

# Lancaster County Solid Waste Management Authority

Years Ended December 31, 2021 and 2020

# Lancaster County Solid Waste Management Authority

Lancaster, Pennsylvania

Years Ended December 31, 2021 and 2020

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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, 2021 and 2020

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

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, 2021 and 2020, 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.

In our opinion, based on our audits and the report of the other auditors, 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, 2021 and 2020, 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.

We did not audit the 2021 financial statements of Sustainable Assurance Company, which qualifies as a blended component unit of **Lancaster County Solid Waste Management Authority**, which statements reflect total assets of \$1,824,028 as of December 31, 2021, and total revenues of \$416,079 for the period of commencement of operations (November 19, 2020) to December 31, 2021. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sustainable Assurance Company as of December 31, 2021, and for the period of commencement of operations (November 19, 2020) to December 31, 2021, is based solely on the report of the other auditors.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Lancaster County Solid Waste Management Authority** and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Lancaster County Solid Waste Management Authority's** ability to continue as a going concern within one year after the date the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Lancaster County Solid Waste Management Authority's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Lancaster County Solid Waste Management Authority's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

***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 4 through 11 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*

April 8, 2022  
Lancaster, Pennsylvania

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended December 31, 2021

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, 2021.

### **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 12 through 16 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 17 through 49 of the attached audited financial statements.

### **SUMMARY**

Despite the pandemic extending into FY2021, the Authority, classified as an "Essential Service Provider", remained fully operational. The safety and well-being of staff and customers were of the highest priority as ongoing adjustments in safety and hygiene protocol were enacted. The Authority experienced continued strengthening in waste volumes among nearly all waste streams except construction and demolition ("C/D") waste volumes remained below pre-pandemic levels. Collectively, total annual tonnage of 963,176 tons represented a nominal increase of 18 tons as compared to prior year. In addition to tipping revenues, windfalls were realized within the energy and metals revenue lines of business. Diversification in revenues assists in neutralizing market volatility and creates longer-term financial stability. Internal efforts were focused on increasing the return on assets through uncovering or deploying means to increase system productivities and efficiencies.

See independent auditors' report.

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2021

### SUMMARY (Continued)

Net capital expenditures ("CAPEX") decreased 3.2% as compared to prior year. Net CAPEX investment of \$13,649,247 was incurred to support the infrastructure and equipment necessary to process waste volumes. CAPEX investments included construction of the second stage of the Frey Farm Landfill Vertical Expansion project, fire suppression upgrades, necessary facility maintenance and improvements, and equipment replacement including wheel loaders, truck tractors, and transfer trailers.

The Authority-owned property insurance captive, Sustainable Assurance Company (the "Captive"), concluded the first year of operations, posting a Net Income of \$159,438. The Captive, a licensed Vermont insurance company, issued a comprehensive one-year property and terrorism insurance package, effective January 1, 2021 with the Authority named as insured. The Authority funded \$1,300,000 of formation capital, exceeding the State of Vermont's \$250,000 minimum requirement, to offset financial risk 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 coverage and limits, and improves financial control for the Authority.

### FINANCIAL REVIEW

The Authority strengthened its balance sheet position by increasing its net position by 3.8% from 2020 to \$188,228,835 as of December 31, 2021. Over the past five (5) years, the Authority strengthened its net position by 18.7% from \$158,512,573 to \$188,228,835. Current assets of \$50,853,277 improved by 16.8% for the year as a result of improved operating performance and cash management. Fixed assets, net of depreciation, of \$231,415,127 declined by \$4,821,423 from 2020 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 \$324,484,369 increased by \$2,848,717 from 2020. 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 \$4,775,000 to a principal balance of \$103,660,000 at December 31, 2021.

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 \$9,255,663 (principal and interest) for 2021. The debt service coverage ratio improved to 3.2 times the annual debt service obligation.

See independent auditors' report.



# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2021

### FINANCIAL REVIEW (Continued)

	Net Position	
	2021	2020
Current and Other Assets	93,069,242	85,399,102
Capital Assets	<u>231,415,127</u>	<u>236,236,550</u>
<b>TOTAL ASSETS and DEFERRED OUTFLOWS</b>	<b>324,484,369</b>	<b>321,635,652</b>
Current Liabilities and Other Liabilities	15,546,413	15,438,839
Long-Term Liabilities	108,321,987	113,219,434
Landfill Closure and Post-Closure Costs (Current and Long-Term)	<u>12,387,134</u>	<u>11,658,926</u>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS</b>	<b>136,255,534</b>	<b>140,317,199</b>
Net Investment in Capital Assets	133,508,492	133,042,678
Restricted	10,047,725	9,157,067
Unrestricted	<u>44,672,618</u>	<u>39,118,708</u>
<b>TOTAL NET POSITION</b>	<b>188,228,835</b>	<b>181,318,453</b>

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 \$44,672,618 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 \$96,155,282 increased by \$7,804,175 (+8.8%) from 2020. Tipping fee revenue, net of Hauler Rebates was \$71,173,706, a 4.0% increase from 2020. The Authority's average gross tip rate per ton improved to \$78.54 (+4.3%) providing relief against the impact of rising operating costs. Energy revenue of \$18,511,562 increased by \$3,631,796 (+24.4%) from 2020 due to record high electric market pricing as a result of quick economic recovery, escalated electric demand, and a slower recovery of natural gas production. The Lancaster Waste-To-Energy ("WTE") facility and Susquehanna Resource Management Complex ("SRMC") experienced similar boiler availability and generation as compared to prior year.

Operating and support expenses, excluding depreciation, were \$60,807,028 and \$6,469,387 respectively, a cumulative increase of 7.0% from 2020. Direct operational costs increased by 13.4% as a result of increased cost for insurance, site utilities, and waste-to-energy facilities' operating materials and service agreements. Further, support expenses were reduced by 30.3% through various cost-mitigation efforts coupled with enhancements realized through deployment of new technology and workflow optimization. Depreciation expense of \$22,564,469 increased 17.2% from 2020, largely the result of the first full year of depreciation 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 \$867,899 for 2021.

See independent auditors' report.

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2021

### FINANCIAL REVIEW (Continued)

Net non-operating expenses were \$3,036,835, an increase of 136.5% from 2020. Net non-operating expenses include interest expense on debt, investment earnings, net gain or loss on asset sales, and other non-operating revenue sources. Increasing investment yields fell short in offsetting losses in unrealized investment value. Net investment losses of \$15,867 fell below prior year net investment income of \$2,143,520. Investment earnings includes interest recognized from bank-managed investments, interest earnings on the loan provided to Inashco and market value gains (losses) realized on investment assets. Non-operating expenses were reduced by \$465,640 in gains recognized through the sale of land and other capital assets.

	Change in Net Position (\$)	
	2021	2020
<b>Revenues:</b>		
Tipping, net	71,173,706	68,420,973
Energy	18,511,562	14,879,766
Transportation	1,544,151	1,512,203
Other Revenues	<u>4,925,863</u>	<u>3,538,165</u>
<b>TOTAL OPERATING REVENUES</b>	<b>96,155,282</b>	<b>88,351,107</b>
<b>Expenses:</b>		
Operating	60,807,028	53,619,248
Support	6,469,387	9,280,486
Depreciation	<u>22,389,404</u>	<u>19,259,970</u>
<b>TOTAL OPERATING and SUPPORT EXPENSES</b>	<b>89,665,819</b>	<b>82,159,704</b>
<b>OPERATING INCOME</b>	<b>6,489,463</b>	<b>6,191,403</b>
Interest Expense	(4,013,735)	(4,256,228)
Investment Earnings	(15,867)	2,143,520
Gain (Loss) on Assets	465,640	434,853
Other Non-Operating Revenue	<u>527,127</u>	<u>393,969</u>
<b>NET NON-OPERATING REVENUE (EXPENSE)</b>	<b>(3,036,835)</b>	<b>(1,283,886)</b>
<b>SPECIAL ITEM - TRANSFER from GSIF</b>	<b><u>3,457,754</u></b>	<b><u>-0-</u></b>
<b>CHANGE in NET POSITION</b>	<b>6,910,382</b>	<b>4,907,517</b>
Net Position - January 1	<u>181,318,453</u>	<u>176,410,936</u>
<b>NET POSITION - DECEMBER 31</b>	<b>188,228,835</b>	<b>181,318,453</b>

See independent auditors' report.

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2021

### FINANCIAL REVIEW (Continued)

#### Capital Assets

During fiscal year 2021, the Authority invested \$15,848,726 in capital assets through a combination of projects, improvements and equipment purchases at each site. Proceeds from property and equipment sales were \$2,199,479 resulting in net capital expenditures of \$13,649,247. The majority of 2021 CAPEX expenditures encompassed the construction of the second stage of the Frey Farm Vertical Expansion, facility fire suppression upgrades, truck tractors, and trailers.

Total depreciation expense, including non-operating depreciation related to rental assets, was \$22,564,469. A comparison of capital assets, net of depreciation, as of December 31, 2021 and December 31, 2020 is shown below.

	Change in Net Position (\$)	
	2021	2020
Land and Improvements	32,945,798	32,805,169
Buildings and Improvements	145,355,416	151,795,737
Site and Improvements	20,091,557	26,155,698
Other Real Estate	7,328,413	7,324,616
Vehicles/Transportation	6,133,156	7,217,697
Equipment	6,028,085	7,215,179
Office Furniture and Equipment	53,813	67,015
Computer Software and Equipment	1,037,425	498,442
Construction in Progress	<u>12,441,464</u>	<u>3,156,997</u>
<b>TOTAL CAPITAL ASSETS</b>	<b>231,415,127</b>	<b>236,236,550</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, 2021, the Authority had \$103,660,000 of outstanding bond principal liability associated with the acquisition of the SRMC assets on December 23, 2013. Principal payments of \$4,775,000 were made in 2021 (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 \$12,387,134 at December 31, 2021. 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, 2021 is \$887,184.

#### 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").

See independent auditors' report.

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2021

### FINANCIAL REVIEW (Continued)

In 2021, the System received 963,176 tons of waste which includes refuse, C/D, residual and recyclable material. The total tons received in 2021 was nearly identical to 2020, however there was variation amongst each waste type as compared to prior year. The TSC received 331,682 tons of waste which was then transferred to the WTE facility, FFLF, SRMC or privately owned and operated recycling facilities. WTE received 384,537 tons of waste either delivered directly to the facility or transferred in from the TSC or SRMC, while the FFLF received 271,424 tons of waste either delivered directly to the FFLF or transferred in from the TSC, WTE or SRMC. There were 293,884 tons of waste directly received at SRMC.

The WTE facility processed 385,221 tons of waste to generate 191,876 MWh of electricity and 35,811 MWh equivalent of steam for Perdue's soybean processing facility. Total electric revenue generated at the WTE was \$6,833,112. The WTE facility had direct steam deliveries to Perdue that realized revenues of \$2,853,533, 14.9% less than prior year due to market disruptions. In exchange for an obligation to provide electricity to the PJM grid during periods of need, the WTE facility recognized \$1,032,403 in capacity commitment revenue. WTE's renewable energy credits (RECs) totaled \$989,706.

The SRMC facility processed 279,410 tons of waste generating 112,218 MWh of electricity, 86% 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 \$5,448,687. In addition to the direct sale of electric, the SRMC facility also contracted to provide capacity to PJM generating \$282,844 of revenue, and RECs generating another \$538,171.

Transportation revenues of \$1,544,151 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, increased significantly in 2021 resulting in metal recycling revenues of \$1,821,981, a 123.7% increase from 2020.

The Inashco metals recovery facility, owned and operated by Blue Phoenix Inashco USA, concluded the second full year of operating of which the Authority recognized \$520,000 of metal sales revenue in 2021. Further, the Authority earned \$458,741 of interest in 2021 on the original \$11,000,000 loan issued to Inashco (principal balance of \$8,661,056 as of December 31, 2021).

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. During 2021, the Authority filled 476,399 cubic yards, or 41.8% of the first stage's total capacity. To date, 720,362 cubic yards have been filled, or 63.2% of the total stage one capacity which leaves 36.8% available for future use. Construction on the second stage of the Frey Farm Landfill Vertical Expansion began in 2021 and the Authority anticipates filling to commence mid-year 2022. The second stage provides 1.72 million cubic yards or approximately 4 years of fill capacity.

See independent auditors' report.

# Lancaster County Solid Waste Management Authority

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2021

### FINANCIAL REVIEW (Continued)

Waste volumes stabilized in 2021 as compared to prior year, however, adjustments to tipping fees became increasingly challenging with the emergence of recent record rates of inflation. Even with continued focus on cost reduction measures, total Operating and Support costs, including depreciation, per ton increased 9.1% to \$93.09 per ton. As a result of targeted rate increases, favorable shifts in the makeup of waste types received, and strong energy and metal markets, increasing costs were offset by growth in Operating Revenues of 8.8% from \$91.73 per ton in 2020 to \$99.83 per ton in 2021. The Authority concluded 2021 with Operating Income of \$6.74 per ton, an increase of 4.8% compared to 2020, and EBITDA of \$30.88 per ton, an increase of 13.6% from 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. The Authority anticipates improving yet conservative annual growth rates in waste volumes across all waste types in 2022 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, despite the lagging rebound in construction and demolition waste business. 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, while experiencing recent historical highs, are expected to retreat closer to previous annual averages over time. Demand for thermal energy (steam) to Perdue is expected to return to levels previous experienced in 2020. Additionally, the Authority upgraded certain equipment to allow for increased steam take when necessary. The Authority continues to look at additional opportunities for its WTE facility to further reduce its exposure to volatility associated with open market electricity sales and maximum the potential value of these assets. 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 FY2021 CAPEX investment through free cash flows from operations. Fiscal year 2022 will require greater investment into CAPEX as the Authority continues investment in landfill capacity related to the second stage construction of the Frey Farm Vertical Expansion project. Additionally, investment into fire suppression upgrades at the waste-to-energy facilities and replacement of operational equipment will take place in FY2022. The Authority is planning for CAPEX investment of approximately \$17,730,000 and \$16,140,000 in FY2022 and FY2023 respectively. Annual cash flow from operations is expected to fund the 2022 and 2023 CAPEX investments.

Business fundamentals within the Authority remain resilient as exhibited throughout 2021. 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. Furthermore, management is reviewing existing arrangements and contracts with the intent to identify emerging opportunities, enhancements, or mitigation of previously unforeseen risk. In particular, Waste Processing & Disposal Agreements, which renew January 1, 2023, will include modifications to certain terms and conditions to ensure adequate system flexibility to counteract emerging challenges and risks. The next generation of final disposal capacity, which encompasses a 15 to 20-year planning horizon, will require significant financial and operational planning of which earnest efforts are underway. Proactively developing strategies for reasonable and affordable tip rates and operational improvements will be critical to ensure the Authority remains in a favorable financial position for business continuity and the successful and safe management of solid waste.

See independent auditors' report.

# **Lancaster County Solid Waste Management Authority**

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended December 31, 2021

## **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**, 1299 Harrisburg Pike, Lancaster, PA 17604, or e-mail to [info@lcswma.org](mailto:info@lcswma.org).

See independent auditors' report.

# Lancaster County Solid Waste Management Authority

## STATEMENTS of NET POSITION

December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 23,015,516	\$ 17,844,134
Investments	15,333,467	13,980,441
Accounts Receivable, net of Provision for Bad Debts of \$121,843 and \$90,000 at 2021 and 2020, Respectively	10,677,574	10,141,777
Grants Receivable	41,000	323,071
Notes Receivable, Current Portion	989,483	941,323
Interest Receivable	19,898	108,226
Inventory	44,006	19,815
Prepaid Assets	732,333	175,509
<b>Total Current Assets</b>	<b>50,853,277</b>	<b>43,534,296</b>
<b>RESTRICTED ASSETS</b>		
Investments with Trustee (Note 3)	9,018,047	9,036,538
Interest Receivable with Trustee	62,311	35
Total Restricted Assets with Trustee	9,080,358	9,036,573
Escrow Deposits	1,056,209	1,456,889
Closure and Post-Closure Care Funds	19,628,650	19,609,104
Cash and Cash Equivalents - Restricted - Captive Insurance Company	250,000	250,000
Pollution Occurrences Reserve - Receivable from GSIF	2,000,000	-
<b>Total Restricted Assets</b>	<b>32,015,217</b>	<b>30,352,566</b>
<b>OTHER ASSETS</b>		
Notes Receivable, net of Current Portion (Note 4)	7,671,573	8,661,057
Other Real Estate	982,058	1,273,566
Other - Raffles Insurance, Ltd.	31,000	31,000
<b>Total Other Assets</b>	<b>8,684,631</b>	<b>9,965,623</b>
<b>REAL ESTATE, FACILITIES, and EQUIPMENT (Note 6)</b>		
Land and Improvements	32,945,798	32,805,169
Buildings and Improvements	326,131,495	321,397,656
Site and Improvements	90,580,005	90,384,984
Other Real Estate	9,440,642	9,202,763
Vehicles/Transportation	13,630,507	15,566,545
Equipment	14,181,275	14,570,469
Office Furniture and Equipment	140,450	140,450
Computer Software/Equipment	1,955,862	1,313,985
	489,006,034	485,382,021
Accumulated Depreciation	(270,032,371)	(252,302,468)
Net Depreciable Assets	218,973,663	233,079,553
Construction in Progress (Note 5)	12,441,464	3,156,997
<b>Net Real Estate, Facilities, and Equipment</b>	<b>231,415,127</b>	<b>236,236,550</b>
<b>TOTAL ASSETS</b>	<b>322,968,252</b>	<b>320,089,035</b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>		
Other Postemployment Benefits	825,000	817,000
Asset Retirement Obligations	691,117	729,617
<b>TOTAL DEFERRED OUTFLOWS of RESOURCES</b>	<b>1,516,117</b>	<b>1,546,617</b>
<b>TOTAL ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>	<b>\$ 324,484,369</b>	<b>\$ 321,635,652</b>

See notes to financial statements.

# Lancaster County Solid Waste Management Authority

## STATEMENTS of NET POSITION

(Continued)

December 31, 2021 and 2020

	2021	2020
<b>LIABILITIES and NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt (Note 9)	\$ 5,015,000	\$ 4,775,000
Accounts Payable - Trade	5,611,396	5,534,087
Prepaid Disposal Fees	971,612	1,033,337
Accrued Expenses and Other Current Liabilities (Note 8)	3,948,405	3,883,415
<b>Total Current Liabilities</b>	<b>15,546,413</b>	<b>15,225,839</b>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, net of Current Portion (Note 9)	101,971,993	107,455,445
Estimated Closure and Post-Closure Care Liability, net of Current Portion	12,387,134	11,658,926
Other Long-Term Liabilities (Note 10)	1,846,810	1,635,240
Total Other Postemployment Benefits (OPEB) Obligation	2,450,000	3,306,000
Asset Retirement Obligations	887,184	822,749
<b>Total Long-Term Liabilities</b>	<b>119,543,121</b>	<b>124,878,360</b>
<b>TOTAL LIABILITIES</b>	<b>135,089,534</b>	<b>140,104,199</b>
<b>DEFERRED INFLOWS of RESOURCES</b>		
Other Postemployment Benefits	1,166,000	213,000
<b>TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES</b>	<b>136,255,534</b>	<b>140,317,199</b>
<b>NET POSITION (Note 12)</b>		
Net Investment in Capital Assets	133,508,492	133,042,678
Restricted	10,047,725	9,157,067
Unrestricted	44,672,618	39,118,708
<b>TOTAL NET POSITION</b>	<b>\$ 188,228,835</b>	<b>\$ 181,318,453</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, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES</b>		
Tipping Fees, Gross	\$ 75,643,580	\$ 72,528,395
Less Hauler Rebates	<u>(4,469,874)</u>	<u>(4,107,422)</u>
Tipping Fees, net of Hauler Rebates	71,173,706	68,420,973
Energy	18,511,562	14,879,766
Transportation	1,544,151	1,512,203
Other	<u>4,925,863</u>	<u>3,538,165</u>
<b>Total Operating Revenues</b>	<b>96,155,282</b>	<b>88,351,107</b>
<b>OPERATING EXPENSES</b>		
Lancaster Waste-to-Energy Facility	24,604,984	22,073,083
Susquehanna Resource Management Complex	21,195,916	18,390,103
Depreciation	21,915,901	19,094,220
Landfills	5,318,818	4,752,236
Transfer Station Complex	8,552,417	7,311,624
Closure and Post-Closure Care	764,964	626,860
Household Hazardous Waste	<u>369,929</u>	<u>465,342</u>
<b>Total Operating Expenses</b>	<b>82,722,929</b>	<b>72,713,468</b>
<b>SUPPORT EXPENSES</b>		
General and Administrative	6,469,387	9,280,486
Depreciation	<u>473,503</u>	<u>165,750</u>
<b>Total Support Expenses</b>	<b>6,942,890</b>	<b>9,446,236</b>
<b>Total Operating and Support Expenses</b>	<b>89,665,819</b>	<b>82,159,704</b>
<b>OPERATING INCOME</b>	<b>6,489,463</b>	<b>6,191,403</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant Revenues	382,665	328,580
Gain on Disposal of Assets	465,640	434,853
Miscellaneous	365,201	178,351
Rental Income, Net Expenses of \$488,436 and \$309,472 for 2021 and 2020, Respectively	(220,739)	(112,962)
Interest and Investment Earnings	(15,867)	2,143,520
Interest Expense	<u>(4,013,735)</u>	<u>(4,256,228)</u>
<b>Net Nonoperating Expenses</b>	<b>(3,036,835)</b>	<b>(1,283,886)</b>
<b>CHANGES in NET POSITION BEFORE SPECIAL ITEM</b>	<b>3,452,628</b>	<b>4,907,517</b>
<b>SPECIAL ITEM - TRANSFER from GOVERNMENT SELF-INSURANCE FUND</b>	<b>3,457,754</b>	<b>-0-</b>
<b>CHANGES in NET POSITION</b>	<b>6,910,382</b>	<b>4,907,517</b>
<b>NET POSITION</b>		
Beginning of Year	<u>181,318,453</u>	<u>176,410,936</u>
End of Year	<b><u>\$ 188,228,835</u></b>	<b><u>\$ 181,318,453</u></b>

See notes to financial statements.

# Lancaster County Solid Waste Management Authority

## STATEMENTS of CASH FLOWS

Years Ended December 31, 2021 and 2020

	2021	2020
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 97,849,848	\$ 88,428,182
Payments to Suppliers	(62,247,891)	(55,401,840)
Payments to Employees	<u>(8,027,546)</u>	<u>(8,571,539)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>27,574,411</b>	<b>24,454,803</b>
<b>CASH FLOWS from NON-CAPITAL and RELATED FINANCING ACTIVITIES</b>		
State and Local Grant Income	<b>664,736</b>	<b>415,800</b>
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>		
Interest Paid	(4,722,187)	(4,748,028)
Principal Payments	(4,535,000)	(4,550,000)
Payments for Capital Acquisitions	(15,848,726)	(14,953,959)
Proceeds from Sale of Capital Assets	<u>2,199,479</u>	<u>856,488</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(22,906,434)</b>	<b>(23,395,499)</b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>		
Release of (Deposits Made) for Escrow Funds	-0-	(45,035)
Sales of Escrow Funds	400,680	-0-
Principal Payments Received on Notes Receivable	941,324	895,507
Sales of Restricted Investments	39,690,265	50,101,556
Purchases of Restricted Investments	(40,457,335)	(48,004,653)
Receipts of Interest	1,000,623	1,354,305
Sales of Unrestricted Investments	15,645,546	8,987,626
Purchases of Unrestricted Investments	<u>(17,382,434)</u>	<u>(10,837,454)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>(161,331)</u></b>	<b><u>2,451,852</u></b>
<b>INCREASE in CASH and CASH EQUIVALENTS</b>	<b>5,171,382</b>	<b>3,926,956</b>
<b>CASH and CASH EQUIVALENTS</b>		
Beginning	<u>18,094,134</u>	<u>14,167,178</u>
<b>Ending</b>	<b><u>\$ 23,265,516</u></b>	<b><u>\$ 18,094,134</u></b>

See notes to financial statements.

# Lancaster County Solid Waste Management Authority

## STATEMENTS of CASH FLOWS

(Continued)

Years Ended December 31, 2021 and 2020

	2021	2020
<b>RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>		
Operating Income	\$ 6,489,463	\$ 6,191,403
<b>ADJUSTMENTS to RECONCILE OPERATING INCOME to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES</b>		
Depreciation	22,564,469	19,274,145
Miscellaneous Income and Net Rental Income not in Operating Income on Statements of Revenues, Expenses, and Changes in Net Position		
Included for Cash Flow	3,761,653	65,389
(Increase) Decrease in:		
Accounts Receivable	(2,535,797)	(289,237)
Inventory and Other Current Assets	(581,015)	959,310
Increase (Decrease) in:		
Current Liabilities	(3,044,505)	141,768
Estimated Closure and Post-Closure Care Costs	728,208	(1,922,370)
Change in Asset Retirement Obligations	102,935	38,500
Other Postemployment Benefits - Related Changes		
Other than Periodic OPEB Costs	89,000	(4,105)
<b>Total Adjustments</b>	<b>21,084,948</b>	<b>18,263,400</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 27,574,411</b>	<b>\$ 24,454,803</b>

### SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION

Change in Market Value of Investments - Restricted	(766,014)	730,294
Change in Market Value of Investments - Unrestricted	(224,424)	89,093
Change in Accounts Payable Related to Capital Projects	(3,336,649)	285,694

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

Cash and Cash Equivalents		
Unrestricted	23,015,516	17,844,134
Restricted	250,000	250,000

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, licensed in Vermont, and 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 property and terrorism insurance coverage 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 issued separate financial statements for the period of commencement of operations (November 19, 2020) to December 31, 2021. Financial statements of SAC can be obtained 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. The accrual basis records transactions, events and circumstances when they occur. The Authority follows all applicable Government Accounting Standards Board (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 (US GAAP).

##### **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, 2021 and 2020, was \$22,564,469 and \$19,274,145, respectively.

The Authority is holding other real estate totaling \$982,058 and \$1,273,566 at December 31, 2021 and 2020, 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 US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to the allowance for doubtful accounts, closure and post-closure care costs, asset retirement obligations, depreciation of fixed assets, valuation of receivables, the obligation for OPEB, and loss reserves and reinsurance recoverable. 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.

#### **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transaction or events that are within the control of the Authority and that are either unusual in nature or infrequent in occurrence. The Authority considers the transfer of money from the Government Self-Insurance Fund (GSIF), arising from the entity's dissolution, to be a special item, which is more fully described in Note 19.

**Liability for Losses and Loss Adjustment Expenses** - The liability for unpaid losses and loss adjustment expenses includes amounts related to losses incurred but not reported (IBNR). In establishing the liability for losses and loss adjustment expenses, SAC utilizes the findings of an independent consulting actuary. Methodologies utilized by the consulting actuary include paid and incurred loss development, expected loss, incurred Bornhuetter-Ferguson and case reserve development methods. An estimate of ultimate losses and loss adjustment expenses is projected at each reporting date. IBNR reserves are derived from the difference between the projected ultimate losses and the sum of case-basis estimates and inception-to-date paid losses, if any. Management believes that its aggregate liability for unpaid losses and loss adjustment expenses at period-end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses. However, because of the limited population of insured risks, limited historical information, economic conditions, judicial decisions, legislation and other matters, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in these financial statements. As adjustments to this estimate become necessary, such adjustments are reflected in current operations. The liability for losses and loss adjustment expenses was \$356,129 at December 31, 2021 and is included in accrued expenses and other current liabilities on the statements of net position.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

**Reinsurance Recoverable on Unpaid Losses and Loss Adjustment Expenses** - SAC relies on ceded reinsurance to limit its retained insurance risk. Recoverables from the reinsurers pursuant to the reinsurance agreements have been estimated using actuarial assumptions consistent with those used in establishing the liability for losses and loss adjustment expenses described above. Management believes that reinsurance recoverable as recorded represents its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and loss adjustment expenses are determined, the estimated ultimate amount recoverable from the reinsurers will also change. Accordingly, the ultimate recoverable could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, SAC would be contingently liable for such amounts. Management's estimates of amounts recoverable from reinsurers include consideration of amounts, if any, estimated to be uncollectible based on an assessment of factors including the creditworthiness of the reinsurers. Management believes that all reinsurance recoverable recorded at December 31, 2021 is fully collectible. Reinsurance recoverable on unpaid losses at December 31, 2021 was \$320,320 and is included in prepaid assets on the statements of net position.

#### **Accounting Standards Adopted in 2021**

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. The Authority's beginning balances, and current year results were not affected by the implementation of this new standard.

#### **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 2022 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 2023 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 2023 financial statements.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

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.

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, 2021, \$18,389,883 of the Authority's bank balance of \$19,103,263 was exposed to 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. Cash and cash equivalents exposed to credit risk were as follows at December 31, 2021 and 2020:

	2021	2020
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>18,389,883</u>	<u>11,616,358</u>
	<b>18,389,883</b>	<b>11,616,358</b>

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

Uninsured Amount Above	18,389,883	11,616,358
Plus: Insured Amount	<u>713,380</u>	<u>2,189,716</u>
Bank Balance	19,103,263	13,806,074
Deposits in Transit	46,367	43,350
Outstanding Checks	<u>(711,657)</u>	<u>(619,474)</u>
Carrying Amount - Bank Balances	18,437,973	13,229,950
Petty Cash	300	758
Money Market Funds and Commercial Paper		
Classified as Cash Equivalents	5,883,452	7,793,968
Escrow Deposits in Restricted Assets	(1,056,209)	(1,456,889)
Certificates of Deposit Classified as Investments	<u>-0-</u>	<u>(1,473,653)</u>
<b>Total Cash and Cash Equivalents Per Financial Statements</b>	<b>23,265,516</b>	<b>18,094,134</b>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### 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.

Investments' fair value measurements are as follows at December 31, 2021 and 2020:

	Recorded Value	2021 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	1,803,696		1,803,696		< 1 Year
	2,251,873		2,251,873		1 - 5 Years
	-0-		-0-		6 - 10 Years
	552,661		552,661		> 10 Years
U.S. Treasury Securities	5,693,926		5,693,926		< 1 Year
	27,613,766		27,613,766		1 - 5 Years
	3,793,662		3,793,662		6 - 10 Years
Money Market Mutual Funds	7,359,677	7,359,677			
Commercial Paper	<u>1,069,875</u>	_____	<u>1,069,875</u>	_____	< 1 Year
<b>Total Investments at Fair Value</b>	<b>50,139,136</b>	<b>7,359,677</b>	<b>42,779,459</b>	<b>-0-</b>	
	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>	

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Investments (Continued)

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.

#### 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, 2021 and 2020, the Authority's investments were rated as:

	<b>2021</b>		
	<b>AAA</b>	<b>AA</b>	<b>A</b>
U.S. Agency Securities	4,608,230		
U.S. Treasury Securities	37,101,354		
Money Market Mutual Funds	7,359,677		
Commercial Paper	<u>                    </u>		<u>1,069,875</u>
	<b>49,069,261</b>	<b>-0-</b>	<b>1,069,875</b>
	<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>                    </u>		<u>4,345,746</u>
	<b>45,304,665</b>	<b>-0-</b>	<b>4,345,746</b>

#### 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. At December 31, 2021 and 2020, there were no concentrations for the Authority's 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, 2021 and 2020, 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

	<b>2021</b>	<b>2020</b>
Total Investments Per Footnotes:	50,139,136	49,650,411
Less: Money Market Funds/Commercial Paper Classified		
As Cash and Cash Equivalents	(5,883,452)	(7,793,968)
Less: Investments in Escrow Deposits	(275,520)	(704,013)
Add: Certificates of Deposit	<u>-0-</u>	<u>1,473,653</u>
<b>Total Investments per Financial Statements</b>	<b>43,980,164</b>	<b>42,626,083</b>

The following schedule summarizes investments and their classifications in the statements of net position at December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Unrestricted Assets:		
Investments	15,333,467	13,980,441
Restricted Assets:		
Investments with Trustee	9,018,047	9,036,538
Closure and Post-Closure Care Funds	<u>19,628,650</u>	<u>19,609,104</u>
	<b>43,980,164</b>	<b>42,626,083</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 - NOTE RECEIVABLE

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. The outstanding principal balance was \$8,661,056 and \$9,602,380 as of December 31, 2021 and 2020, respectively.

Note receivable balances at December 31, 2021 and 2020, are summarized as follows:

	<b>2021</b>	<b>2020</b>
Inashco North America Lancaster, LLC Note		
Current Portion	989,483	941,323
Long-Term Portion	<u>7,671,573</u>	<u>8,661,057</u>
<b>Total</b>	<b>8,661,056</b>	<b>9,602,380</b>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 5 - CONSTRUCTION in PROGRESS

#### Construction in Progress

The Authority has uncompleted projects shown as follows:

Description	2021	2020
Lancaster Waste-to-Energy Facility	1,305,011	200,302
Susquehanna Resource Management Complex	1,161,014	670,472
Landfill Facility	9,256,262	1,571,054
Transfer Station Complex	660,292	79,376
Information Technology and Systems/Other	<u>58,885</u>	<u>635,793</u>
	<b>12,441,464</b>	<b>3,156,997</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, 2021	Additions	Deletions/ Transfers	Balance December 31, 2021
Capital Assets not Being Depreciated:				
Land and Improvements	32,805,169	-0-	140,629	32,945,798
Construction in Progress	<u>3,156,997</u>	<u>18,726,731</u>	<u>(9,442,264)</u>	<u>12,441,464</u>
<b>Total Capital Assets not Being Depreciated</b>	<b>35,962,166</b>	<b>18,726,731</b>	<b>(9,301,635)</b>	<b>45,387,262</b>
Capital Assets Being Depreciated:				
Buildings and Improvements	321,397,656	(156,200)	4,890,039	326,131,495
Accumulated Depreciation	(169,601,919)	(11,762,729)	588,568	(180,776,079)
Site and Improvements	90,384,984	-0-	195,021	90,580,005
Accumulated Depreciation	(64,229,286)	(6,259,162)	-0-	(70,488,448)
Other Real Estate	9,202,763	-0-	237,879	9,440,642
Accumulated Depreciation	(1,878,147)	(234,082)	-0-	(2,112,229)
Vehicles/Transportation	15,566,545	(11,144)	(1,924,894)	13,630,507
Accumulated Depreciation	(8,348,848)	(1,781,326)	2,632,823	(7,497,351)
Equipment	14,570,469	-0-	(389,194)	14,181,275
Accumulated Depreciation	(7,355,290)	(2,150,087)	1,352,187	(8,153,190)
Office Furniture and Equipment	140,450	-0-	-0-	140,450
Accumulated Depreciation	(73,435)	(13,202)	-0-	(86,637)
Computer Software and Equipment	1,313,985	-0-	641,877	1,955,862
Accumulated Depreciation	<u>(815,543)</u>	<u>(363,880)</u>	<u>260,987</u>	<u>(918,437)</u>
<b>Capital Assets Being Depreciated, net</b>	<b><u>200,274,384</u></b>	<b><u>(22,731,812)</u></b>	<b><u>8,485,293</u></b>	<b><u>186,027,865</u></b>
<b>Capital Assets, net</b>	<b>236,236,550</b>	<b>(4,005,081)</b>	<b>(816,342)</b>	<b>231,415,127</b>

### 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.



# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 7 - OTHER ASSETS, REAL ESTATE PURCHASES, and SALE COMMITMENTS (Continued)

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 \$802,077 at December 31, 2021, 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 \$344,416 with the Township to keep the land development plan in place. The Authority is currently in the due diligence period of an agreement for sale of the undeveloped 12.98-acre property located in East Cocalico Township located at 425 S. Muddy Creek Road, Denver, PA. The estimated settlement timeframe is June 2022.

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.

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

Balances consisted of the following at December 31, 2021 and 2020:

	2021	2020
Accrued Host Fees	481,707	260,005
Accrued DEP Recycling Fees	690,057	685,727
Accrued County Closure Fee	25,580	25,738
Accrued Haulers Rebate	1,046,566	1,512,428
Accrued Prepaid Rebate	57,180	57,588
Accrued Payroll	397,412	399,115
Payroll Taxes and Pension Plan		
Accrued and Withheld	101,523	166,669
Accrued Interest	228,029	248,468
Accrued Gross Premiums Tax	109,017	-0-
Losses and Loss Adjustments	356,129	-0-
Miscellaneous Accruals and Other Liabilities	<u>455,205</u>	<u>527,677</u>
	<b>3,948,405</b>	<b>3,883,415</b>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 9 - LONG-TERM DEBT

Long-term debt at December 31, 2021, 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.

Long-term debt consists of the following at December 31, 2021:

	2013 A Series	2013 B Series	Total
Principal Amount Due	79,660,000	24,000,000	103,660,000
Less: Current Portion	<u>5,015,000</u>	<u>-0-</u>	<u>5,015,000</u>
Long-Term Principal Due	<b>74,645,000</b>	<b>24,000,000</b>	<b>98,645,000</b>
Original Issue Premiums, net of Accumulated Amortization			<u>3,326,993</u>
<b>Long-Term Debt, net of Current Portion</b>			<b>101,971,993</b>

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>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

The following is a summary of the Authority's long-term debt transactions for the years ended December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Debt Outstanding - January 1	108,435,000	112,985,000
New Debt Issuance	-0-	-0-
Repayments	<u>(4,775,000)</u>	<u>(4,550,000)</u>
<b>Debt Outstanding - December 31</b>	<b>103,660,000</b>	<b>108,435,000</b>

The annual debt service requirements for all outstanding debt as of December 31, 2021, are as follows:

			<b>Dauphin County Reimbursement **</b>		
Year	Principal	Interest	Reimbursement **	Net	
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	6,085,000	4,132,413	(960,000)	9,257,413	
2027 - 2031	35,230,000	15,849,052	(4,800,000)	46,279,052	
2032 - 2033	<u>40,785,000</u>	<u>3,646,926</u>	<u>(1,920,000)</u>	<u>42,511,926</u>	
	<b>103,660,000</b>	<b>42,931,205</b>	<b>(11,520,000)</b>	<b>135,071,205</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, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Security Deposits	37,025	35,650
Nonqualified Deferred Compensation Plan Obligation	221,023	162,879
Capacity Reserves	781,056	781,056
DGS "Clawback" Reserve	250,000	-0-
Escrow Liability	500,000	500,000
Obligations Under Capital Lease	<u>57,706</u>	<u>155,655</u>
	<b>1,846,810</b>	<b>1,635,240</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, 2021, as follows:

Lease	Annual Payment	Period	Nominal Interest Rate	Cost	Accumulated Depreciation
1	56,399	May 2023	7.00%	152,213	80,335
2	56,399	June 2023	7.00%	<u>152,213</u>	<u>76,107</u>
				<b>304,426</b>	<b>156,442</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, 2021:

	2022	112,798
	2023	<u>51,198</u>
Minimum Lease Payments for all Capital Leases		<b>163,996</b>
Amount Representing Interest		<u>(768)</u>
<b>Present Value of Minimum Lease Payments</b>		<b>163,228</b>
	Current Maturities	105,522
	Long-Term Portion	57,706

The current portion of capital lease payments, excluding the interest portion, of \$105,522 is included in other current liabilities and the long-term portion of capital lease payments, excluding interest, of \$57,706 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, 2021 and 2020:

	2021	2020
Restricted for Landfill Closure and Post-Closure:		
Care Costs	7,241,516	7,950,178
Other	556,209	956,889
Restricted for Pollution Occurrences Reserve	2,000,000	-0-
Restricted for Captive Insurance Company	<u>250,000</u>	<u>250,000</u>
	<b>10,047,725</b>	<b>9,157,067</b>

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 12 - NET POSITION (Continued)

#### Restricted (Continued)

##### Pollution Occurrences Reserve

The Authority, in accordance with Commonwealth of Pennsylvania regulations, has authorized the establishment of a reserve fund of not less than \$2,100,000, separate and distinct from other funds and accounts, for the sole purpose of paying claims to third parties for bodily injury and property damage caused by or relating to pollution occurrences arising from the applicant's operation of a municipal waste landfill or resource recovery facility. The amount required by the Commonwealth is \$2,000,000 and is classified as a restricted asset.

**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, 2021 and 2020, the balance of unrestricted net position is as follows:

	<b>2021</b>	<b>2020</b>
Board Designated Unrestricted Net Position:		
Pollution Occurrences Reserve	100,000	-0-
Construction/Capital Projects Reserve Fund	9,739,341	9,801,245
Revenue Reserve Fund	<u>8,756,341</u>	<u>8,816,716</u>
<b>Total Board Designated Unrestricted         Net Position</b>	<b>18,595,682</b>	<b>18,617,961</b>
Undesignated Unrestricted Net Position	<u>26,076,936</u>	<u>20,500,747</u>
<b>Total Unrestricted Net Position</b>	<b>44,672,618</b>	<b>39,118,708</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.

**Lancaster County Solid Waste Management Authority**

NOTES to FINANCIAL STATEMENTS

(Continued)

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

**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.

**Employer Contributions**

Prior to January 1, 2021, the Authority contributed seven percent (7%) of the active participant’s pay to the MPPP (base contribution). The Authority also matched a participant’s contribution to the EDCP up to five percent (5%) of pay (matching contribution). The Authority amended their contribution formula effective January 1, 2021 which provides for a 3.00% contribution of the active participant’s pay to the MPPP and match up to 6.00% to the EDCP. 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, 2021 and 2020, of \$681,755 and \$962,574, 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, 2021 and 2020, were \$596,508 and \$669,656, 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.

**Lancaster County Solid Waste Management Authority**

NOTES to FINANCIAL STATEMENTS

(Continued)

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

**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 \$624 per year in 2021 and \$1,200 in 2020 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. The Authority pays the remainder of the cost.

**Employees Covered by Benefit Terms**

At January 1, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	6
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	<u>130</u>
	<b>136</b>

**Total OPEB Liability**

The Authority's total OPEB liability of \$2,450,000 was based on an actuarial valuation as of January 1, 2020 for fiscal year ending December 31, 2021. The Authority's total OPEB liability of \$3,306,000 was based on an actuarial valuation as of January 1, 2020 for fiscal year ending December 31, 2020.

**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: 1.93% (As Modified from 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: 5.50% for 2020 through 2023. Rates gradually decreased from 5.40% in 2024 to 4.00% 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-2020 to reflect mortality improvement.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Changes in the Total OPEB Liability

	2021	2020
<b>Balance, Beginning</b>	<b>3,306,000</b>	<b>3,505,996</b>
Changes for the Year:		
Service Cost	85,935	124,133
Interest	71,664	104,524
Change of Benefit Terms	-0-	(36,732)
Difference Between Expected and Actual Experience	-0-	(203,258)
Change of Assumptions	268,196	3,389
Benefit Payments	(192,052)	(192,052)
Correction (1)	<u>(1,089,743)</u>	<u>-0-</u>
<b>Net Changes</b>	<b><u>(856,000)</u></b>	<b><u>(199,996)</u></b>
<b>Balance, Ending</b>	<b>2,450,000</b>	<b>3,306,000</b>

(1) This was a modeling correction in the valuation of plan liabilities, which will be amortized as OPEB expense due to experience change.

#### 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 1.00% lower or 1.00% higher than the current discount rate:

<b>Total OPEB Liability</b>	
.93% Discount Rate (1.00% Decrease)	2,686,000
1.93% Discount Rate (Current Rate)	2,450,000
2.93% Discount Rate (1.00% Increase)	2,245,000

#### 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 1.00% lower or 1.00% higher than the current healthcare cost trend rates:

<b>Total OPEB Liability</b>	
4.50% Healthcare Cost Trend Rate (1.00% Decrease)	2,195,000
5.50% Healthcare Cost Trend Rate (Current Rate)	2,450,000
6.50% Healthcare Cost Trend Rate (1.00% Increase)	2,751,000

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

For the year ended December 31, 2021, the Authority recognized OPEB expense of \$252,289. The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



**Lancaster County Solid Waste Management Authority**

NOTES to FINANCIAL STATEMENTS

(Continued)

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Benefit Payments After the Measurement Date	164,000	
Differences Between Expected and Actual Experience		1,166,000
Changes of Assumptions	<u>661,000</u>	
	<b>825,000</b>	<b><u>1,166,000</u></b>

Deferred outflows in the amount of \$164,000 for benefit payments after the measurement date will be recorded as a decrease in the OPEB liability during the year ended December 31, 2022. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended December 31:		
2022		94,000
2023		102,000
2024		(103,000)
2025		(103,000)
2026		(103,000)
Thereafter		<u>(392,000)</u>
		<b>(505,000)</b>

**NOTE 15 - RISK MANAGEMENT**

**Insurance**

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-insured certain risks, for which commercial insurance is not economically available including pollution occurrence, through GSIF, an entity which was separate from the Authority. Each participant in the fund contributed to this entity on a self-assessed basis. The Authority was the only government entity who has elected to become a participant/member of the GSIF. Contributions were placed into a trust and managed pursuant to a trustee agreement. The GSIF was dissolved during 2021 (Note 19) in connection with the establishment of the insurance captive discussed below.

**Insurance Captive - SAC**

The Authority approved the establishment of an insurance captive to be effective January 1, 2021 for property and terrorism losses since traditionally brokered 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 18).

Under the business plan approved by the captive regulator, SAC is required to maintain capital and surplus, or total equity, of at least \$1,300,000, well above the State of Vermont \$250,000 minimum. SAC had an equity position of \$1,459,438 and \$1,300,000 at December 31, 2021 and 2020, respectively.

To manage the risk associated with the insurance coverage, SAC has ceded reinsurance to third-party reinsurers (ceded reinsurance). Ceded reinsurance does not relieve SAC of its obligation to policyholders.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 15 - RISK MANAGEMENT (Continued)

#### Insurance Captive - SAC (Continued)

SAC has direct written insurance policies which include:

1. Property insurance for which risk is retained by SAC up to the first \$1,000,000 per occurrence. There are no aggregate limits on this insurance. Ceded insurance would include insurance on claims over \$1,000,000 per occurrence as identified in item number 3.
2. Insurance on non-waste-to-energy property for which risk is retained by SAC at the placement value of 17.5% of \$7,000,000 excess of the first \$10,000,000. The exposure of this retained risk is \$1,225,000. There are no aggregate limits on this insurance. Ceded insurance would include insurance on claims below and over the \$1,225,000 per occurrence as identified in item number 3.
3. Insurance on commercial property for which risk is ceded to other rated insurance companies. The ceded portion of risk is the excess of the first \$1,000,000 per occurrence up to an aggregate \$250,000,000 with the exception of the non-waste-to-energy risk as identified in item number 2.

#### Insurance - Workers' Compensation and Other

The Authority manages the risks of loss related to workers' compensation, general liability, and fleet operations through participation in another 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, 2021, 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 Intergovernmental Insurance Cooperative (IIC), a risk-sharing public entity risk pool, through which it provides for certain health and welfare benefits of its covered employees. IIC was organized in 1991 to select and contract with a common insurance carrier and/or claims servicing for the provision of employee benefits, and to gain economies of scale for its members. IIC is governed by a board of directors, to which the Authority appoints one member. The Authority's rates per covered employee are determined annually, and payable monthly. IIC purchases stop loss insurance to mitigate catastrophic losses. At the end of each policy year, the surplus or deficit of each member is determined. Members pledge a portion of any surplus to resolve deficits of other members, and the remaining surplus is returned to the member. Upon withdraw from IIC, the member must guarantee payment to IIC for remaining obligations. At December 31, 2021, the Authority is not aware of any additional assessments from IIC.

### NOTE 16 - COMMITMENTS and CONTINGENCIES

#### Covanta Service Agreements

The Authority has contracted with subsidiaries of Covanta Holdings to operate its Waste-to-Energy (WTE) and Susquehanna Resources Management Complex (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.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### **Covanta Service Agreements - Continued**

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 was recorded as of December 31, 2021 and 2020.

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.

#### **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 is 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 2021 and 2020, the City of Harrisburg delivered 40,220 and 37,046 tons. The Authority paid a rebate of \$222,000 to the City of Harrisburg for excess tons for the year ended December 31, 2021.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### 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.

#### 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.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### **Electric Plant Lease and Related Agreement (Continued)**

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. The Authority accrued a reserve of \$250,000 for the potential “clawback” amount due to DGS under this agreement at December 31, 2021.

#### **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 \$2,853,533 and \$3,352,273 for the years ended December 31, 2021 and 2020, respectively.

#### **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.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### 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, 2021 and 2020. At each reporting date, the liability recognized is based upon capacity utilized to-date at each site.

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, 2021, 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:

	2021	2020
<b>Frey Farm Landfill</b>		
Total Estimated Closure and Post-Closure Costs	30,120,172	30,243,250
Capacity Used at December 31	<u>65.50%</u>	<u>62.70%</u>
Closure and Post-Closure Costs Recognized	19,724,140	18,959,176
Closure and Post-Closure Costs Paid To-Date	<u>11,575,006</u>	<u>11,538,250</u>
Net Liability	<b>8,149,134</b>	<b>7,420,926</b>
Closure and Post-Closure Costs Remaining to be Recognized	10,395,922	11,284,074
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	4,238,000
Capacity Used at December 31	<u>86.5%</u>	<u>86.5%</u>
Closure and Post-Closure Costs Recognized	4,238,000	4,238,000
Closure and Post-Closure Costs Paid To-Date	<u>-0-</u>	<u>-0-</u>
Net Liability	<b>4,238,000</b>	<b>4,238,000</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, 2021 and 2020 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 2021 and 2020, are as follows:

	2021	2020
<b>Closure and Post-Closure Care</b>		
Frey Farm Landfill		
Capacity Used in Current Year	842,225	688,603
Change in Estimate	<u>(77,261)</u>	<u>74,736</u>
	<b>764,964</b>	<b>763,339</b>
Susquehanna Resource Management Complex Ashfill		
Change in Estimate	-0-	142,000
<b>Post-Closure Care</b>		
Creswell Landfill		
Difference Between Actual and Estimated		
Costs - Current Year	-0-	(74,479)
Change in Estimate	<u>-0-</u>	<u>-0-</u>
	<b>-0-</b>	<b>(74,479)</b>
	<b>764,964</b>	<b>830,860</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, 2021, the letters of credit issued totaled \$16,640,114 and are secured by deposits of \$22,349,887 with a margined value of \$19,361,350 (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, 2021 and 2020, letters of credit amounts are as follows:

	2021	2020
<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 \$1,200,000 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. Additionally, the Authority sold parcels of this property during the years 2019-2021. The Authority has entered into an agreement of sale with a non-related party (Purchaser) for an additional parcel of approximately 10.335 acres of land with settlement expected February 2022, the 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.

#### **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.



# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### 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.

#### 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:

	2021	2020
<b>Susquehanna Resource Management Complex</b>		
Estimated Asset Retirement Obligation	307,168	259,090
Remaining Useful Life of Facility	13	14
<b>Transfer Station Complex</b>		
Estimated Asset Retirement Obligation	103,428	94,777
Remaining Useful Life of Facility	28	29

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

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

#### Asset Retirement Obligations (Continued)

	2021	2020
<b>Lancaster Waste-to-Energy Facility</b>		
Estimated Asset Retirement Obligation	476,588	468,882
Remaining Useful Life of Facility	23	24
<b>Total Asset Retirement Obligations</b>	<b>887,184</b>	<b>822,749</b>
<b>Deferred Outflows of Resources Related to AROs</b>	<b>691,117</b>	<b>729,617</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, 2021, the Authority has an open construction contract commitment for certain projects. The outstanding commitment on these contracts totals \$3,438,320 at December 31, 2021.

### 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, 2021 and 2020:

	2021		2020	
	Sales	Accounts Receivable	Sales	Accounts Receivable
Customer A	10,184,494	985,698	9,512,328	909,352
Customer B	8,881,112	1,604,039	7,956,751	1,018,719
Customer C	NA	NA	7,594,235	511,107
Customer D	7,822,495	313,339	NA	NA

Energy revenues include transactions with a major customer as follows for the years ended December 31, 2021 and 2020:

	2021		2020	
	Sales	Accounts Receivable	Sales	Accounts Receivable
Customer E	12,983,143	1,248,677	9,617,529	1,680,955

NA - not a major customer in respective year

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 18 - CONDENSED COMPONENT UNIT INFORMATION

SAC was incorporated in November 2020 and the activity for 2020 consisted only of initial funding by the Authority.

SAC issued separate financial statements for the period of commencement of operations (November 19, 2020) to December 31, 2021. The financial statements of SAC were audited by other auditors for the period ended December 31, 2021 and were prepared in accordance with accounting principles generally accepted in the United States of America.

Condensed component unit information for SAC, the Authority's blended component unit, for the period of commencement of operations (November 19, 2020) to December 31, 2021 and as of December 31, 2021 and 2020, is as follows:

#### CONDENSED BALANCE SHEETS December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	1,503,888	1,300,000
Reinsurance Recoverable on Unpaid Losses	<u>320,320</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<b>1,824,208</b>	<b>1,300,000</b>
<b>LIABILITIES</b>		
Losses and Loss Adjustment Expenses	356,129	-0-
Accounts Payable and Accrued Expenses	<u>8,641</u>	<u>-0-</u>
<b>TOTAL LIABILITIES</b>	<b>364,770</b>	<b>-0-</b>
<b>STOCKHOLDER'S EQUITY</b>		
Common Stock - Par Value \$10.00 Par Value; Authorized \$100,000 Shares; and Issued 25,000 Shares	250,000	250,000
Additional Paid-In Capital	1,050,000	1,050,000
Retained Earnings	<u>159,438</u>	<u>-0-</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>1,459,438</b>	<b>1,300,000</b>

#### CONDENSED STATEMENT of INCOME

Period of Commencement of Operations (November 19, 2020) to December 31, 2021

<b>OPERATING REVENUES</b>	<b>416,079</b>
<b>OPERATING EXPENSES</b>	<b>256,641</b>
<b>OPERATING INCOME</b>	<b>159,438</b>
<b>NET INCOME</b>	<b>159,438</b>

The following condensed financial information was prepared from the separately issued financial statements and adapted to report transactions for the year ended December 31, 2021. The information for the year ended December 31, 2020 was audited with the Authority's 2020 financial statement.

# Lancaster County Solid Waste Management Authority

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 18 - CONDENSED COMPONENT UNIT INFORMATION (Continued)

#### CONDENSED STATEMENT of SHAREHOLDER'S EQUITY Years Ending December 31, 2021 and 2020

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Shareholder's Equity
<b>Balance, January 1, 2020</b>	-0-	-0-	-0-	-0-
Initial Capital Contribution	<u>250,000</u>	<u>1,050,000</u>	<u>-0-</u>	<u>1,300,000</u>
<b>Balance at December 31, 2020</b>	<b>250,000</b>	<b>1,050,000</b>	<b>-0-</b>	<b>1,300,000</b>
Net Income	<u>-0-</u>	<u>-0-</u>	<u>159,438</u>	<u>159,438</u>
<b>Balance at December 31, 2021</b>	<b>250,000</b>	<b>1,050,000</b>	<b>159,438</b>	<b>1,459,438</b>

#### CONDENSED STATEMENT of CASH FLOWS Years Ending December 31, 2021 and 2020

	2021	2020
<b>CASH FLOWS from OPERATING ACTIVITIES</b>	<b>203,888</b>	<b>-0-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-0-</b>	<b>1,300,000</b>
<b>INCREASE in CASH and CASH EQUIVALENTS</b>	<b>203,888</b>	<b>1,300,000</b>
<b>CASH and CASH EQUIVALENTS</b>		
Beginning	<b>1,300,000</b>	<b>-0-</b>
Ending	<b>1,503,888</b>	<b>1,300,000</b>

### NOTE 19 - SPECIAL ITEM

Upon the creation of the Sustainable Assurance Company (SAC), a captive insurance company, which is wholly owned by the Authority, the Board of Directors of the Authority terminated their participation in the Government Self-Insurance Fund, and as a result, the Government Self-Insurance Fund Board of Directors voted to dissolve the Government Self-Insurance Fund. Henceforth, the Authority has reserved pollution occurrence funds as detailed in Note 12, and commercial insurance coverage for the Authority will be provided by the SAC.

In connection with the dissolution of the Government Self-Insurance Fund, a total transfer from GSIF of \$3,457,754 was recorded by the Authority for the year ended December 31, 2021. This transfer reflects reimbursement to the Authority for 1) the initial capital investment in SAC, and 2) money paid by the Authority for insurance and other expenses. The remaining transfer represents the balance of GSIF cash accounts to be closed and transferred to the Authority. At December 31, 2021, the amount due from GSIF is \$2,157,754. The Authority has classified \$2,000,000 of this amount due as a restricted asset in connection the Pollution Occurrences Reserve Fund discussed in Note 12.

**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

	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>					
Service Cost	\$ 85,935	\$ 124,133	\$ 124,133	\$ 137,261	\$ 118,967
Interest	71,664	104,524	104,524	105,877	93,822
Change of Benefit Terms	-0-	(36,732)	-0-	-0-	-0-
Differences Between Expected and Actual Experience	-0-	(203,258)	-0-	-0-	(39,404)
Changes of Assumptions	268,196	3,389	-0-	-0-	1,235,281
Benefit Payments	(192,052)	(192,052)	(289,433)	(273,952)	(75,314)
Correction (1)	<u>(1,089,743)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Net Change in Total OPEB Liability</b>	<b>(856,000)</b>	<b>(199,996)</b>	<b>(60,776)</b>	<b>(30,814)</b>	<b>1,333,352</b>
Total OPEB Liability - Beginning	<u>3,306,000</u>	<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>2,450,000</u></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	\$ 8,228,297	\$ 7,794,515	\$ 7,284,593	\$ 7,106,920
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	29.8%	40.2%	45.0%	49.0%	50.6%

Note: Information is not available prior to 2017.

(1) This was a modeling correction in the valuation of plan liabilities, which will be amortized as OPEB expense due to experience change.

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-2020 projection scale.

Discount rate was updated from 3.00% to 1.93%.

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

The healthcare trend rate increased from 3.00% to 5.50% 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.

See independent auditors' report.



## 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, 2021 and 2020, and our report thereon dated April 8, 2022, 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, 2021 and 2020, 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 2021 and 2020 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, 2021 and 2020, 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, 2019, 2018, and 2017 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 2019, 2018, and 2017 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*

April 8, 2022  
Lancaster, Pennsylvania

# Lancaster County Solid Waste Management Authority

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

Years Ended December 31, 2021, 2020, 2019, 2018, and 2017

	2021	2020	2019	2018	2017
<b>OPERATING REVENUES</b>					
Tipping Fees, net	\$ 71,173,706	\$ 68,420,973	\$ 66,786,759	\$ 67,285,377	\$ 61,751,330
Energy	18,511,562	14,879,766	16,036,271	17,696,620	14,409,009
Transportation and Other	<u>6,470,014</u>	<u>5,050,368</u>	<u>4,702,226</u>	<u>3,453,865</u>	<u>3,150,996</u>
<b>Total Operating Revenues</b>	<b>96,155,282</b>	<b>88,351,107</b>	<b>87,525,256</b>	<b>88,435,862</b>	<b>79,311,335</b>
<b>OPERATING EXPENSES</b>					
Lancaster Waste-to Energy Facility	24,604,984	22,073,083	22,085,891	22,112,494	22,723,842
Susquehanna Resource Management Complex	21,195,916	18,390,103	19,014,561	19,068,573	19,073,675
Depreciation	21,915,901	19,094,220	14,800,618	14,492,523	13,609,605
Landfills	5,318,818	4,752,236	5,169,371	5,213,251	4,553,918
Transfer Station Complex	8,552,417	7,311,624	8,175,344	5,360,165	3,765,041
Closure and Post-Closure Care	764,964	626,860	2,923,344	1,987,153	190,785
Household Hazardous Waste	<u>369,929</u>	<u>465,342</u>	<u>516,665</u>	<u>489,036</u>	<u>502,269</u>
<b>Total Operating Expenses</b>	<b>82,722,929</b>	<b>72,713,468</b>	<b>72,685,794</b>	<b>68,723,195</b>	<b>64,419,135</b>
<b>SUPPORT EXPENSES</b>	<b><u>6,942,890</u></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>Total Operating and Support Expenses</b>	<b><u>89,665,819</u></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>OPERATING INCOME</b>	<b>6,489,463</b>	<b>6,191,403</b>	<b>4,842,149</b>	<b>10,118,237</b>	<b>7,117,544</b>
<b>INTEREST and INVESTMENT EARNINGS</b>					
	(15,867)	2,143,520	2,475,836	1,086,299	718,542
<b>INTEREST EXPENSE</b>					
	(4,013,735)	(4,256,228)	(4,401,154)	(4,586,685)	(4,681,613)
<b>NET OTHER NONOPERATING REVENUES (EXPENSES) and CAPITAL CONTRIBUTIONS</b>					
	<u>992,767</u>	<u>828,822</u>	<u>(486,823)</u>	<u>481,155</u>	<u>5,214,876</u>
<b>CHANGES in NET POSITION BEFORE SPECIAL ITEM</b>					
	3,452,628	4,907,517	2,430,008	7,099,006	8,369,349
<b>SPECIAL ITEM-TRANSFER FROM GSIF</b>					
	<u>3,457,754</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>CHANGES in NET POSITION</b>	<b><u>\$ 6,910,382</u></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>

See independent auditors' report on supplementary information.



# Lancaster County Solid Waste Management Authority

## CONCISE STATEMENTS for PUBLICATION

### STATEMENTS of NET POSITION

December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current Assets	\$ 50,853,277	\$ 43,534,296
Restricted Assets	32,015,217	30,352,566
Other Assets	8,684,631	9,965,623
Real Estate, Facilities, and Equipment	231,415,127	236,236,550
Deferred Outflows of Resources	<u>1,516,117</u>	<u>1,546,617</u>
<b>TOTAL ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>	<b>324,484,369</b>	<b>321,635,652</b>
<b>LIABILITIES and NET POSITION</b>		
Current Liabilities	15,546,413	15,225,839
Long-Term Liabilities	119,543,121	124,878,360
Deferred Inflows of Resources	<u>1,166,000</u>	<u>213,000</u>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES</b>	<b><u>136,255,534</u></b>	<b><u>140,317,199</u></b>
<b>NET POSITION</b>	<b><u>\$ 188,228,835</u></b>	<b><u>\$ 181,318,453</u></b>

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

Years Ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES</b>	<b>\$ 96,155,282</b>	<b>\$ 88,351,107</b>
<b>OPERATING and SUPPORT EXPENSES</b>	<b><u>89,665,819</u></b>	<b><u>82,159,704</u></b>
<b>OPERATING INCOME</b>	<b>6,489,463</b>	<b>6,191,403</b>
<b>NET NONOPERATING EXPENSES</b>	<b><u>(3,036,835)</u></b>	<b><u>(1,283,886)</u></b>
<b>CHANGES in NET POSITION BEFORE SPECIAL ITEM</b>	<b>3,452,628</b>	<b>4,907,517</b>
<b>SPECIAL ITEM - TRANSFER from GSIF</b>	<b><u>3,457,754</u></b>	<b><u>-0-</u></b>
<b>CHANGES in NET POSITION</b>	<b><u>\$ 6,910,382</u></b>	<b><u>\$ 4,907,517</u></b>

See independent auditors' report on supplementary information.