

# Lancaster County Solid Waste Management Authority

Years Ended December 31, 2020 and 2019

# **Lancaster County Solid Waste Management Authority**

Lancaster, Pennsylvania

Years Ended December 31, 2020 and 2019

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Daniel G. Youngs - Chief Financial Officer

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# Lancaster County Solid Waste Management Authority

Financial Statements with Supplementary Information

Years Ended December 31, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Lancaster County Solid Waste  
Management Authority**  
Lancaster, Pennsylvania

We have audited the accompanying financial statements of **Lancaster County Solid Waste Management Authority**, which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 financial position of **Lancaster County Solid Waste Management Authority** as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter - Change in Reporting Entity**

As discussed in Note 1, there has been a change in reporting entities in 2020 with the incorporation of The Sustainable Assurance Company, which qualifies as a blended component unit of the **Lancaster County Solid Waste Management Authority**. The financial statements for the year ended December 31, 2020, include the financial results of the blended component unit. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefits information on pages 3 through 9 and 50 and 51, respectively, 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.

*Trout CPA*

March 19, 2021  
Lancaster, Pennsylvania

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended December 31, 2020

The Management of the **Lancaster County Solid Waste Management Authority** (the "Authority") presents the following narrative and analysis to assist the reader of the financial statements in understanding the financial activities for the fiscal year ended December 31, 2020.

### **Overview of the Financial Statements**

Although the Authority is a governmental entity, the Authority engages primarily in business-type activities. The Authority's basic financial statements consist of two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This management's discussion and analysis also contains other supplementary information in addition to the basic financial statements.

### **Enterprise Fund Financial Statements**

The enterprise fund statements are designed to provide readers with a broad overview of the Authority's finances using accrual basis for accounting which is the same measurement focus and basis of accounting employed by private-sector business enterprises. The enterprise fund financial statements can be found on pages 10 through 14 of the attached audited financial statements.

The statements of net position present information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. These statements provide the reader information on the Authority's operating revenues and expenses, non-operating revenues, and expenses and whether the Authority's financial position has improved or deteriorated as a result of each year's operations.

The statements of cash flows present the Authority's change in cash and cash equivalents during the year. This information is useful in determining the Authority's ability to generate cash sufficient to cover operating and debt obligations.

Notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15 through 49 of the attached audited financial statements.

### **SUMMARY**

The Authority was not immune to the challenges brought by the novel coronavirus ("COVID-19") pandemic. March 13, 2020 commenced the widespread shelter-in-place and strict closure of many industries. Throughout this period, the Authority was classified as an "Essential Service Provider" and remained fully operational. The safety and well-being of staff and customers were of the highest priority as numerous adjustments in safety and hygiene protocol were quickly enacted. Additionally, the Authority successfully navigated volatility in waste volumes, changes in operating strategy, and remote work solutions for support staff. May 2020 presented the most significant volume impact within the Authority as waste tonnage fell to 78,040 tons for the month, nearly 15% less than May 2019. Despite a brief second-quarter volume and revenue dip, waste volumes gradually recovered throughout the balance of the year resulting in total annual tonnage of 963,158 tons, a nominal decrease of 1.6% as compared to prior year. Strategic diversification of revenue sources provides fiscal strength in weathering market fluctuations as realized in 2020 waste volumes. Further, The Authority took immediate action following the Q2 decline in volumes to reduce costs and maintain liquidity.

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2020

### SUMMARY (Continued)

Capital expenditures ("CAPEX") increased 12.8% as compared to prior year. Net CAPEX investment of \$14,097,471 was incurred to support the infrastructure and equipment necessary to process waste volumes. CAPEX investment included fire suppression upgrades, necessary site maintenance and improvements and equipment replacement including tri-axle dump trucks, truck tractors, and transfer trailers.

The Authority formed a property insurance captive, Sustainable Assurance Company (the "Captive") domiciled in Vermont, on November 19, 2020, as a solution to combat an intensely hardening market for property underwriting, specifically within the power generation class of business. The Captive is a licensed Vermont insurance company which issued a comprehensive property and terrorism insurance policy to the Authority effective January 1, 2021 for the term of one year. The Authority funded \$1,300,000 of formation capital, exceeding the State of Vermont's \$250,000 minimum requirement, to wholly offset all financial risk exposure retained by the Captive. Further, the Captive is reinsured by a syndicated panel of domestic and foreign carriers maintaining an A.M. Best rating of 'A-' or greater. The Captive provides stability in underwriting, ensures adequate coverages and sublimits, and improves financial control for the Authority.

### FINANCIAL REVIEW

The Authority strengthened its balance sheet position by increasing its net position by 2.8% from 2019 to \$181,318,453 as of December 31, 2020. Over the past five (5) years, the Authority strengthened its net position by 13% from \$159,974,434 to \$181,318,453. Current assets of \$43,534,296 improved by 9.0% for the year as a result of improved operating performance and cash management. Fixed assets, net of depreciation, of \$236,236,550 declined by \$4,211,894 from 2019 as a result of commencing depreciation on the first stage of the vertical expansion at the Frey Farm Landfill. Total assets and deferred outflows of resources of \$321,635,652 declined by \$1,642,543 from 2019. Operating activities generated sufficient cash flow to fully fund capital investments and debt service obligations. Total principal debt outstanding (current and long-term) was reduced by \$4,550,000 to a principal balance of \$108,435,000 at December 31, 2020.

	Net Position	
	2020	2019
Current and Other Assets	85,399,102	82,829,751
Capital Assets	<u>236,236,550</u>	<u>240,448,444</u>
<b>TOTAL ASSETS and DEFERRED OUTFLOWS</b>	<b>321,635,652</b>	<b>323,278,195</b>
Current Liabilities and Other Liabilities	15,438,839	15,044,078
Long-Term Liabilities	113,219,434	118,241,885
Landfill Closure and Post-Closure Costs (Current and Long-Term)	<u>11,658,926</u>	<u>13,581,296</u>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS</b>	<b>140,317,199</b>	<b>146,867,259</b>
Net Investment in Capital Assets	133,042,678	132,250,019
Restricted	9,157,067	6,971,340
Unrestricted	<u>39,118,708</u>	<u>37,189,577</u>
<b>TOTAL NET POSITION</b>	<b>181,318,453</b>	<b>176,410,936</b>

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2020

### FINANCIAL REVIEW (Continued)

The Authority maintained a Standard & Poor's credit rating of 'AA+' representative of the Authority's sound business model encompassing diversified revenues, operational efficiencies, and robust debt service coverage.

The Authority had a net debt service obligation of \$9,258,163 (principal and interest) for 2020. The debt service coverage ratio improved to 2.7 times the annual debt service obligation.

The majority of the Authority's net position is comprised of two components: 1) investment in capital assets (net of associated debt) and 2) investments in board designated investment reserve funds of which \$39,118,708 is designated as unrestricted. These investment reserves consist of funds set aside for future capital construction project funding along with business interruptions and strategic opportunities.

Operating revenues of \$88,351,107 increased by \$825,851 (+0.9%) from 2019. Tipping fee revenue, net of Hauler Rebates was \$68,420,973, a 2.4% increase from 2019. The Authority's average gross tip rate per ton improved to \$75.31 (+3.8%) providing relief against the impact of reduced volumes. Energy revenue of \$14,879,766 decreased by \$1,156,505 (-7.2%) from 2019 due to record low electric market pricing and reduced consumption by the Department of General Services as many Commonwealth offices were vacated as mandated by the Governor of Pennsylvania. The Lancaster Waste-To-Energy ("WTE") facility experienced a slight decline in boiler availability and generation whereas the Susquehanna Resource Management Complex ("SRMC") improved generation and boiler availability as compared to prior year.

Operating and support expenses, excluding depreciation, were \$53,619,248 and \$9,280,486 respectively, a cumulative decrease of 7.1% from 2019. Direct operational costs were reduced by 7.4% as a result of fewer tons processed through the integrated system while enacting several cost-saving measures and improving efficiencies and productivity. Further, support expenses were reduced by 5.8% as a result of adjustments in staffing requirements and cost-saving measures enacted throughout the fiscal year. Depreciation expense of \$19,259,970 increased 28.8% from 2019, largely the result of depreciation commencing on the first stage of the Frey Farm Landfill Vertical Expansion. Included in operating expenses are provisions for landfill related closure and post-closure care costs as well as asset retirement obligations as recognized under GASB accounting guidelines. The total costs recognized under these guidelines was \$830,860 for 2020.

Net non-operating expenses were \$1,283,886, a decrease of 46.8% from 2019. Net non-operating expenses include interest expense on debt, investment earnings, net gain or loss on asset sales, and other non-operating revenue sources. Investment earnings of \$2,143,520 fell below prior year earnings of \$2,475,836 as returns on available investment options were marginal at best. Investment earnings includes interest recognized from bank-managed investments, interest earnings on the loan provided to Inashco and market value gains realized on investment assets. Additionally, non-operating expenses were reduced as a result of \$434,853 in gains recognized through the sale of land and other capital assets.



# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2020

### FINANCIAL REVIEW (Continued)

	Change in Net Position	
	2020	2019
<b>Revenues:</b>		
Tipping, net	68,420,973	66,786,759
Energy	14,879,766	16,036,271
Transportation	1,512,203	1,562,956
Other Revenues	<u>3,538,165</u>	<u>3,139,270</u>
<b>TOTAL OPERATING REVENUES</b>	<b>88,351,107</b>	<b>87,525,256</b>
<b>Expenses:</b>		
Operating	53,619,248	57,885,176
Support	9,280,486	9,846,794
Depreciation	<u>19,259,970</u>	<u>14,951,137</u>
<b>TOTAL OPERATING and SUPPORT EXPENSES</b>	<b>82,159,704</b>	<b>82,683,107</b>
<b>OPERATING INCOME</b>	<b>6,191,403</b>	<b>4,842,149</b>
Interest Expense	(4,256,228)	(4,401,154)
Investment Earnings	2,143,520	2,475,836
Gain (Loss) on Assets	434,853	(331,010)
Other Non-Operating Revenue	<u>393,969</u>	<u>(155,813)</u>
<b>NET NON-OPERATING EXPENSES</b>	<b>(1,283,886)</b>	<b>(2,412,141)</b>
<b>CHANGES in NET POSITION</b>	<b>4,907,517</b>	<b>2,430,008</b>
Net position - January 1	<u>176,410,936</u>	<u>173,980,928</u>
<b>NET POSITION - DECEMBER 31</b>	<b>181,318,453</b>	<b>176,410,936</b>

### Capital Assets

During fiscal year 2020, the Authority invested \$14,953,959 in capital assets through a combination of projects, improvements and equipment purchases at each site. Proceeds from property and equipment sales were \$856,488 resulting in net capital expenditures of \$14,097,471. Replacement of various aging tri-axle dump trucks, truck tractors, and transfer trailers collectively equated to 23% of annual capital expenditures, net of proceeds.

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2020

### FINANCIAL REVIEW (Continued)

#### Capital Assets (Continued)

Total depreciation expense was \$19,259,970. A comparison of capital assets, net of depreciation, as of December 31, 2020 and December 31, 2019 is shown below.

	Capital Assets	
	2020	2019
Land and Improvements	32,805,169	32,805,169
Buildings and Improvements	151,795,737	155,620,184
Site and Improvements	26,155,698	10,194,582
Other Real Estate	7,324,616	7,213,587
Vehicles/Transportation	7,217,697	5,233,140
Equipment	7,215,179	5,583,689
Office Furniture and Equipment	67,015	34,239
Computer Software and Equipment	498,442	663,873
Construction in Progress	<u>3,156,997</u>	<u>23,099,981</u>
<b>TOTAL CAPITAL ASSETS</b>	<b>236,236,550</b>	<b>240,448,444</b>

Additional information on the Authority's capital assets can be found in Notes 5 and 6 of the financial statements.

#### Debt Administration and Long-Term Obligations

At December 31, 2020, the Authority had \$108,435,000 of outstanding bond principal liability associated with the acquisition of the SRMC assets on December 23, 2013. Principal payments of \$4,550,000 were made in 2020 (see Note 9). The Authority has obligations to close the Frey Farm Landfill at permit expiration and perform post-closure monitoring for the Creswell and Frey Farm Landfills as well as post-closure monitoring associated with the SRMC ash landfills. The Authority maintains closure and post-closure related liabilities in the amount of \$11,658,926 at December 31, 2020. Additionally, the Authority is required per GASB standards to record a liability for other asset retirement obligations inclusive of facility decontamination and non-landfill facility water monitoring. The asset retirement obligation liability at December 31, 2020 is \$822,749.

### REVIEW of BUSINESS

#### Facilities and Operations

The Authority owns and operates four (4) primary facilities; the Transfer Station Complex ("TSC") in Lancaster, PA; the Frey Farm Landfill ("FFLF") in Conestoga, PA; the Waste-to-Energy ("WTE") facility in Bainbridge, PA; and the Susquehanna Resource Management Complex ("SRMC") in Harrisburg, PA. The integrated operation of these facilities constitutes the entire solid waste processing and disposal system ("the System").

In 2020, the System received 963,158 tons of waste which includes refuse, construction and demolition (C/D), residual and recyclable material. This total tonnage represented a 1.6% decrease from 2019. The TSC received 379,475 tons of waste which was then transferred to the WTE facility, FFLF, SRMC or privately owned and operated recycling facilities. WTE received 397,690 tons of waste either delivered directly to the facility or transferred in from the TSC or SRMC, while the FFLF received 258,761 tons of waste either delivered directly to the FFLF or transferred in from the TSC, WTE or SRMC. There were 300,414 tons of waste directly received at SRMC.

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2020

### REVIEW of BUSINESS (Continued)

#### Facilities and Operations (Continued)

The WTE facility processed 393,512 tons of waste to generate 189,740 MWh of electricity and 41,969 MWh equivalent of steam for Perdue's soybean processing facility. Total electric revenue generated at the WTE was \$3,786,974. The WTE facility had direct steam deliveries to Perdue that realized revenues of \$3,352,273. In exchange for an obligation to provide electricity to the PJM grid during periods of need, the WTE facility recognized \$711,723 in capacity commitment revenue. WTE's renewable energy credits (RECs) totaled \$815,962.

The SRMC facility processed 278,188 tons of waste generating 114,419 MWh of electricity, 85% of which was sold under a 20-year contract to the Commonwealth of Pennsylvania's Department of General Services (DGS). Total electric revenue generated at the SRMC was \$5,059,655. In addition to the direct sale of electric, the SRMC facility also contracted to provide capacity to PJM generating \$228,150 of revenue, and RECs generating another \$470,685.

Transportation revenues of \$1,512,203 reflects fees charged to haulers for waste that is delivered to the Authority's Transfer Station (which is then transferred to the FFLF, WTE or SRMC sites). Other revenue primarily consists of the sale of metal recovered from ash at the two waste-to-energy facilities. Metals prices, which fluctuate based on market variables, stabilized in 2020 resulting in metal recovery revenues of \$814,534, a 10.5% increase from 2019.

For first full year of operations at the Inashco metals recovery facility, owned and operated by Blue Phoenix Inascho USA, the Authority recognized \$555,763 of metal sales revenue in 2020. Further, the Authority earned \$504,557 of interest in 2020 on the original \$11,000,000 loan issued to Inashco (principal balance of \$9,602,380 as of December 31, 2020).

The Authority began filling the first stage of the Frey Farm Landfill Vertical Expansion in June 2020. This first stage provides 1.14 million cubic yards or approximately 2.5 years of fill capacity out of the total 6.4 million cubic yards or approximately 18 years of fill capacity from the Vertical Expansion project.

At the outset of the pandemic, it was unclear as to the potential impact on volumes and the duration of time until a recovery would occur. Quick and ongoing adjustments to operations and support were necessary to preserve the Authority's financial position. Operating and support costs were reduced -7.4% and -5.8% respectively as a direct result of lower volumes and cost-reduction measures enacted through identifying opportunities to optimize the Authority's integrated system. Efficiency and productivity gains resulted in per ton direct operating costs decreasing by \$3.44 to \$55.68 as compared to prior year at \$59.11 per ton.

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2020

### BUSINESS OUTLOOK

The core of the Authority's business model, final processing, and disposal of solid waste, remains a stable and enduring revenue source despite the brief interruption presented by the 2020 pandemic. The Authority anticipates improving yet conservative annual growth rates in waste volumes across all waste types in 2021 and thereafter as suggested by economic, market, and regional demographic data. The Authority will continue operating at favorable tonnage volumes allowing the absorption of fixed costs and maximizing production efficiencies. Electric generation is expected to remain at recent output levels as operations and preventive maintenance programs focus on maintaining high levels of reliability and generation. Electric market rates are expected to remain at near-record lows due to the availability of low-cost natural gas for fueling power generation facilities and regional climate trends. Demand for thermal energy (steam) to Perdue is expected to remain strong and the Authority will continue to look at additional opportunities for its WTE facility to further reduce its exposure to volatility associated with open market electricity sales.

Business fundamentals within the Authority remain resilient as exhibited throughout 2020. The Authority continues to invest in infrastructure, equipment, and technologies to increase operational consistency, reduce operating costs and ensure continued quality service for the communities served. Long-term capacity planning and fiscal strategy, inclusive of recent pandemic impacts, remain significant priorities as the management team identifies future objectives necessary to ensure model sustainability. The next generation of final disposal capacity, which encompasses a 15 to 20-year horizon, will require significant financial and operational planning. Proactively developing strategies for tip rates and operational improvements will be critical to ensure the Authority remains in a favorable financial position for the continuation of successful solid waste management. Opportunities associated with energy products, material recoveries, and resource development are continuously evaluated internally and jointly with the Authority's extended industry and community partner network.

The Authority was able to cover the 2020 CAPEX investment through free cash flows from operations. Fiscal year 2021 will require greater investment into CAPEX as the Authority continues investment in significant fire suppression upgrades across the power generation and transfer facilities as well as commencing construction of the second stage of the Frey Farm Landfill Vertical Expansion. The Authority is planning for CAPEX investment of approximately \$18,500,000 and \$12,500,000 in 2021 and 2022 respectively. The majority of the 2021 and 2022 CAPEX funding requirements will be satisfied through free cash flow from operations with any additional funding requirement drawn from planned construction reserves.

### REQUESTS for INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, **Lancaster County Solid Waste Management Authority**, P.O. Box 4425, Lancaster, PA 17604, or e-mail to [info@lcswma.org](mailto:info@lcswma.org).

# Lancaster County Solid Waste Management Authority

## STATEMENTS of NET POSITION

December 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 17,844,134	\$ 14,167,178
Investments	13,980,441	13,343,520
Accounts Receivable, net of Provision for Bad Debts of \$90,000 and \$10,000 at 2020 and 2019, Respectively	10,141,777	9,852,540
Grants Receivable	323,071	410,291
Notes Receivable, Current Portion	941,323	895,508
Interest Receivable	108,226	134,082
Inventory	19,815	19,815
Prepaid Assets	175,509	1,134,819
<b>Total Current Assets</b>	<b>43,534,296</b>	<b>39,957,753</b>
<b>RESTRICTED ASSETS</b>		
Investments with Trustee (Note 3)	9,036,538	9,071,469
Interest Receivable	35	2,351
Total Restricted Assets with Trustee	9,036,573	9,073,820
Cash and Cash Equivalents - Restricted - Captive Insurance Company	250,000	-0-
Escrow Deposits	1,456,889	1,411,854
Closure and Post-Closure Care Funds	19,609,104	19,640,782
<b>Total Restricted Assets</b>	<b>30,352,566</b>	<b>30,126,456</b>
<b>OTHER ASSETS</b>		
Notes Receivable, net of Current Portion (Note 4)	8,661,057	9,602,379
Other Real Estate	1,273,566	1,517,799
Other - Raffles Insurance, Ltd.	31,000	31,000
<b>Total Other Assets</b>	<b>9,965,623</b>	<b>11,151,178</b>
<b>REAL ESTATE, FACILITIES, and EQUIPMENT (Note 6)</b>		
Land and Improvements	32,805,169	32,805,169
Buildings and Improvements	321,397,656	314,906,937
Site and Improvements	90,384,984	70,497,484
Other Real Estate	9,202,763	8,861,345
Vehicles/Transportation	15,566,545	12,686,996
Equipment	14,570,469	13,418,102
Office Furniture and Equipment	140,450	91,951
Computer Software/Equipment	1,313,985	1,314,941
	485,382,021	454,582,925
Accumulated Depreciation	(252,302,468)	(237,234,462)
Net Depreciable Assets	233,079,553	217,348,463
Construction in Progress (Note 5)	3,156,997	23,099,981
<b>Net Real Estate, Facilities, and Equipment</b>	<b>236,236,550</b>	<b>240,448,444</b>
<b>TOTAL ASSETS</b>	<b>320,089,035</b>	<b>321,683,831</b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>		
Other Postemployment Benefits	817,000	826,247
Asset Retirement Obligations	729,617	768,117
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<b>1,546,617</b>	<b>1,594,364</b>
<b>TOTAL ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>	<b>\$ 321,635,652</b>	<b>\$ 323,278,195</b>

See notes to financial statements.

# Lancaster County Solid Waste Management Authority

## STATEMENTS of NET POSITION

(Continued)

December 31, 2020 and 2019

	2020	2019
<b>LIABILITIES and NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt (Note 9)	\$ 4,775,000	\$ 4,550,000
Current Portion of Estimated Post-Closure Care Costs	-0-	204,000
Accounts Payable - Trade	5,534,087	5,840,050
Prepaid Disposal Fees	1,033,337	1,041,886
Accrued Expenses and Other Current Liabilities (Note 8)	<u>3,883,415</u>	<u>3,585,786</u>
<b>Total Current Liabilities</b>	<b>15,225,839</b>	<b>15,221,722</b>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, net of Current Portion (Note 9)	107,455,445	112,722,245
Estimated Closure and Post-Closure Care Liability, net of Current Portion	11,658,926	13,377,296
Other Long-Term Liabilities (Note 10)	1,635,240	1,190,895
Total Other Postemployment Benefits (OPEB) Obligation	3,306,000	3,505,996
Asset Retirement Obligations	<u>822,749</u>	<u>822,749</u>
<b>Total Long-Term Liabilities</b>	<b>124,878,360</b>	<b>131,619,181</b>
<b>TOTAL LIABILITIES</b>	<b>140,104,199</b>	<b>146,840,903</b>
<b>DEFERRED INFLOWS of RESOURCES</b>		
Other Postemployment Benefits	<u>213,000</u>	<u>26,356</u>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES</b>	<b>140,317,199</b>	<b>146,867,259</b>
<b>NET POSITION (Note 12)</b>		
Net Investment in Capital Assets	133,042,678	132,250,019
Restricted	9,157,067	6,971,340
Unrestricted	<u>39,118,708</u>	<u>37,189,577</u>
<b>TOTAL NET POSITION</b>	<b>\$ 181,318,453</b>	<b>\$ 176,410,936</b>

See notes to financial statements.

# Lancaster County Solid Waste Management Authority

## STATEMENTS of REVENUES, EXPENSES, and CHANGES in NET POSITION

Years Ended December 31, 2020 and 2019

	2020	2019
<b>OPERATING REVENUES</b>		
Tipping Fees, Gross	\$ 72,528,395	\$ 71,032,668
Less Hauler Rebates	<u>(4,107,422)</u>	<u>(4,245,909)</u>
Tipping Fees, net of Hauler Rebates	68,420,973	66,786,759
Energy	14,879,766	16,036,271
Transportation	1,512,203	1,562,956
Other	<u>3,538,165</u>	<u>3,139,270</u>
<b>Total Operating Revenues</b>	<b>88,351,107</b>	<b>87,525,256</b>
<b>OPERATING EXPENSES</b>		
Lancaster Waste-to-Energy Facility	22,073,083	22,085,891
Susquehanna Resource Management Complex	18,390,103	19,014,561
Depreciation	19,094,220	14,800,618
Landfills	4,548,236	5,169,371
Transfer Station Complex	7,311,624	8,175,344
Closure and Post-Closure Care	830,860	2,923,344
Household Hazardous Waste	<u>465,342</u>	<u>516,665</u>
<b>Total Operating Expenses</b>	<b>72,713,468</b>	<b>72,685,794</b>
<b>SUPPORT EXPENSES</b>		
General and Administrative	9,280,486	9,846,794
Depreciation	<u>165,750</u>	<u>150,519</u>
<b>Total Support Expenses</b>	<b>9,446,236</b>	<b>9,997,313</b>
<b>Total Operating and Support Expenses</b>	<b>82,159,704</b>	<b>82,683,107</b>
<b>OPERATING INCOME</b>	<b>6,191,403</b>	<b>4,842,149</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant Revenues	328,580	553,115
Gain (Loss) on Disposal of Assets	434,853	(331,010)
Miscellaneous	178,351	66,304
Rental Income, Net Expenses of \$309,472 and \$343,403 for 2020 and 2019, Respectively	(112,962)	(114,742)
Defaulted Note Receivable	-0-	(660,490)
Interest and Investment Earnings	2,143,520	2,475,836
Interest Expense	<u>(4,256,228)</u>	<u>(4,401,154)</u>
<b>Net Nonoperating Expenses</b>	<b>(1,283,886)</b>	<b>(2,412,141)</b>
<b>CHANGES in NET POSITION</b>	<b>4,907,517</b>	<b>2,430,008</b>
<b>NET POSITION</b>		
Beginning of Year	<u>176,410,936</u>	<u>173,980,928</u>
End of Year	<b><u>\$ 181,318,453</u></b>	<b><u>\$ 176,410,936</u></b>

See notes to financial statements.

# Lancaster County Solid Waste Management Authority

## STATEMENTS of CASH FLOWS

Years Ended December 31, 2020 and 2019

	2020	2019
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 88,428,182	\$ 88,563,610
Payments to Suppliers	(55,401,840)	(56,995,001)
Payments to Employees	<u>(8,571,539)</u>	<u>(9,085,488)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>24,454,803</b>	<b>22,483,121</b>
<b>CASH FLOWS from NON-CAPITAL and RELATED FINANCING ACTIVITIES</b>		
State and Local Grant Income	<b>415,800</b>	<b>252,252</b>
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>		
Interest Paid	(4,748,028)	(4,915,173)
Principal Payments	(4,550,000)	(4,330,000)
Payments for Capital Acquisitions	(14,953,959)	(13,034,198)
Proceeds from Sale of Capital Assets	<u>856,488</u>	<u>536,723</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(23,395,499)</b>	<b>(21,742,648)</b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>		
Release of (Deposits Made) for Escrow Funds	(45,035)	196,108
Refund Escrow Funds	-0-	(850,000)
Advances on Note Receivable	-0-	(1,724,529)
Principal Payments Received on Notes Receivable	895,507	178,767
Sales of Restricted Investments	50,101,556	43,778,651
Purchases of Restricted Investments	(48,004,653)	(43,515,559)
Receipts of Interest	1,354,305	1,660,386
Sales of Unrestricted Investments	8,987,626	13,266,063
Purchases of Unrestricted Investments	<u>(10,837,454)</u>	<u>(8,327,046)</u>
<b>Net Cash Provided by Investing Activities</b>	<b>2,451,852</b>	<b>4,662,841</b>
<b>INCREASE in CASH and CASH EQUIVALENTS</b>	<b>3,926,956</b>	<b>5,655,566</b>
<b>CASH and CASH EQUIVALENTS</b>		
Beginning	<u>14,167,178</u>	<u>8,511,612</u>
<b>Ending</b>	<b><u>\$ 18,094,134</u></b>	<b><u>\$ 14,167,178</u></b>

See notes to financial statements.



# Lancaster County Solid Waste Management Authority

## STATEMENTS of CASH FLOWS

(Continued)

Years Ended December 31, 2020 and 2019

	2020	2019
<b>RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>		
Operating Income	\$ 6,191,403	\$ 4,842,149
<b>ADJUSTMENTS to RECONCILE OPERATING INCOME to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>		
Depreciation	19,274,145	14,951,137
Miscellaneous Income and Net Rental Income not in Operating Income on Statements of Revenues, Expenses, and Changes in Net Position Included for Cash Flow	65,389	(48,438)
(Increase) Decrease in:		
Accounts Receivable	(289,237)	1,259,705
Inventory and Other Current Assets	959,310	(848,858)
Increase (Decrease) in:		
Current Liabilities	141,768	(819,002)
Estimated Closure and Post-Closure Care Costs	(1,922,370)	2,665,150
Change in Asset Retirement Obligations	38,500	38,500
Other Postemployment Benefits - Related Changes Other than Periodic OPEB Costs	(4,105)	442,778
<b>Total Adjustments</b>	<b><u>18,263,400</u></b>	<b><u>17,640,972</u></b>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 24,454,803</u></b>	<b><u>\$ 22,483,121</u></b>

### SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION

Seizure of Collateral on Defaulted Note Receivable	-0-	102,474
Change in Market Value of Investments - Restricted	730,294	617,821
Change in Market Value of Investments - Unrestricted	89,093	213,948
Change in Accounts Payable Related to Capital Projects	285,694	(1,233,756)

### CASH and CASH EQUIVALENTS on the STATEMENTS of NET POSITION is COMPRISED of the FOLLOWING:

Cash and Cash Equivalents		
Unrestricted	17,844,134	14,167,178
Restricted	250,000	-0-

See notes to financial statements.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

#### Description of Operations

**Lancaster County Solid Waste Management Authority** (the Authority) is a body corporate and politic organized and existing under the Pennsylvania Municipality Authorities Act. The Authority was incorporated on December 14, 1954. The Authority is governed by a Board of Directors comprised of nine members, each of whom is appointed by the Lancaster County Board of County Commissioners.

The Pennsylvania Solid Waste Management Act as amended (Act 97) and the Pennsylvania Municipal Waste Planning, Recycling and Waste Reduction Act as amended (Act 101) are comprehensive laws regulating the management of solid waste disposal throughout Pennsylvania. Under Act 97 and Act 101 (collectively, the Acts), each county is required to adopt a municipal waste management plan for municipal solid waste (MSW) generated within its boundaries.

#### Lancaster County

The Lancaster County Municipal Waste Management Plan 2014 revised and updated the Lancaster County Municipal Waste Management Plan 2010 (the Lancaster 2010 Plan), the Lancaster County Municipal Waste Management Plan 1999 (the Lancaster 1999 Plan), and the Lancaster County Municipal Waste Management Plan 1990 (the Lancaster 1990 Plan). The Lancaster 2014, 2010, 1999, and 1990 Plans (collectively the Lancaster Plan) were all duly approved by the Lancaster County Commissioners and the Pennsylvania Department of Environmental Protection (PaDEP) in accordance with the Acts. The Lancaster Plan provides for a comprehensive and integrated system (the Lancaster System) for management of MSW which is generated in Lancaster County, Pennsylvania. The Lancaster System includes, inter alia, (a) a waste-to-energy facility for combustion of municipal waste and generation of energy, (b) landfill facilities for the disposal of municipal solid waste and ash, (c) a transfer facility, (d) a recycling program, and (e) a household hazardous waste facility.

Under the Lancaster Plan, the Authority has been designated as the public agency responsible for (a) designing, developing, financing, constructing, and owning, operating, and managing the Lancaster System, (b) conducting continuing municipal waste planning, and (c) implementing the Lancaster Plan. Such implementation is affected, inter alia, through the Lancaster County Municipal Waste Management Ordinance adopted May 31, 1990 (the Lancaster 1990 Ordinance) and the Municipal Waste Management Agreement between the Authority and the County of Lancaster effective as of October 15, 1990 (the Municipal Waste Management Agreement). Neither the Lancaster 1990 Ordinance nor the Municipal Waste Management Agreement may be amended without the Authority's consent. The Lancaster Plan has the force of law and violators are subject to civil and criminal penalties.

The effect of the Lancaster Plan, and the ordinances and agreements which implement the Lancaster Plan, is (a) to delegate to the Authority the County's rights, duties, and obligations for implementation of the Lancaster Plan, (b) to grant to the Authority all powers which are necessary or appropriate to design, develop, finance, construct, own, operate, and manage the Lancaster System, (c) to require delivery to facilities designated by the Authority of substantially all municipal solid waste generated in Lancaster County not source separated or recycled, (d) to require permitting of all municipal waste collectors and haulers, and (e) to authorize the Authority to establish tipping fees to be collected from each person delivering waste to the Lancaster System.

The Authority, which has no taxing power, establishes from time-to-time solid waste disposal fees at rates based upon prevailing market conditions in amounts which enable the Authority to obtain sufficient waste volume so that its revenues, together with other resources, are sufficient to cover all of the Authority's Lancaster System operating costs, administrative costs, capital costs, and other costs, including debt service. No public utility or other regulatory review of the Authority's rate or fee schedule is required.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Dauphin County

Until 2014, the Authority had primarily conducted waste disposal operations in the County of Lancaster. With the acquisition of the Susquehanna Resource Management Complex on December 23, 2013, the Authority expanded its operations into adjoining Dauphin County. The Susquehanna Resource Management Complex, formerly known as the Harrisburg Resource Recovery Facility, is located on a parcel situated in Swatara Township and the City of Harrisburg, Dauphin County, Pennsylvania (the Site). The Site includes: (a) Susquehanna Resource Management Facility, which is designed to process 800 tons per day of MSW and produce steam to generate up to 23 megawatts of electricity; (b) an ash landfill containing closed and two active monofill cells; and (c) various other buildings and equipment.

In conjunction with this acquisition of the Susquehanna Resource Management Complex by the Authority, the County of Dauphin delegated to the Authority its duties and obligations to ensure adequate disposal capacity for municipal solid waste generated in Dauphin County, and provided waste flow control regulations that require, with limited exception, all such MSW be delivered to the Susquehanna Resource Management Complex. In May 1991, the Dauphin County Municipal Waste Management Plan was approved by PaDEP, having previously been approved by Dauphin County and the requisite number of municipalities. The Dauphin County 1991 Plan was amended by the Dauphin County 1994, 1995, 1999, and 2003 Non-substantial Plan Revisions (collectively the Dauphin County Plan). In 2004, the Dauphin County Plan was revised to make the Susquehanna Resource Management Complex (then known as the Harrisburg Materials and Energy Resource Recovery Facility) the designated facility for all Dauphin County MSW. MSW generated in Swatara Township and Highspire Borough was included on and after May 2016. In 2005, a Substantial Plan Revision provided for disposal of construction and demolition (C & D) waste in twelve designated landfill facilities. In October 2013, a Non-substantial Plan Revision was deemed approved by PaDEP recognizing that, upon closing and acquisition of the Susquehanna Resource Management Complex, the Authority will be the governmental entity responsible for assuring adequate MSW processing and disposal capacity for Dauphin County and as the owner of the designated facility. Dauphin County originally adopted a flow control ordinance in 1991 and the ordinance was amended in 2013 to conform to the Dauphin 2013 Non-substantial Plan Revision and the Delegation Agreement.

Unlike the Lancaster Plan, the Dauphin County Plan provides that the Authority has responsibility within Dauphin County solely for the processing and disposal of MSW. In addition to certain agreed rates for MSW generated within Dauphin County, the Authority establishes, from time to time, solid waste disposal fees for out-of-County MSW at rates based upon prevailing market conditions in amounts which enable the Authority to obtain sufficient waste volume so that its revenues, together with other resources, are sufficient to cover all of the Authority's Susquehanna Resource Management Complex operating costs, administrative costs, capital costs, and other costs, including debt service. No public utility or other regulatory review of the Authority's rate or fee schedule is required.

#### Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended, *Financial Reporting Entity*, the financial statements of the reporting entity (the Authority) include those of the **Lancaster County Solid Waste Management Authority** and any component units. Consistent with applicable guidance, the criteria used by the entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the Authority reviews the applicability of the following criteria:

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Reporting Entity (Continued)

The Authority is financially accountable for:

1. Organizations that make up the legal reporting entity.
2. Legally separate organizations if the Authority appoints a voting majority of the organization's governing body and the Authority is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority.

The Authority is able to impose its will on an organization if the Authority can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

There is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority if the Authority (a) is entitled to the organization's resources, or (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (c) is obligated in some manner for the debt of the organization.

3. Organizations which are fiscally dependent on the Authority and have a financial benefit or burden, as defined above. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, or set rates or charges, or issue bonded debt without approval by the Authority.

Based on the foregoing criteria, the Sustainable Assurance Company (SAC) is included as a blended component unit in the accompanying financial statements.

#### Sustainable Assurance Company

The Sustainable Assurance Company (SAC), an entity legally separate from the Authority, is governed by a three-member board. SAC was incorporated November 19, 2020, in the state of Vermont, and is authorized to transact the business of a captive insurance company. SAC is wholly owned by the Authority and provides commercial and terrorism insurance to the Authority, its sole member. Based on the nature of this relationship, for financial reporting purposes, SAC is reported as if were part of the Authority's operations.

SAC will commence operations and issue separate financial statements in 2021. Financial statements of SAC will be able to obtain from the Authority Office, 1299 Harrisburg Pike, Lancaster, PA 17603.

#### Basis of Accounting

**The Lancaster County Solid Waste Management Authority** operates as a business-type activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority follows all applicable GASB pronouncements.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Accounting (Continued)**

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### **Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits, certificates of deposit, as well as unrestricted investments with original maturities of three months or less.

#### **Unrestricted Investments**

Unrestricted investments are recorded at fair value and are classified as current assets due to their readily marketable nature.

#### **Restricted Assets**

##### **Investments with Trustee**

Pursuant to the terms of certain bond indentures, certain monies are held by a Trustee. The Authority is in compliance with investment guidelines regarding types of investments permitted. Investments are generally reported at fair value in accordance with accounting principles generally accepted in the United States of America.

##### **Cash and Cash Equivalents - Restricted - Cash in Captive Insurance Company**

As noted in the reporting entity section of this footnote, SAC was established in 2020. SAC holds certain funds as a condition of its establishment.

##### **Escrow Deposits**

In order to assure timely payment of amounts due to the Authority, the City of Harrisburg has placed funds on deposit with the Authority. In the event that the City of Harrisburg fails to remit tipping fees or shortfall fees, as defined in the municipal waste disposal agreement between the parties, within thirty days of the due date, the Authority is authorized to withdraw such delinquent amounts from the escrow deposit, and the City of Harrisburg is obligated to restore the escrow deposit so withdrawn within thirty days of notice.

The Authority also holds certain deposits in escrow as required pursuant to the electric plant lease for the Susquehanna Resource Management Complex, and as a condition of participation in a captive insurance program for workers' compensation, general liability, and fleet operations as discussed in Note 15.

##### **Closure and Post-Closure Care Funds**

Certain cash accounts held by the Authority are set aside for landfill closure and post-closure monitoring costs. The accounts are properly classified as restricted assets on the statements of net position. Regulations require the Authority to maintain the restricted accounts for the landfill closure and post-closure monitoring costs.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Real Estate, Facilities, and Equipment - Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are generally defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Authority capitalizes computer equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities may be included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

Facilities and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	25 to 40 Years
Site and Improvements	25 to 40 Years
Other Real Estate	25 to 40 Years
Vehicles/Transportation	5 to 10 Years
Equipment	5 to 10 Years
Office Furniture and Equipment	5 to 10 Years
Computer Software/Equipment	5 to 10 Years

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity. Total depreciation for all capital assets of the Authority for the years ended December 31, 2020 and 2019, was \$19,274,145 and \$14,951,137, respectively.

The Authority is holding other real estate totaling \$1,273,566 and \$1,517,799 at December 31, 2020 and 2019, respectively which is not used in operations (Note 7).

Construction in progress are costs assigned which represent capital improvements uncompleted at year end at various sites.

#### Other Postemployment Benefits

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Other Postemployment Benefits (Continued)

The Authority sponsors a single employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The single-employer OPEB plan is unfunded.

#### Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to closure and post-closure care costs, asset retirement obligations, depreciation of fixed assets, valuation of receivables, and the obligation for other postemployment benefits. Accordingly, actual results may differ from estimated amounts.

#### Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets represents capital assets less accumulated depreciation less any outstanding debt related to the acquisition, construction, or improvement of those assets.

#### Accounting Standards Adopted in 2020

During the current year, the Authority adopted GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The Authority's beginning balances, and current year results were not affected by the implementation of this new standard.

During the current year, the Authority adopted GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The Authority's beginning balances, and current year results were not affected by the implementation of this new standard.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Pending Changes in Accounting Principles**

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. The provisions of this statement are effective for the Authority's 2021 financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred, and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions of this statement are effective for the Authority's 2021 financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs) in which a government compensates an operator of a nonfinancial asset for services for a period of time in an exchange transaction. The provisions of this statement are effective for the Authority's 2022 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA. The provisions of this statement are effective for the Authority's 2022 financial statements.

The Authority is currently assessing the impact that adoption of these standards will have on its financial statements.

### **NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS**

Pennsylvania statutes provide for investment of Authority funds into certain authorized investment types including U.S. Treasury bills, short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits and certificates of deposit, commercial paper not to exceed 270 days, obligations of the U.S. or Pennsylvania government which are backed by the full faith and credit of the U.S. or Pennsylvania government, certain high-quality corporate and bank instruments, and registered mutual funds which invest only in the preceding instruments. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Authority funds for investment purposes.



# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

The deposit and investment policy of the Authority adheres to state statutes and prudent business practice. There were no significant deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

#### Cash and Cash Equivalents - Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority has a formal policy for custodial credit risk. As of December 31, 2020, \$11,616,358 of the Authority's bank balance of \$13,806,074 was exposed to custodial credit risk. As of December 31, 2019, \$6,273,166 of the Authority's bank balance of \$11,950,324 was exposed to custodial credit risk. Cash and cash equivalents exposed to credit risk were as follows at December 31, 2020 and 2019:

	2020	2019
Uninsured and Uncollateralized	-0-	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-	-0-
Uninsured and Collateral Held by the Pledging Financial Institution's Trust Department not in the Authority's Name	<u>11,616,358</u>	<u>6,273,166</u>
	<b>11,616,358</b>	<b>6,273,166</b>

#### Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	11,616,358	6,273,166
Plus: Insured Amount	<u>2,189,716</u>	<u>5,677,158</u>
Bank Balance	13,806,074	11,950,324
Deposits in Transit	43,350	644,062
Outstanding Checks	<u>(619,474)</u>	<u>(1,021,390)</u>
Carrying Amount - Bank Balances	13,229,950	11,572,996
Petty Cash	758	3,650
Money Market Funds and Commercial Paper		
Classified as Cash Equivalents	7,793,968	9,429,544
Escrow Deposits in Restricted Assets	(1,456,889)	(1,411,854)
Certificates of Deposit Classified as Investments	<u>(1,473,653)</u>	<u>(5,427,158)</u>
<b>Total Cash and Cash Equivalents</b>		
<b>Per Financial Statements</b>	<b>18,094,134</b>	<b>14,167,178</b>

#### Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statements of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

#### Investments (Continued)

Investments' fair value measurements are as follows at December 31, 2020 and 2019:

	Recorded Value	2020 Fair Value Measurements Using			Maturity
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
<b>Investments Recorded at Fair Value:</b>					
U.S. Agency Securities	2,000,700		2,000,700		< 1 Year
	2,632,612		2,632,612		1 - 5 Years
	328,176		328,176		6 - 10 Years
	774,969		774,969		> 10 Years
U.S. Treasury Securities	9,597,998		9,597,998		< 1 Year
	18,930,514		18,930,514		1 - 5 Years
	3,966,791		3,966,791		6 - 10 Years
Money Market Mutual Funds	7,072,905	7,072,905			
Commercial Paper	<u>4,345,746</u>		<u>4,345,746</u>		< 1 Year
<b>Total Investments at Fair Value</b>	<b>49,650,411</b>	<b>7,072,905</b>	<b>42,577,506</b>	<b>-0-</b>	

	Recorded Value	2019 Fair Value Measurements Using			Maturity
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
<b>Investments Recorded at Fair Value:</b>					
U.S. Agency Securities	2,300,321		2,300,321		< 1 Year
	2,898,080		2,898,080		1 - 5 Years
	2,666,502		2,666,502		6 - 10 Years
	929,654		929,654		> 10 Years
U.S. Treasury Securities	4,577,336		4,577,336		< 1 Year
	16,028,993		16,028,993		1 - 5 Years
	3,370,030		3,370,030		6 - 10 Years
Money Market Mutual Funds	5,726,654	5,726,654			
Commercial Paper	<u>8,230,144</u>		<u>8,230,144</u>		< 1 Year
<b>Total Investments at Fair Value</b>	<b>46,727,714</b>	<b>5,726,654</b>	<b>41,001,060</b>	<b>-0-</b>	

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

#### Interest Rate Risk

The Authority has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Credit Risk

The Authority has a formal investment policy that limits its investment choices to certain credit ratings. As of December 31, 2020 and 2019, the Authority's investments were rated as:

	<b>2020</b>		
	<b>AAA</b>	<b>AA</b>	<b>A</b>
U.S. Agency Securities	5,736,457		
U.S. Treasury Securities	32,495,303		
Money Market Mutual Funds	7,072,905		
Commercial Paper			<u>4,345,746</u>
	<u><b>45,304,665</b></u>	<u><b>-0-</b></u>	<u><b>4,345,746</b></u>
	<b>2019</b>		
	<b>AAA</b>	<b>AA</b>	<b>A</b>
U.S. Agency Securities	8,794,557		
U.S. Treasury Securities	23,976,359		
Money Market Mutual Funds	5,726,654		
Commercial Paper			<u>8,230,144</u>
	<u><b>38,497,570</b></u>	<u><b>-0-</b></u>	<u><b>8,230,144</b></u>

#### Concentration of Credit Risk

The Authority has a formal investment policy that limits the amount it may invest in any one issuer to 30% of total investments. The Authority's investments in Federal National Mortgage Association Pool are 5.0% of total investments.

#### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Authority has a formal investment policy regarding custodial credit risk. At December 31, 2020 and 2019, none of the Authority's investments were exposed to custodial credit risk.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

#### Reconciliation of Investments to Financial Statements

	2020	2019
Total Investments Per Footnotes:	49,650,411	46,727,714
Less: Money Market Funds/Commercial Paper	(7,793,968)	(9,429,544)
Less: Investments in Escrow Deposits	(704,013)	(669,557)
Add: Certificates of Deposit	<u>1,473,653</u>	<u>5,427,158</u>
<b>Total Investments per Financial Statements</b>	<b>42,626,083</b>	<b>42,055,771</b>

The following schedule summarizes investments and their classifications in the statements of net position at December 31, 2020 and 2019:

	2020	2019
Unrestricted Assets:		
Investments	13,980,441	13,343,520
Restricted Assets:		
Investments with Trustee	9,036,538	9,071,469
Closure and Post-Closure Care Funds	<u>19,609,104</u>	<u>19,640,782</u>
	<b>42,626,083</b>	<b>42,055,771</b>

### NOTE 3 - INVESTMENTS with TRUSTEE

Pursuant to the Amended and Restated Trust Indenture dated March 17, 1998, debt service reserve funds are held by the trustee and are classified as restricted assets in the accompanying statements of net position.

### NOTE 4 - NOTES RECEIVABLE

#### Mortgage Note Receivable

On December 22, 2009, the Authority sold real estate to an individual. In conjunction therewith, the Authority held a mortgage note receivable in the original principal amount of \$470,800. The individual defaulted on the note during 2019, and the Authority entered into an Agreement for a short sale. A loss of \$102,474 was recognized by the Authority resulting from the proceeds from the sale of the property being insufficient to cover the balance outstanding on the loan.

#### Note Receivable from Inashco North America Lancaster, LLC

During the year ended December 31, 2017, the Authority entered into a promissory note agreement with Inashco North America Lancaster, LLC for loan proceeds up to \$11,000,000. The loan was subject to interest only until June 1, 2019, at which time principal and interest at a rate of 5% is payable monthly. The commercial operation date was June 1, 2019. The loan will be paid over ten years. The loan is secured by a first lien security interest on the facility, and a one-year renewing letter of credit. At December 31, 2019, the Authority has advanced the full \$11,000,000 on the improvement loan. The outstanding principal balance was \$9,602,380 and \$10,497,887 as of December 31, 2020 and 2019, respectively.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 4 - NOTE RECEIVABLE (Continued)

Note receivable balances at December 31, 2020 and 2019, are summarized as follows:

	<b>2020</b>	<b>2019</b>
Inashco North America Lancaster, LLC Note		
Current Portion	941,323	895,508
Long-Term Portion	<u>8,661,057</u>	<u>9,602,379</u>
<b>Total</b>	<b>9,602,380</b>	<b>10,497,887</b>

### NOTE 5 - CONSTRUCTION in PROGRESS

#### Construction in Progress

The Authority has uncompleted projects shown as follows:

Description	2020	2019
Lancaster Waste-to-Energy Facility	200,302	800,068
Susquehanna Resource Management Complex	670,472	870,185
Landfill Facility	1,571,054	20,441,131
Transfer Station Complex	79,376	988,597
Information Technology and Systems	<u>635,793</u>	<u>-0-</u>
	<b>3,156,997</b>	<b>23,099,981</b>

Construction in progress relates to future landfill development associated with vertical expansion of the Frey Farm Landfill (Stage 2) and improvement projects at the Susquehanna Resource Management Complex and Lancaster facilities. Additionally, in 2020, the Authority was in the process of updating information technology and systems.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 6 - REAL ESTATE, FACILITIES, and EQUIPMENT - CAPITAL ASSETS

A summary of changes in capital assets for the year follows:

	Balance January 1, 2020	Additions	Deletions/ Transfers	Balance December 31, 2020
Capital Assets not Being Depreciated:				
Land and Improvements	32,805,169	-0-	-0-	32,805,169
Construction in Progress	<u>23,099,981</u>	<u>2,010,889</u>	<u>(21,953,873)</u>	<u>3,156,997</u>
<b>Total Capital Assets not Being Depreciated</b>	<b>55,905,150</b>	<b>2,010,889</b>	<b>(21,953,873)</b>	<b>35,962,166</b>
Capital Assets Being Depreciated:				
Buildings and Improvements	314,906,937	5,273,193	1,217,526	321,397,656
Accumulated Depreciation	(159,286,753)	(11,151,730)	836,564	(169,601,919)
Site and Improvements	70,497,484	123,528	19,763,972	90,384,984
Accumulated Depreciation	(60,302,902)	(3,964,008)	37,624	(64,229,286)
Other Real Estate	8,861,345	341,418	-0-	9,202,763
Accumulated Depreciation	(1,647,758)	(230,389)	-0-	(1,878,147)
Vehicles/Transportation	12,686,996	3,541,526	(661,977)	15,566,545
Accumulated Depreciation	(7,453,856)	(1,556,969)	661,977	(8,348,848)
Equipment	13,418,102	4,081,361	(2,928,994)	14,570,469
Accumulated Depreciation	(7,834,413)	(2,120,216)	2,599,339	(7,355,290)
Office Furniture and Equipment	91,951	48,499	-0-	140,450
Accumulated Depreciation	(57,712)	(15,723)	-0-	(73,435)
Computer Software and Equipment	1,314,941	63,471	(64,427)	1,313,985
Accumulated Depreciation	<u>(651,068)</u>	<u>(235,111)</u>	<u>70,636</u>	<u>(815,543)</u>
<b>Capital Assets Being Depreciated, net</b>	<b><u>184,543,294</u></b>	<b><u>(5,801,150)</u></b>	<b><u>21,532,240</u></b>	<b><u>200,274,384</u></b>
<b>Capital Assets, net</b>	<b><u>240,448,444</u></b>	<b><u>(3,790,261)</u></b>	<b><u>(421,633)</u></b>	<b><u>236,236,550</u></b>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 7 - OTHER ASSETS, REAL ESTATE PURCHASES, and SALE COMMITMENTS**

During April 2002, the Authority entered into (a) an Agreement with Manor Township and (b) a Consent Order to settle certain pending litigation. Pursuant to the Agreement and the Consent Order and in order to protect the value of certain properties in Manor Township, Lancaster County, Pennsylvania, the Authority agreed to purchase, if requested to do so by the owner thereof, forty-seven properties at the fair market value determined without regard to any impact of the Authority's facilities or activities.

To date, the Authority has purchased twenty-five of the forty-seven properties at a cost of \$6,331,587. The Authority has resold sixteen of the twenty-five properties, net of costs, for \$2,454,199. Those sixteen properties were purchased by the Authority for \$2,640,194. The Authority also made improvements to these properties in the amount of \$169,015. In addition, the Authority has been relieved of the obligation to purchase two of the forty-seven properties.

The Authority owns two undeveloped tracts of land totaling 39.626 acres in Conoy Township located at River Road and Locust Grove Road. The carrying amount of the property is \$802,026 at December 31, 2020, including incidental capitalized costs.

The Authority owns an undeveloped 12.98-acre property in East Cocalico Township located at 425 South Muddy Creek Road, Denver, PA. There is an existing land development plan for the property and the Authority has posted a letter of credit in the amount of \$287,013 with the Township to keep the land development plan in place.

As part of its recycling programs, the County of Dauphin owns and operates a 15,000 square foot materials collection facility known as the Dauphin County Recycling Center (DCRC), on the Susquehanna Resource Management Complex site. The County of Dauphin owns the building and leases the site upon which it is located from the Authority pursuant to a February 25, 2004 ground lease. The ground lease site is within the Susquehanna Resource Management Complex site and the County of Dauphin is entitled to access to the ground lease site. The ground lease has an initial term of 29 years, with two 10-year extensions, with annual rental of \$1.00. The DCRC building may be used only as a materials collection facility and may not be subleased. The County of Dauphin bears all costs related to the DCRC building and operations. Upon termination of the ground lease, the DCRC building becomes the property of the Authority.

**Lancaster County Solid Waste Management Authority**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 8 - ACCRUED EXPENSES and OTHER CURRENT LIABILITIES**

Balances consisted of the following at December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Accrued Host Fees	260,005	369,787
Accrued DEP Recycling Fees	685,727	673,482
Accrued County Closure Fee	25,738	25,196
Accrued Haulers Rebate	1,512,428	1,116,847
Accrued Prepaid Rebate	57,588	57,690
Accrued Payroll	399,115	342,802
Payroll Taxes and Pension Plan		
Accrued and Withheld	166,669	188,178
Accrued Interest	248,468	248,468
Miscellaneous Accruals and Other Liabilities	<u>527,677</u>	<u>563,336</u>
	<b>3,883,415</b>	<b>3,585,786</b>

**NOTE 9 - LONG-TERM DEBT**

Long-term debt at December 31, 2020, is summarized as follows:

**\$105,390,000 Solid Waste Disposal System Revenue Bonds, Series A of 2013**

The Solid Waste Disposal System Revenue Bonds, Series A of 2013, were issued to (a) provide funds toward the acquisition of the Susquehanna Resource Management Complex, (b) provide funds for capital improvements at the Susquehanna Resource Management Complex, (c) fund a debt reserve service fund, and (d) pay the costs of issuing the bonds. The bonds are payable in various amounts from 2016 through 2033, and bear fixed rates of interest from 2.50% to 5.25%.

**\$24,000,000 Guaranteed Authority Bonds (Dauphin County Guaranty) Series B of 2013**

The Guaranteed Authority Bonds, Series B of 2013, were issued to provide funds toward the acquisition of the Susquehanna Resource Management Complex and are interest only for the twenty-year term. The 2013 Series B Bonds are not secured by the revenues, facilities, or assets of the Authority. The bonds are guaranteed by the County of Dauphin, and under that guaranty, the County of Dauphin has pledged its full faith, credit, and taxing power. The bonds mature in 2033, and bear interest at 5.0%. Pursuant to a Cooperation Agreement between the Authority and the County of Dauphin, the Authority is responsible for payment of \$240,000 interest per annum on the 2013 Series B Bonds, and the County of Dauphin is responsible for the balance. At the end of twenty years the Authority has the option to repay the bonds or to convey the Susquehanna Resource Management Complex to Dauphin County, in which case the County must repay the bonds.



# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 9 - LONG-TERM DEBT (Continued)

Long-term debt consists of the following at December 31, 2020:

	2013 A Series	2013 B Series	Total
Principal Amount Due	84,435,000	24,000,000	108,435,000
Less: Current Portion	<u>4,775,000</u>	<u>-0-</u>	<u>4,775,000</u>
Long-Term Principal Due	<b>79,660,000</b>	<b>24,000,000</b>	<b>103,660,000</b>
Original Issue Premiums, net of Accumulated Amortization			<u>3,795,445</u>
<b>Long-Term Debt, net of Current Portion</b>			<b>107,455,445</b>

Long-term debt consists of the following at December 31, 2019:

	2013 A Series	2013 B Series	Total
Principal Amount Due	88,985,000	24,000,000	112,985,000
Less: Current Portion	<u>4,550,000</u>	<u>-0-</u>	<u>4,550,000</u>
Long-Term Principal Due	<b>84,435,000</b>	<b>24,000,000</b>	<b>108,435,000</b>
Original Issue Premiums, net of Accumulated Amortization			<u>4,287,245</u>
<b>Long-Term Debt, net of Current Portion</b>			<b>112,722,245</b>

The following is a summary of the Authority's long-term debt transactions for the years ended December 31, 2020 and 2019:

	2020	2019
Debt Outstanding - January 1	112,985,000	117,315,000
New Debt Issuance	-0-	-0-
Repayments	<u>(4,550,000)</u>	<u>(4,330,000)</u>
<b>Debt Outstanding - December 31</b>	<b>108,435,000</b>	<b>112,985,000</b>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 9 - LONG-TERM DEBT (Continued)

The annual debt service requirements for all outstanding debt as of December 31, 2020, are as follows:

Year	Principal	Interest	Dauphin County Reimbursement **	Net
2021	4,775,000	5,440,663	(960,000)	9,255,663
2022	5,015,000	5,201,913	(960,000)	9,256,913
2023	5,265,000	4,951,163	(960,000)	9,256,163
2024	5,495,000	4,719,113	(960,000)	9,254,113
2025	5,785,000	4,430,625	(960,000)	9,255,625
2026 - 2030	33,545,000	17,535,352	(4,800,000)	46,280,352
2031 - 2033	<u>48,555,000</u>	<u>6,093,039</u>	<u>(2,880,000)</u>	<u>51,768,039</u>
	<b>108,435,000</b>	<b>48,371,868</b>	<b>(12,480,000)</b>	<b>144,326,868</b>

\*\* Represents payment from County of Dauphin for interest, in excess of \$240,000 per year, on the 2013 Series B Bonds.

All bonds and bank notes, except the 2013 Series B Bonds, are secured by the pledge of all of the Authority's right, title, and interest in the Authority's revenues and by all money and securities (except the rebate fund) held by the Trustee under the Amended and Restated Trust Indenture.

### NOTE 10 - OTHER LONG-TERM LIABILITIES

Balances consisted of the following at December 31, 2020 and 2019:

	2020	2019
Security Deposits	35,650	32,925
Nonqualified Deferred Compensation Plan Obligation	162,879	137,266
Capacity Reserves	781,056	520,704
Escrow Liability	500,000	500,000
Obligations Under Capital Lease	<u>155,655</u>	<u>-0-</u>
	<b>1,635,240</b>	<b>1,190,895</b>

**Lancaster County Solid Waste Management Authority**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 11 - CAPITAL LEASES**

The Authority leases equipment under two capital leases that expire in May 2023 and June 2023. Lease amortization is included in depreciation expense. The leases are secured by the leased equipment for the year ended December 31, 2020, as follows:

<b>Lease</b>	<b>Annual Payment</b>	<b>Period</b>	<b>Nominal Interest Rate</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>
1	56,399	May 2023	7.00%	152,213	29,597
2	56,399	June 2023	7.00%	<u>152,213</u>	<u>25,369</u>
				<b>304,426</b>	<b>54,966</b>

The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of December 31, 2020:

	2021	112,798
	2022	112,798
	2023	<u>51,198</u>
Minimum Lease Payments for all Capital Leases		<b>276,794</b>
Amount Representing Interest		<u>(22,731)</u>
<b>Present Value of Minimum Lease Payments</b>		<b>254,063</b>
	Current Maturities	98,408
	Long-Term Portion	155,655

The current portion of capital lease payments, excluding the interest portion, of \$98,408 is included in other current liabilities and the long-term portion of capital lease payments, excluding interest, of \$155,655 is included in other long-term liabilities on the statements of net position.

**NOTE 12 - NET POSITION**

**Net Investment in Capital Assets** - Net investment in capital assets consists of the Authority's capital assets, net of accumulated depreciation, and less the outstanding balance of debt attributable to the acquisition or construction of those assets.

**Restricted** - Restricted net position is comprised of the following as of December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Restricted for Landfill Closure and Post-Closure:		
Care Costs	7,950,178	6,059,486
Other	956,889	911,854
Restricted for Captive Insurance Company	<u>250,000</u>	<u>-0-</u>
	<b>9,157,067</b>	<b>6,971,340</b>

**Lancaster County Solid Waste Management Authority**

NOTES to FINANCIAL STATEMENTS

(Continued)

**NOTE 12 - NET POSITION (Continued)**

**Unrestricted** - The Authority has established (a) a construction reserve fund for anticipated future projects, (b) a revenue reserve fund pursuant to certain provisions of the Amended and Restated Trust Indenture, and (c) a capital projects reserve fund for future tangible asset replacements and additions. The balances are reported at the fair values of the investments in the funds, are included in unrestricted net position, and are board designated to their defined purpose. For the years ended December 31, 2020 and 2019, the balance of unrestricted net position is as follows:

	<b>2020</b>	<b>2019</b>
Board Designated Unrestricted Net Position:		
Construction/Capital Projects Reserve Fund	9,801,245	12,225,460
Revenue Reserve Fund	<u>8,816,716</u>	<u>8,585,174</u>
<b>Total Board Designated Unrestricted Net Position</b>	<b>18,617,961</b>	<b>20,810,634</b>
Undesignated Unrestricted Net Position	<u>20,500,747</u>	<u>16,378,943</u>
<b>Total Unrestricted Net Position</b>	<b>39,118,708</b>	<b>37,189,577</b>

**NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN**

The Authority has a defined contribution money purchase pension plan (MPPP) covering substantially all of its employees. The Authority also has an Internal Revenue Code Section 457 Eligible Deferred Compensation Plan (EDCP). Benefit terms, including contribution requirements, for the MPPP are established and may be amended by the Authority’s Board of Directors. The MPPP is administered by an administrative committee. A trustee receives, disburses, and invests plan assets.

**Benefit Provisions**

Normal retirement benefits are paid, commencing at age 62, in the form of a life or joint and survivor annuity, subject to certain minimum balance requirements. Lump sum payments may be paid at the option of the participant.

**Vesting**

Participants are vested in the employer’s contributions in accordance with the following schedule:

<b>Completed Years of Service</b>	<b>Vested Percentage</b>
0 but less than 2	0%
2 but less than 3	25%
3 but less than 4	50%
4 but less than 5	75%
5 or more	100%

Forfeitures are added to the employer base contribution account of each participant who is employed by the Authority on the last day of the plan year, in proportion to compensation during the plan year.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

#### Employer Contributions

The Authority contributes seven percent (7%) of the active participant's pay to the MPPP (base contribution). The Authority also matches a participant's contribution to the EDCP up to five percent (5%) of pay (matching contribution). The Authority has amended their contribution formula which will be effective January 1, 2021. All Authority contributions are deposited into the MPPP, regardless of the plan to which the participant makes contributions. The total potential Authority contribution is a maximum of twelve percent (12%). The Authority recognized pension expense for the years ended December 31, 2020 and 2019, of \$962,574 and \$968,287, respectively.

#### Employee Contributions

Participants may contribute to the EDCP on a pre-tax basis and a Roth 457 on a post-tax basis up to the maximum allowable by the IRS. Employees' elected contributions for the years ended December 31, 2020 and 2019, were \$669,656 and \$650,160, respectively.

### NOTE 14 - POSTEMPLOYMENT HEALTH CARE BENEFITS

#### Description

The Authority maintains a single employer defined benefit OPEB plan to provide postemployment health care insurance coverage. The Board of Directors is authorized to establish and amend the benefit provisions and contribution requirements for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue stand-alone financial statements.

#### Benefits Provided

The plan permits employees who retire at age 60 with 25 years or more of service, or at age 62 or later with twenty or more years of service, to continue group medical coverage to age 65 or until eligible for Medicare, whichever occurs first, by remitting a portion of the monthly cost to the Authority. The retired member must pay a portion of the cost, equal to the active participants' contribution (\$1,200 per year in 2020 and \$1,300 for 2019) for retiree coverage. Healthcare can be continued for the retiree's spouse based on a tiered premium contribution that is based on the age and years of service of the retiree. Retiree and spousal healthcare coverage ceases at age 65 or a maximum of 3 to 5 years based on the retiree's age and years of service at retirement. The retiree's portion of the cost is payable in advance on a monthly basis. The Authority pays the remainder of the cost.

#### Employees Covered by Benefit Terms

At January 1, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	7
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	<u>130</u>
	<b>137</b>

#### Total OPEB Liability

The Authority's total OPEB liability of \$3,306,000 was measured as of January 1, 2020, and was determined by an actuarial valuation as of January 1, 2020.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 14 - POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

#### Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate: 3.26%, Based on 20-Year High-Grade Municipal Rate Index

Long Term Expected Rate of Return: N/A, the Plan is Unfunded

Actuarial Cost Method: Entry Age Normal, Level Percent of Pay

Healthcare Cost Trend: 5.5% for 2020 through 2023. Rates gradually decreased from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Retirees' Share of Benefit-Related Costs: 100.0% of Premium

Mortality Rates: Pub-2010 General Mortality Table, incorporating the projection scale MP-2019 to reflect mortality improvement.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period ended January 1, 2020. The actuarial valuation for 2019 was based on an actuarial valuation report measured at the end of the year (December 31).

#### Changes in the Total OPEB Liability

	2020	2019
<b>Balance, Beginning</b>	<b>3,505,996</b>	<b>3,566,772</b>
Changes for the Year:		
Service Cost	124,133	124,133
Interest	104,524	104,524
Change of Benefit Terms	(36,732)	-0-
Difference Between Expected and Actual Experience	(203,258)	-0-
Change of Assumptions	3,389	-0-
Benefit Payments	<u>(192,052)</u>	<u>(289,433)</u>
<b>Net Changes</b>	<b><u>(199,996)</u></b>	<b><u>(60,776)</u></b>
<b>Balance, Ending</b>	<b>3,306,000</b>	<b>3,505,996</b>

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability for the plan would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

<b>Total OPEB Liability</b>	
2.26% Discount Rate (1.0% Decrease)	3,599,000
3.26% Discount Rate (Current Rate)	3,306,000
4.26% Discount Rate (1.0% Increase)	3,036,000

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 14 - POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

#### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability for the plan would be if it were calculated using a healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

<b>Total OPEB Liability</b>	
4.4% Decreasing to 3.7% (1% Decrease)	2,879,000
5.4% Decreasing to 4.7% (Current Rate)	3,306,000
6.4% Decreasing to 5.7% (1% Increase)	3,831,000

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Authority recognized OPEB expense of \$417,132. December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Benefit Payments After the Measurement Date	192,000	
Differences Between Expected and Actual Experience		213,000
Changes of Assumptions	<u>625,000</u>	
	<b>817,000</b>	<b>213,000</b>

Deferred outflows in the amount of \$192,000 for benefit payments after the measurement date will be recorded as a decrease in the OPEB liability during the year ended December 31, 2021. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Fiscal Year Ended December 31:</b>	
2021	188,000
2022	188,000
2023	196,000
2024	(10,000)
Thereafter	<u>(150,000)</u>
	<b>412,000</b>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 15 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority self-insures certain risks, for which commercial insurance is not economically available including pollution occurrence, through the Government Self-Insurance Fund (GSIF), an entity which is separate from the Authority. Each participant in the fund contributes to this entity on a self-assessed basis. Currently, the Authority is the only government entity who has elected to become a participant/member of the GSIF. Contributions are placed into a trust and managed pursuant to a trustee agreement. The available self-insurance coverage was \$3,456,654 and \$3,565,481 at December 31, 2020 and 2019, respectively. The agreement for formation of the fund provides that the fund will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three years. During the years ended December 31, 2020 and 2019, the Authority received reimbursement from the fund for various claims totaling \$148,166 and \$49,887, respectively.

The Authority manages the risks of loss related to workers' compensation, general liability, and fleet operations through participation in a captive insurance program. Under this program, the Authority pays annual premiums to cover expected losses. In the event of adverse loss experience, the Authority may be charged an experience adjustment, and is required to post a letter of credit or provide escrow to secure that commitment. The program also provides for risk-sharing among program participants. As of December 31, 2020, the Authority has not been notified of any experience adjustment or other obligation under the program.

The Authority carries commercial insurance for other risks of loss including fiduciary and director liability, crime and dishonesty, cyber, umbrella and excess coverages. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the current or prior two fiscal years.

#### **Health Insurance**

The Authority is a member of the Intergovernmental Insurance Cooperative (IIC) through which it self-insures employee health claims. Claims are administered by a third party. During the years ended December 31, 2020 and 2019, the Authority remitted a contracted monthly amount to IIC, which remitted the funds to the third-party administrator for payment of claims. Under the shared pooling agreement with IIC, if the Authority's claims exceed its contributions during the pool year, no additional payments are due. At the end of the pool's fiscal year, up to 30% of the Authority's excess is allocated to the pool to resolve any deficit of the pool. The Authority was limited in liability for claims to \$60,000 individually and \$1,438,000 in the aggregate. At December 31, 2020, management is not aware of any additional assessments related to the health plan.

#### **Insurance Captive**

The Authority approved the establishment of an insurance captive to be effective January 1, 2021 for property and terrorism losses since commercial insurance is no longer a viable option for the Authority. The insurance captive was formed in 2020 and funds were transferred from the Authority to the captive for the initial capital contributions (See Note 19).



# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 16 - COMMITMENTS and CONTINGENCIES

#### **Covanta Service Agreements**

The Authority has contracted with subsidiaries of Covanta Holdings to operate its WTE and SRMC facilities. As the largest waste to energy facility operator in the world, Covanta possesses a high degree of technical expertise that the Authority chose to leverage versus undertaking the development of staff and processes to accomplish similar facility performance.

The Authority entered into service agreements (the Master Service Agreements) with Covanta Lancaster, Inc. and Covanta Harrisburg, Inc., collectively the Covanta Parties, effective January 1, 2018. Under the Master Service Agreements, the Covanta Parties are obligated to operate and maintain waste-to-energy facilities in Lancaster and Harrisburg, Pennsylvania. The agreements can be terminated under limited circumstances, as defined in the agreements. The terms of the Master Service Agreements are fifteen years. The Master Service Agreements sets forth terms for the Covanta Parties to accept, process, and manage minimum acceptable waste at each facility for a fee established under the contract. The parent of the Covanta Parties, Covanta Holdings, provided a limited guaranty of the obligations of the Covanta Parties.

#### **Forwards Contracts**

As a baseload electric generator in PJM, the Authority has capacity commitments for both its Lancaster Waste-to-Energy (WTE) and Susquehanna Resource Management Complex (SRMC) facilities that provide supplemental revenue into the system. PJM ensures long-term grid reliability by procuring the appropriate amount of power supply resources (capacity) needed to meet predicted energy demand three years into the future. As such, capacity represents a commitment of resources to deliver when needed, particularly in case of a grid emergency. If the Authority were to fail to meet its capacity obligations during an emergency event, the capacity revenue would be subject to penalties based on the duration and shortfall specifics of the event. In 2018, the Authority implemented a three-year plan to build a reserve equal to half of the maximum exposure of one and half times the annual capacity revenue. A reserve of \$781,056 and \$520,704 was recorded as of December 31, 2020 and 2019, respectively.

The Authority contracts with various customers for electric via short-term contracts. In the event the Authority fails to meet its obligation under the contracts, the Authority is liable for damages in the amount of any deficiency between the contract price and the replacement price for the specified electric capacity as stated in the agreement.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 16 - COMMITMENTS and CONTINGENCIES (Continued)**

#### **Assignment and Assumption of City of Harrisburg Waste Disposal Agreement**

As described in Note 1, the Authority is responsible to dispose and process all MSW generated in the County of Dauphin, including the City of Harrisburg. The agreement between the Authority and the City of Harrisburg is for a term of twenty years, ending in 2033, which term shall extend for a maximum of ten additional years if the County of Dauphin extends waste flow control regulations beyond 2033. The City of Harrisburg shall collect and deliver, or cause to be collected and delivered, all regulated municipal waste, as defined in the agreement, generated within the City of Harrisburg to the Susquehanna Resource Management Complex, and the Authority is obligated during the term to accept, transfer, process, or dispose of all such waste. The tipping fee rate charged by the Authority to the City of Harrisburg was \$190 per ton through 2018, \$195 per ton in 2019 and 2020, and shall be adjusted each year thereafter according to the change in the Consumer Price Index. These fees may be increased to accommodate a change in law. If the City of Harrisburg delivers fewer than 35,000 tons of regulated municipal waste to the Susquehanna Resource Management Complex in any calendar year, the City of Harrisburg must pay to the Authority any shortfall in tipping fees as though 35,000 tons had been delivered. If the City delivers greater than 38,000 tons of regulated municipal waste to the Susquehanna Resource Management Complex, the Authority will pay a rebate to the City of Harrisburg of \$100 for each ton delivered in excess of 38,000 tons. In 2020 and 2019, the City of Harrisburg delivered 37,046 and 38,880 tons. The Authority paid a rebate of \$88,000 (including interest) to the City of Harrisburg for excess tons for the year ended December 31, 2019.

#### **County of Dauphin Cooperation Agreement**

In connection with the acquisition of the Susquehanna Resource Management Complex in 2013, the Authority entered into a cooperation agreement with the County of Dauphin. The cooperation agreement sets limits on the per ton tipping fees that the Authority may charge for MSW generated within the County of Dauphin (except for MSW generated in the City of Harrisburg, which fees are set according to the previous paragraph) as follows:

2013 - \$77.09; 2014 through 2016 - \$80.00; 2017 through 2019 - \$85.00; 2020 - \$90.00. The limit will be adjusted thereafter for changes in the Consumer Price Index. These limits may also be changed to accommodate a change in law. Should the tipping fees on regulated MSW generated in the County of Dauphin not produce annual revenues in the following amounts, the County of Dauphin is required to pay any shortfall to the Authority: 2014 and 2015 - \$10,132,000; 2016 - \$10,932,000; 2017 through 2019 - \$11,615,250; 2020 - \$12,298,500. The minimum annual revenues will be adjusted for changes in the Consumer Price Index each year thereafter.

If, on or before the end of the term of the 2013A Bonds and 2013B Bonds: (a) the County of Dauphin takes all necessary steps to continue legally enforceable waste flow control for an additional ten years with the County of Dauphin tip fees not less than the tip fees in the preceding year (or if the County of Dauphin legally cannot extend waste flow control), then the Authority will, at the Authority's option: (i) repay the unpaid principal of the 2013B Bonds and retain the Susquehanna Resource Management Complex; or (ii) upon the County of Dauphin repayment of the 2013B Bonds, convey the Susquehanna Resource Management Complex to the County of Dauphin; or (b), if the County of Dauphin is legally able to extend waste flow control, but fails to do so, then the County of Dauphin shall repay the unpaid principal of the 2013B Bonds and the Authority shall retain ownership of the Susquehanna Resource Management Complex.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 16 - COMMITMENTS and CONTINGENCIES (Continued)**

#### **Electric Plant Lease and Related Agreement**

Upon acquisition of the Susquehanna Resource Management Complex in 2013, the Authority entered into an agreement to lease to Columbia Borough, Pennsylvania certain assets of the Susquehanna Resource Management Complex which generate electricity from the steam generated by the mass burn facility (the Electric Plant). The term of the lease is for twenty years, expiring in 2033, and automatically renews for additional five-year renewal periods unless otherwise terminated. Pursuant to the term of the lease, the Authority retains the obligations to maintain and repair the Electric Plant, and to pay all taxes, assessments, and similar charges related thereto. Covanta Harrisburg, Inc. operates the Electric Plant on behalf of Columbia. Columbia Borough purchases the steam output of the mass burn facility, and sells the generated electricity to the Commonwealth of Pennsylvania, Department of General Services (DGS). All payments by DGS for electricity so purchased are deposited by a third-party energy manager into an escrow account after deducting management fees.

From the escrow account, the following amounts due under the arrangement and related agreements, in order of priority, are paid: (1) payments due to the electric plant operator; (2) \$4,168 per month payable to Columbia Borough; (3) rent payable to the Authority; and (4) the cost of Columbia's purchase of the steam output of mass burn facility used by the Electric Plant. In the event that amounts deposited to the escrow account are insufficient to provide \$50,000 to Columbia Borough in any twelve-month period, the Authority is obligated to pay any shortfall. Amounts due for rent and steam purchases are non-recourse as to Columbia Borough's revenues and assets, except to the extent available in the escrow account.

In conjunction with the lease of the Electric Plant, the Authority consented to the provisions of an agreement between Columbia Borough and the DGS for the purchase and sale of approximately 95% of the electricity generated by the Electric Plant, at established prices through 2033. Effective 2024, the Authority may be required to make deposits to a "clawback" account, for the benefit of DGS, in years that the contracted rate for the purchase of electricity exceeds the market rate. The Authority is eligible for credits for years in which the market rate for electricity exceeds the contracted rate, and the Susquehanna Resource Management Complex has produced net income insufficient to provide predetermined debt service coverage.

#### **Steam Sale Agreement**

On June 22, 2016, the Authority entered into an Equipment and Facilities Agreement and a Utilities Agreement with Perdue Agribusiness LLC (Perdue). The agreements were further modified July 2017. As required by the Equipment and Facilities Agreement, the Authority directed Covanta Lancaster, Inc. to connect the Conoy Waste-to-Energy Facility to the Soybean Processing facility constructed by Perdue on the adjacent property so that medium pressure steam can be conveyed from the Authority to Perdue. Terms within the Utilities Agreement establish rates for an initial term (ten years) which are accretive to the Authority's existing use and sales opportunities for energies generated by this facility. The steam engineering and connection modification was completed in 2017 and Perdue reimbursed the Authority \$6,247,205 for a substantial portion of the modification costs. The Authority is obligated to maintain the steam bridge through the life of the agreement. The Authority provides steam and other utilities to Perdue as provided in the Utilities Agreement. Revenue recognized pursuant to the Utilities Agreement was \$3,352,273 and \$3,293,054 for the years ended December 31, 2020 and 2019, respectively.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 16 - COMMITMENTS and CONTINGENCIES (Continued)

#### **Ash Recycling Service Agreement, Licensing, and Improvement Loan**

In July 2017, the Authority entered into amended and restated agreements with Inashco North America Lancaster, LLC (Inashco), whereby the Authority will license to Inashco a facility site adjacent to the Frey Farm Landfill, and Inashco will construct and operate an ash recycling and processing facility to extract marketable materials from the ash by-product of the Authority's WTE and SRMC facilities. The term of the service agreement and license agreement is twenty years from June 1, 2019. The Authority will earn a share of net revenue as defined in the agreement. Both the Authority and Inashco have established minimum performance obligations within the agreement. The Authority has covenanted to deliver all ash produced by processing a required minimum volume of processed tons through its facilities during the term of the service agreement, and is subject to penalty for shortfalls. Inashco has covenanted to remit a minimum monthly revenue assuming the Authority has provided the ash from the minimum processed tonnage as obligated.

#### **Vertical Expansion Appeal**

The Authority constructed a vertical expansion of the Frey Farm Landfill that was permitted by the Pennsylvania Department of Environmental Protection ("DEP") in July of 2017. A group comprised of seven appellants filed an appeal to the DEP permit in August 2017. In addition, in November 2017, a group composed of primarily the same appellants appealed both the local Zoning Permit for the vertical expansion and the underlying Zoning Ordinance. On November 21, 2018, the Authority and the appellants entered into a Settlement Agreement concerning the appeals.

In March 2019, pursuant to the settlement agreement, the appeals were withdrawn. The settlement agreement requires the Authority to purchase a residential property if requested to do so by the property owners. Management estimates the value of the property to be \$400,000 to \$500,000, although the property has not yet been appraised. The agreement also imposes several other requirements upon the Authority, primarily related to a visual mitigation plan for the site and limiting future landfill expansion.

#### **Landfill Closure and Post-Closure Care Costs**

Landfill closure and post-closure care costs are recorded following the provisions of Governmental Accounting Standards Board (GASB) Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs*. The standards require that estimated closure and post-closure care costs be recognized as current operating costs although these costs will not actually be incurred until some future operating cycle.

Estimates of the closure and post-closure care costs are on a current value basis and based upon applicable federal, state, and local laws and regulations approved as of December 31, 2020 and 2019. At each reporting date, the liability recognized is based upon capacity utilized to-date at each site.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 16 - COMMITMENTS and CONTINGENCIES (Continued)

#### Landfill Closure and Post-Closure Care Costs (Continued)

Closure tasks are carried on throughout the periods the landfill is accepting wastes; post-closure monitoring and maintenance costs are incurred for thirty years after all closure requirements are approved by a regulatory agency and the facility is no longer accepting wastes. At December 31, 2020, the Authority reports two active sites, Frey Farm Landfill and Susquehanna Resource Management Complex Ashfill, and one closed site, Creswell Landfill. Estimated future closure and post-closure care costs of active sites are as follows at December 31:

	<b>2020</b>	<b>2019</b>
<b>Frey Farm Landfill</b>		
Total Estimated Closure and Post-Closure Costs	30,243,250	30,119,541
Capacity Used at December 31	<u>62.7%</u>	<u>60.40%</u>
Closure and Post-Closure Costs Recognized	18,959,176	18,195,837
Closure and Post-Closure Costs Paid To-Date	<u>11,538,250</u>	<u>8,914,541</u>
Net Liability	<b>7,420,926</b>	<b>9,281,296</b>
Closure and Post-Closure Costs Remaining to be Recognized	11,284,074	11,923,704
Date that Capacity will be Reached	2038	2038
<b>Susquehanna Resource Management Complex Ashfill ***</b>		
Total Estimated Closure and Post-Closure Costs	4,238,000	4,096,000
Capacity Used at December 31	<u>86.5%</u>	<u>86.5%</u>
Closure and Post-Closure Costs Recognized	4,238,000	4,096,000
Closure and Post-Closure Costs Paid To-Date	<u>-0-</u>	<u>-0-</u>
Net Liability	<b>4,238,000</b>	<b>4,096,000</b>
Closure and Post-Closure Costs Remaining to be Recognized	-0-	-0-
Date that Capacity will be Reached	2027	2027

\*\*\* The Authority did not utilize capacity at the Susquehanna Resource Management Complex Ashfill. The Authority recognized the total estimated closure and post-closure costs at December 31, 2020 and 2019 based on the estimated date capacity will be reached assuming the ashfill is used for transfer of residue from Susquehanna Resource Management Complex operations.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 16 - COMMITMENTS and CONTINGENCIES (Continued)

#### Landfill Closure and Post-Closure Care Costs (Continued)

The Authority is beyond the post-closure period for the Creswell Landfill which has been closed 30 years and does not anticipate any future significant costs. The Authority will have ongoing nominal costs for this site relative to periodic testing.

The components of closure and post-closure care expense (income) in 2020 and 2019, are as follows:

	2020	2019
<b>Closure and Post-Closure Care</b>		
Frey Farm Landfill		
Capacity Used in Current Year	688,603	709,930
Change in Estimate	<u>74,736</u>	<u>1,452,998</u>
	<b>763,339</b>	<b>2,162,928</b>
Susquehanna Resource Management Complex Ashfill		
Change in Estimate	142,000	616,000
<b>Post-Closure Care</b>		
Creswell Landfill		
Difference Between Actual and Estimated		
Costs - Current Year	(74,479)	90,416
Change in Estimate	<u>-0-</u>	<u>54,000</u>
	<b>(74,479)</b>	<b>144,416</b>
	<b>830,860</b>	<b>2,923,344</b>

#### Closure Collateral Funds and Other Commitments

In accordance with rules and regulations of the PaDEP, the Authority is required to provide Collateral Bonds pledged to the Department of Environmental Protection for estimated future closure and post-closure care costs of its landfills and sites. The Authority has satisfied this obligation through irrevocable standby letters of credit issued by a commercial bank to the PaDEP. The Authority also issues letters of credit related to improvement projects pursuant to local regulations. At December 31, 2020, the letters of credit issued totaled \$16,640,114 and are secured by deposits of \$22,765,552 with a margined value of \$19,796,563 (such deposits are included in the Authority's restricted assets) that are pledged to the financial institution which issued the letters of credit. At December 31, 2020 and 2019, letters of credit amounts are as follows:

	2020	2019
<b>Sites</b>		
Frey Farm Landfill	9,447,860	9,447,860
Susquehanna Resource Management Complex Ashfill	3,202,264	3,202,264
Creswell Landfill	3,102,764	3,102,764
Waste-to-Energy Facility - Lancaster	498,921	498,921
Waste-to-Energy Facility - Dauphin	251,589	251,589
Transfer Station	100,537	100,537
Liquid Treatment Facility	<u>36,179</u>	<u>36,179</u>
<b>Total Closure Collateral</b>	<b>16,640,114</b>	<b>16,640,114</b>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 16 - COMMITMENTS and CONTINGENCIES (Continued)

#### Performance Bonds

In connection with the construction of the Frey Farm Vertical Expansion and certain other construction projects, the Authority has issued performance bonds of approximately \$1.2 million in favor of third parties.

#### Real Estate

The Authority acquired land in Conoy Township from Talen Energy for \$1,510,000. In conjunction with the real estate acquisition, the Authority agreed to sell portions of the land acquired to various agencies. In 2019, the Authority sold these properties for \$366,614, and recognized a loss of \$421,868 on the transactions. In 2020, the Authority sold 19.76 acres for \$355,716, and recognized a gain of \$98,990 on the transaction. The Authority entered into an agreement of sale with a non-related party (Purchaser) on August 21, 2019 for the purchase of an additional parcel of approximately 10.335 acres of land with settlement approximately on or before December 31, 2021, timing contingent upon the Authority's completion of certain roadway improvements.

#### Other Contingencies

The Authority is an operating entity which, since its formation in December 1954, has provided solid waste landfill disposal services. The Authority's first landfill began operation on October 3, 1955. This landfill was located in Manheim Township, to the west of Lancaster City at property owned by the Lancaster Brick Company. In 1962, the Authority started landfilling at a site south of Lancaster City. This site is now a part of the Lancaster County Park. In 1964, the Authority acquired land at Creswell, Manor Township, and in 1968 began landfilling at the Creswell site. During 1989, the Authority began landfilling at the Frey Farm Landfill, which is adjacent to the Creswell landfill site. The Authority completed landfilling operations (a) at both the Lancaster Brick Company site and the Lancaster County Park site prior to 1970 and (b) at the Creswell site during 1989. The Lancaster Brick Company site, the Lancaster County Park site, and the Creswell site, along with 61 other sites in the County and 2,117 other sites within the Commonwealth of Pennsylvania, have been included on the Comprehensive Environmental Response, Compensation and Liability Information System (CERCLIS). CERCLIS is a list of sites identified by or referred to the United States Environmental Protection Agency as being worthy of investigation. The Authority cannot predict whether, and to what extent, it may have any liabilities or responsibilities with respect to any of these sites.

The Authority has agreed to provide funding to Manor Township over a three-year period for construction and maintenance of a bridge which neighbors the Authority's landfill. The total commitment is \$500,000 of which \$333,333 was paid by December 2020. The remaining \$166,667 will be made over three equal installments over the next three years commencing 2021.

The Authority has also agreed to provide grant funding to a non-profit organization to support the entity's mission of economic development and public welfare in communities surrounding the Authority's landfill. The grant agreement is for a three-year term beginning January 2020, and provides for annual funding of \$85,000 payable in equal monthly installments.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 16 - COMMITMENTS and CONTINGENCIES (Continued)

#### Permits and Approvals

The Authority obtained special exception approval in June 1986, from the Manor Township Zoning Hearing Board (ZHB), to landfill on the property now known as the Frey Farm Landfill. In connection with that approval, the Manor Township ZHB issued a decision with a series of conditions, which stated, among other items, the Authority, “its successors and assigns shall not (a) expand the Creswell landfill beyond the tract known as the Frey Dairy Farm, (b) construct or operate any other refuse disposal facility within Manor Township, (c) cause any leachate collection or treatment facility to be constructed on any other site within Manor Township or (d) construct and/or operate any facility for the incineration of refuse.” The meaning and effect of the Manor Township ZHB decision were clarified by an Agreement with Manor Township (issued in 2002 and amended in 2015) and the PALE Consent Order (issued in 2002 and amended in 2015). Furthermore, the Manor Township Board of Supervisors voted in September 2016 to amend the Manor Township Zoning Ordinance to designate landfills and solid waste processing facilities as uses permitted by right within the Manor Township Excavation Zone. However, the Authority believes the June 1986 Manor Township ZHB decision, the Agreement with Manor Township, the PALE Consent Order, and the September 2016 Manor Township Ordinance may constitute governmental action that is subject to change in the future. In addition, an appeal of the amended Zoning Ordinance has been filed as described on page 40, Vertical Expansion Appeal. Therefore, there is no assurance that future zoning and governmental designations will permit use of the Authority’s properties for intended purposes; neither is their assurance the Authority will be able to satisfy whatever governmental, regulatory, or other conditions might be applicable to the Authority’s use of the properties for intended purposes.

#### Litigation

The Authority is party to litigation and claims arising from the normal course of operations. Management anticipates that uninsured losses, if any, will not have a material adverse effect on the Authority’s financial position.

On April 30, 2007, in United Haulers Association, Inc. v. Oneida-Herkimer Solid Waste Management Authority (Oneida-Herkimer), the United States Supreme Court upheld a county flow control ordinance which directed all waste generated within New York’s Oneida and Herkimer counties to municipal authority owned facilities. Previously, on May 16, 1994, in C&A Carbone, Inc. v. Town of Clarkstown (Carbone), the United States Supreme Court determined that a flow control ordinance adopted by the Town of Clarkstown, New York, which directed waste to a privately owned facility discriminated against interstate commerce and was invalid as being in violation of the Commerce Clause of the United States Constitution. Subsequent to the *Carbone* decision, numerous lawsuits were filed in various lower federal and state courts challenging the validity of waste flow control arrangements. *Oneida-Herkimer* held that *Carbone* had not decided the flow control issue as to public facilities. The Authority owns all of the facilities to which waste is directed by flow control, including the transfer station, all landfills and both waste-to-energy facilities. Both waste-to-energy facilities are operated by a private company under contract with the Authority. The Authority’s integrated solid waste management and disposal system resembles the public facility waste flow control upheld in *Oneida-Herkimer* more closely than the private facility waste flow control overturned in *Carbone*. The Authority’s specific waste flow control system has never been challenged or reviewed by any specific litigation. Dauphin County’s designation of the Susquehanna Resource Recovery Facility as Dauphin County’s designated processing and disposal facility has not been challenged or reviewed by any specific litigation since it occurred in 2004.



# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 16 - COMMITMENTS and CONTINGENCIES (Continued)

#### Asset Retirement Obligations

The Authority accounts for certain costs associated with the future retirement of the Susquehanna Resource Management Complex, the Transfer Station Complex, and the Lancaster Waste-to-Energy Facility in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations (AROs)*. For the Authority, the act of placing the facilities into operation required the recognition of liabilities and corresponding deferred outflows of resources equal to the estimated current costs of activities that the PaDEP requires the Authority to perform upon the future retirement of the facilities.

The Authority adjusts the estimates annually for the effects of inflation or deflation, and other relevant factors that may increase or decrease the estimated asset retirement outlays associated with the obligations. Deferred outflows of resources are then reduced and recognized as an expense in a systematic manner over the remaining useful life of the facility.

Estimated asset retirement obligations by facility are as follows at December 31:

	2020	2019
<b>Susquehanna Resource Management Complex</b>		
Estimated Asset Retirement Obligation	259,090	259,090
Remaining Useful Life of Facility	14	15
<b>Transfer Station Complex</b>		
Estimated Asset Retirement Obligation	94,777	94,777
Remaining Useful Life of Facility	29	30
<b>Lancaster Waste-to-Energy Facility</b>		
Estimated Asset Retirement Obligation	468,882	468,882
Remaining Useful Life of Facility	24	25
<b>Total Asset Retirement Obligations</b>	<b>822,749</b>	<b>822,749</b>
<b>Deferred Outflows of Resources Related to AROs</b>	<b>729,617</b>	<b>768,117</b>

The Authority is required to provide funding and assurance for its AROs by setting aside assets restricted for payment of the AROs and carrying insurance to cover ARO amounts. The Authority carries liability insurance of \$1 million to cover any costs associated with its AROs, and has pledged collateral bonds in favor of PaDEP totaling \$887,226.

#### Open Construction Contract Commitments

At December 31, 2020, the Authority has an open construction contract commitment for a certain project at the Authority's landfill. The outstanding commitment on this contract totals \$635,049, all of which is included in retainage and accounts payable at December 31, 2020.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 17 - MAJOR CUSTOMERS

Tipping fee revenues include transactions with major customers (customers whose sales comprise 10% or more of total tipping revenue) as follows for the years ended December 31, 2020 and 2019:

	2020		2019	
	Sales	Accounts Receivable	Sales	Accounts Receivable
Customer A	9,512,328	909,352	9,358,349	776,220
Customer B	7,956,751	1,018,719	6,630,870	544,791
Customer C	7,594,235	511,107	7,150,695	983,045

Energy revenues include transactions with a major customer as follows for the years ended December 31, 2020 and 2019:

	2020		2019	
	Sales	Accounts Receivable	Sales	Accounts Receivable
Customer D	9,617,529	1,680,955	10,698,992	948,994

### NOTE 18 - RELATED PARTY TRANSACTIONS

The Authority leases a residential property in East Hempfield Township to a former employee. The initial term of the lease is from November 1, 2014 until January 10, 2024. Yearly rental under the lease is \$24,000. Rental revenue recognized by the Authority in both 2020 and 2019, was \$24,000.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 19 - CONDENSED COMPONENT UNIT INFORMATION

As noted in Note 1, SAC was incorporated in November 2020 and the activity for 2020 consisted only of initial funding by the Authority. Operations of SAC will commence effective January 1, 2021.

Condensed component unit information for SAC, the Authority's blended component unit, for the year ended December 31, 2020, is as follows:

#### CONDENSED BALANCE SHEETS

December 31, 2020

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	<u>250,000</u>
<b>Total Current Assets</b>	<b>250,000</b>
<b>Restricted Assets</b>	
Cash and Cash Equivalents - Restricted - Captive Insurance Company	<u>1,050,000</u>
<b>TOTAL ASSETS</b>	<b>1,300,000</b>
<b>LIABILITIES</b>	
	<b>-0-</b>
<b>STOCKHOLDER'S EQUITY</b>	
Common Stock - Par Value \$10.00 Per Share; Authorized and Issued 25,000 Shares in 2020	250,000
Additional Paid-In Capital	<u>1,050,000</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>1,300,000</b>

#### CONDENSED STATEMENT of INCOME

Year Ended December 31, 2020

<b>OPERATING REVENUES</b>	<b>-0-</b>
<b>OPERATING EXPENSES</b>	<b>-0-</b>
<b>OPERATING INCOME</b>	<b>-0-</b>
<b>NET INCOME</b>	<b>-0-</b>

#### CONDENSED STATEMENT of CASH FLOWS

Year Ended December 31, 2020

<b>CASH FLOWS from FINANCING ACTIVITIES</b>	
Capital Contributions	<b>1,300,000</b>
<b>INCREASE in CASH and CASH EQUIVALENTS</b>	<b>1,300,000</b>
<b>CASH and CASH EQUIVALENTS</b>	
Beginning	<b>-0-</b>
Ending	<b>1,300,000</b>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 20 - RECLASSIFICATIONS**

Certain items on the financial statements for the year ended December 31, 2019, have been reclassified to conform to the 2020 financial statement presentation. These reclassifications had no effect on net position for the year ended December 31, 2019.

### **NOTE 21 - UNCERTAINTY**

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. The Authority anticipates that its business operations will continue to be impacted by the COVID-19 event but cannot currently estimate the forthcoming financial impact. Management is monitoring the evolving situation and adapting operations and decision making as necessary.

### **NOTE 22 - SUBSEQUENT EVENTS**

On February 22, 2021, the Authority entered into an agreement of sale for property located in Denver, Pennsylvania. The Authority estimates a gain of \$325,000 will be recognized on sale of this property which is expected to occur by April 23, 2021. The sale is contingent upon a 30-day due diligence period for the buyer.

**Lancaster County Solid Waste Management Authority**  
 SCHEDULE of CHANGES in TOTAL OPEB LIABILITY and RELATED RATIOS -  
 SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN - Unaudited  
 Last 10 Fiscal Years

	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service Cost	\$ 124,133	\$ 124,133	\$ 137,261	\$ 118,967
Interest	104,524	104,524	105,877	93,822
Change of Benefit Terms	(36,732)	-0-	-0-	-0-
Differences Between Expected and Actual Experience	(203,258)	-0-	-0-	(39,404)
Changes of Assumptions	3,389	-0-	-0-	1,235,281
Benefit Payments	<u>(192,052)</u>	<u>(289,433)</u>	<u>(273,952)</u>	<u>(75,314)</u>
<b>Net Change in Total OPEB Liability</b>	<b>(199,996)</b>	<b>(60,776)</b>	<b>(30,814)</b>	<b>1,333,352</b>
Total OPEB Liability - Beginning	<u>3,505,996</u>	<u>3,566,772</u>	<u>3,597,586</u>	<u>2,264,234</u>
<b>Total OPEB Liability - Ending</b>	<b><u>3,306,000</u></b>	<b><u>3,505,996</u></b>	<b><u>3,566,772</u></b>	<b><u>3,597,586</u></b>
<b>Covered Payroll</b>	\$ 8,228,297	\$ 7,794,515	\$ 7,284,593	\$ 7,106,920
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	40.2%	45.0%	49.0%	50.6%

Note: Information is not available prior to 2017.

See independent auditors' report.

# Lancaster County Solid Waste Management Authority

NOTES to REQUIRED SUPPLEMENTARY INFORMATION -

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

Last 10 Fiscal Years

## **Funding:**

No assets are accumulated in a trust that meet the criteria included in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, to pay related benefits.

## **Changes of Assumptions:**

Measurement period ending January 1, 2020:

Assumptions for mortality were updated to utilize the MP-2019 projection scale.

Discount rate was increased from 3.00% to 3.26%.

The marriage assumption was lowered from 80% to 40%.

The healthcare trend rate increased from 3% to 5.5% in 2020 through 2023.

Measurement period ending December 31, 2017:

Actuarial cost method was adjusted from Unit Credit method to Entry Age Normal.

Discount rate was reduced from 4.00% to 3.00%.

Salary growth changed from an annual rate of 0.00% to 2.50%.

Change in Measurement Date:

Beginning in 2020, the OPEB liability was measured as of January 1, 2020. Previously, the OPEB liability was measured using a December 31 measurement date.



## INDEPENDENT AUDITORS' REPORT on SUPPLEMENTARY INFORMATION

To the Board of Directors  
**Lancaster County Solid Waste  
Management Authority**  
Lancaster, Pennsylvania

We have audited the financial statements of **Lancaster County Solid Waste Management Authority** as of and for the years ended December 31, 2020 and 2019, and our report thereon dated March 19, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on such financial statements as a whole. The schedules of condensed revenues, expenses, and changes in net position on page 53 and the concise statements for publication on page 54 as of and for the years ended December 31, 2020 and 2019, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 and 2019 financial statements. The information has been subjected to the auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the years ended December 31, 2020 and 2019, as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statements of net position of **Lancaster County Solid Waste Management Authority**, as of December 31, 2018, 2017, and 2016 and the related statements of revenues, expenses, and changes in net position and the statements of cash flows for each of the three years then ended (none of which is presented herein), and we expressed unmodified opinions on those financial statements. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The schedules of condensed revenues, expenses, and changes in net position on page 53 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018, 2017, and 2016 financial statements. The information has been subjected to the auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of condensed revenues, expenses, and changes in net position on page 53 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

*Trout CPA*

March 19, 2021  
Lancaster, Pennsylvania

# Lancaster County Solid Waste Management Authority

## SCHEDULES of CONDENSED REVENUES, EXPENSES, and CHANGES in NET POSITION

Years Ended December 31, 2020, 2019, 2018, 2017, and 2016

	2020	2019	2018	2017	2016
<b>OPERATING REVENUES</b>					
Tipping Fees, net	\$ 68,420,973	\$ 66,786,759	\$ 67,285,377	\$ 61,751,330	\$ 57,945,560
Energy	14,879,766	16,036,271	17,696,620	14,409,009	14,738,431
Transportation and Other	<u>5,050,368</u>	<u>4,702,226</u>	<u>3,453,865</u>	<u>3,150,996</u>	<u>2,439,187</u>
<b>Total Operating Revenues</b>	<b>88,351,107</b>	<b>87,525,256</b>	<b>88,435,862</b>	<b>79,311,335</b>	<b>75,123,178</b>
<b>OPERATING EXPENSES</b>					
Lancaster Waste-to Energy Facility	22,073,083	22,085,891	22,112,494	22,723,842	22,476,694
Susq. Resource Mgmt Complex	18,390,103	19,014,561	19,068,573	19,073,675	19,024,386
Depreciation	19,094,220	14,800,618	14,492,523	13,609,605	13,171,084
Landfills	4,548,236	5,169,371	5,213,251	4,553,918	4,284,513
Transfer Station Complex	7,311,624	8,175,344	5,360,165	3,765,041	3,241,425
Closure and Post-Closure Care	830,860	2,923,344	1,987,153	190,785	(234,865)
Household Hazardous Waste	<u>465,342</u>	<u>516,665</u>	<u>489,036</u>	<u>502,269</u>	<u>475,214</u>
<b>Total Operating Expenses</b>	<b>72,713,468</b>	<b>72,685,794</b>	<b>68,723,195</b>	<b>64,419,135</b>	<b>62,438,451</b>
<b>SUPPORT EXPENSES</b>	<b><u>9,446,236</u></b>	<b><u>9,997,313</u></b>	<b><u>9,594,430</u></b>	<b><u>7,774,656</u></b>	<b><u>7,348,847</u></b>
<b>Total Operating and Support Expenses</b>	<b><u>82,159,704</u></b>	<b><u>82,683,107</u></b>	<b><u>78,317,625</u></b>	<b><u>72,193,791</u></b>	<b><u>69,787,298</u></b>
<b>OPERATING INCOME</b>	<b>6,191,403</b>	<b>4,842,149</b>	<b>10,118,237</b>	<b>7,117,544</b>	<b>5,335,880</b>
<b>INTEREST and INVESTMENT EARNINGS</b>					
	2,143,520	2,475,836	1,086,299	718,542	673,671
<b>INTEREST EXPENSE</b>					
	(4,256,228)	(4,401,154)	(4,586,685)	(4,681,613)	(4,769,778)
<b>NET OTHER NONOPERATING REVENUES (EXPENSES) and CAPITAL CONTRIBUTIONS</b>					
	<u>828,822</u>	<u>(486,823)</u>	<u>481,155</u>	<u>5,214,876</u>	<u>1,400,969</u>
<b>CHANGES in NET POSITION</b>	<b><u>\$ 4,907,517</u></b>	<b><u>\$ 2,430,008</u></b>	<b><u>\$ 7,099,006</u></b>	<b><u>\$ 8,369,349</u></b>	<b><u>\$ 2,640,742</u></b>

See independent auditors' report on supplementary information.



# Lancaster County Solid Waste Management Authority

## CONCISE STATEMENTS for PUBLICATION

### STATEMENTS of NET POSITION

December 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current Assets	\$ 43,534,296	\$ 39,957,753
Restricted Assets	30,352,566	30,126,456
Other Assets	9,965,623	11,151,178
Real Estate, Facilities, and Equipment	236,236,550	240,448,444
Deferred Outflows of Resources	<u>1,546,617</u>	<u>1,594,364</u>
<b>TOTAL ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>	<b>321,635,652</b>	<b>323,278,195</b>
<b>LIABILITIES and NET POSITION</b>		
Current Liabilities	15,225,839	15,221,722
Long-Term Liabilities	124,878,360	131,619,181
Deferred Inflows of Resources	<u>213,000</u>	<u>26,356</u>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES</b>	<b>140,317,199</b>	<b>146,867,259</b>
<b>NET POSITION</b>	<b><u>\$ 181,318,453</u></b>	<b><u>\$ 176,410,936</u></b>

### STATEMENTS of REVENUES, EXPENSES, and CHANGES in NET POSITION

Years Ended December 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUES</b>	<b>\$ 88,351,107</b>	<b>\$ 87,525,256</b>
<b>OPERATING and SUPPORT EXPENSES</b>	<b><u>82,159,704</u></b>	<b><u>82,683,107</u></b>
<b>OPERATING INCOME</b>	<b>6,191,403</b>	<b>4,842,149</b>
<b>NET NONOPERATING EXPENSES</b>	<b><u>(1,283,886)</u></b>	<b><u>(2,412,141)</u></b>
<b>CHANGES in NET POSITION</b>	<b><u>\$ 4,907,517</u></b>	<b><u>\$ 2,430,008</u></b>

See independent auditors' report on supplementary information.