,519
Furniture and fixtures	111,606	41,339	-	152,945
Computer equipment	120,709	-	-	120,709
Leasehold improvements	3,375,062	-	-	3,375,062
Land improvements	48,310	-	-	48,310
Construction in progress	<u>27,339</u>	<u>249,029</u>	<u>41,339</u>	<u>235,029</u>
Total property, plant and equipment	23,716,270	1,471,489	1,175,978	24,011,781
Less: Accumulated depreciation				
Landfill buildings and improvements	(629,673)	(3,091)	(75,726)	(557,038)
Buildings and improvements	(2,168,919)	(120,428)	(9,256)	(2,280,091)
Machinery and vehicles	(7,948,656)	(1,164,342)	(1,039,304)	(8,073,694)
Furniture and fixtures	(109,327)	(4,346)	-	(113,673)
Computer equipment	(109,523)	(4,864)	-	(114,387)
Leasehold improvements	(834,210)	(186,973)	-	(1,021,183)
Land improvements	<u>(17,713)</u>	<u>(2,415)</u>	<u>-</u>	<u>(20,128)</u>
Total accumulated depreciation	<u>(11,818,021)</u>	<u>(1,486,459)</u>	<u>(1,124,286)</u>	<u>(12,180,194)</u>
Property, plant and equipment, net	<u>\$ 11,898,249</u>	<u>\$ (14,970)</u>	<u>\$ 51,692</u>	<u>\$ 11,831,587</u>

Property, plant and equipment activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,854,290	-	-	3,854,290
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	672,597	-	-	672,597
Buildings and improvements	3,004,888	32,351	-	3,037,239
Machinery and vehicles	9,767,906	2,197,562	88,300	11,877,168
Furniture and fixtures	111,606	-	-	111,606
Computer equipment	120,709	-	-	120,709
Leasehold improvements	3,289,720	85,342	-	3,375,062
Land improvements	48,310	-	-	48,310
Construction in progress	<u>-</u>	<u>27,339</u>	<u>-</u>	<u>27,339</u>
Total property, plant and equipment	21,461,976	2,342,594	88,300	23,716,270
Less: Accumulated depreciation				
Landfill buildings and improvements	(625,889)	(3,784)	-	(629,673)
Buildings and improvements	(2,048,510)	(120,409)	-	(2,168,919)
Machinery and vehicles	(7,192,294)	(844,662)	(88,300)	(7,948,656)
Furniture and fixtures	(104,525)	(4,802)	-	(109,327)
Computer equipment	(100,309)	(9,214)	-	(109,523)
Leasehold improvements	(652,835)	(181,375)	-	(834,210)
Land improvements	<u>(15,298)</u>	<u>(2,415)</u>	<u>-</u>	<u>(17,713)</u>
Total accumulated depreciation	<u>(10,739,660)</u>	<u>(1,166,661)</u>	<u>(88,300)</u>	<u>(11,818,021)</u>
Property, plant and equipment, net	<u>\$ 10,722,316</u>	<u>\$ 1,175,933</u>	<u>\$ -</u>	<u>\$ 11,898,249</u>

7. 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 8, 2015 with the Partnership having the option to purchase the Facility for \$1. This lease and service agreement was extended as described in the "Renewal of Facility Lease and Service Agreement" section below.

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

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. After satisfaction of those obligations, remaining revenues revert to OCRRA for its use.

OCRRA's obligation is unconditional and requires payment by OCRRA if there is no waste delivered; OCRRA remains responsible for debt service.

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

Renewal of Facility Lease and Service Agreement

In November 2014, OCRRA entered into a twenty (20) year extension of the Second Amended and Restated Service Agreement with the Partnership until May 8, 2035. The extension includes a mutual option to extend the term of the Service Agreement for an additional five (5) years until May 8, 2040. Under this Service Agreement extension, OCRRA was required to refinance the 2003 Series B bonds for a term that is coterminous with the base term of the Service Agreement extension (See Note 8). This is in addition to the service fee and other facility related OCRRA cost obligations, i.e. operations and maintenance charge, pass through costs, ash disposal costs and debt service on any Capital Refurbishment bonds.

OCRRA committed to a minimum annual waste delivery obligation of 320,000 in 2015 and 345,000 tons for full years thereafter, with OCRRA paying shortfall damages equal to the Partnership's lost electric and metal revenue for each shortfall ton. The maximum annual waste capacity is the Facility's permitted capacity less some limited tonnage available to the Partnership for Supplemental Waste. Net electric revenue is shared 90% OCRRA/10% Partnership and metal revenue is shared 50%/50% with a ceiling amount. OCRRA remains responsible for ash transport and disposal with some limited exceptions. The existing Market Rate Agreement was terminated.

OCRRA will have legal ownership of the Facility during the term but at the end of the term, the Partnership will own it with an option to OCRRA to purchase it at that point for Fair Market Value. The Partnership will retain tax ownership of the Facility during the term.

OCRRA will establish a Capital Refurbishment Fund to assist in funding OCRRA's share of needed Capital Refurbishment Projects, which shows as assets limited to use on the statement of net position.

7. FACILITY LEASE AND SERVICE AGREEMENT (Continued)

Renewal of Facility Lease and Service Agreement (Continued)

As described in Note 8, OCRRA issued 2015A and 2015B series debt in accordance with the terms of the facility lease renewal. This resulted the recognition of new facility lease assets, which will be recognized throughout the term of the contract extension and in an amount approximating the underlying debt service requirements of the 2015A and 2015B series debt. OCRRA may refinance, issue or call any debt issued under the contract extension at OCRRA's sole discretion as long as such action does not violate the extension agreement terms. OCRRA may call any new bonds issued under the terms of any bond indenture provided OCRRA provides adequate advance notice to the Partnership at least prior to October 1st of the preceding year. The debt service for the refinanced 2003 Series B bonds and Capital Refurbishment bonds, as applicable, will be added to the Service Fee, and payment will be made in a similar fashion as under the previous service agreement. The Partnership will provide an initial \$21,000,000 parent guarantee declining on an annual basis by \$500,000 per year until it reaches \$16,000,000.

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

	<u>2018</u>	<u>2017</u>
Operating and pass through costs	\$ 16,376,163	\$ 15,892,961
Capital charge	<u>4,187,300</u>	<u>4,187,433</u>
Total	<u>\$ 20,563,463</u>	<u>\$ 20,080,394</u>

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

<u>Year</u>	<u>Amount</u>
2019	\$1,935,000
2020	2,015,000
2021	2,115,000
2022	2,220,000
2023	2,330,000
2024 – 2028	13,515,000
2029 – 2032	13,420,000
2033 – 2035	<u>11,615,000</u>
Total future minimum lease payments	49,165,000
Less: Income recognized prior to May principal payment	<u>(1,290,000)</u>
Net Investment in Lease	47,875,000
Less: Current portion	<u>(1,935,000)</u>
Long-term portion	<u>\$ 45,940,000</u>

8. 2015 SERIES A AND 2015 SERIES B BONDS PAYABLE

In 2015, OCRRA issued \$54,560,000 in Revenue Bonds, consisting of Series 2015A Tax-Exempt Bonds totaling \$53,505,000 and Series 2015B Taxable Bonds totaling \$1,055,000. The 2015A bonds bear interest at an escalating rate from 3% to 5%. The 2015A bonds have a tiered maturity schedule with annual principal maturations through May 1, 2030, and an \$18,640,000 final maturity on May 1, 2035. The 2015B bonds bore interest at 1.75%, and matured May 1, 2016.

The 2015A bonds maturing on May 1, 2035 are subject to mandatory sinking fund requirements on May 1, 2031 and on each May 1 thereafter as follows:

<u>May 1:</u>	<u>Amount</u>
2031	\$ 3,445,000
2032	3,580,000
2033	3,720,000
2034	3,870,000
2035	4,025,000

As part of the debt issuance, \$42,695,385 in outstanding 2003B bonds were refunded and retired.

Activity relative to the 2015A and 2015B bonds payable for the year ended December 31, 2018 was as follows:

	Balance at December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2018</u>	Due in <u>one year</u>
2015A	\$ 51,025,000	\$ -	\$ (1,860,000)	\$ 49,165,000	\$ 1,935,000
2015B	-	-	-	-	-
Total	<u>\$ 51,025,000</u>	<u>\$ -</u>	<u>\$ (1,860,000)</u>	<u>\$ 49,165,000</u>	<u>1,935,000</u>
Bond Premium	<u>3,985,431</u>	<u>-</u>	<u>(229,932)</u>	<u>3,755,499</u>	<u>229,932</u>
Total	<u>\$ 55,010,431</u>	<u>\$ -</u>	<u>\$ (2,089,932)</u>	<u>\$ 52,920,499</u>	<u>\$ 2,164,932</u>

Activity relative to the 2015A and 2015B bonds payable for the year ended December 31, 2017 was as follows:

	Balance at December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2017</u>	Due in <u>one year</u>
2015A	\$ 52,815,000	\$ -	\$ (1,790,000)	\$ 51,025,000	\$ 1,860,000
2015B	-	-	-	-	-
Total	<u>\$ 52,815,000</u>	<u>\$ -</u>	<u>\$ (1,790,000)</u>	<u>\$ 51,025,000</u>	<u>1,860,000</u>
Bond Premium	<u>4,215,363</u>	<u>-</u>	<u>(229,932)</u>	<u>3,985,431</u>	<u>229,932</u>
Total	<u>\$ 57,030,363</u>	<u>\$ -</u>	<u>\$ (2,019,932)</u>	<u>\$ 55,010,431</u>	<u>\$ 2,089,932</u>

8. 2015 SERIES A AND SERIES B BONDS PAYABLE (Continued)

General 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. Specific covenants include the setting of tipping fees and user charges that when taken together with other System Revenues, produces revenues available for debt service in each fiscal year equal to or exceeding 110% of all debt service on the bonds outstanding during the period, and the maintaining of \$3,000,000 in unencumbered cash reserves as of June 30 and December 31 of each fiscal year.

Interest paid as of December 31, 2018 and 2017, amounted to \$2,047,368 and \$2,120,835, respectively.

The following is a schedule of the future minimum payments under the bond agreement, including mandatory sinking fund requirements as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,935,000	\$ 2,213,800	\$ 4,148,800
2020	2,015,000	2,124,725	4,139,725
2021	2,115,000	2,021,475	4,136,475
2022	2,220,000	1,913,100	4,133,100
2023	2,330,000	1,799,350	4,129,350
2024 – 2026	7,710,000	4,657,550	12,367,550
2027 – 2030	12,200,000	4,239,400	16,439,400
2031 – 2035	18,640,000	1,922,000	20,562,000
Total	<u>\$ 49,165,000</u>	<u>\$ 20,891,400</u>	<u>\$ 70,056,400</u>

9. RETIREMENT PLANS

New York State Employees' Retirement System (NYSERS)

OCRRA participates in the New York State Employees' Retirement System (NYSERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing, multiple employer public employee retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the System, System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. OCRRA also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to the benefits provided, may be found on the following website shown: www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

9. RETIREMENT PLANS (Continued)

New York State Employees' Retirement System (NYSERS) (Continued)

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems 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 in NYSERS contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of contributions required, and were as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 553,330
2017	529,067
2016	537,193

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

At December 31, 2018 and 2017, OCRRA reported a net pension liability of \$420,406 and \$1,154,376, respectively, for its proportionate share of the NYS ERS net pension liability. The net pension liability was measured as of March 31, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuations as of those dates. OCRRA's proportion of the net pension liability was based on a projection of OCRRA's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2018 and 2017, OCRRA's proportion was .0130260% and .0122855%, respectively. For the year ended December 31, 2018 and 2017, OCRRA recognized pension expense of \$557,494 and \$700,197, respectively.

At December 31, 2018, OCRRA reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 149,945	\$ 123,909
Changes of Assumptions	278,764	-
Net difference between projected and actual earnings on pension plan investments	610,606	1,205,276
Changes in proportion and differences between OCRRA's contributions and proportionate share of contributions	117,057	7,917
Contributions subsequent to the measurement date	<u>414,998</u>	<u>-</u>
Total	<u>\$ 1,571,370</u>	<u>\$ 1,337,102</u>

9. RETIREMENT PLANS (Continued)

New York State Employees' Retirement System (NYSERS) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended March 31:</u>	<u>Amount</u>
2019	\$ 134,786
2020	104,314
2021	(288,539)
2022	(131,291)
Thereafter	-
Total	<u>(180,730)</u>

OCRRA recognized \$414,998 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2018, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

At December 31, 2017, OCRRA reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,928	\$ 175,299
Changes of Assumptions	394,377	-
Net difference between projected and actual earnings on pension plan investments	230,576	-
Changes in proportion and differences between OCRRA's contributions and proportionate share of contributions	113,766	10,680
Contributions subsequent to the measurement date	<u>396,800</u>	<u>-</u>
Total	<u>\$ 1,164,447</u>	<u>\$ 185,979</u>

New York State Employees' Retirement System (NYSERS) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended March 31:</u>	<u>Amount</u>
2018	\$ 252,920
2019	252,920
2020	223,734
2021	(147,906)
2022	-
Thereafter	-
Total	<u>581,668</u>

9. RETIREMENT PLANS (Continued)

OCRRA recognized \$396,800 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

New York State Employees' Retirement System (NYSERS) (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>
Inflation	2.5%
Salary increases	3.8%
Investment Rate of Return (net investment expense and inflation)	7.0%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36.0%	4.55%
International equity	14.0	6.35
Private equity	10.0	7.50
Real estate	10.0	5.55
Absolute return strategies	2.0	3.75
Opportunistic portfolio	3.0	5.68
Real assets	3.0	5.29
Bonds and mortgages	17.0	1.31
Cash	1.0	(0.25)
Inflation-indexed bonds	4.0	1.25
	<u>100.0 %</u>	

9. RETIREMENT PLANS (Continued)

New York State Employees' Retirement System (NYSERS) (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2018 were as follows:

Total pension liability	\$ 183,400,590
Net position	<u>(180,173,145)</u>
Net pension liability (asset)	<u>\$ 3,227,445</u>
ERS net position as a percentage of total pension liability	<u>98.24%</u>

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – December 31, 2018

The following presents OCRRA's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the OCRRA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 3,180,905	\$420,406	\$(1,914,866)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – December 31, 2017

The following presents OCRRA's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the OCRRA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 3,686,849	\$1,154,376	\$ (986,825)

Deferred Compensation Plan

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

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Health Insurance Benefits

In addition to providing pension benefits, OCRRA provides health insurance benefits to certain retired employees and their spouses and beneficiaries, hired before April 10, 2002, between the ages of 55 and 65 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 net OPEB obligation and the estimated amortization years remaining. OCRRA has elected to calculate the OPEB obligation 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. Currently, two retirees are receiving benefits. 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	\$ 47,104
Actuarial adjustment	(37,802)
Contributions made	<u>(80,241)</u>
Decrease in net OPEB obligation	(70,939)
Net OPEB obligation - beginning of year	<u>636,185</u>
Net OPEB obligation - end of year	<u>\$ 565,246</u>
Annual OPEB cost	\$ 47,104
Percentage of annual OPEB cost contributed	170%

OCRRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, the net OPEB obligation for the fiscal year 2018 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2016	\$ 42,310	132.26%	\$ 634,658
12/31/2017	48,937	139.49%	636,185
12/31/2018	47,104	170.34%	565,246

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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 valuation is performed December 31 of each year.

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.
- *Health insurance premiums* - 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.
- *Early Retirees* - Health insurance costs for early retirees were calculated based on actual expenses during 2016 and assumes that each retiree retains their current coverage through the date they become Medicare eligible.

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

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

OCRRA leases land, equipment and office facilities under operating leases. Rental payments under these agreements were approximately \$89,000 and \$112,000 during 2018 and 2017, respectively. Obligations under all cancelable and non-cancelable long-term operating leases are as follows at December 31, 2018:

<u>Year</u>	<u>Amount</u>
2019	\$ 83,500
2020	97,500
2021	98,500
2022	<u>50,000</u>
Total	<u>\$ 329,500</u>

Capital Leases:

During 2017, OCRRA initiated a municipal finance lease program for the purchase of replacement equipment required for OCRRA operations. These capital leases allow OCRRA to preserve cash reserves while purchasing needed equipment in a timely manner. Interest rates on capital leases range 1.75% to 3.38%, and each lease is for a term of 5 years. During 2018, OCRRA made principal payments of \$ 861,146, and interest payments of \$71,676.

The following is an aggregate schedule of future capital lease principal and interest payments as of December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$1,106,075	\$ 88,862	\$1,194,938
2020	1,124,482	70,456	1,194,938
2021	1,041,626	43,132	1,084,758
2022	532,259	19,640	551,899
2023	256,108	6,008	262,116

Landfill Contracts

OCRRA has a contract with High Acres Landfill for ash disposal through December 2019. The per ton incinerator ash residue disposal charge will range from \$14 to \$15 over the term of the contract. OCRRA also has a contract with Seneca Meadows, Inc. through December 2019, for bypass, ash, and tire disposal. The per ton solid waste/bypass solid waste disposal charge will range from \$23 to \$24.77 for by-pass, \$18 to \$20.60 for ash, and \$50/ton for tires, over the term of the contract. OCRRA also has a contract with Madison County Dept. of Solid Waste for ash disposal through June 2027, with two four year options thereafter, a per ton incinerator ash residue disposal charge ranging from \$14 to \$15.50 through 2019, and an escalation of 2% per year thereafter. Total costs incurred under all agreements were \$2,100,410, and \$1,728,411 during 2018 and 2017, respectively and are included in landfill contracts on the statements of revenues, expenses and changes in net position.

11. COMMITMENTS AND CONTINGENCIES (Continued)

Host Community Agreements

OCRRA entered into a Host Community Agreement (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 continued for 25 years from that date. Annual payments to Onondaga under the terms of the Agreement totaled approximately \$162,000 during 2017. This Host Community Agreement expired at the end of 2017.

OCRRA entered into an Interim Host Community Agreement (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 2019.

OCRRA recorded payments to Van Buren in the amount of \$59,491 and \$58,898 in 2018 and 2017, respectively. OCRRA also made payments to Onondaga of approximately \$131,000, and \$128,000 in both 2018 and 2017, 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 2018 and 2017, no such payments were made.

Litigation

OCRRA is occasionally a party to various proceedings arising in the normal course of business. There are presently no proceedings pending that would have a significant impact on the financial position of OCRRA.

Recycling

OCRRA's current contract with a local material recovery facility has a 60 day out clause. Should either party cancel this agreement, OCRRA could incur significant expenditures to continue its recycling program.

Union Contract

OCRRA’s contract with union employees runs through December 31, 2022.

12. NATIONAL GRID AGREEMENT

OCRRA and National Grid participate in an electricity purchase agreement through 2025. National Grid and OCRRA have established the upper limit for the agreement at 243,000,000 Kwh. For calendar years 2016 through 2025, OCRRA receives 77.50% of the market rate. In 2018 and 2017, respectively OCRRA received an annual average sale price of 2.44 and 1.79 cents per kilowatt hour.

13. CONCENTRATION

The top five haulers delivered approximately 61% and 60% of the total municipal solid waste to OCRRA during the years ended December 31, 2018 and 2017, respectively. These haulers also accounted for approximately 68% and 72% of accounts receivable at December 31, 2018 and 2017, respectively.

During 2018, one of OCRRA's large haulers went into receivership. OCRRA has recorded bad debt expense related to this hauler of approximately \$843,000, which is included in other operating expenses on the statements of revenues, expenses, and changes in net position. OCRRA has been granted a court judgement for the entire balance owed.

14. SUBSEQUENT EVENTS

In 2019, the Agency approved 2019 Series bonds of approximately \$12,000,000. These bonds will be issued under the current 2015 Indenture. The bond proceeds will be used to renovate the Agency's Rock Cut Road transfer facility.

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2018**

<u>Year</u>	Actuarial Value of <u>Assets</u>	Unfunded Actuarial <u>Accrued Liability</u>	<u>Funded Ratio</u>
December 31, 2016	-	634,658	0%
December 31, 2017	-	636,185	0%
December 31, 2018	-	565,246	0%

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Schedule of Proportionate Share of Net Pension Liability (Asset) – in thousands

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	.01%	.01%	.01%	.01%
Proportionate share of the net pension liability (asset)	\$420	\$1,154	\$2,019	\$427
Covered employee payroll	\$3,894	\$4,021	\$3,653	\$3,603
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	10.78%	28.70%	55.26%	11.85%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.70%	97.90%

Schedule of Contributions, Pension Plans – in thousands

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 553	\$ 524	\$ 533	\$ 658
Contributions in relation to the contractually required contribution	<u>\$ 553</u>	<u>\$ 524</u>	<u>\$ 533</u>	<u>\$ 658</u>
Contribution deficiency (excess)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Covered employee payroll	\$3,894	\$4,021	\$3,653	\$3,603
Contributions as a percentage of covered-employee payroll	14.20%	13.03%	14.59%	18.26%

Information for periods prior to the implementation of GASB 68 (2008-2014) is unavailable and the above-related disclosures will be completed each year going forward as information becomes available.

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

**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**

INDEPENDENT AUDITOR'S REPORT

Board of Directors

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, 2018, and the related notes to the financial statements, which collectively comprise OCRRA's basic financial statements, and have issued our report thereon dated March 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinions 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Member of: American Institute of Certified Public Accountants
and New York State Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCRRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 the OCRRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Grossman St Amour CPAs". The signature is written in a cursive, flowing style.

Syracuse, New York
March 13, 2019

OCRRA Management

Dereth Glance
Executive Director

Michael Mokrzycki
Business Officer

Cristina Albunio
Engineer

Renee Czerwiak
Executive Secretary

William J. Bulsiewicz, Esq.
Legal Counsel

Kristen R. Lawton
Public Information Officer

Andrew J. Radin
Recycling & Waste Reduction Director

Kevin Spillane
Transfer Operations Director

Onondaga County Resource Recovery Agency

100 Elwood Davis Road
North Syracuse, NY 13212
www.OCRRA.org
315-453-2866