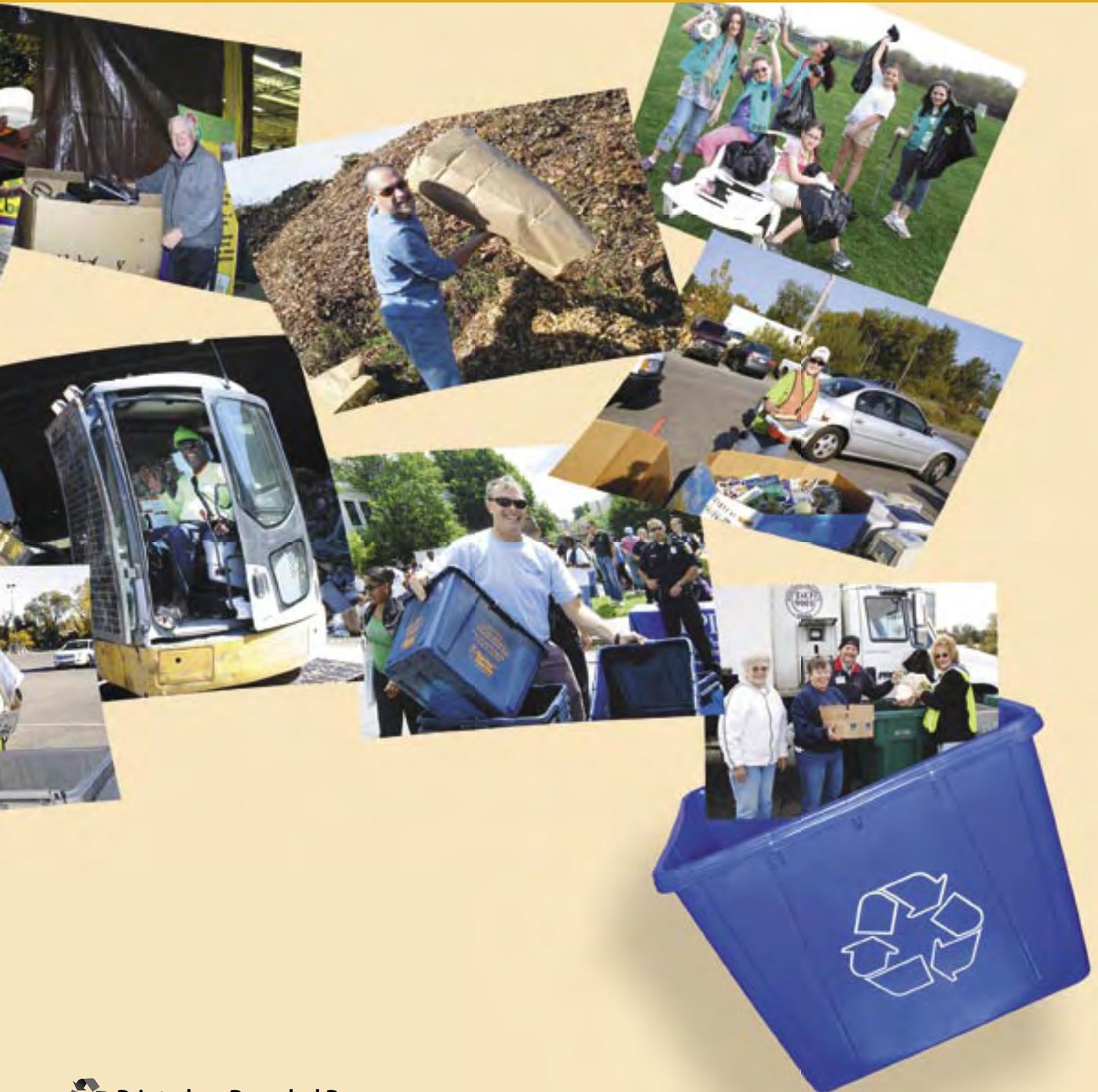


OCRRRA

Annual Report 2008





Mark Donnelly
OCRRA Chairperson

Report From the Chair

Last year was a year of positive change, of stepping into new territory and moving toward our vision of being a world leader in local waste disposal and recycling solutions.

To get closer to that vision, OCRRA wanted to better understand the community and their recycling behaviors and viewpoints. Opinion Works of Annapolis, MD was contracted to perform a telephone survey asking the community to provide us with their feedback. The survey unearthed some useful information including:

- there is an almost universal awareness of what items should be recycled in Onondaga County
- people who read OCRRA's quarterly newsletter or visit www.OCRRA.org are more aware of and recycle more than people who do not
- of the people who work in Onondaga County, only 7% report they do NOT recycle at work

Much of the data obtained by the survey is helping OCRRA get the recycling message to the masses. To see more of the research, visit www.OCRRA.org/about_surveys.asp

Throughout most of 2008, OCRRA reaped a minor windfall due to the increased sale prices of recycled metal and electricity generated at the Waste-to-Energy Facility. To pass this good fortune on to the community, OCRRA's Board of Directors reduced many drop-off fees by 50% or more at the Rock Cut Road and Ley Creek Transfer Stations, as well as the Jamesville and Amboy Compost Sites.

Fees impacted included construction and demolition material, flat rate, and environmental surcharges for items like refrigerants, microwaves, and tires. Various commercial and municipal compost drop-off fees were also affected.

These fee cuts amounted to some \$500,000 being pumped back into the local economy.

Part of the aforementioned windfall, also allowed OCRRA to award the City of Syracuse a grant of \$220,000 for the purchase of a compressed natural gas recycling truck. This truck will make recycling collection less labor intensive for City workers and reduce carbon emissions. The City agreed to collect data on how the truck and fuel performs in the upstate New York climate. Hopes run high that the data will provide useful info for OCRRA, local haulers, or other cities with cold climates looking for a diesel alternative truck fleet.

OCRRA's Greenhouse Gas Committee is most interested in this data as it dovetails with the research they are currently conducting on OCRRA's operations and carbon emissions. OCRRA recognizes the environmental responsibility to analyze, and continue to reduce our greenhouse gas output. The Committee is vigorously working on identifying sources, benchmarking, and setting goals at this time.

The OCRRA Board underwent structural changes in 2008; two vacancies were filled. Donald Lawless and Dr. Rachel May were welcomed to the Board of Directors, both will serve a three-year, volunteer term and bring years of environmental experience to our group. We look forward to their contributions.

OCRRA as a whole is aware of the environmental issues ahead of us. We accept the accountability of preparing for change and look forward to improvements along the way, which will take us even closer to our vision of being a world leader in our field, and making our community one of the best places to live and work.

Report From the Executive Director

Frequently, OCRRA presents on its integrated solid waste management program. In 2008 it was offered as an example of the ideal program for others in New York State. A bit tongue in cheek, it was suggested our motivator is FEAR:

F- Fundamentals (flow control & safety)

E- Education

A- Accountability

R- Reduction, Recycling & Recovery of Energy

While national recognition is embraced in OCRRA's vision, that recognition demands operational concentration from the entire team. Thankfully, the Board and staff at OCRRA rose to the challenges of 2008.

During 2008, OCRRA continued its fundamental mission, via flow control, to return benefits to member municipalities. To this point, the Board Chairman describes our tipping fee sale and its positive impact on local economic and municipal programs. Last year's safety fundamentals were also excellent and are conveyed later in this report.

The Board wisely repeated its strong investment in public education in 2008; not only in ad placements and digital content, but also in public opinion research relating to these educational efforts. This endeavor was led by Kristen Lawton who quickly assumed the responsibilities handed off when OCRRA's long-time Public Information Officer, Andy Brigham, retired. Education is also inherent in one of OCRRA's strategic goals. The redoubling of recycling efforts in all Onondaga County schools is discussed later in this annual report as well.

Nothing amplifies the need for accountability more than dynamic market forces. 2008 was exceptional in that regard. In the first eight months of the year new heights were established in prices for recovered paper, metal, and energy. In the last four months of 2008,

markets dropped dramatically. For some recyclables the markets in late 2008 reached their lowest point in decades. The market conditions were a painful twist for the program; yet even through the difficult months, OCRRA performed well.

In its eighteenth year of operation, OCRRA's recycling results were again excellent. One noteworthy program related to recycling service was OCRRA's participation in the Youth Day Barbecue. The barbecue was much more than food. It was a nationally recognized event that empowered youth to stay in school by providing school supplies necessary for success. OCRRA distributed thousands of blue bins at the event. The recycling instructions that were tucked in the bins functioned as an educational tool and as a reminder to help improve the environment for future generations.

2008 brought to completion the Waste-to-Energy Facility's fourteenth year of safe, reliable operation. By recovering energy from the non-recyclable trash, global climate change impacts of methane generation in landfills are reduced. OCRRA's newest manager, Agency Engineer, Amy Lawrence, very capably describes plant operations, including the new non-ferrous recovery and recycling system implemented last year, later in this report.

2008 will be notable for its historic circumstances, including the election of the first black U.S. President which inspired hope and enthusiasm in so very many Americans. And although the challenges of a global financial crisis have forced all of us to step up to additional responsibilities, at OCRRA we remain faithful to FEAR—Fundamentals like great safety and flow control of the materials we manage; Education in recycling and reduction; individual and program Accountability to achieve in these dynamic times; and Recycling and Recovery of resources from the trash.



Tom Rhoads
Executive Director

Volunteer Board of Directors



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*OCRRA Chairperson
Facilities and Contract Manager
Carrier Corporation*



Jake Barrett
*OCRRA Vice Chairperson
Governance Committee Chairperson
Asset Manager
Catholic Charities of Onondaga County*



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*OCRRA Treasurer
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*Insurance Broker
Antelmi, Fusco, & Cazzola*



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*Recycling Committee Chairperson
Executive Program Director
Citizen's Campaign for
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*Senior Scientist
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Rachel May, Ph.D.
*Greenhouse Gas Committee
Chairperson
Director of the Office of Environment
and Society
ESF and Syracuse University*



Gwendolyn Raeford
*Science Teacher
G.W. Fowler High School*



Robert Ripberger
*Carrier Corporation
(retired)*



Mark Wilder, CPG
*Hydrogeologist/Geoscience Manager
Environmental Products & Services
of Vermont, Inc.*

Recycling

In 2008, OCRRA's recycling program continued to implement innovative environmental programs aimed at achieving OCRRA's vision, which is to earn recognition as a world leader in local waste disposal and recycling solutions by 2010. These efforts included:

- Launching a **food waste** composting pilot project that could serve as a model for communities across New York State.
- Recycling over 480,000 pounds of old computers, televisions, and other **electronic waste** materials.
- Implementing the **School Recycling Pledge**; a community-wide program to inspire students, teachers, custodians, and administrators in over 150 local schools to work together as a team and reach outstanding levels of recycling and waste reduction.

OCRRA Launches Food Waste Pilot Project

OCRRA began exploring the feasibility of composting institutional and commercial food waste through a pilot project at its Amboy Compost Site in 2008.

GOAL: Compost thousands of yards of food waste from groceries, hotels, restaurants, hospitals, and schools by 2015. Achieving this goal would yield significant environmental benefits:

- Eliminate the need to dispose of thousands of tons of organic waste
- Reduce greenhouse gases
- Create a value-added product that, as a soil amendment, reduces the need for water, fertilizers, and pesticides.

OCRRA's pilot project utilizes an *aerated static compost pile* method. The system's blowers and perforated pipes inject air into a mix of food waste and yard waste. The added oxygen turbo charges the decomposition process, greatly reducing the time required to break down the organic material into a dark, rich soil amendment.

One of the main sources of food waste for the pilot project is Wegmans supermarket in Dewitt, New York. Jason Wadsworth, Sustainability Specialist for Wegmans explains "Wegmans has been recycling organic waste such as produce for several years at select stores in the Syracuse area. Our limiting factor has always been availability of those facilities and their proximity to our stores. Participation in projects like these is a great way to raise awareness for composting, so that we can further reduce the amount of organics entering the waste stream." Recycling Operations Manager Greg Gelewski



Students at Van Buren Elementary School proclaim their commitment to recycling by signing OCRRA's School Pledge poster.



Rachel Netzband of Syracuse visits OCRRA's Community Collection Center to drop off her old computer monitor for recycling. Electronics collected here are dismantled and recycled by Maven Technologies.

oversees OCRRA's Food Waste Pilot Project. He stated that "This project stretches the boundaries of how a community meets the need to manage its waste materials in a cost-effective, environmentally sound manner." He added that "The pilot compost system relies upon proven technology, protects the environment, and is very efficient; it could serve as an ideal waste reduction model for other communities across New York State."

To learn more, please visit www.OCRRA.org/yardwaste_food.asp

Over 480,000 Pounds of Electronics Recycled

Throughout 2008, OCRRA collected obsolete computers, old TVs, and other household electronics from thousands of residents at OCRRA's Community Collection Center. Electronic waste is sent to Maven Technologies in Rochester, New York, where components are deconstructed, containerized, and shipped to processors for recycling plastics, metals, and glass.

Over 481,900 pounds of electronics were collected and recycled in 2008. Since starting the collection effort in 2002, OCRRA has kept over **two million pounds** of e-waste out of the waste stream. These materials can be laden with heavy metals, including lead, cad-

mium, and mercury; recycling these consumer products helps keep our environment clean and safe for future generations.

OCRRA's School Recycling Pledge: inspiring students, teachers, custodians and administrators to reach outstanding levels of recycling

"We have signed the pledge ... I think this has been one of the best ideas in a while!"

"We are making a concerted effort to recycle as part of Character Education and showing respect for our environment."

"I see kids passing trash cans and waiting till they get near a recycling station to recycle instead of throwing away something."

These are just some of the comments from school personnel in the wake of signing on to OCRRA's School Recycling Pledge program. Schools are one of the largest generators of paper. Through the Pledge, OCRRA is helping schools reduce their waste and aim for recycling excellence. To learn more, please visit www.OCRRA.org/recycling_school_pledge.asp



Compost consultant Peter Moon, and OCRRA employees Tom Ferguson and Greg Gelewski stand in front of the newly renovated Amboy building. They are in the midst of installing a motor and piping system, which make up the initial stages of OCRRA's food waste composting pilot project at the Amboy Compost Site.

Transfer Operations

In 2008, Transfer Operations continued to achieve its goals of safe and efficient operations at our Ley Creek and Rock Cut Road Transfer Stations while maintaining excellent customer service, in accordance with our Mission Statement.

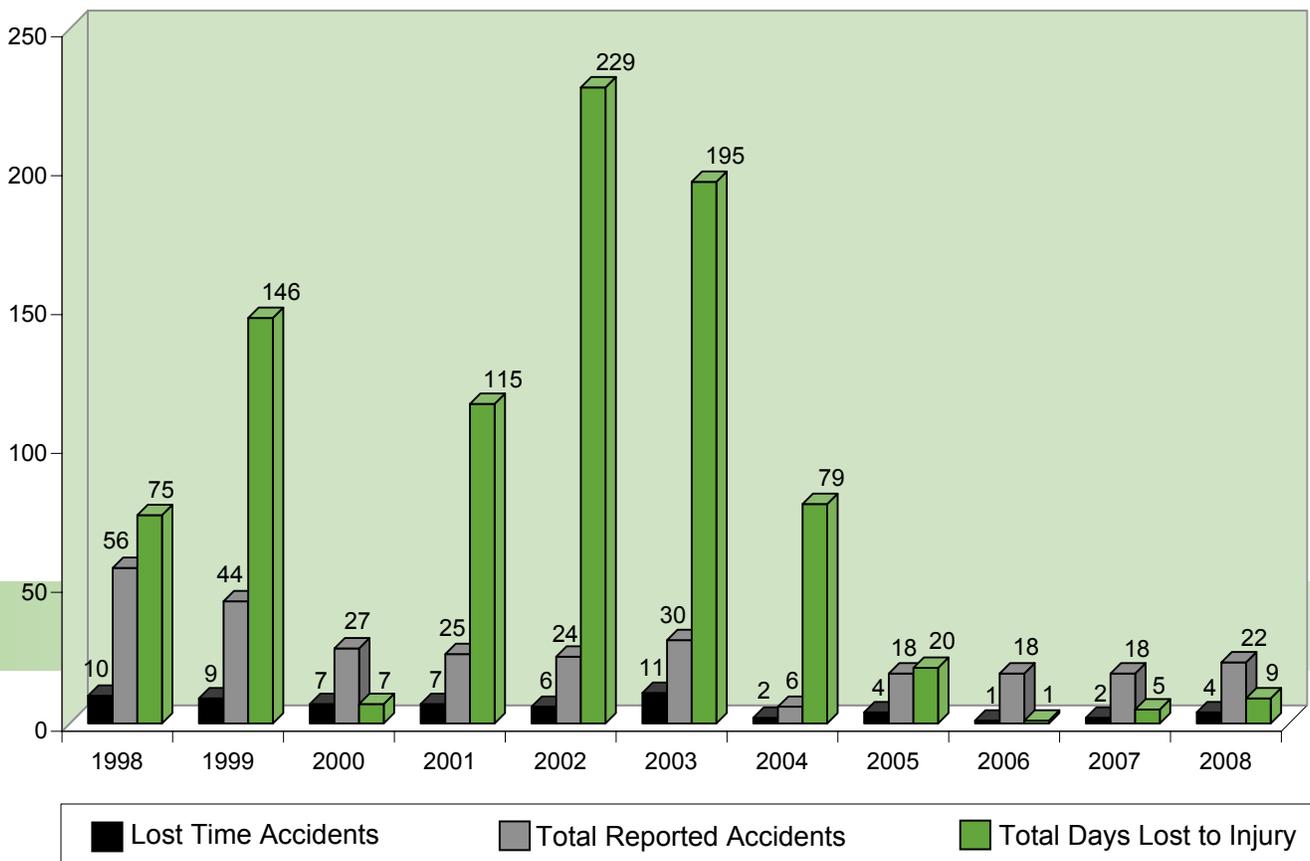
Our drivers traveled nearly 604,000 miles transporting ash residue and by-pass material to an out of county landfill, processible material to the Waste-to-Energy Facility (WTE) and recovered metal and corrugated cardboard to appropriate recycling facilities. Customer comments continue to be favorable and increased utilization of the Rock Cut Road Transfer Station, by homeowners and small users, as well as the continuation of the popular flat rate system at both transfer stations has contributed to less waiting time and better overall service to all of our customers.

OCRRA's Safety Officer, the Safety Committee, and all our employees worked hard to make 2008 another

extremely safe year for operations. There were a total of 22 accidents recorded in 2008. Only four accidents resulted in lost time, for a total of nine days. This is exceptional considering the nature of the solid waste industry and the dangers inherent in performing this necessary public service. Continuous safety training, both in-house and contracted training funded by a Hazard Abatement Board Grant has led to an increase in safety awareness throughout all of OCRRA. This has undoubtedly contributed to the safety of our workforce and customers. The goal is zero accidents and zero lost time.

In recognition of our outstanding program, OCRRA's Safety Officer was appointed to the PERMA (Workers Compensation Insurance Carrier) statewide Safety Advisory Committee. OCRRA was also the recipient of a Statewide Safety Award from PERMA in recognition of our efforts to improve safety in our organization.

Workers Compensation Injury History



Ley Creek Transfer Station:

Construction and Demolition Debris (C&D) and out-sized Municipal Solid Waste (MSW) was received and processed at the Ley Creek Transfer Station in 2008. The total intake was 107,638 tons. This material was processed and separated by the transfer station workers for delivery to several facilities. The WTE Facility received 92,274 tons of material from Ley Creek. In addition, 2,738 tons of scrap metal and corrugated cardboard were recovered and recycled. 2,396 items containing CFC refrigerant were removed from the waste stream. A contractor extracted the CFC refrigerant in accordance with EPA and DEC regulations for recycling, and the metal shells were sent to a scrap metal recycler. In addition, 3,378 microwave ovens were recovered from the waste stream and recycled by an approved vendor. By-pass waste was transported to an out of county landfill.

The number of customer vehicles served at Ley Creek was 71,971 including 31,424 flat rate customers; this equates to 44% of all traffic at the Ley Creek Transfer Station. The huge success of the flat rate system allows all customers to move in and out of the transfer stations in a minimum amount of time while maintaining a high level of customer service and safety.

Rock Cut Road Transfer Station:

The increased utilization of the Rock Cut Road Transfer Station by homeowners and other small users has diverted traffic from the Ley Creek Transfer Station. This has resulted in improved turn around times and customer service for all of our customers. The materials recovered from the Rock Cut Road Transfer Station in 2008 included 598 items containing CFC refrigerant, 251 tons of scrap metal, 845 microwave ovens, and 194 tons of corrugated cardboard, in addition to



Nick Andriatch, one of OCRRA's Heavy Equipment Mechanics conducts a scheduled service on an OCRRA vehicle at the Rock Cut Road Transfer Station in Jamesville.

all of the recyclable materials that are collected in the roll-off recycling containers.

Following testing and customer surveys in 2006, the flat rate payment system was phased into operations at the Rock Cut Road Transfer Station during 2007. Customer comments have been overwhelmingly favorable. The institution of this system in combination with some improvements to the physical plant and roadway structure have served to speed the tempo of operations while maintaining safety at this transfer station, all while serving 12,514 flat rate customer vehicles, an increase of 1,225 vehicles over 2008. This is in addition to approximately 25,000 bag sticker and recycling only customer vehicles that were safely and efficiently served during the year.

OCRRA's maintenance shop is housed at Rock Cut Road Transfer Station and is the base for our fleet of ash transport dump trucks. During 2008, OCRRA drivers transported 88,417 tons of ash residue from the WTE Facility to an out of county landfill.



Luis Maldonado operates a Komatsu 450 loader at the Ley Creek Transfer Station in Liverpool. This loader is used to move sorted materials to the proper areas for compaction and loading into transfer trailers.



OCRRA employee Wayne Goodell pauses before entering a skid steer loader which is used to move metal, corrugated cardboard, and other large materials at the Ley Creek Transfer Station.



At OCRRA's Ley Creek Transfer station a trash compactor is used to process C&D material. By compacting the material OCRRA minimizes the number of loads it hauls for final disposal which saves fuel and minimizes greenhouse gas emissions.

Energy from Waste

OCRRRA is faced with choices about how to handle the solid waste generated within our county. For recyclable materials the optimal choice is clear—those materials go to local materials recovery facilities (MRFs) where the recyclables are sorted and prepared for manufacturing markets. For hazardous materials, the optimal choice is also clear; hazardous materials should be removed from the waste stream and properly managed. But the decision about what to do with the residual trash, that is, the non-hazardous, non-recyclable trash that still remains after strong recycling rates, is less straightforward.

In the late 1980s and early 1990s, OCRRRA carefully evaluated the alternatives for managing the residual, non-hazardous, non-recyclable trash. The alternatives considered back then are the same alternatives that exist today, landfilling and waste-to-energy (WTE). Neither is without environmental impacts. In abiding by OCRRRA's Mission to provide the community with environmentally sound, highly efficient, safe, and innovative solutions, OCRRRA embarked on the construction of a \$148 million Waste-to-Energy Facility; in 1995 it became operational.

The Onondaga County Waste-to-Energy Facility, uses a mass burn combustion system that safely and efficiently converts non-hazardous, non-recyclable solid

waste into electricity that is sold to National Grid. The facility also recovers ferrous metals, and beginning in 2008, non-ferrous metals, for recycling. The by-product of the combustion process is a non-hazardous ash residue, which is about 10% of the original volume, and 25% of the original weight, of the trash processed at the facility. The ash residue, greatly reduced in size in comparison to the original trash, is then sent to a landfill for final disposal.

Incorporated into the design of the facility is an air pollution control system, which helps the facility comply with one of the strictest air permits in the nation, meeting federal and state emissions requirements. Emissions from the facility are carefully monitored through continuous emissions monitors (CEMs) and annual stack testing.

2008: Waste-to-Energy by the Numbers

2008 marked the WTE Facility's fourteenth year of operation. In 2008, it processed 348,263 tons of non-hazardous, non-recyclable trash (enough to overfill the Syracuse Carrier Dome) and, in doing so, generated 252,149 MWh, enough electricity to power 36,580 homes, as well as the facility itself. The facility's metal recovery systems recovered 12,000 tons of metal for recycling, an increase of 10-20% over the previous year. The facility generated



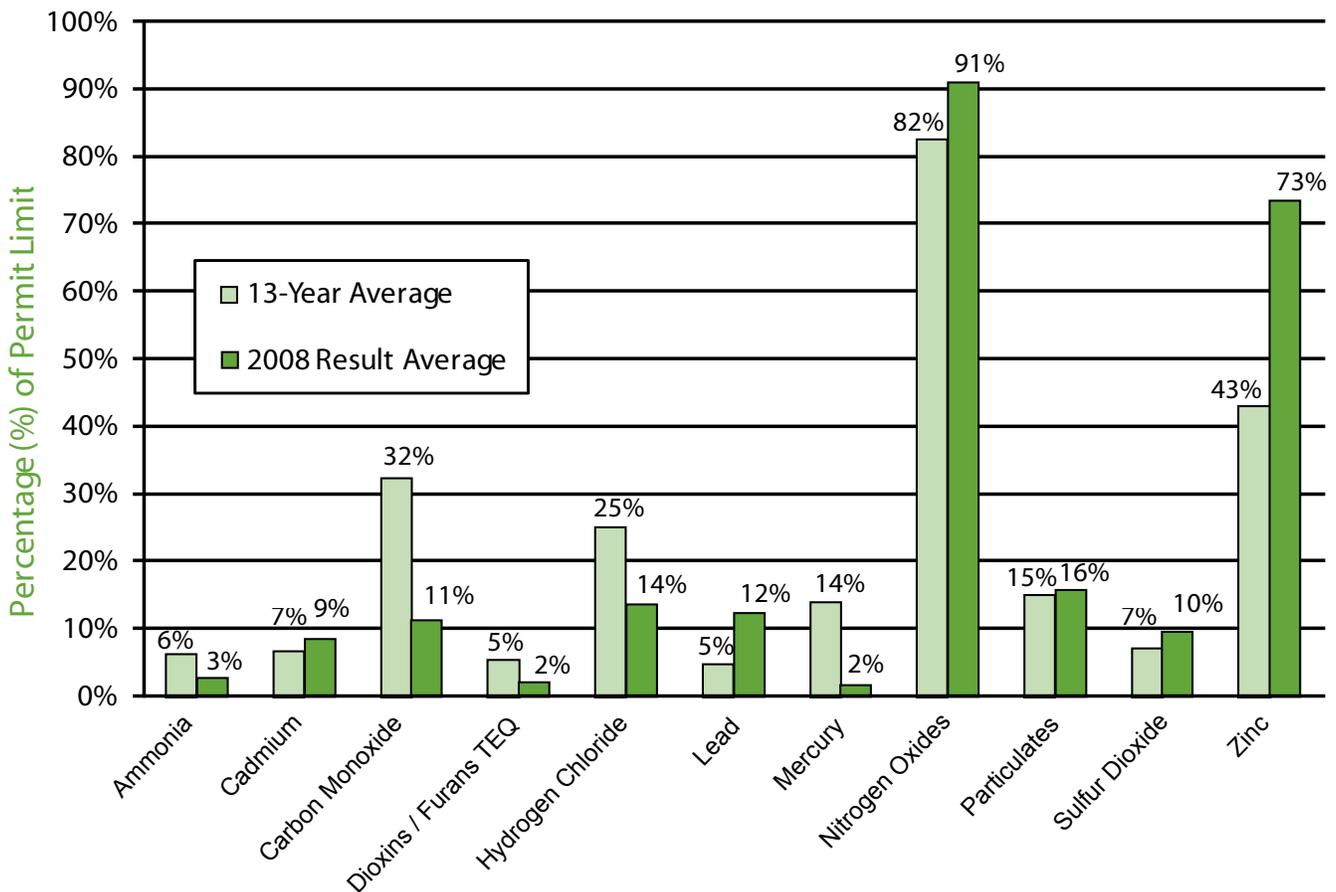
The Waste-to-Energy Facility located off Route 481 in Jamesville, is where Onondaga County's non-recyclable trash is converted into energy; proceeds from the energy sale help fund OCRRRA's recycling programs.

about 88,706 tons of non-hazardous ash; exactly 25% of the initial weight of the trash processed. Lastly, by sending the non-recyclable trash to the WTE Facility, rather than directly to a landfill, greenhouse gas emissions were avoided. As a general rule of thumb, approximately 1 ton of trash processed prevents 1 ton of carbon dioxide emissions. This is due to the prevention of methane emissions from landfills, as well as the displacement of electricity that would have otherwise been generated using fossil fuels and the recovery of metals for recycling. So, in 2008, the WTE Facility avoided 348,263 tons of carbon dioxide emissions, which is the equivalent of taking almost 58,000 passenger vehicles off the road.

The 2008 annual stack testing indicated that the facility is still performing strongly. With the exception of zinc, all parameters met the corresponding air permit limits. The zinc result was well below the acceptable level contained in the Health Risk Assessment (HRA) for the facility (approximately 10% of the acceptable HRA level).

In 2008, Onondaga County's WTE Facility was named as one of the top five renewable energy plants in the world by *Power* magazine. It was also named Large Solid Waste Combustion Facility of the Year by the American Society of Mechanical Engineers (ASME).

Long-term Facility Average vs. 2008 Test Results



2008 ASH RESIDUE CHARACTERIZATION TEST RESULTS

Semi-Annual Test Results - May 2008

Constituent	Test Result	Permit Limit	Pass or Fail
Cadmium	0.35 mg/L	1 mg/L	Pass
Lead	1.175 mg/L	5 mg/L	Pass

Semi-Annual Test Results - December 2008

Constituent	Test Result	Permit Limit	Pass or Fail
Cadmium	0.32 mg/L	1 mg/L	Pass
Lead	0.5 mg/L	5 mg/L	Pass

Conclusions

Ash residue does NOT exhibit a hazardous characteristic. As such, it should continue to be managed as a non-hazardous solid waste.



This photo shows the Waste-to-Energy facility's air pollution control devices (including scrubbers, which neutralize acid gases and control mercury), and baghouses, (which remove particulate matter) as well as the continuous emission monitoring system (CEMS).

2008 ANNUAL STACK TEST RESULTS

	CONSTITUENT	Average Measured Emissions ¹			Permit Limit ²	Pass/Fail?		
		Unit 1	Unit 2	Unit 3				
TESTED ANNUALLY	FEDERAL	Cadmium (mg/dscm @ 7% O ₂)	1.09E-03	1.05E-03	< 8.68E-04	4.00E-02	P	
		Cadmium (lb/hr)	1.70E-04	1.88E-04	< 1.34E-04	1.90E-03	P	
		Carbon Monoxide (lb/hr)	1.30E+00	7.30E-01	7.10E-01	8.04E+00	P	
		Dioxins/Furans (ng/dscm @ 7% O ₂)	1.41E+00	9.83E-01	9.07E-01	3.00E+01	P	
		Hydrogen Chloride (ppmdv @ 7% O ₂)	4.50E+00	8.27E-01	3.55E+00	2.50E+01	P	
		Hydrogen Chloride (lb/hr)	1.06E+00	2.23E-01	8.58E-01	5.24E+00	P	
		Hydrogen Chloride Removal Efficiency (%)	99.4	99.9	99.5	>=95	P	
		Lead (mg/dscm @ 7% O ₂)	5.19E-02	2.97E-02	5.10E-03	4.40E-01	P	
		Lead (lb/hr)	8.08E-03	5.31E-03	7.82E-04	3.81E-02	P	
		Mercury (lb/hr)	2.10E-04	2.27E-04	2.04E-04	1.20E-02	P	
		Nitrogen Oxides (lb/hr)	5.31E+01	5.34E+01	5.18E+01	5.80E+01	P	
		Particulates (gr/dscf @ 7% O ₂)	1.57E-03	1.60E-03	1.55E-03	1.00E-02	P	
		PM ₁₀ ³ (gr/dscf @ 7% O ₂)	1.57E-03	1.60E-03	1.55E-03	1.00E-02	P	
		PM ₁₀ ³ (lb/hr)	5.62E-01	6.06E-01	5.43E-01	3.16E+00	P	
		Sulfur Dioxide (lb/hr)	3.30E-01	2.50E-01	4.12E+00	1.62E+01	P	
STATE	STATE	Ammonia (ppmdv @ 7% O ₂)	2.12E+00	< 7.38E-01	< 8.48E-01	5.00E+01	P	
		Ammonia (lb/hr)	2.33E-01	< 9.30E-02	< 9.60E-02	4.88E+00	P	
		Dioxins/Furans-2,3,7,8 TCDD TEQ (ng/dscm @ 7% O ₂)	2.09E-02	1.66E-02	1.46E-02	4.00E-01	P	
		Dioxins/Furans-2,3,7,8 TCDD TEQ (lb/hr)	3.20E-09	2.55E-09	2.22E-09	1.29E-07	P	
		Mercury (µg/dscm @ 7% O ₂)	1.34E+00	1.27E+00	1.32E+00	2.80E+01	P	
		Mercury Removal Efficiency (%)	98.8	99.4	98.3	>=85	P	
TESTED EVERY 5 YEARS	FEDERAL	Arsenic (lb/hr)	1.76E-04	8.88E-05	2.27E-04	7.80E-04	P	
		Beryllium (lb/hr)	< 4.99E-06	< 7.26E-06	< 6.70E-06	1.15E-05	P	
		Hydrogen Fluoride ⁴ (lb/hr)	< 1.98E-02	< 2.50E-02	< 1.94E-02	1.65E-01	P	
		VOCs - Total Hydrocarbons (ppmdv @ 7% O ₂)	1.8E+00	2.8E+00	2.1E+00	3.00E+01	P	
		VOCs - Total Hydrocarbons (lb/hr)	1.9E-01	2.9E-01	2.2E-01	2.76E+00	P	
	STATE	STATE	Chromium (lb/hr)	1.02E-03	1.13E-03	3.32E-04	1.93E-03	P
			Copper (lb/hr)	1.10E-03	9.52E-04	3.79E-04	4.00E-03	P
			Formaldehyde (µg/dscm @ 7% O ₂)	< 1.46E+01	< 1.60E+01	< 1.45E+01	5.00E+01	P
			Hexavalent Chromium - Cr ⁺⁶ (lb/hr)	1.51E-04	1.34E-04	1.24E-04	3.00E-04	P
			Manganese (lb/hr)	1.55E-03	2.21E-03	1.80E-03	2.30E-02	P
			Nickel (lb/hr)	1.06E-03	7.84E-04	4.18E-04	4.00E-03	P
			PAHs ⁶ (µg/dscm @ 7% O ₂)	< 2.89E-01	< 3.57E-01	< 1.98E-01	1.00E+00	P
			PAHs ⁶ (lb/hr)	< 4.51E-05	< 5.48E-05	< 3.04E-05	1.40E-04	P
			PCBs (µg/dscm @ 7% O ₂)	< 7.06E-03	< 5.96E-03	< 1.28E-02	5.30E-02	P
			Vanadium (lb/hr)	< 9.98E-05	< 3.13E-05	< 1.34E-04	6.00E-04	P
Zinc ⁷ (lb/hr)	1.55E-02	2.22E-02	3.73E-03	1.88E-02	F			

NOTES:

- ¹ Based on three test runs
- ² NYSDEC Title V Permit Number 7-3142-00028/00009
- ³ Based on total particulate analysis
- ⁴ Based on total fluorides analysis
- ⁵ Results are based on 12/2008 retesting (BIF Method 0013)
- ⁶ Results do not include naphthalene/naphthalene derivatives
- ⁷ Unit 2 results are based on December 2008 retesting event

UNITS:

- gr/dscf** = grains per dry standard cubic foot
- ppmdv** = parts per million dry volume
- lb/hr** = pounds per hour
- ng/dscm** = nanograms per dry standard cubic meter
- µg/dscm** = micrograms per dry standard cubic meter
- mg/dscm** = milligrams per dry standard cubic meter
- @ 7% O₂** = concentration corrected to 7% oxygen

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

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HELPING OUR CLIENTS'
VISIONS ADD UP

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Onondaga County Resource Recovery Agency ("OCRRA") as of and for the years ended December 31, 2008 and 2007 as listed in the table of contents. These financial statements are the responsibility of OCRRA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses and changes in net assets, and cash flows present fairly, in all material respects, the financial position of Onondaga County Resource Recovery Agency at December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2009, on our consideration of OCRRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and the schedule of funding progress are not required parts of the financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

February 24, 2009
Syracuse, New York

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

ANALYSIS OF FINANCIAL POSITION

One of the most important questions asked about 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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets* report information about OCRRA's activities in a way that will help answer this question. These two statements report the net assets of OCRRA and changes in them. You can think of OCRRA's net assets - 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 assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, consumer behavior and new or changed legislation or regulation.

OCRRA's total net assets increased from last year by \$1,503,256. OCRRA's total net assets were \$31,722,322 and \$30,219,066 on December 31, 2008 and 2007, respectively.

Table 1

	2008	2007
Current Assets	\$ 37,578,468	\$ 38,288,340
Assets limited as to use	9,590,170	8,067,519
Property, plant and equipment – net	7,752,936	7,841,287
Bond issuance costs – net of accumulated amortization	793,684	919,012
Facility lease – net of current portion	69,358,701	76,368,250
Total Assets	\$ 125,073,959	\$ 131,484,408
	2008	2007
Current Liabilities	\$ 14,484,994	\$ 14,327,948
Long-term liabilities	78,866,643	86,937,394
Total Liabilities	93,351,637	101,265,342
Net Assets – Invested in Capital Assets	7,752,936	7,841,287
Unrestricted	14,379,216	14,310,260
Restricted	9,590,170	8,067,519
Total Net Assets	\$ 31,722,322	\$ 30,219,066

Changes in OCRRA's net assets can be determined by reviewing the following condensed *Statement of Revenues, Expenses and Changes in Net Assets* for the years 2008 and 2007.

(Continued)

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

ANALYSIS OF FINANCIAL POSITION (CONT'D)

Table 2

	2008	2007
Operating Revenues	\$ 36,517,980	\$ 35,056,282
Other Revenues	5,094,265	5,948,008
Total Revenues	<u>41,612,245</u>	<u>41,004,290</u>
Operating Expenses	37,305,113	35,808,066
Other Expenses	2,803,876	3,126,667
Total Expenses	<u>40,108,989</u>	<u>38,934,733</u>
Change in Net Assets	1,503,256	2,069,557
Net Assets – Beginning of Year	30,219,066	28,149,509
Net Assets – End of Year	<u>\$ 31,722,322</u>	<u>\$ 30,219,066</u>

The increase in OCRRA's net assets in 2008 was due primarily to consistent tonnage delivered to the system, excellent recycling markets, and a \$2 per ton increase in MSW tip fees combined with increased investment revenues due to higher interest rates.

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, 2008, funds held by the trustee of \$9,590,170 are recorded as Restricted under OCRRA's Net Assets. These restricted assets increased by \$1,552,651 during 2008 due to the Indenture of Trust agreement between OCRRA and U.S. Bank National Association (the Trustee) that requires OCRRA operating surpluses to be maintained on deposit with the Trustee until any necessary payments are made on the Subordinate Bonds. Payment on the Subordinate Bonds as a result of 2008 operations will be made on May 1, 2009.

Budgetary Highlights

In 2008 OCRRA had budgeted for a Subordinate Bond payment of approximately \$565,000 and an increase in net assets of \$1,370,000. OCRRA ended the year ahead of budget for revenues and below budget for expenses resulting in a Subordinate Bond payment of approximately \$2.0 million and an increase in net assets of over \$1.5 million.

Capital Assets

At the end of 2008 OCRRA had \$7.8 million in capital assets consisting primarily of two transfer stations and various pieces of operating equipment. During 2008 Property, Plant and Equipment, net decreased by \$90,000 which reflects acquisitions of approximately \$825,000, retirements, and depreciation charges of approximately \$915,000.

(Continued)

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

ANALYSIS OF FINANCIAL POSITION (CONT'D)

Debt

During 2008 OCRRA reduced outstanding senior lien revenue refunding bonds by \$6,645,000 and achieved a net reduction on the subordinate debt of \$13,639.

OCRRA will reduce Series 2003B bonds by \$2,012,112 based on the 2008 operating surplus as calculated and made part of the restructured debt and service agreement. OCRRA will make this payment during 2009.

The payment on the Series 2003B bonds is calculated annually based on operational income as defined under agreement with the bondholders. Many of OCRRA's expense categories, including payroll costs and fuel are capped based on 2003 levels adjusted for inflation. While OCRRA expenses are allowed to exceed these caps, OCRRA is not allowed to deduct these excess operating expenses when calculating the payment due.

Direct Finance Lease

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

The Direct Finance Lease is captured in the Capital Waste-to Energy operations cost of approximately \$24,500,000, including a Capital Charge of approximately \$11,500,000 representing the portion of the Direct Finance Lease attributable to debt service principal and interest on the Series 2003A & B Bonds in 2008.

(Continued)

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The industry in which OCRRA operates is highly regulated and highly competitive. The 2003 restructured debt and service agreement for the operation of the Waste-to-Energy Facility gave OCRRA a better platform to successfully operate in this economic sector while still providing its important environmental benefits.

The 2009 Budget develops the revenue and expense requirements to continue OCRRA's efforts to provide sound environmental solid waste disposal solutions to our community. Next year's budget communicates several critical themes:

1. **Environmental Stewardship is Central to OCRRA's Mission**

The annual cost of protecting the environment and public health as measured in our 2009 Budget would be dwarfed by the costs of cleanups or illness if the infrastructure of the Onondaga County trash system reverted to the system in place before OCRRA. To further improve upon its environmental education program in 2009, OCRRA continues with an advertising agency to provide market research and media materials to better educate the community on recycling and waste reduction through its existing advertising campaign.

2. **Retaining System Trash Tonnage**

The Budget for 2009 is built on the continuation of important business relationships with our core customers: the thirty-three member municipalities in the OCRRA system and the haulers who have contracted to deliver trash and recyclables from these municipalities. OCRRA must remain cost competitive with landfill disposal charges and may utilize alternate tools such as contracts, local laws, or user fees to retain revenues. In 2009, OCRRA will slightly increase fees for municipal solid waste disposal in order to meet its financial needs, yet remain sensitive to customer expectations. OCRRA's customer service remains critically important to obtaining all system goals, both financial and environmental.

3. **Financial Stability**

OCRRA's values place cost effectiveness and fiscal responsibility at a premium. The 2009 Budget reflects OCRRA's continued financial stability. Although net operating income was negative in 2008 as a result of 2008 non-operating revenue (primarily interest earnings), net assets increased by \$1,503,256. It is anticipated in the 2009 Budget that OCRRA will perform with similar operating and net results in the coming year.

4. **Investment in Human Resources**

Approximately twenty-five percent of OCRRA's workforce will be eligible for retirement over the next five years. For 2009, additional investment and effort is being placed on recruitment, training and development to build the skills and leadership necessary to fill those potential future vacancies.

(Continued)

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

5. Investment in Real Estate

OCRRA's Board of Directors has determined that improvement and rehabilitation of its existing real estate holdings is critical to OCRRA's sustained success. In 2009, OCRRA's Capital Plan includes \$590,000 of investment in our Transfer Station structure and infrastructure. The Five-Year Capital Plan adopted by the Board anticipates a further \$455,000 of investment buildings and infrastructure through 2013.

CONTACT REGARDING OCRRA'S FINANCES

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

(Concluded)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	\$ 25,038,332	\$ 25,157,607
Accounts receivable (net of an allowance for bad debts of \$50,000 in 2008 and 2007)	1,701,041	1,933,321
Electric revenue receivable	776,571	1,384,297
Grants receivable	75,000	104,000
Other receivables	8,098	2,300
Accrued interest receivable	336,223	425,099
Prepaid expenses	651,091	604,872
Facility lease, current portion (NOTE 5)	8,992,112	8,676,844
Total current assets	37,578,468	38,288,340
 ASSETS LIMITED AS TO USE:		
Investments held by trustee under indenture (NOTE 3)	9,590,170	8,067,519
 PROPERTY, PLANT AND EQUIPMENT, net (NOTE 4)	7,752,936	7,841,287
 BOND ISSUANCE COSTS, net (NOTE 1)	793,684	919,012
 FACILITY LEASE, net of current portion (NOTE 5)	69,358,701	76,368,250
TOTAL	\$ 125,073,959	\$ 131,484,408

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES:		
Bonds payable - Series A, current portion (NOTE 6)	\$ 6,980,000	\$ 6,645,000
Bonds payable - Series B, current portion (NOTE 6)	2,012,112	2,031,844
Deferred revenue, current portion	1,164,612	1,164,612
Accounts payable	3,598,521	3,666,985
Accrued interest	434,834	490,208
Accrued expenses and other current liabilities	294,915	329,299
Total current liabilities	<u>14,484,994</u>	<u>14,327,948</u>
LONG-TERM LIABILITIES:		
Bonds payable - Series A, net of current portion (NOTE 6)	45,200,000	52,180,000
Bonds payable - Series B, net of current portion (NOTE 6)	27,320,106	27,314,013
Other postemployment benefits (NOTE 8)	135,271	67,503
Deferred revenue, net of current portion	<u>6,211,266</u>	<u>7,375,878</u>
Total liabilities	<u>93,351,637</u>	<u>101,265,342</u>
NET ASSETS:		
Invested in capital assets, net of related debt	7,752,936	7,841,287
Unrestricted	14,379,216	14,310,260
Restricted	<u>9,590,170</u>	<u>8,067,519</u>
Total net assets	<u>31,722,322</u>	<u>30,219,066</u>
TOTAL	<u><u>\$ 125,073,959</u></u>	<u><u>\$ 131,484,408</u></u>

See Notes to Financial Statements

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
OPERATING REVENUES:		
Tipping fees	\$ 19,996,019	\$ 20,280,730
Electric revenue	13,505,510	12,535,016
Recovered material revenue	2,248,870	1,527,803
Grant revenue	319,915	360,268
Other	447,666	352,465
Total operating revenues	36,517,980	35,056,282
OPERATING EXPENSES:		
Personal services	4,745,472	4,608,232
Contractual services:		
Landfill contracts	3,149,132	3,119,736
Other contractual services	374,557	303,755
Materials and supplies	936,520	672,743
Professional fees	110,941	155,308
Recycling and composting	488,530	345,583
Hazardous waste disposal	164,601	207,875
Repairs and maintenance	191,057	141,633
Utilities	157,178	151,357
Insurance	191,886	255,567
Operating leases	180,151	124,127
Depreciation and amortization	1,041,409	969,178
Taxes and other payments to Host Communities	332,393	325,555
Other	740,319	708,763
Waste-to-Energy operations cost (NOTE 5)	24,500,967	23,718,654
Total operating expenses	37,305,113	35,808,066
OPERATING LOSS	(787,133)	(751,784)
OTHER REVENUE (EXPENSE):		
Interest income - cash and repurchase agreements	170,054	388,646
Interest income - non-system	841,533	1,234,782
Interest income - lease receivable	2,803,878	3,126,667
Interest expense	(2,803,876)	(3,126,667)
Gain on sale of machinery and equipment	114,188	33,301
Gain on refunding of long-term debt	1,164,612	1,164,612
Other revenue - net	2,290,389	2,821,341
INCREASE IN NET ASSETS	1,503,256	2,069,557
NET ASSETS - BEGINNING	30,219,066	28,149,509
NET ASSETS - END	\$ 31,722,322	\$ 30,219,066

See Notes to Financial Statements

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from tipping fees	\$ 20,228,299	\$ 20,040,319
Receipts from electric revenue	14,113,236	12,276,709
Other operating receipts	3,039,653	2,235,142
Payments to vendors and suppliers	(6,940,063)	(6,519,411)
Payments to employees	(3,830,688)	(3,694,374)
Payments for Waste-to-Energy (WTE) operations	(12,984,605)	(12,185,366)
Payments for insurance and employee benefits	(1,073,285)	(1,040,120)
Net cash provided by operating activities	12,552,547	11,112,899
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on bonds outstanding	(8,676,842)	(8,346,334)
Proceeds from the sale of machinery and equipment	114,188	33,301
Purchase of property, plant and equipment	(827,730)	(693,604)
Payments for interest on bonds outstanding	(2,859,250)	(3,179,375)
Net cash utilized in capital and related financing activities	(12,249,634)	(12,186,012)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	(1,522,651)	219,853
Proceeds from interest on invested funds	1,100,463	1,772,806
Net cash provided by (utilized in) investing activities	(422,188)	1,992,659
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(119,275)	919,546
CASH AND CASH EQUIVALENTS - BEGINNING	25,157,607	24,238,061
CASH AND CASH EQUIVALENTS - END	\$ 25,038,332	\$ 25,157,607

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (787,133)	\$ (751,784)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,041,409	969,178
Interest income adjustment - DFL Series A	-	52,708
WTE operations used to reduce lease costs	11,516,362	11,533,291
Other postemployment benefits expense	67,768	67,503
Changes in operating assets and liabilities:		
Accounts receivable	232,280	(240,411)
Other receivables	630,928	(263,701)
Prepaid expenses	(46,219)	(332,652)
Accounts payable and accrued expenses	(102,848)	78,767
Total adjustments	<u>13,339,680</u>	<u>11,864,683</u>
Net cash provided by operating activities	<u>\$ 12,552,547</u>	<u>\$ 11,112,899</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

The Agency recognized a gain of \$1,164,612 in 2008 and 2007 related to the deferred gain on refunding of long-term debt.

See Notes to Financial Statements

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

OCRRA was statutorily created in 1981 as a public benefit corporation under New York State law. OCRRA's purpose was to implement the County's multi-faceted solid waste management plan. OCRRA began active operations in 1990.

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

Measurement Focus and Basis of Accounting

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

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.

OCRRA's policy is to apply the provisions of Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, OCRRA considers all short-term investments with an original maturity of three months or less to be cash equivalents.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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

Cash and Cash Equivalents (Cont'd)

Statutes authorize OCRRA to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

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

Accounts Receivable

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

Investments

Investments, which consist of United States Treasury Bills and certificates of deposit, are stated at cost, which approximates fair value.

Bond Issuance Costs

Bond issuance costs are amortized on a straight-line basis over the term of the related debt. Accumulated amortization at December 31, 2008 and 2007 amounted to \$657,971 and \$532,643, respectively.

Property, Plant and Equipment

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

Deferred Revenue

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

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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

Assets Limited as to Use

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

Net Assets

Equity is classified as net assets and displayed in three components:

- a. Invested 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 assets - net assets with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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 Seneca Meadows Landfill, near Waterloo, New York under a long-term contract. Construction of the in-county landfill will occur when environmental and economic factors dictate that it is in the best interest of Onondaga County businesses and residents.

The cost of the designated site is included in property, plant and equipment (see Note 4). Engineering and consulting fees related to siting, environmental studies and permitting of the Landfill are capitalized. According to Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, should OCRRA decide to transport waste to the Landfill, OCRRA is required to accrue a portion of the estimated total of closure and postclosure care in each period that waste is accepted at the site. Recognition of such a liability shall begin on the date the Landfill begins accepting waste. As of December 31, 2008 there has been no waste delivered to the Landfill.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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

Federal Income Taxes

OCRRA is exempt from federal income taxes under Internal Revenue Service Code Section 115.

Concentration

The top four haulers combined delivered approximately 69% of the total municipal solid waste to OCRRA during the year ended December 31, 2008.

Environmental and Regulatory Risk

OCRRA operates in an environmentally sensitive industry and is subject to extensive federal, state and local 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 of these laws have extensive and complicated requirements relating to obtaining operating permits, monitoring, record keeping and reporting. Management believes that its facilities are in material compliance with permits and other applicable environmental laws.

2. OPERATING CONSIDERATIONS

The Onondaga County Solid Waste Management System (the "System") has implemented a multi-layer "flow control" arrangement to ensure that all legal means of requiring delivery of waste into the System are utilized. First, OCRRA has "delivery agreements" with all 33 participating municipalities in Onondaga County. Those "delivery agreements" commit each municipality to "deliver or cause the delivery" of municipal solid waste ("MSW") from their community to the System. Most of the residential MSW is delivered to the System pursuant to municipal pick-up, municipally contracted pick-up, and solid waste districts, implemented in accordance with the "delivery agreements". In addition, in 2000 - 2001, all 33 municipalities enacted approved, in-state waste site designation laws committing delivery of all of their MSW to the System, if the MSW is to be disposed of within the State. Also, in 2003, the Onondaga County Legislature enacted a local "flow control" law, based closely on the language and criteria found in the Oneida-Herkimer Law that directed all municipal solid waste in the 33 participating municipalities to OCRRA's public Waste-To-Energy Facility. This type of arrangement was reviewed and deemed Constitutional by the U.S. Supreme Court in its April, 2007 Oneida-Herkimer case. Finally, OCRRA has, as additional security, entered into five-year delivery contracts directly with all of the area's trash haulers, wherein they have contractually committed through 2010 to deliver all MSW picked up in the 33 participating municipalities to the System.

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. ASSETS LIMITED AS TO USE

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

	<u>2008</u>	<u>2007</u>
Funds to pay principal, interest and sinking fund payments on the Senior Lien Revenue Refunding Bonds (2003A Series) to the extent that funds are not otherwise available in other designated funds	\$ 48,527	\$ 227,562
Funds accumulated from System revenues to pay for debt service obligations of the Subordinate Lien Revenue Refunding Bonds (2003B Series)	1,586,135	1,586,507
Accumulation of earnings from System revenues to satisfy general OCRRA obligations	<u>7,955,508</u>	<u>6,253,450</u>
Total	<u>\$ 9,590,170</u>	<u>\$ 8,067,519</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 396,190	\$ -	\$ -	\$ 396,190
Landfill site	3,749,591	-	-	3,749,591
Landfill site costs	195,760	-	-	195,760
Landfill buildings and improvements	621,425	-	-	621,425
Buildings and improvements	1,783,782	38,424	-	1,822,206
Machinery and vehicles	6,132,829	429,372	430,941	6,131,260
Furniture and fixtures	89,950	48,017	-	137,967
Computer equipment	180,659	-	-	180,659
Leasehold Improvements	9,766	412,201	-	421,967
Land improvements	68,799	-	-	68,799
Construction in progress	<u>102,473</u>	<u>394,576</u>	<u>494,860</u>	<u>2,189</u>
Total property, plant and equipment	13,331,224	1,322,590	925,801	13,728,013
Less: Accumulated depreciation	<u>5,489,937</u>	<u>916,081</u>	<u>430,941</u>	<u>5,975,077</u>
Property, plant and equipment - net	<u>\$ 7,841,287</u>	<u>\$ 406,509</u>	<u>\$ 494,860</u>	<u>\$ 7,752,936</u>

OCRRA collects rental income and incurs maintenance on certain properties which are located on OCRRA's landfill site.

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

5. FACILITY LEASE AND SERVICE AGREEMENT

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

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

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

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

According to the terms of the service agreement, if the service agreement is terminated by OCRRA as a result of an event of default by the Partnership, the Partnership is required to pay OCRRA \$1,000,000 plus the lesser of OCRRA's actual damages arising from the Event of Default and Termination of the Agreement and the Maximum Liability Cap on the date of termination.

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

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

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007**

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

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

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

	<u>2008</u>	<u>2007</u>
Operating and pass through costs	\$12,183,047	\$ 11,348,937
Additional waste processing fee	801,558	836,426
Capital charge	<u>11,516,362</u>	<u>11,533,291</u>
Total	<u>\$ 24,500,967</u>	<u>\$ 23,718,654</u>

Future minimum annual lease payments due from the Partnership are as follows at December 31, 2009:

<u>YEAR ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2009	\$ 11,514,987
2010	9,499,500
2011	9,503,375
2012	9,498,375
2013	9,503,750
Thereafter	<u>55,683,822</u>
Total future minimum lease payments	105,203,809
Unearned income	<u>26,852,996</u>
Net investment in lease	78,350,813
Current portion	<u>8,992,112</u>
Long-term portion	<u>\$ 69,358,701</u>

The payments due for the year ending December 31, 2009 include approximately \$2,012,000 required to be received pursuant to the satisfaction of the Series 2003B Bonds (see Note 6).

6. BONDS PAYABLE

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

(Continued)

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

6. BONDS PAYABLE (CONT'D)

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

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

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

Increase in net assets (surplus) prior to computation of current obligation on 2003B Bonds:	\$ 3,515,365
Add: Depreciation	916,081
Amortization	125,328
Capital overage	176,689
Deduct: Gain on refunding	(1,164,612)
Interest income - non-system	(841,533)
Gain on sale of machinery and equipment	<u>(114,188)</u>
Contractually defined surplus	2,613,130
Series B Share	<u>77%</u>
Current year liability	2,012,110
Prior year liability	<u>2</u>
Bonds payable - Series 2003B, current portion	<u>\$ 2,012,112</u>

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

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

6. BONDS PAYABLE (CONT'D)

Activity relative to bonds payable for the year ended December 31, 2008 was as follows:

	<u>Balance at December 31, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2008</u>
Senior Lien Revenue Refunding Bonds	\$ 58,825,000	\$ -	\$ 6,645,000	\$ 52,180,000
Subordinate Lien Revenue Refunding Bonds	<u>29,345,857</u>	<u>2,018,203</u>	<u>2,031,842</u>	<u>29,332,218</u>
Total	<u>\$ 88,170,857</u>	<u>\$ 2,018,203</u>	<u>\$ 8,676,842</u>	<u>\$ 81,512,218</u>

The Series 2003A Bonds maturing in 2010 and 2015 are subject to mandatory redemption in part by lot on May 1 annually from mandatory sinking fund installments which extend through 2015 as follows:

<u>YEAR ENDING DECEMBER 31,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2009	\$ 2,522,875	\$ 6,980,000
2010	2,169,500	7,330,000
2011	1,798,375	7,705,000
2012	1,408,375	8,090,000
2013	998,750	8,505,000
2014	568,250	8,935,000
2015	<u>115,875</u>	<u>4,635,000</u>
Total	<u>\$ 9,582,000</u>	<u>\$ 52,180,000</u>

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

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007**

7. RETIREMENT PLANS

Pension Plan

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

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

All participating employers in the Retirement System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is noncontributory except for employees who joined the Employees' Retirement System after July 26, 1976, who contribute 3% of their salary during the first 10 years of service. Employee contributions are deducted by OCRRA from employees' paychecks and are sent currently to the Retirement System.

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

<u>YEAR ENDED DECEMBER 31,</u>	<u>AMOUNT</u>
2008	\$ 263,151
2007	289,870
2006	309,072

Deferred Compensation Plan

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

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007**

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

Eligible employees who retire from employment between the ages of 55 and 61 may waive their COBRA rights and continue their health insurance benefits (exclusive of dental coverage) by paying the full cost of the coverage. As of January 1, 2007, these employees at age 62 may continue coverage until they become Medicare eligible by paying 25% of the coverage. Once these employees are eligible for Medicare they lose their coverage and receive payments equal to \$50 per month until their death.

Annual Pension Cost and Net Pension Obligation

OCRRA's annual pension cost and net pension obligation to the plan for the current year were:

Annual required contribution	\$ 78,073
Contributions made	<u>(10,305)</u>
Increase in net OPEB obligation	67,768
Net OPEB obligation – beginning of year	<u>67,503</u>
Net OPEB obligation – end of year	<u><u>\$ 135,271</u></u>
Annual OPEB cost	\$ 78,073
Percentage of annual OPEB cost contributed	13.19%

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007**

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

The annual required contribution for the current year was determined as part of the January 1, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included 4.0% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 10% and a prescription drug trend rate of 12%, reduced by decrements to an ultimate rate of 5% after eight years. All rates include a 3.25% inflation assumption. The remaining amortization period at December 31, 2008 was three years.

The valuation 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 future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of OCRRA 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 that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between OCRRA and plan members to that point. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Additional Information

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	Single Amortization Period
Amortization Period (in years)	5.00
Amortization Period Status	Open
Method used to determine Actuarial Value of Assets	N/A

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

OCRRA leases equipment and office facilities under operating leases. Rental payments under these agreements were approximately \$180,000 and \$124,000 during 2008 and 2007, respectively. Obligations under all cancelable and non-cancelable long-term operating leases are as follows at December 31, 2008:

YEAR ENDING DECEMBER 31,	AMOUNT
2009	\$ 150,000
2010	107,000
2011	20,000
2012	5,000
2013	5,000
Thereafter	<u>43,000</u>
Total	<u>\$ 330,000</u>

Landfill Contracts

OCRRA has contracted with Seneca Meadows Landfill, Inc. at established rates for disposal services for incinerator ash residue and other system bypass wastes. The contract also includes disposal capacity for bypass and other solid waste to the Seneca Meadows Landfill. Costs incurred under this agreement were \$3,076,000 during 2008. OCRRA has extended the contract with Seneca Meadows Landfill through May 2011. The per ton incinerator ash residue disposal charge will range from \$21 to \$30, and the per ton solid waste/bypass solid waste disposal charge will range from \$31 to \$40, over the term of the extended contract.

Host Community Agreements

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

(Continued)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

9. COMMITMENTS AND CONTINGENCIES (CONT'D)

OCRRA entered into an Interim Host Community Agreement (the "Interim Agreement") with the Town of Van Buren ("Van Buren") in 1998. The Interim Agreement provides for annual payments to Van Buren during the period prior to development of the landfill facility. The Interim Agreement includes provisions for annual increases based upon a five-year rolling average of Van Buren tax rate; in no case, shall such annual increase be greater than 2%, according to the Interim Agreement. The Host Community Interim Agreement was extended pursuant to an automatic renewal provision through the year 2012.

OCRRA recorded PILOT's to Van Buren in the amount of \$46,693 and \$45,778 in 2008 and 2007, respectively. OCRRA also made payments of approximately \$134,000 and \$135,000 in 2008 and 2007, for fire district assessments. OCRRA anticipates similar payments will be made in 2009.

Property Stabilization

Effective August 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 2008 and 2007, no such payments were made.

Litigation

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

10. NATIONAL GRID AGREEMENT

OCRRA and National Grid participate in an electricity purchase agreement. This contract provides that National Grid will purchase approximately 210,000,000 kwh per calendar year at a minimum of six cents per kilowatt hour through 2009, and at market rate thereafter. National Grid and OCRRA have established the upper limit for the agreement at 243,000,000 kwh. In 2008 OCRRA received an annual average sale price of 6.827 cents per kilowatt hour.

11. RECLASSIFICATION

Certain amounts for the year ended December 31, 2007 have been reclassified from previously issued financial statements. These reclassifications had no impact on the change in net assets or net assets as previously reported.

(Concluded)

**ONONDAGA COUNTY RESOURCE RECOVERY AGENCY
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2008 AND 2007**

	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio
December 31, 2007	-	\$ 318,755	0%
December 31, 2008	-	333,262	0%



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the Onondaga County Resource Recovery Agency (“OCRRA”) as of and for the year ended December 31, 2008 and have issued our report thereon dated February 24, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OCRRA’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCRRA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCRRA’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects OCRRA’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of OCRRA’s financial statements that is more than inconsequential will not be prevented or detected by OCRRA’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by OCRRA’s internal control.

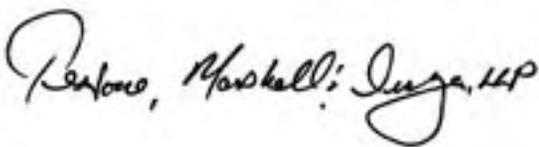
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCRRA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of OCRRA in a separate letter dated February 24, 2009.

This report is intended solely for the information and use of OCRRA's board of directors and management and is not intended to be and should not be used by anyone other than these specified parties.

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

February 24, 2009
Syracuse, New York

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