



**Lancaster County Solid Waste
Management Authority**
**Financial Statements and
Supplementary Information**

December 31, 2024 and 2023



Lancaster County Solid Waste Management Authority

Board of Directors and Executive Management Team

December 31, 2024 and 2023

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Lancaster County Solid Waste Management Authority

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Lancaster County Solid Waste Management Authority (the Authority) as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2024 and 2023, and the respective changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the 2024 and 2023 financial statements of Sustainable Assurance Company, which qualifies as a blended component unit of the Authority, and whose statements reflect total assets of \$5,217,043 and \$4,347,498, total liabilities of \$374,425 and \$517,831, and stockholder's equity of \$4,842,618 and \$3,829,667 as of December 31, 2024 and 2023, respectively, and total revenues of \$793,454 and \$626,651 for the years ended December 31, 2024 and 2023, respectively. 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, 2024 and 2023, 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 (GAAS). 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 the Authority and to meet our other ethical responsibilities, in accordance with the 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.

Responsibilities of Management for the Financial Statements (continued)

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 the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks 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 the 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

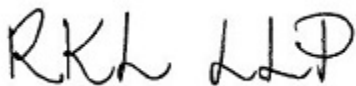
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 to 12 and 60 and 61, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of condensed revenues, expenses, and changes in net position and concise statements for publication for the years ended December 31, 2024 and 2023 are presented for purposes of additional analysis and are not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 as a whole. The condensed revenues, expenses, and changes in net position for the years ended December 31, 2021, 2020, 2019, 2018, and 2017 were audited by other auditors, whose report, dated April 8, 2022, expressed an unmodified opinion on those financial statements.

Handwritten signature of RKL LLP in black ink.

May 19, 2025
Lancaster, Pennsylvania

Lancaster County Solid Waste Management Authority

Management's Discussion and Analysis

December 31, 2024 and 2023

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 years ended December 31, 2024 and 2023.

Overview of the Financial Statements

Although 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 13 through 18 of the financial statements.

Statement of Net Position. The statement of net position presents information on the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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.

Statement of Revenues, Expenses, and Changes in Net Position. The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the most recent year. This statement provides the reader with information on the Authority's operating revenues and expenses, nonoperating revenues and expenses, and whether the Authority's financial position has improved or deteriorated as a result of each year's operations.

Statement of Cash Flows. The statement 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 sufficient cash to cover operating and debt obligations.

Notes to the Financial Statements. 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 19 through 59 of the financial statements.

SUMMARY

The Authority experienced total waste volumes in 2024 that were consistent with the prior year. Total annual tonnage received of 930,016 tons represented a slight decrease of 2,658 tons (-0.3%) compared to 2023 volumes. Increased tipping fees and shifts in the mix of waste types received offset the adverse effect of lower volumes, generating annual net tipping revenue of \$84,187,195, an increase of 1.8% over 2023. The energy line of business experienced a 9.5% decrease in revenue in 2024 compared to 2023. This was largely driven by the Susquehanna Resource Management Complex (SRMC) facility experiencing a 10-week turbine-generator outage, which curtailed energy production during the outage period.

Lancaster County Solid Waste Management Authority

Management's Discussion and Analysis

December 31, 2024 and 2023

SUMMARY (Continued)

Net CAPEX investment of \$36,238,977 was incurred to support the infrastructure and equipment necessary to operate the Authority's integrated system. CAPEX investments included construction of the 3rd stage of the vertical expansion at Frey Farm Landfill (FFLF), a new FFLF maintenance building, fire suppression upgrades, necessary facility maintenance and improvements, and equipment replacement including a dozer, sweeper, articulating dump truck, and CNG truck tractors. The 2024 CAPEX outlay includes \$6.9M of carryover from 2023 projects, which was a significant factor in the 155.8% year-over-year increase.

The Authority-owned property insurance captive, Sustainable Assurance Company (the Captive), concluded the fourth year of operations, posting a net income of \$512,951 and retained earnings of \$1,292,618. The Captive, a licensed Vermont insurance company, was incorporated in November 2020 and is a wholly-owned subsidiary of the Authority. The Captive provides commercial property coverage, which includes terrorism insurance for certified acts of terrorism, which is subject to the deductible and coinsurance provisions of the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA). At inception, 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. Since inception, the Authority has infused an additional \$2,250,000 of capital to offset the expanded single loss risk retained by the Captive. 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 improves stability in underwriting, assists in adequate coverage and limits, and improves financial control for the Authority. No claims were submitted or settled with the Captive in 2024. In 2024, Sustainable Assurance Company received an A.M. Best Rating of A-.

FINANCIAL REVIEW

The Authority concluded 2024 by posting an improved net position of \$226,740,993, an 8.6% increase over 2023. Current assets of \$78,956,783 improved by 5.3% over 2023. The increase in current assets is the result of improved cash performance from operating activities and cash management. Fixed assets, net of depreciation, of \$229,032,309 increased by \$8,032,450 from 2023. The major cause of this increase in 2024 was the continued construction costs related to the 3rd stage of the vertical expansion at FFLF. Total assets and deferred outflows of resources of \$344,784,312 increased in 2024 by \$12,639,650 over 2023. Total liabilities and deferred inflows of resources saw a \$5,225,787 decrease in 2024 over 2023.

The Authority maintained a Standard & Poor's credit rating of 'AA+'.

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 \$63,339,993 is designated as unrestricted. These investment reserves consist of funds set aside for funding future capital construction projects along with business interruptions and strategic opportunities.

Lancaster County Solid Waste Management Authority

Management's Discussion and Analysis

December 31, 2024 and 2023

FINANCIAL REVIEW (Continued)

A condensed summary of the Authority's net position is presented below as of December 31:

| | Net Position ($\$$) | | |
|--|--------------------------|--------------------|--------------------|
| | 2024 | 2023 | 2022 |
| Current and Other Assets | 115,752,003 | 111,144,803 | 85,817,321 |
| Capital Assets | 229,032,309 | 220,999,859 | 218,407,387 |
| TOTAL ASSETS, and Deferred Outflows | 344,784,312 | 332,144,662 | 304,224,708 |
| Current Liabilities and Other Liabilities | 16,806,858 | 16,811,254 | 8,480,104 |
| Long-Term Liabilities | 84,907,435 | 91,877,759 | 93,577,733 |
| Landfill Closure and Post-Closure Costs (Current and Long-Term) | 16,329,026 | 14,580,093 | 12,984,568 |
| TOTAL LIABILITIES, and Deferred Inflows | 118,043,319 | 123,269,106 | 115,042,405 |
| Net Investment in Capital Assets | 143,322,906 | 134,278,746 | 131,164,633 |
| Restricted | 20,078,094 | 20,289,625 | 12,725,944 |
| Unrestricted | 63,339,993 | 54,307,185 | 45,291,726 |
| TOTAL NET POSITION | 226,740,993 | 208,875,556 | 189,182,303 |

Operating revenues of \$112,795,672 decreased by \$398,598 (-0.4%) from 2023. Tipping fee revenue, net of hauler rebates was \$84,187,195, a 1.8% increase from 2023. The Authority's average gross tip rate per ton improved to \$90.52 (+2.0%) providing relief against the impact of slightly lower waste volumes. Energy revenue of \$20,846,922 decreased by \$2,179,994 (-9.5%) from 2023 due to lower energy production as a result of an extended turbine-generator outage at SRMC. Over the last two years, the wholesale electric market prices have returned to more historic levels seen prior to the unprecedented high rates experienced in 2022. In 2024, the renewable energy credit (REC) revenue of \$6,287,930 increased 1.6% over 2023. The Lancaster Waste-To-Energy (WTE) facility experienced generation and boiler availability in line with expectations during 2024. SRMC experienced headwinds in generation and boiler availability due to a 10-week extended turbine-generator outage as well as other intermittent outages throughout the year.

Operating and support expenses, excluding depreciation, were \$68,891,466 and \$7,241,183, respectively, in 2024. Direct operational costs increased by 1.0% over the previous year. The Reworld (formerly Covanta) Service Fee cost, which makes up a large portion of the Operating expense total, was \$32,489,480 in 2024, a 4.8% increase from 2023. Total Operating Labor costs of \$8,406,095 also accounted for a respectable portion of the Operating expense total and increased 3.9% over the previous year. 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 standards. The total costs recognized under these guidelines were \$1,777,685 for 2024. Support expenses increased by 0.7% compared to 2023. Total Support Labor costs of \$4,477,759 in 2024 represented a 3.1% decrease over the prior year. Total depreciation expense of \$21,918,390 increased 3.2% from 2023.

Waste volumes declined 0.3% in 2024; however, adjustments to tipping fees counterbalanced inflationary impacts on the cost of operations and capital investment. Total Operating and Support costs, including depreciation, on a per ton basis, increased by 1.8% to \$105.43 per ton. Operating Revenues decreased slightly from \$121.37 per ton in 2023 to \$121.28 per ton in 2024. The Authority concluded 2024 with Operating Income of \$15.85 per ton, a decrease of 10.8% compared to 2023, and EBITDA of \$41.33 per ton, a decrease of 2.3% from 2023 and directly attributed to the SRMC turbine-generator outage.

Lancaster County Solid Waste Management Authority

Management's Discussion and Analysis

December 31, 2024 and 2023

FINANCIAL REVIEW (Continued)

Net non-operating revenue was \$3,120,804 in 2024, a slight decrease from \$3,122,301 in 2023. Net non-operating activity includes interest expense on debt, investment earnings, net gain on asset sales, and other non-operating revenue sources. Investment earnings include interest recognized from bank-managed investments, and market value gains (losses) realized on investment assets. 2024 and 2023 experienced unprecedented gains for investment earnings due to the continued cumulative impact of treasury rates. Total investment gain for 2024 and 2023 was \$4,640,646 and \$3,774,408, respectively. Total investment loss was \$1,418,511 in 2022. The 2024 investment performance directly attributed to the overall net income for the year.

| | Change in Net Position (\$) | | |
|---|--------------------------------|--------------------|--------------------|
| | 2024 | 2023 | 2022 |
| Revenues: | | | |
| Tipping, net | 84,187,195 | 82,733,187 | 73,856,324 |
| Energy | 20,846,922 | 23,026,916 | 24,811,821 |
| Transportation | 4,573,933 | 4,146,389 | 2,040,136 |
| Other Revenues | 3,187,622 | 3,287,778 | 3,994,433 |
| TOTAL OPERATING REVENUES | 112,795,672 | 113,194,270 | 104,702,714 |
| Expenses: | | | |
| Operating | 68,891,466 | 68,187,389 | 66,502,387 |
| Support | 7,241,183 | 7,189,996 | 6,675,162 |
| Depreciation | 21,918,390 | 21,245,933 | 23,579,043 |
| TOTAL OPERATING AND SUPPORT EXPENSES | 98,051,039 | 96,623,318 | 96,756,592 |
| OPERATING INCOME | 14,744,633 | 16,570,952 | 7,946,122 |
| Interest Expense | (1,959,100) | (1,843,221) | (2,686,489) |
| Investment Earnings | 4,640,646 | 3,774,408 | (1,418,511) |
| Gain (Loss) on Assets | 208,745 | 161,960 | 403,716 |
| Other Non-Operating Revenue | 230,513 | 1,029,154 | (3,291,370) |
| NET NON-OPERATING REVENUE (EXPENSE) | 3,120,804 | 3,122,301 | (6,992,654) |
| CHANGE in NET POSITION | 17,865,437 | 19,693,253 | 953,468 |
| Net Position - January 1 | 208,875,556 | 189,182,303 | 188,228,835 |
| NET POSITION - DECEMBER 31 | 226,740,993 | 208,875,556 | 189,182,303 |

Lancaster County Solid Waste Management Authority

Management's Discussion and Analysis

December 31, 2024 and 2023

Capital Assets

In 2024, the Authority invested \$37,038,799 in capital assets through a combination of projects, improvements, and equipment purchases at each facility. Proceeds from property and equipment sales totaled \$799,822, resulting in net capital expenditures of \$36,238,977. The majority of 2024 CAPEX expenditures encompassed the continued construction of the 3rd stage of the vertical expansion at the landfill, the FFLF maintenance building, and low Nox upgrades at WTE. The Authority routinely acquires real estate as required by a condition within a landfill settlement agreement and for facility buffer or future opportunity. The Authority purchased one parcel for \$394,347.

Total depreciation expense, including non-operating depreciation related to rental assets, was \$22,143,313. A 3-year comparison of capital assets, net of depreciation, as of December 31, 2024, is shown below.

| | Capital Assets | | |
|---------------------------------|--------------------|--------------------|--------------------|
| | | (\$) | |
| | 2024 | 2023 | 2022 |
| Land and Improvements | 34,091,114 | 33,199,633 | 33,199,633 |
| Buildings and Improvements | 135,785,284 | 135,254,029 | 137,626,802 |
| Site and Improvements | 21,418,773 | 23,823,562 | 27,730,639 |
| Other Real Estate | 6,943,152 | 6,791,887 | 6,504,646 |
| Vehicles / Transportation | 4,508,491 | 5,060,767 | 5,650,658 |
| Equipment | 6,946,464 | 6,502,535 | 5,185,422 |
| Office Furniture and Equipment | 85,689 | 78,927 | 99,532 |
| Computer Software and Equipment | 343,923 | 407,728 | 771,589 |
| Construction in Progress | 18,909,419 | 9,880,791 | 1,638,466 |
| TOTAL CAPITAL ASSETS | 229,032,309 | 220,999,859 | 218,407,387 |

Additional information on the Authority's capital assets can be found in Notes 8 and 9 of the financial statements.

Debt Administration and Long-Term Obligations

On June 15, 2022, the Authority issued the Solid Waste Disposal System Revenue Bond, Taxable Series of 2022 (the 2022 Bond) in the amount of \$62,985,000 to refund the Series A of 2013 bond (the 2013A Bonds) and to pay corresponding issuance costs. The 2022 Bond was payable in various amounts from 2022 through 2032 with a fixed rate of interest at 3.32%. Funds consisting of \$9,018,472 from a liquidated debt service reserve fund and Authority contributions of \$10,753,450, reduced the 2022 Bond principal requirement. On September 19, 2023, the Authority issued the Solid Waste Disposal System Revenue Bond, Tax-Exempt Series of 2023 (the 2023 Bond) in the amount of \$62,985,000 to refund the 2022 Bond. The 2023 Bond is payable in various amounts from 2024 through 2032 and bears a fixed rate of interest at 2.69%.

Lancaster County Solid Waste Management Authority

Management's Discussion and Analysis

December 31, 2024 and 2023

Debt Administration and Long-Term Obligations (continued)

On December 15, 2023, the 2013A Bonds were fully redeemed using the proceeds from the 2022 Bond and subsequently the 2023 Bond, which were held in a restricted escrow account for that purpose. The advanced refunding reduced future debt service payments of approximately \$9,894,000 or a net present value of \$8,748,568 over the life of the loan. Total principal payments in the amount of \$1,180,000 were made on the 2023 Bond in 2024. The Authority has outstanding \$61,805,000 and \$62,985,000 in gross principal debt related to the 2023 Bond as of December 31, 2024 and 2023, respectively.

Separate to the 2013A Bonds, the 2022 Bond, and the 2023 Bond, the Authority has outstanding the \$24,000,000 Guaranteed Authority Bonds, Series B of 2013 (the 2013B Bonds) which, on December 15, 2023, were redeemed and refunded upon issuance of the Guaranteed Authority Bond (Dauphin County Guaranty) Series of 2023 (Dauphin County Guaranteed Bond). The Dauphin County Guaranteed Bond is interest-only for a 10-year term maturing December 15, 2033, and guaranteed by Dauphin County, not the Authority.

The Authority's debt service obligation in 2024 was \$3,114,297. Further details on all long-term debt obligations are described in Note 11 of the attached audited financial statements.

Facilities and Operations

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

In 2024, the System received 930,016 tons of waste, which includes refuse, construction and demolition (C/D), residual, and recyclable material. The total tons received in 2024 were in line with 2023 as a 7.1% decrease in C/D volumes compared to the prior year was offset by increases in refuse and recycling. The TSC received 389,619 tons of waste which was then transferred to the WTE, FFLF, SRMC, or privately owned and operated recycling facilities. WTE received 386,984 tons of waste, either delivered directly to the facility or transferred in from the TSC or SRMC, while the FFLF received 263,197 tons of waste and 147,873 tons of ash. There were 265,124 tons of waste directly received at SRMC.

The WTE facility processed 385,721 tons of waste to generate 186,227 megawatts (MW) of electricity and 35,674 MW equivalent of steam for Perdue's soybean processing facility. Total electric revenue generated at the WTE was \$6,611,939. Additionally, the WTE facility had direct steam deliveries to Perdue that realized revenues of \$2,829,248, 7.0% lower than the prior year. In exchange for an obligation to provide electricity to the PJM grid during periods of need, the WTE facility recognized \$416,333 in capacity commitment revenue. WTE's RECs totaled \$4,298,372. Total Energy Revenue recognized in 2024 at WTE was \$14,393,892 which represents approximately 13% of Total Operating Revenue.

Lancaster County Solid Waste Management Authority

Management's Discussion and Analysis

December 31, 2024 and 2023

Facilities and Operations (continued)

The SRMC facility processed 247,290 tons of waste generating 82,568 MW of electricity, 87.7% of which was sold under a 20-year contract to the Commonwealth of Pennsylvania's Department of General Services (DGS). The DGS contract was amended in 2022 to provide certainty for electric rates over the final ten years of the agreement and to remove all clawback conditions. Note 17 in the financial statements further details the DGS contract amendment. Total electric revenue generated at the SRMC was \$4,151,976. In addition to the direct sale of electric, the SRMC facility also contracted to provide capacity to PJM generating \$104,654 of revenue, and RECs generating revenue of \$1,976,759. Total Energy Revenue recognized at SRMC in 2024 was \$6,335,389 which represents approximately 6% of Total Operating Revenue.

Transportation revenues of \$4,573,933 reflect fees charged to haulers for waste that is delivered to the Authority's TSC (which is then transferred by Authority-owned trucks to the FFLF, WTE, or SRMC facilities). Other Revenues 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, experienced a 7% decline for the 2024 average rate per ton as compared to prior year. The average metal rate per ton and total metal revenue earned in 2024 was \$75.51 and \$997,147, respectively.

During March 2023, Inashco notified the Authority that it was discontinuing operations. As directed by the Termination Agreement Addendum, the Authority is expected to receive final payment of \$74,128 from Inashco in 2025. The Authority received the \$74,128 payment from Inashco on April 2, 2025; making this termination process fully complete (see Note 21).

Disposal of waste and ash in the first stage of the Frey Farm Landfill Vertical Expansion (FFVE) concluded and filling commenced within the second stage in June 2022. The first stage provided 1.14 million cubic yards or approximately 2.5 years of fill capacity and the second stage provides an additional 1.71 million cubic yards or approximately 4 years of fill capacity. During 2024, the Authority filled 400,849 cubic yards into the second stage, utilizing 60% of stage 2 capacity. To date, the Authority has filled 1,855,403 cubic yards into the FFVE, which represents 65% of the total combined stage 1 and 2 capacities. Filling of the unused stage 1 capacity will take place in future years as the layers of the entire vertical expansion are constructed and filled. The entire vertical expansion project, encompassing three stages, affords the Authority 6.4 million cubic yards or approximately 17 years of fill capacity. The FFVE capacity is currently estimated to be exhausted by 2037.

Lancaster County Solid Waste Management Authority

Management's Discussion and Analysis

December 31, 2024 and 2023

BUSINESS OUTLOOK

The Authority remains in a strong financial position and is committed to investing in infrastructure that will support a resilient business model well into the future. The core of the Authority's business model, final processing and disposal of solid waste, remains a stable and sustainable revenue source for 2025. 2025 budgeted tons across the Authority's integrated system are expected to be in line with 2024 volumes. While accounting for a four-week turbine-generator outage at WTE in September 2025 and a cautious outlook on potential macroeconomic impacts, tipping revenues net of hauler rebates are budgeted at \$90.1M for 2025, a 7.24% increase over 2024. The WTE turbine-generator outage in 2025, unlike the SRMC outage in the previous year, is not anticipated to directly impact the ability to receive typical waste volumes at that facility. Analysis by the U.S. Census Bureau and the Pennsylvania State Data Center projects that Lancaster County's population will increase by 8.5% from 2020 to 2050, which is expected to result in moderate growth in waste volumes. While the Authority is not immune to macroeconomic conditions, it is well positioned with financial and operational resilience to withstand economic challenges. The Authority expects to maintain operations at favorable tonnage levels, which will facilitate the absorption of fixed costs and optimize production efficiencies.

Budgeted energy revenue of \$23.4M is +12% higher than 2024. REC revenues will remain at record highs given the recent positive shift in REC prices. Budgeted REC revenues of \$7.6M represent 32% of total energy revenues and a 20% increase from 2024. Revenue from the sale of electricity is budgeted conservatively at \$25/MWh at WTE and \$48.20/MWh at SRMC. The 2025 WTE turbine-generator outage will curtail energy production during that outage period with an anticipated \$734K loss in energy revenues as compared to normal operations. Capacity revenues of \$1.8M are +240% higher than 2024 given the results of PJM's latest Base Residual Auction. 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 maximize 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. Further, the Authority works closely with State and Federal agencies and regulators for proactive planning and development regarding emerging compliance and regulatory requirements.

The Authority covered 2024 CAPEX investments through free cash flows from operations. CAPEX for 2025 is budgeted at \$25.2M and will also be funded by cash flows from operations. Approximately 90% of budgeted CAPEX are recurring items: \$7M for stage 3 FFVE construction and Phase One Capping at Frey Farm Landfill, \$9.4M for cyclical replacement of components at the two waste to energy facilities and \$4.2M for heavy equipment purchases.

In December of 2024, Robert B. Zorbaugh, Chief Executive Officer (CEO), retired after an honorable thirty-five-year career with the Authority. Through an extensive search and evaluation process, the Board of Directors appointed Daniel G. Youngs as the next Executive Director. Beginning in July, Bob and Dan led a successful leadership transition through September 30, 2024, at which time Mr. Youngs became the Executive Director (formerly the CEO title) on record. Mr. Youngs' replacement, Richard Z. Bennett, was hired in April 2024 to serve as Director of Finance.

Lancaster County Solid Waste Management Authority

Management's Discussion and Analysis

December 31, 2024 and 2023

BUSINESS OUTLOOK (continued)

Going forward, the Authority continues to proactively develop long-term strategies to ensure adequate capacity for processing and disposal of future waste volumes. Identifying next generation disposal capacity is largely underway as staff evaluate several options. Additionally, staff are vigilantly assessing future regulatory changes and emerging risks. Proactively developing strategies for reasonable and affordable tip rates and operational improvements will be critical in ensuring the Authority retains operational flexibility for future economic and regulatory challenges, to maintain sound business continuity, and to successfully and safely manage solid waste.

REQUESTS for INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Lancaster County Solid Waste Management Authority, 1299 Harrisburg Pike, Lancaster, PA 17603, or e-mail to info@lcswma.org.

Lancaster County Solid Waste Management Authority

Statement of Net Position

| | December 31, | |
|---|-------------------|-------------------|
| | 2024 | 2023 |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents - unrestricted | \$ 17,374,401 | \$ 21,143,122 |
| Investments | 48,678,882 | 40,407,552 |
| Accounts receivable, net of provision for bad debts of \$211,843 at 2024 and 2023 | 11,606,135 | 12,085,094 |
| Grants receivable | 70,000 | 82,751 |
| Interest receivable | 274,898 | 243,164 |
| Inventory | 109,232 | 81,114 |
| Prepaid assets | 843,235 | 939,999 |
| Total Current Assets | 78,956,783 | 74,982,796 |
| Restricted Assets | | |
| Investments with trustee | 507 | 169,587 |
| Interest receivable with trustee | 95,090 | 94,300 |
| Total Restricted Assets with Trustee | 95,597 | 263,887 |
| Deposits | 1,426,902 | 1,451,835 |
| Closure and post-closure care funds | 30,868,008 | 29,428,749 |
| Cash and cash equivalents - restricted - captive insurance company | 250,000 | 250,000 |
| Pollution occurrences reserve | 2,362,359 | 2,239,233 |
| Total Restricted Assets | 35,002,866 | 33,633,704 |
| Other Assets | | |
| Other real estate | 540,787 | 1,342,864 |
| Other - Raffles Insurance, Ltd. | 31,000 | 31,000 |
| Total Other Assets | 571,787 | 1,373,864 |
| Real Estate, Facilities, and Equipment | | |
| Land and improvements | 34,091,114 | 33,199,633 |
| Buildings and improvements | 351,944,382 | 339,889,697 |
| Site improvements | 108,052,223 | 106,111,925 |
| Other real estate | 9,842,454 | 9,410,382 |
| Vehicles/transportation | 16,331,839 | 15,778,386 |

Lancaster County Solid Waste Management Authority

Statement of Net Position (continued)

| | December 31, | |
|--|--------------------|--------------------|
| | 2024 | 2023 |
| Assets (continued) | | |
| Real Estate Facilities, and Equipment (continued) | | |
| Equipment | \$ 17,182,654 | \$ 16,771,066 |
| Office furniture and equipment | 223,447 | 194,771 |
| Computer software and equipment | 2,261,760 | 2,064,400 |
| | 539,929,873 | 523,420,260 |
| Accumulated depreciation | (329,806,983) | (312,301,192) |
| | 210,122,890 | 211,119,068 |
| Construction in progress | 18,909,419 | 9,880,791 |
| Real Estate, Facilities, and Equipment, Net | 229,032,309 | 220,999,859 |
| Total Assets | 343,563,745 | 330,990,223 |
| Deferred Outflows of Resources | | |
| Other postemployment benefits | 405,599 | 266,963 |
| Asset retirement obligations | 548,317 | 595,817 |
| Advanced refunding | 266,651 | 291,659 |
| Total Deferred Outflows of Resources | 1,220,567 | 1,154,439 |
| Total Assets and Deferred Outflows of Resources | 344,784,312 | 332,144,662 |
| Liabilities | | |
| Current Liabilities | | |
| Long-term debt, current portion | 6,870,000 | 1,180,000 |
| Accounts payable - trade | 4,840,559 | 4,011,600 |
| Accounts payable - capital | 627,775 | 6,920,261 |
| Prepaid disposal fees | 1,043,394 | 1,015,838 |
| Accrued expenses and other current liabilities | 3,425,130 | 3,683,555 |
| Total Current Liabilities | 16,806,858 | 16,811,254 |
| Long-Term Liabilities | | |
| Long-term debt, net of current portion | 78,935,000 | 85,805,000 |
| Estimated closure and post-closure care costs | 16,329,026 | 14,580,093 |
| Other long-term liabilities | 1,964,611 | 1,946,865 |
| Total other postemployment benefits liability | 1,648,707 | 1,523,673 |
| Asset retirement obligations | 909,029 | 927,777 |
| Total Long-Term Liabilities | 99,786,373 | 104,783,408 |
| Total Liabilities | 116,593,231 | 121,594,662 |

See accompanying notes.

Lancaster County Solid Waste Management Authority

Statement of Net Position (continued)

| | December 31, | |
|--|-----------------------|-----------------------|
| | 2024 | 2023 |
| <i>Liabilities (continued)</i> | | |
| Deferred Inflows of Resources | | |
| Other postemployment benefits | \$ 1,450,088 | \$ 1,674,444 |
| Total Deferred Inflows of Resources | 1,450,088 | 1,674,444 |
| Total Liabilities and Deferred Inflows of Resources | 118,043,319 | 123,269,106 |
| <i>Net Position</i> | | |
| Net Position | | |
| Investment in capital assets | 143,322,906 | 134,278,746 |
| Restricted | 20,078,094 | 20,289,625 |
| Unrestricted | 63,339,993 | 54,307,185 |
| Total Net Position | \$ 226,740,993 | \$ 208,875,556 |

Lancaster County Solid Waste Management Authority

Statement of Revenues, Expenses, and Changes in Net Position

| | Years Ended December 31, | |
|--|---------------------------------|-----------------------|
| | 2024 | 2023 |
| Operating Revenues | | |
| Tipping fees, gross | \$ 88,350,465 | \$ 86,634,672 |
| Hauler rebates | (4,163,270) | (3,901,485) |
| Tipping Fees, Net of Hauler Rebates | 84,187,195 | 82,733,187 |
| Energy | 20,846,922 | 23,026,916 |
| Transportation | 4,573,933 | 4,146,389 |
| Other | 3,187,622 | 3,287,778 |
| Total Operating Revenues | 112,795,672 | 113,194,270 |
| Operating Expenses | | |
| Lancaster Waste-to-Energy Facility | 26,771,076 | 27,391,268 |
| Susquehanna Resource Management Complex | 26,500,673 | 26,044,109 |
| Depreciation | 21,588,062 | 20,739,322 |
| Landfills | 5,666,245 | 5,518,521 |
| Transfer Station Complex | 7,599,435 | 7,216,518 |
| Closure and post-closure care | 1,748,933 | 1,595,525 |
| Household hazardous waste | 605,104 | 421,448 |
| Total Operating Expenses | 90,479,528 | 88,926,711 |
| Support Expenses | | |
| General and administrative | 7,241,183 | 7,189,996 |
| Depreciation | 330,328 | 506,611 |
| Total Support Expenses | 7,571,511 | 7,696,607 |
| Total Operating and Support Expenses | 98,051,039 | 96,623,318 |
| Operating Income | 14,744,633 | 16,570,952 |
| Nonoperating Revenues (Expenses) | | |
| Grant revenues | 204,250 | 182,751 |
| Gain on disposal of assets | 208,745 | 161,960 |
| Miscellaneous | 253,741 | 1,057,430 |
| Rental income, net expenses of \$579,396 and \$537,243 for 2024 and 2023, respectively | (227,478) | (211,027) |
| Interest and investment income | 4,640,646 | 3,774,408 |
| Interest expense | (1,959,100) | (1,843,221) |
| Total Nonoperating Revenues | 3,120,804 | 3,122,301 |
| Changes in Net Position | 17,865,437 | 19,693,253 |
| Special Item - Transfer from Government Self-Insurance Fund | - | - |
| Changes in Net Position | 17,865,437 | 19,693,253 |
| Net Position at Beginning of Year | 208,875,556 | 189,182,303 |
| Net Position at End of Year | \$ 226,740,993 | \$ 208,875,556 |

See accompanying notes.

Lancaster County Solid Waste Management Authority**Statement of Cash Flows**

| | Years Ended December 31, | |
|---|---------------------------------|----------------------|
| | 2024 | 2023 |
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 113,553,373 | \$ 111,927,899 |
| Payments to suppliers | (64,493,707) | (64,221,928) |
| Payments to employees | (9,437,808) | (9,154,641) |
| Net Cash Provided by Operating Activities | 39,621,858 | 38,551,330 |
| Cash Flows from Noncapital and Related Financing Activities | | |
| State and local grant income | 217,001 | 145,093 |
| Net Cash Provided by Noncapital and Related Financing Activities | 217,001 | 145,093 |
| Cash Flows from Capital and Related Financing Activities | | |
| Interest paid | (1,959,100) | (1,904,873) |
| Proceeds from debt | - | 86,985,000 |
| Principal payments | (1,180,000) | (86,985,000) |
| Payments for capital acquisitions | (37,038,799) | (14,358,813) |
| Proceeds from sale of capital assets | 799,822 | 194,099 |
| Net Cash Used in Capital and Related Financing Activities | (39,378,077) | (16,069,587) |
| Cash Flows from Investing Activities | | |
| Principal payments received on note receivable | - | 1,040,787 |
| Purchase of other real estate | - | (540,787) |
| Proceeds from sale of other real estate | 802,077 | - |
| Receipts of interest | 416,345 | 147,098 |
| Sales of investments | 55,955,346 | 64,780,126 |
| Purchases of investments | (61,403,271) | (84,494,540) |
| Net Cash Used in Investing Activities | (4,229,503) | (19,067,316) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,768,721) | 3,559,520 |
| Cash and Cash Equivalents at Beginning of Year | 21,393,122 | 17,833,602 |
| Cash and Cash Equivalents at End of Year | \$ 17,624,401 | \$ 21,393,122 |

Lancaster County Solid Waste Management Authority**Statement of Cash Flows (continued)**

| | Years Ended December 31, | |
|---|---------------------------------|----------------------|
| | 2024 | 2023 |
| | | |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating income | \$ 14,744,633 | \$ 16,570,952 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 22,143,313 | 21,461,780 |
| Bad debts | 4,481 | 35,698 |
| Miscellaneous income and net rental income not included in operating income | 26,263 | 846,403 |
| (Increase) decrease in assets | | |
| Accounts receivable, net | 478,959 | (2,351,846) |
| Inventory and other current assets | 68,646 | (65,587) |
| Increase (decrease) in liabilities | | |
| Current liabilities | 598,090 | 283,492 |
| Estimated closure and post-closure care costs | 1,748,933 | 1,595,525 |
| Other postemployment benefits-related changes other than periodic OPEB costs | (220,212) | 116,911 |
| Changes in asset retirement obligations | 28,752 | 58,002 |
| Net Cash Provided by Operating Activities | \$ 39,621,858 | \$ 38,551,330 |
| | | |
| Cash and Cash Equivalents on the Statement of Net Position is Comprised of the Following | | |
| Cash and cash equivalents - unrestricted | \$ 17,374,401 | \$ 21,143,122 |
| Cash and cash equivalents - restricted - captive insurance company | 250,000 | 250,000 |
| | \$ 17,624,401 | \$ 21,393,122 |
| | | |
| Supplementary Schedule of Noncash Capital and Related Financing Activities | | |
| Capital asset purchase in accounts payable | \$ (627,775) | \$ (6,920,261) |
| Settlement of note receivable | \$ - | \$ 2,973,703 |
| | | |
| Supplementary Schedule of Noncash Investing Activities | | |
| Settlement of note receivable | \$ - | \$ 3,514,490 |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 1 - Nature 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 (the Lancaster 2014 Plan) 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 Board of 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 generated in Lancaster County, Pennsylvania. The Lancaster System includes (a) a waste-to-energy (WTE) facility for combustion of municipal waste and generation of energy, (b) landfill facilities for the disposal of MSW, ash, construction and demolition debris, and residual, (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 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 Lancaster County effective as of October 15, 1990. 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 Lancaster 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 MSW 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.

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 1 - Nature of Operations (continued)

Lancaster County (continued)

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 that 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.

Dauphin County

Until 2014, the Authority had primarily conducted waste disposal operations in Lancaster County. With the acquisition of the Susquehanna Resource Management Complex (SRMC) on December 23, 2013, the Authority expanded its operations into adjoining Dauphin County. The SRMC, 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 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 one closed and two open monofill cells; and (c) various other buildings and equipment.

In conjunction with this acquisition of the SRMC by the Authority, Dauphin County delegated to the Authority its duties and obligations to ensure adequate disposal capacity for MSW generated in Dauphin County, and provided waste flow control regulations that require, with limited exception, all such MSW be delivered to the SRMC. 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 SRMC (then known as the Harrisburg Resource Recovery Facility) the designated facility for all Dauphin County MSW. MSW generated in Swatara Township and Highspire Borough was included beginning in May 2016. In 2005, a Substantial Plan Revision provided for disposal of construction and demolition waste in 12 designated landfill facilities. In October 2013, a Non-Substantial Plan Revision was deemed approved by PaDEP recognizing that, upon closing and acquisition of the SRMC, the Authority will be the governmental entity responsible for assuring adequate MSW processing and disposal capacity for Dauphin County and become 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 that 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 SRMC 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.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

The Financial Reporting Entity

In accordance with 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 reporting 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:

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, activities, 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 that 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, set rates or charges, or issue bonded debt without approval by the Authority.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Sustainable Assurance Company

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 as of December 31, 2024 and 2023. Financial statements of SAC can be obtained from the Authority Office, 1299 Harrisburg Pike, Lancaster, Pennsylvania 17603.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The 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 GASB pronouncements.

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 waste processing and disposal services and various energy products. 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.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make 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 other postemployment benefits (OPEB), and loss reserves and reinsurance recoverable. Accordingly, actual results may differ from estimated amounts.

Cash and Cash Equivalents

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

Note 2 - Summary of Significant Accounting Policies (continued)

Investments

The Board of Directors is permitted to invest the Authority's funds as defined by state law in the following authorized types of investments:

1. U.S. Treasury bills
2. Short-term obligations of the U.S. Government and Federal agencies
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision
5. Bills of exchange or time drafts drawn and accepted by a commercial bank not to exceed 180 days
6. Short-term, unsecured obligations of corporations or other business entities organized in accordance with federal or state law
7. Shares of mutual funds whose investments are restricted to the above categories

When making investments, the Board of Directors can combine monies from more than one fund under the Authority's control for the purchase of a single investment and join with other political subdivisions and municipal authorities in the purchase of a single investment.

Investments are stated at fair value.

Accounts Receivable

Accounts receivable are stated at outstanding balances. The Authority considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. As of December 31, 2024 and 2023, the provision for bad debts was \$211,843.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Restricted Assets (continued)

Deposits

In order to ensure 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 30 days of the due date, the Authority is authorized to withdraw such delinquent amounts from the deposit, and the City of Harrisburg is obligated to restore the deposit so withdrawn within 30 days of notice.

The Authority also holds certain deposits as required pursuant to the electric plant lease for the SRMC, and as a condition of participation in a captive insurance program for workers' compensation, general liability, and fleet operations as discussed in Note 16.

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 statement of net position. Regulations require the Authority to maintain the restricted accounts for the landfill closure and post-closure monitoring costs.

Cash and Cash Equivalents - Restricted - Captive Insurance Company

As noted previously, SAC was established in 2020. SAC holds certain funds as a condition of its establishment.

Real Estate, Facilities, and Equipment - Capital Assets

Capital assets, which include real estate, facilities, 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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Real Estate, Facilities, and Equipment - Capital Assets (continued)

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

| | |
|---------------------------------|----------------|
| Buildings and improvements | 25 to 40 years |
| Site 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 and equipment | 5 to 10 years |

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity. Total accumulated depreciation for all capital assets of the Authority for the years ended December 31, 2024 and 2023 was \$329,806,983 and \$312,301,192, respectively.

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

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended December 31, 2024 and 2023.

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.

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 defined benefit OPEB plan is unfunded.

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Closure and Post-Closure Care Costs

Closure and post-closure care costs are expensed as incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements represent an acquisition or a consumption of net position that applies to a future period. A deferred outflow of resources represents a consumption of net position that applies to a future period not recognized as an outflow of resources until that future period. A deferred inflow of resources represents an acquisition of net position that applies to a future period not recognized as an inflow of resources until that future period.

Advanced Refunding

Gross advanced refunding totaling \$327,651 at December 31, 2024 and 2023 is reported as a deferred outflow of resources and is being amortized using the interest method over the term of the old debt or new debt, whichever is shorter. Accumulated amortization amounted to \$61,000 and \$35,992 as of December 31, 2024 and 2023, respectively. Amortization of advanced refunding is recorded as interest expense. Total amortization recognized in interest expense amounted to \$25,008 and \$24,192 for the years ended December 31, 2024 and 2023, respectively. Amortization of advanced refunding is expected to be as follows for the years ending December 31, and thereafter:

| | | |
|------------|----|---------|
| 2025 | \$ | 25,853 |
| 2026 | | 26,724 |
| 2027 | | 27,625 |
| 2028 | | 28,557 |
| 2029 | | 29,519 |
| Thereafter | | 266,651 |

Net Position

Net position is classified into three categories, as applicable, as follows:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and debt incurred for the acquisition of capital assets.

Restricted net position are amounts that have externally imposed restrictions on how the funds can be spent.

Unrestricted net position are amounts that do not meet the definitions of "invested in capital assets" or "restricted" and are available for Authority operations.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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 \$347,730 and \$465,751 at December 31, 2024 and 2023, respectively, and is included in accrued expenses and other current liabilities on the statement of net position.

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, 2024 is fully collectible. Reinsurance recoverable on unpaid losses at December 31, 2024 and 2023 was \$301,360 and \$415,932, respectively, and is included in prepaid assets on the statement of net position.

Change in Accounting Principle

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023. The Authority adopted this statement during the year ended December 31, 2024, but it did not have a material impact on the financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The standard is effective for fiscal years beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The standard is effective for fiscal years beginning after June 15, 2025.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The standard is effective for fiscal years beginning after June 15, 2025.

Note 3 - Tax-Exempt Status

The Authority was created under the Municipal Authorities Act of 1935 and 1945. Under this act, the Authority is excluded from taxes on exempt function income. Therefore, no provision is made for taxes on income.

Note 4 - Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy sets out a fair value hierarchy with the highest priority being quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value measurements will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 4 - Fair Value Measurements (continued)

The following valuation techniques were used to measure fair value of assets in the tables below on a recurring basis:

Money market funds - The carrying amount approximates fair value because of the short-term nature of these investments.

Pennsylvania Local Government Investment Trust (PLGIT) - While the PLGIT portfolio seeks to maintain a stable net asset value of \$1.00 per share, it is possible to lose money investing in PLGIT. An investment in PLGIT is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Securities held in PLGIT accounts owned by the Authority are stated at fair value, which is determined by using the amortized cost method. Investments held by the funds have an average maturity of less than one year.

Debt securities - Fair value was based on quoted market prices for the identical securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the balances of fair value measurements on a recurring basis by level within the hierarchy:

| Fair Value Measurements at December 31, 2024 | | | | |
|--|--|--|--|----------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Cash and Cash Equivalents | | | | |
| Money market funds | \$ 7,869,773 | \$ - | \$ - | \$ 7,869,773 |
| PLGIT | 34,962,752 | - | - | 34,962,752 |
| Debt Securities | | | | |
| U.S. Agency securities | - | 21,191,322 | - | 21,191,322 |
| U.S. Treasury Notes | - | 26,212,384 | - | 26,212,384 |
| | <u>\$ 42,832,525</u> | <u>\$ 47,403,706</u> | <u>\$ -</u> | <u>\$ 90,236,231</u> |
| Fair Value Measurements at December 31, 2023 | | | | |
| Cash and Cash Equivalents | | | | |
| Money market funds | \$ 8,700,506 | \$ - | \$ - | \$ 8,700,506 |
| PLGIT | 30,033,716 | - | - | 30,033,716 |
| Debt Securities | | | | |
| U.S. Agency securities | - | 21,670,159 | - | 21,670,159 |
| U.S. Treasury Notes | - | 22,766,206 | - | 22,766,206 |
| | <u>\$ 38,734,222</u> | <u>\$ 44,436,365</u> | <u>\$ -</u> | <u>\$ 83,170,587</u> |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 5 - Deposits and Investments

All deposits and investments are carried at fair value, which are separated and detailed by financial statement line classification. The Authority currently has a formal investment policy that identifies various policies and procedures to organize and formalize investment-related activities. Each fund holds specific requirements as detailed in each fund's respective section.

Cash and Cash Equivalents

As of December 31, 2024 and 2023, the carrying values of the Authority's cash deposits amounted to \$17,624,401 and \$21,393,122, respectively, and the bank balances amounted to \$10,988,679 and \$13,898,757, respectively. Of the bank balances, up to \$500,000 of deposit accounts are covered by the FDIC in the Authority's name as of December 31, 2024 and 2023.

Reconciliation of cash and cash equivalents to the financial statements is as follows at December 31:

| | <u>2024</u> | <u>2023</u> |
|---|-----------------------------|-----------------------------|
| Uninsured amount | \$ 10,988,679 | \$ 13,398,757 |
| Insured amount | <u>500,000</u> | <u>500,000</u> |
| Bank Balances | 11,488,679 | 13,898,757 |
| Deposits in transit | 194,874 | 85,114 |
| Outstanding checks | <u>(269,106)</u> | <u>(1,350,078)</u> |
| Carrying Amount - Bank Balances | 11,414,447 | 12,633,793 |
| Petty cash | 294 | 594 |
| Money market funds and commercial paper classified as cash and cash equivalents | 7,636,562 | 10,210,570 |
| Deposits in restricted assets | <u>(1,426,902)</u> | <u>(1,451,835)</u> |
| Total Cash and Cash Equivalents per Financial Statements | <u>\$ 17,624,401</u> | <u>\$ 21,393,122</u> |

Lancaster County Solid Waste Management Authority**Notes to Financial Statements**

December 31, 2024 and 2023

Note 5 - Deposits and Investments (continued)**Interest Rate Risk**

The Authority has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investments consist of the following as of December 31:

| | 2024 | | | | |
|---|--|----------------------|-------------|-----------------|----------------------|
| | Fair Value of Investment Maturities (in Years) | | | | |
| | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 | Total |
| Cash and Cash Equivalents | | | | | |
| Allspring Government Money Market Fund | \$ 3,637,506 | \$ - | \$ - | \$ - | \$ 3,637,506 |
| PNC Government Money Mark Fund | 82,467 | - | - | - | 82,467 |
| GS Financial Sq Treasury Obligation MMF #469 | 1,257,580 | - | - | - | 1,257,580 |
| Fidelity Instl MM FDS Government | 253,885 | - | - | - | 253,885 |
| CDs | 50,026 | 1,714,876 | - | - | 1,764,902 |
| Federated Hermes Government Obligations | 428,401 | - | - | - | 428,401 |
| U.S Treasury Bills | 198,222 | 246,810 | - | - | 445,032 |
| PLGIT | 34,962,752 | - | - | - | 34,962,752 |
| Debt Securities | | | | | |
| Federal Home Loan Mortgage Corporate Pool | 7,180 | - | - | - | 7,180 |
| Federal Home Loan Mortgage Corporate | 4,315,535 | 4,478,316 | - | - | 8,793,851 |
| Federal National Mortgage Association Pool | 2,384 | 1,294,295 | - | - | 1,296,679 |
| Federal National Mortgage Association | 294,679 | 7,177,453 | - | - | 7,472,132 |
| Government National Mortgage Association | - | 1,926,531 | - | - | 1,926,531 |
| FHLB | - | 1,295,882 | - | - | 1,295,882 |
| FFCB | - | 399,067 | - | - | 399,067 |
| U.S. Treasury Notes | 9,986,097 | 16,226,287 | - | - | 26,212,384 |
| | <u>\$ 55,476,714</u> | <u>\$ 34,759,517</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 90,236,231</u> |

Lancaster County Solid Waste Management Authority**Notes to Financial Statements**

December 31, 2024 and 2023

Note 5 - Deposits and Investments (continued)**Interest Rate Risk (continued)**

| | 2023 | | | | |
|--|--|----------------------|-------------|--------------|----------------------|
| | Fair Value of Investment Maturities (in Years) | | | | Total |
| | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 | |
| Cash and Cash Equivalents | | | | | |
| Allspring Government Money Market Fund | \$ 2,075,958 | \$ - | \$ - | \$ - | \$ 2,075,958 |
| PNC Government Money Mark Fund | 102,632 | - | - | - | 102,632 |
| GS Financial Sq Treasury Obligation MMF #469 | 1,705,876 | - | - | - | 1,705,876 |
| Fidelity Instl MM FDS Government | 1,007,990 | - | - | - | 1,007,990 |
| CDs | 969,756 | 1,056,628 | - | - | 2,026,384 |
| Federated Hermes Government Obligations | 342,906 | - | - | - | 342,906 |
| U.S Treasury Bills | 1,438,760 | - | - | - | 1,438,760 |
| PLGIT | 30,033,716 | - | - | - | 30,033,716 |
| Debt Securities | | | | | |
| Federal Home Loan Mortgage Corporate Pool | - | 8,192 | - | - | 8,192 |
| Federal Home Loan Mortgage Corporate | 408,338 | 8,111,067 | - | - | 8,519,405 |
| Federal National Mortgage Association Pool | 65,048 | 1,217,477 | - | - | 1,282,525 |
| Federal National Mortgage Association | 9,806 | 7,728,039 | - | - | 7,737,845 |
| Government National Mortgage Association | - | 2,873,058 | - | - | 2,873,058 |
| FHLB | 747,997 | 349,595 | - | - | 1,097,592 |
| FFCB | - | 151,542 | - | - | 151,542 |
| U.S. Treasury Notes | 5,295,466 | 17,470,740 | - | - | 22,766,206 |
| | <u>\$ 44,204,249</u> | <u>\$ 38,966,338</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 83,170,587</u> |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 5 - Deposits and Investments (continued)

Credit Risk

As of December 31, 2024 and 2023, all of the Authority's rated investments in debt securities were rated AA+ or AAA.

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, 2024 and 2023, 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, 2024 and 2023, none of the Authority's investments were exposed to custodial credit risk.

Reconciliation of Investments to Financial Statements

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Total investments | \$ 90,236,231 | \$ 83,170,587 |
| Money market funds and commercial paper classified as cash and cash equivalents | (7,636,562) | (10,210,570) |
| Investments in deposits | (689,913) | (714,896) |
| | <u>\$ 81,909,756</u> | <u>\$ 72,245,121</u> |

The following schedule summarizes investments and their classifications in the statement of net position at December 31:

| | 2024 | 2023 |
|-------------------------------------|----------------------|----------------------|
| Unrestricted assets | | |
| Investments | \$ 48,678,882 | \$ 40,407,552 |
| Restricted assets | | |
| Investments with trustee | 507 | 169,587 |
| Closure and post-closure care funds | 30,868,008 | 29,428,749 |
| Pollution occurrences reserve | 2,362,359 | 2,239,233 |
| | <u>\$ 81,909,756</u> | <u>\$ 72,245,121</u> |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 6 - Investments with Trustee

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

During 2023, as part of the debt refinance, the debt service reserve funds obligation was relieved. However, the investment with trustee is still maintained for the annual obligation that is withdrawn monthly by the trustee (see Note 11).

Note 7 - Construction in Progress

The Authority has uncompleted projects shown as follows as of December 31:

| | 2024 | 2023 |
|--------------------------|-----------------------------|----------------------------|
| Lancaster WTE Facility | \$ 2,184,626 | \$ 394,211 |
| SRMC | 2,346,428 | 515,666 |
| Landfills | 13,599,838 | 8,112,647 |
| Transfer Station Complex | 748,905 | 746,797 |
| Other | 29,622 | 111,470 |
| | <u>\$ 18,909,419</u> | <u>\$ 9,880,791</u> |

Construction in progress relates to improvements and projects across all facilities, including a new maintenance and office building and ongoing vertical expansion at the Frey Farm Landfill.

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 8 - Real Estate, Facilities, and Equipment - Capital Assets

A summary of changes in capital assets is as follows:

| | Balance January 1, 2024 | Additions | Deletions/ Transfers | Balance December 31, 2024 |
|---|-------------------------------|---------------------|-------------------------|---------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and improvements | \$ 33,199,633 | \$ 891,481 | \$ - | \$ 34,091,114 |
| Construction in progress | 9,880,791 | 16,282,955 | (7,254,327) | 18,909,419 |
| Total Capital Assets Not Being Depreciated | 43,080,424 | 17,174,436 | (7,254,327) | 53,000,533 |
| Capital Assets Being Depreciated | | | | |
| Buildings and improvements | 339,889,697 | 9,187,822 | 2,866,863 | 351,944,382 |
| Site improvements | 106,111,925 | 233,530 | 1,706,768 | 108,052,223 |
| Other real estate | 9,410,382 | 432,072 | - | 9,842,454 |
| Vehicles/transportation | 15,778,386 | 471,429 | 82,024 | 16,331,839 |
| Equipment | 16,771,066 | 3,162,186 | (2,750,598) | 17,182,654 |
| Office furniture and equipment | 194,771 | 28,676 | - | 223,447 |
| Computer software and equipment | 2,064,400 | 178,465 | 18,895 | 2,261,760 |
| Total Capital Assets Being Depreciated | 490,220,627 | 13,694,180 | 1,923,952 | 505,838,759 |
| Accumulated Depreciation | | | | |
| Buildings and improvements | 204,635,668 | 13,290,316 | (1,766,886) | 216,159,098 |
| Site improvements | 82,288,363 | 4,427,925 | (82,838) | 86,633,450 |
| Other real estate | 2,618,495 | 280,807 | - | 2,899,302 |
| Vehicles/transportation | 10,717,619 | 1,711,966 | (606,237) | 11,823,348 |
| Equipment | 10,268,531 | 2,149,220 | (2,181,561) | 10,236,190 |
| Office furniture and equipment | 115,844 | 21,914 | - | 137,758 |
| Computer software and equipment | 1,656,672 | 261,165 | - | 1,917,837 |
| Accumulated Depreciation | 312,301,192 | 22,143,313 | (4,637,522) | 329,806,983 |
| Capital Assets Being Depreciated, Net | 177,919,435 | (8,449,133) | 6,561,474 | 176,031,776 |
| Capital Assets, Net | \$ 220,999,859 | \$ 8,725,303 | \$ (692,853) | \$ 229,032,309 |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 8 - Real Estate, Facilities, and Equipment - Capital Assets (continued)

| | Balance January 1, 2023 | Additions | Deletions/ Transfers | Balance December 31, 2023 |
|---|-------------------------------|---------------------|-------------------------|---------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and improvements | \$ 33,199,633 | \$ - | \$ - | \$ 33,199,633 |
| Construction in progress | 1,638,466 | 8,490,222 | (247,897) | 9,880,791 |
| Total Capital Assets Not Being Depreciated | <u>34,838,099</u> | <u>8,490,222</u> | <u>(247,897)</u> | <u>43,080,424</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings and improvements | 329,789,854 | 10,002,706 | 97,137 | 339,889,697 |
| Site improvements | 105,503,841 | 457,324 | 150,760 | 106,111,925 |
| Other real estate | 8,851,260 | 559,122 | - | 9,410,382 |
| Vehicles/transportation | 14,614,884 | 1,213,758 | (50,256) | 15,778,386 |
| Equipment | 13,971,903 | 3,294,328 | (495,165) | 16,771,066 |
| Office furniture and equipment | 199,542 | - | (4,771) | 194,771 |
| Computer software and equipment | 2,019,027 | 68,931 | (23,558) | 2,064,400 |
| Total Capital Assets Being Depreciated | <u>474,950,311</u> | <u>15,596,169</u> | <u>(325,853)</u> | <u>490,220,627</u> |
| Accumulated Depreciation | | | | |
| Buildings and improvements | 192,163,052 | 12,472,616 | - | 204,635,668 |
| Site improvements | 77,773,202 | 4,515,161 | - | 82,288,363 |
| Other real estate | 2,346,614 | 271,881 | - | 2,618,495 |
| Vehicles/transportation | 8,964,226 | 1,803,649 | (50,256) | 10,717,619 |
| Equipment | 8,786,481 | 1,945,076 | (463,026) | 10,268,531 |
| Office furniture and equipment | 100,010 | 20,605 | (4,771) | 115,844 |
| Computer software and equipment | 1,247,438 | 432,792 | (23,558) | 1,656,672 |
| Accumulated Depreciation | <u>291,381,023</u> | <u>21,461,780</u> | <u>(541,611)</u> | <u>312,301,192</u> |
| Capital Assets Being Depreciated, Net | <u>183,569,288</u> | <u>(5,865,611)</u> | <u>215,758</u> | <u>177,919,435</u> |
| Capital Assets, Net | <u>\$ 218,407,387</u> | <u>\$ 2,624,611</u> | <u>\$ (32,139)</u> | <u>\$ 220,999,859</u> |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 9 - Other Assets, Real Estate Purchases, and Sale Commitments

During April 2002, the Authority entered into (a) an Agreement with Manor Township, Lancaster County, Pennsylvania, 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, the Authority agreed to purchase, if requested to do so by the owner thereof, 47 properties at the fair market value determined without regard to any impact of the Authority's facilities or activities.

As of December 31, 2024 and 2023, the Authority has purchased 26 of the 47 properties at a cost of \$6,331,587. Of these 26 properties, 16 were later resold. The Authority made improvements to these properties in the amount of \$204,074. The original cost for the 16 properties was \$2,640,194, and the Authority resold them, net of costs, for \$2,464,199.

As part of its recycling programs, Dauphin County owns and operates a 15,000 square foot materials collection facility known as the Dauphin County Recycling Center (DCRC). Dauphin County 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 SRMC site and Dauphin County is entitled to access to the ground lease site. The ground lease has an initial term of 29 years, with two ten-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. Dauphin County 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 10 - Accrued Expenses and Other Current Liabilities

Balances consist of the following at December 31:

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Accrued host fees | \$ 275,825 | \$ 274,095 |
| Accrued DEP recycling fees | 699,417 | 662,470 |
| Accrued county closure fee | 25,038 | 24,270 |
| Accrued haulers rebate | 992,148 | 989,601 |
| Accrued prepaid rebate | 54,427 | 58,227 |
| Accrued payroll | 667,531 | 558,790 |
| Payroll taxes and pension plan accrued and withheld | (7,794) | 139,109 |
| Unpaid losses and loss adjustments | 347,730 | 465,751 |
| Miscellaneous accruals and other liabilities | 370,808 | 511,242 |
| | <u>\$ 3,425,130</u> | <u>\$ 3,683,555</u> |

Note 11 - Long-Term Debt

\$62,985,000 Solid Waste Disposal System Revenue Bond, Taxable Series of 2022

The Solid Waste Disposal System Revenue Bond, Taxable Series of 2022, was issued on June 15, 2022 to (a) refund the refunded Series A of 2013 bonds and (b) pay the costs of issuing the bond. The bond was payable in various amounts from 2022 through 2032, and bore a fixed rate of interest at 3.32%. The Authority issued the bond to advance refund \$79,660,000 of the outstanding Series A of 2013 bonds. The Authority used the net proceeds along with other resources to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Series A of 2013 bonds. As a result, that portion of the Series A of 2013 bonds was considered defeased, and the Authority has removed the liability from its accounts. The outstanding principal of the defeased bonds was \$79,660,000 at June 15, 2022. The bond was fully refunded during 2023.

\$62,985,000 Solid Waste Disposal System Revenue Bond, Series of 2023

The Solid Waste Disposal System Revenue Bond, Series of 2023, was issued on September 19, 2023 to fully refund the Solid Waste Disposal System Revenue Bond, Taxable Series of 2022. The bond is payable in various amounts from 2024 through 2032, and bears a fixed rate of interest at 2.69%. The Authority issued the bond to fully refund \$62,985,000 of the outstanding Taxable Series of 2022 bond. The outstanding principal of the Taxable Series of 2022 bond was \$62,985,000 at September 19, 2023. The advanced refunding reduced total debt service payments over the next nine years by approximately \$9,894,000. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$8,748,568 and gross advanced refunding of \$327,651 (difference between the reacquisition price and net carrying amount of the old debt).

\$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 SRMC and were interest-only for the 20-year term. The Series B of 2013 bonds were not secured by the revenues, facilities, or assets of the Authority. The bonds were guaranteed by Dauphin County, and under that guaranty, Dauphin County had pledged its full faith, credit, and taxing power. The bonds were scheduled to mature in 2033 and bore interest at 5.00%. Pursuant to a Cooperation Agreement between the Authority and Dauphin County, the Authority was responsible for payment of \$240,000 interest per annum on the Series B of 2013 bonds, and Dauphin County was responsible for the balance. At the end of 20 years, the Authority would have had the option to repay the bonds or to convey the SRMC to Dauphin County, in which case Dauphin County would have had to repay the bonds. The bonds were fully refunded and redeemed during 2023.

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 11 - Long-Term Debt (continued)

\$24,000,000 Guaranteed Authority Bond (Dauphin County Guaranty), Series of 2023

The Guaranteed Authority Bond, Series of 2023, was issued on December 15, 2023 to finance the refunding and redemption of the Guaranteed Authority Bonds (Dauphin County Guaranty), Series B of 2013. The bond is interest-only for the ten-year term. The bond will be a limited obligation of the Authority and a general obligation of Dauphin County. The bond will be on parity with all other debt issued by Dauphin County. The bond matures in 2033 and bears interest at 3.29%. Pursuant to the Term Sheet between the Authority and Dauphin County, the Authority is responsible for payment of \$240,000 interest per annum on the Series of 2023 bond, and Dauphin County is responsible for the balance due in 2033. The refunding reduced total debt service payments over the next ten years by approximately \$4,104,000.

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

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------------|-----------------------------|
| \$62,985,000 Solid Waste Disposal System Revenue Bond, Series of 2023 | \$ 61,805,000 | \$ 62,985,000 |
| \$24,000,000 Guaranteed Authority Bond (Dauphin County Guaranty), Series of 2023 | 24,000,000 | 24,000,000 |
| | 85,805,000 | 86,985,000 |
| Current portion | (6,870,000) | (1,180,000) |
| | <u>\$ 78,935,000</u> | <u>\$ 85,805,000</u> |

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

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------------|-----------------------------|
| Debt Outstanding at Beginning of Year | \$ 86,985,000 | \$ 86,985,000 |
| New debt issuance | - | 86,985,000 |
| Repayments | (1,180,000) | (86,985,000) |
| Debt Outstanding at End of Year | <u>\$ 85,805,000</u> | <u>\$ 86,985,000</u> |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 11 - Long-Term Debt (continued)

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

| | Principal | Interest | *Dauphin County Reimbursement | Net |
|--------------|----------------------|----------------------|-------------------------------------|----------------------|
| 2025 | \$ 6,870,000 | \$ 2,452,155 | \$ (549,600) | \$ 8,772,555 |
| 2026 | 7,100,000 | 2,267,352 | (549,600) | 8,817,752 |
| 2027 | 7,335,000 | 2,076,362 | (549,600) | 8,861,762 |
| 2028 | 7,580,000 | 1,879,050 | (549,600) | 8,909,450 |
| 2029 | 7,830,000 | 1,675,088 | (549,600) | 8,955,488 |
| 2030 to 2033 | 49,090,000 | 4,523,037 | (2,198,400) | 51,414,637 |
| | <u>\$ 85,805,000</u> | <u>\$ 14,873,044</u> | <u>\$ (4,946,400)</u> | <u>\$ 95,731,644</u> |

* Represents payment from Dauphin County for interest in excess of \$240,000 per year on the Guaranteed Authority Bond (Dauphin County Guaranty), Series of 2023 bond.

Solid Waste Disposal System Revenue Bond, Series of 2023, is secured by the pledge of all of the Authority's rights, 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.

The Authority's outstanding debt from direct borrowings and direct placements is secured by the receipts and revenues of the Authority. The Authority's debt agreement contains a covenant requiring the Authority to charge and collect rates, fees, and charges for services provided in connection with the operation of the system which, together with other available funds, shall be sufficient to provide net revenues at least equal to the principal and interest due and payable, amounts due under any other indebtedness, and payment of operating expenses. At December 31, 2024 and 2023, the Authority was in compliance with all restrictive covenants.

Note 12 - Other Long-Term Liabilities

Balances consisted of the following at December 31:

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Security deposits | \$ 42,313 | \$ 41,213 |
| Nonqualified deferred compensation plan | 349,575 | 332,929 |
| Capacity reserves | 1,072,723 | 1,072,723 |
| Deposit liability | 500,000 | 500,000 |
| | <u>\$ 1,964,611</u> | <u>\$ 1,946,865</u> |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 13 - Net Position

Investment in Capital Assets

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:

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Restricted for landfill closure and post-closure care costs | \$ 16,901,341 | \$ 17,087,889 |
| Other | 926,753 | 951,736 |
| Restricted for pollution occurrences reserve | 2,000,000 | 2,000,000 |
| Restricted for captive insurance company | 250,000 | 250,000 |
| | <u>\$ 20,078,094</u> | <u>\$ 20,289,625</u> |

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 Authority'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. The balance of unrestricted net position is as follows for the years ended December 31:

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Board-Designated Unrestricted Net Position | | |
| Construction and capital projects reserve funds | \$ 5,741,120 | \$ 5,524,585 |
| Revenue reserve fund | 4,101,260 | 3,909,795 |
| Pollution occurrences reserve | 100,000 | 100,000 |
| Total Board-Designated Unrestricted Net Position | 9,942,380 | 9,534,380 |
| Undesignated Unrestricted Net Position | 53,397,613 | 44,772,805 |
| Total Unrestricted Net Position | \$ 63,339,993 | \$ 54,307,185 |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 14 - Defined Contribution Pension Plan

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

Benefit Provisions

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

Vesting

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

| Completed Years of Service | Vested Percentage |
|----------------------------|-------------------|
| 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

The Authority's contribution formula provides for a 3.00% contribution of the active participant's pay to the MPPP (base contribution) and match up to 6.00% to the EDCP (matching contribution). 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 9.00%. The Authority recognized pension expense for the years ended December 31, 2024 and 2023 of \$769,752 and \$772,212, 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, 2024 and 2023 were \$690,563 and \$700,916, respectively.

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 15 - Postemployment Healthcare Benefits

Description

The Authority maintains a single-employer defined benefit OPEB plan to provide postemployment healthcare 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 four of GASB Statement No. 75. The plan does not issue stand-alone financial statements.

Benefits Provided

The plan permits employees who retire at age 60 with at least 20 years of service, 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 of \$-0- and \$806 in 2024 and 2023, respectively, for retiree coverage. Retiree and spousal healthcare coverage ceases at age 65 or a maximum of five, whichever occurs first. The retiree's portion of the cost is payable in advance. The Authority pays the remainder of the cost.

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms at January 1, 2024:

| | |
|----------------------------|-------------------|
| Retired participants | - |
| Vested former participants | - |
| Active participants | <u>105</u> |
| | <u><u>105</u></u> |

Total OPEB Liability

The Authority's total OPEB liability of \$1,648,707 and \$1,523,673 was based on an actuarial valuation as of January 1, 2024 for the years ended December 31, 2024 and 2023, respectively.

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 15 - Postemployment Healthcare Benefits (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Actuarial Valuation Date | January 1, 2024 |
| Discount Rate | 4.00%, based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2024 |
| Actuarial Cost Method | Entry age normal |
| Asset Valuation Method | Market value of assets |
| Healthcare Cost Trend Rate | 7.00% in 2024 with 0.50% decrease per year until 5.50% in 2027. Rates gradually decrease from 5.40% in 2028 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% of premium |
| Salary Increases | An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are assumed to be 2.50%. |
| Mortality Rates | PubG-2010 General Mortality Table; incorporated into the table are rates projected generationally using projection scale MP-2021 to reflect mortality improvement. |
| Retirement Age | Members are assumed to retire at age 60 with 20 years of service. |
| Election of Coverage | 100% of employees are assumed to elect coverage |
| Percent Married at Retirement | 40% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial. |

Lancaster County Solid Waste Management Authority**Notes to Financial Statements**

December 31, 2024 and 2023

Note 15 - Postemployment Healthcare Benefits (continued)**Changes in the Total OPEB Liability**

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Balance at Beginning of Year | \$ 1,523,673 | \$ 1,816,925 |
| Service cost | 61,644 | 92,026 |
| Interest | 66,522 | 41,477 |
| Changes of benefit terms | (113,472) | - |
| Difference between expected and actual experience | 47,833 | - |
| Changes of assumptions | 140,041 | (305,559) |
| Benefit payments | (77,534) | (121,196) |
| Net Changes | 125,034 | (293,252) |
| Balance at End of Year | \$ 1,648,707 | \$ 1,523,673 |

Sensitivity of the Authority's Total OPEB Liability to Changes in the Discount Rate

The following presents the December 31, 2024 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 one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current discount rate:

| | <u>1.00% Decrease (3.00%)</u> | <u>Discount Rate (4.00%)</u> | <u>1.00% Increase (5.00%)</u> |
|-----------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| Total OPEB Liability | \$ 1,814,449 | \$ 1,648,707 | \$ 1,505,466 |

Sensitivity of the Authority's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the December 31, 2024 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 healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current healthcare cost trend rates:

| | <u>1.00% Decrease (6.00%)</u> | <u>Discount Rate (7.00%)</u> | <u>1.00% Increase (8.00%)</u> |
|-----------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| Total OPEB Liability | \$ 1,496,758 | \$ 1,648,707 | \$ 1,826,469 |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 15 - Postemployment Healthcare Benefits (continued)

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

For the years ended December 31, 2024 and 2023, the Authority recognized OPEB income (expense) of \$163,856 and \$(142,091), respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2024 | 2023 |
|--|---------------------|---------------------|
| Deferred Outflows of Resources | | |
| Benefit payments after the measurement date | \$ 73,919 | \$ 77,534 |
| Differences between expected and actual experience | 43,050 | - |
| Changes of assumptions | 288,630 | 189,429 |
| Total Deferred Outflows of Resources | \$ 405,599 | \$ 266,963 |
| Deferred Inflows of Resources | | |
| Differences between expected and actual experience | \$ 1,170,434 | \$ 1,359,205 |
| Changes of assumptions | 279,654 | 315,239 |
| Total Deferred Inflows of Resources | \$ 1,450,088 | \$ 1,674,444 |

Deferred outflows in the amount of \$73,919 for benefit payments after the measurement date will be recorded as a decrease in the OPEB liability during the year ending December 31, 2025. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB income (expense) as follows for the years ending December 31 and thereafter:

| | |
|------------|--------------|
| 2025 | \$ (102,397) |
| 2026 | (178,550) |
| 2027 | (178,550) |
| 2028 | (178,550) |
| 2029 | (178,551) |
| Thereafter | (227,891) |

Note 16 - Risk Management

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 reasonably viable option for the Authority. The insurance captive was formed in November 2020 and funds were transferred from the Authority to the insurance captive for the initial capital contributions (see Note 19).

Note 16 - Risk Management (continued)

Insurance Captive - SAC (continued)

SAC is directed by the Board to maintain capital and surplus, or total equity, of at least \$1,300,000, well above the State of Vermont's \$250,000 minimum. SAC had an equity position of \$4,842,618 and \$3,829,667 at December 31, 2024 and 2023, respectively.

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

SAC has direct written insurance policies that include:

1. Property insurance for which risk is retained by SAC up to the first \$2,000,000 and \$1,000,000 per occurrence for policy year 2024 and 2023, respectively. There are no aggregate limits on this insurance. Ceded insurance would include insurance on claims over \$2,000,000 and \$1,000,000 per occurrence for policy years 2024 and 2023, respectively, as identified in item number 3.
2. Insurance on non-WTE property for which risk is retained by SAC at the placement value of 18.5% and 17.5% of \$10,000,000 in excess of the first \$10,000,000 for policy year 2024 and 2023, respectively. The exposure of this retained risk is \$1,850,000 and \$1,750,000 per occurrence for policy year 2024 and 2023, respectively. Ceded insurance would include insurance on claims below and over this risk retained by SAC 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 \$2,000,000 per occurrence up to an aggregate of \$252,000,000 and \$251,000,000 as of December 31, 2024 and 2023, respectively, with the exception of the non-WTE 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, 2024, 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. For the years ended December 31, 2024 and 2023, there has been no significant reduction in insurance coverage from coverage in the prior years. Settled claims have not exceeded the insurance coverage purchased for the years ended December 31, 2024, 2023, and 2022.

Note 16 - Risk Management (continued)

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 withdrawal from IIC, the member must guarantee payment to IIC for remaining obligations. At December 31, 2024, the Authority was not aware of any additional assessments from IIC.

Note 17 - Commitments and Contingencies

Reworld Service Agreements

Effective April 2024, Covanta Holding Corporation rebranded as Reworld Holding Corporation (Reworld). The Authority has contracted with subsidiaries of Reworld to operate its Lancaster WTE Facility and SRMC facilities. As the largest WTE facility operator in the world, Reworld possesses a high degree of technical expertise, which the Authority chose to leverage versus undertaking the development of staff and processes to accomplish similar facility performance.

The Authority entered into a professional service agreement (the Master Professional Services Agreement) with Reworld Lancaster, Inc. and Reworld Harrisburg, Inc. (collectively, the Reworld Parties) effective January 1, 2018. Under the Master Professional Services Agreement, the Reworld Parties are obligated to operate and maintain WTE facilities in Lancaster and Harrisburg, Pennsylvania. The agreements can be terminated under limited circumstances, as defined in the Master Professional Services Agreement. The terms of the Master Professional Services Agreement are 15 years. The Master Professional Services Agreement set forth terms for the Reworld Parties to accept, process, and manage minimum acceptable waste at each facility for a fee established under the Master Professional Services Agreement. Reworld, the parent of the Reworld Parties, provided a limited guaranty of the obligations of the Reworld Parties.

Forwards Contracts

PJM is an organization that 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. As a baseload electric generator in PJM, the Authority has capacity commitments for both its Lancaster WTE Facility and SRMC that provide supplemental revenue into the system. 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. A reserve of \$1,072,723 was recorded as of December 31, 2024 and 2023.

Note 17 - Commitments and Contingencies (continued)

Forwards Contracts (continued)

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 Dauphin County, including the City of Harrisburg. The agreement between the Authority and the City of Harrisburg is for a term of 20 years, ending in 2033, after which the term may extend for a maximum of ten additional years if Dauphin County 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 SRMC, 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 \$230.84 per ton in 2023 and \$238.32 in 2024. 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 SRMC 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 of Harrisburg delivers greater than 38,000 tons of regulated municipal waste to the SRMC, the Authority will pay a rebate to the City of Harrisburg of \$100.00 for each ton delivered in excess of 38,000 tons. In 2024 and 2023, the City of Harrisburg delivered 37,032 and 36,970 tons, respectively. There was no excess or shortfall during the years ended December 31, 2024 and 2023.

Dauphin County Cooperation Agreement

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

2023 - \$103.95; and 2024 - \$107.43. Beginning in 2021, 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 Dauphin County not produce annual revenues in the following amounts, Dauphin County is required to pay any shortfall to the Authority: 2023 - \$14,204,386; and 2024 - \$14,680,535. Beginning in 2021, the minimum annual revenues will be adjusted for changes in the Consumer Price Index each year thereafter. No shortfall fees were assessed to Dauphin County for 2024 and 2023.

Note 17 - Commitments and Contingencies (continued)

Dauphin County Cooperation Agreement (continued)

If, on or before the end of the term of the Guaranteed Authority Bond (Dauphin County Guaranty) Series B of 2013 bonds, (a) Dauphin County takes all necessary steps to continue legally enforceable waste flow control for an additional ten years with Dauphin County tipping fees not less than the tipping fees in the preceding year (or if Dauphin County legally cannot extend waste flow control), then the Authority will, at the Authority's option: (i) repay the unpaid principal of the Series B of 2013 bonds and retain the SRMC; or (ii) upon Dauphin County repayment of the Series B of 2013 bonds, convey the SRMC to Dauphin County; or (b), if Dauphin County is legally able to extend waste flow control, but fails to do so, then Dauphin County shall repay the unpaid principal of the Series B of 2013 bonds and the Authority shall retain ownership of the SRMC. During 2023, Series B of 2013 bonds were fully called and refunded with Solid Waste Disposal System Revenue Bond and a Guaranteed Authority Bond (Dauphin County Guaranty), Series of 2023.

Electric Plant and Related Agreement

Upon acquisition of the SRMC in 2013, the Authority entered into an agreement to lease to Columbia Borough certain assets (the Electric Plant) of the SRMC, which generate electricity from the steam generated by the mass burn facility. The term of the lease is for 20 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. Reworld Harrisburg, Inc. operates the Electric Plant on behalf of Columbia Borough. Columbia Borough purchases the steam output of the Electric Plant 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 account after deducting management fees.

From the account, the following amounts due under the arrangement and related agreements are paid, in order of priority: (a) payments due to the electric plant operator; (b) \$4,168 per month payable to Columbia Borough; (c) rent payable to the Authority; and (d) the cost of Columbia Borough's purchase of the steam output of the mass burn facility used by the Electric Plant. In the event that amounts deposited to the account are insufficient to provide \$50,000 to Columbia Borough in any 12-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 account.

Note 17 - Commitments and Contingencies (continued)

Electric Plant 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. Prior to the amendments mentioned below, the Authority may have been required to make deposits to a "clawback" account, for the benefit of DGS, in years that the contracted rate for the purchase of electricity exceeded the market rate. The Authority was eligible for credits for years in which the market rate for electricity exceeded the contracted rate, and the SRMC had produced net income insufficient to provide predetermined debt service coverage. Effective May 16, 2022, the agreement had significant amendments made to the agreement with DGS. The amendment is to provide certainty for electric rates for the last ten years of the term. Beginning March 1, 2024 through the end of the term on February 2, 2034, the contracted electric rate, net of all taxes imposed on the sale of electricity, will be \$0.052/kWh. Conditions regarding the "clawback" account and credits related to net operating income were removed as part of the amendment. The amendments are estimated to generate a net positive position for the Authority over the balance of the agreement.

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 in July 2017. As required by the Equipment and Facilities Agreement, the Authority directed Reworld Lancaster, Inc. to connect the Conoy WTE 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 \$2,829,248 and \$3,042,441 for the years ended December 31, 2024 and 2023, respectively.

Ash Recycling Service Agreement, Licensing, and Improvement Loan

Inashco metals recovery facility, owned and operated by Inashco North America Lancaster, LLC ceased operations at its facility in March 2023 and the Authority stopped delivering ash to the facility on March 1, 2023. The Authority received the last payment from Inashco for the note receivable on February 1, 2023. The note is secured by a first lien security interest in all assets of Inashco except for the rolling stock secured to Volvo, in which the Authority has a perfected second position security interest and a one-year renewing \$500,000 letter of credit. The principal balance on the note receivable as of March 10, 2023 was \$7,501,805. Inashco and the Authority executed a Termination Agreement effective March 20, 2023 in which the Authority acquired collateral with a fair market value of \$3,514,490 and would draw the \$500,000 letter of credit. Inashco agreed to purchase certain collateral at a value of \$730,000. Subsequently, Inashco and the Authority entered into an addendum to the original termination agreement on September 15, 2023. As per the Termination Agreement and Termination Agreement Addendum, the Authority is expected to receive final payment of \$74,128 from Inashco in 2025. The Authority received the \$74,128 payment from Inashco on April 2, 2025; making this termination process fully complete (see Note 21).

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 17 - Commitments and Contingencies (continued)

Landfill Closure and Post-Closure Care Costs

Landfill closure and post-closure care costs are recorded following the provisions of 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, 2024 and 2023. 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 waste; post-closure monitoring and maintenance costs are incurred for 30 years after all closure requirements are approved by a regulatory agency and the facility is no longer accepting waste. At December 31, 2024, the Authority reports two active sites, Frey Farm Landfill and SRMC Ashfill, and one closed site, Creswell Landfill. Estimated future closure and post-closure care costs of active sites are as follows as of December 31:

| | 2024 | 2023 |
|---|---------------|---------------|
| Frey Farm Landfill | | |
| Total estimated closure and post-closure care costs | \$ 32,981,809 | \$ 31,406,652 |
| Capacity used at December 31 | 71.76% | 69.79% |
| Closure and Post-Closure Care Costs Recognized | 23,667,746 | 21,918,702 |
| Closure and post-closure care costs paid to date | 11,576,609 | 11,576,609 |
| Net Liability | \$ 12,091,137 | \$ 10,342,093 |
| Closure and Post-Closure Care Costs Remaining to be Recognized | \$ 9,314,063 | \$ 9,487,950 |
| Year that capacity will be reached | 2038 | 2038 |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 17 - Commitments and Contingencies (continued)**Landfill Closure and Post-Closure Care Costs (continued)**

| | <u>2024</u> | <u>2023</u> |
|---|----------------------------|----------------------------|
| SRMC Ashfill ** | | |
| Total estimated closure and post-closure care costs | \$ 4,238,000 | \$ 4,238,000 |
| Capacity used at December 31 | <u>86.50%</u> | <u>86.50%</u> |
| Closure and Post-Closure Care Costs Recognized | 4,238,000 | 4,238,000 |
| Closure and post-closure care costs paid to date | <u>-</u> | <u>-</u> |
| Net Liability | <u>\$ 4,238,000</u> | <u>\$ 4,238,000</u> |
| Closure and Post-Closure Care Costs Remaining to be Recognized | <u>\$ -</u> | <u>\$ -</u> |
| Year that capacity will be reached | 2027 | 2027 |

** The Authority did not utilize capacity at the SRMC Ashfill. The Authority recognized no estimated closure and post-closure care costs at December 31, 2024 and 2023 based on the estimated date capacity will be reached, assuming the ashfill is used for transfer of residue from SRMC operations.

The Authority is beyond the post-closure period for the Creswell Landfill, which has been closed for 30 years, and does not anticipate any future significant costs. The Authority had no ongoing nominal costs for this site relative to periodic testing at December 31, 2024 and 2023.

The components of closure and post-closure care costs are as follows at December 31:

| | <u>2024</u> | <u>2023</u> |
|--|----------------------------|----------------------------|
| Closure and Post-Closure Care Costs | | |
| Frey Farm Landfill | | |
| Capacity used in current year | \$ 649,664 | \$ 682,639 |
| Change in estimate | <u>1,099,269</u> | <u>912,886</u> |
| | <u>\$ 1,748,933</u> | <u>\$ 1,595,525</u> |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 17 - Commitments and Contingencies (continued)

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 PaDEP 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 standby letters of credit issued had one-to-one collateralization value. The collateralization value was \$28,000,000 as of December 31, 2024 and 2023, and any amount above is cash and cash equivalents - unrestricted and investments - unrestricted. At December 31, 2024 and 2023, the letters of credit issued totaled \$25,879,844 and are secured by deposits of \$30,868,008 and \$29,428,749, respectively, with a collateralization value of \$30,868,008 and \$29,428,749, respectively, (such deposits are included in the Authority's restricted assets) that are pledged to the financial institution that issued the letters of credit. The letters of credit amounts are as follows at December 31:

| | <u>2024</u> | <u>2023</u> |
|---------------------------|----------------------|----------------------|
| Frey Farm Landfill | \$ 16,570,612 | \$ 16,570,612 |
| SRMC Ashfill | 5,319,242 | 5,319,242 |
| Creswell Landfill | 3,102,764 | 3,102,764 |
| Lancaster WTE Facility | 498,921 | 498,921 |
| Dauphin WTE Facility | 251,589 | 251,589 |
| Transfer Station Complex | 100,537 | 100,537 |
| Liquid treatment facility | 36,179 | 36,179 |
| | <u>\$ 25,879,844</u> | <u>\$ 25,879,844</u> |

The Authority also issues letters of credit related to improvement projects pursuant to local regulations. In connection with the PennDOT Transfer Station Complex entrance modification, the Authority has issued a letter of credit of \$14,500 as of December 31, 2024 and 2023.

Performance Bonds

In connection with the construction of the Frey Farm Landfill vertical expansion and certain other construction projects, the Authority has issued performance bonds of approximately \$1,200,000 in favor of third parties, which were released in 2024 and closed.

Note 17 - Commitments and Contingencies (continued)

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 Landfill. During 1989, the Authority began landfilling at the Frey Farm Landfill, which is adjacent to the Creswell Landfill. 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 Landfill during 1989. The Lancaster Brick Company site, the Lancaster County Park site, and the Creswell Landfill, 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." An agreement with Manor Township (made in 2002 and amended in 2015) and the PALE Consent Order (issued in 2002 and amended in 2015) interpreted the Manor Township ZHB decision. 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 zoning ordinance may constitute governmental action that is subject to change in the future. There is no assurance that future zoning and governmental designations will permit use of the Authority's properties for the Authority's intended purposes; neither is there assurance that the Authority will be able to satisfy whatever governmental, regulatory, or other conditions might be applicable to the Authority's use of its properties. In 2024, there was new movement pertaining to the 1986 ZHB. On April 3, 2024, the ZHB for Manor Township approved to amend the 1986 ZHB decision to allow landfilling on a former utility corridor that is interior to the existing Creswell landfill footprint.

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.

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 17 - Commitments and Contingencies (continued)

Asset Retirement Obligations

The Authority accounts for certain costs associated with the future retirement of the SRMC, the Lancaster WTE Facility, and the Transfer Station Complex in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations (ARO)*. 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:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| SRMC | \$ 307,738 | \$ 314,085 |
| Lancaster WTE Facility | 490,627 | 500,745 |
| Transfer Station Complex | <u>110,664</u> | <u>112,947</u> |
| Total Asset Retirement Obligations | \$ 909,029 | \$ 927,777 |
| Deferred Outflows of Resources Related to ARO | \$ 548,317 | \$ 595,817 |

Estimated remaining years until capacity is reached is as follows at December 31:

| | <u>2024</u> | <u>2023</u> |
|--------------------------|-------------|-------------|
| SRMC | 10 | 11 |
| Lancaster WTE Facility | 20 | 21 |
| Transfer Station Complex | 25 | 26 |

The Authority is required to provide funding and assurance for its ARO by setting aside assets restricted for payment of the ARO and carrying insurance to cover ARO amounts. The Authority carries liability insurance of \$2,000,000 to cover any costs associated with its ARO and has pledged collateral bonds in favor of PaDEP totaling \$887,226 as of December 31, 2024 and 2023.

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 18 - Major Customers

Total revenues include transactions with a major customer (any customer whose sales comprise 10% or more of total revenues) and are as follows for the years ended December 31:

| | 2024 | | 2023 | |
|------------|---------------|---------------------|---------------|---------------------|
| | Sales | Accounts Receivable | Sales | Accounts Receivable |
| Customer A | \$ 15,229,722 | \$ 2,500,453 | \$ 13,040,838 | \$ 2,269,749 |

Note 19 - 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 years ended December 31, 2024 and 2023. The financial statements of SAC were audited by other auditors for the years ended December 31, 2024 and 2023 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 years ended December 31, 2024 and 2023, is described on the following pages.

A condensed summary of SAC's balance sheet is presented below as of December 31:

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,912,133 | \$ 3,931,566 |
| Reinsurance recoverable on unpaid losses | 301,360 | 415,932 |
| Other assets | 3,550 | - |
| Total Assets | 5,217,043 | 4,347,498 |
| Liabilities | | |
| Losses and loss adjustment expenses | 347,730 | 465,751 |
| Accounts payable and accrued expenses | 26,695 | 52,080 |
| Total Liabilities | 374,425 | 517,831 |
| Stockholder's Equity | | |
| Common stock - par value \$10.00 par value; authorized 100,000 shares; issued 25,000 shares | 250,000 | 250,000 |
| Additional paid-in capital | 3,300,000 | 2,800,000 |
| Retained earnings | 1,292,618 | 779,667 |
| Total Stockholder's Equity | \$ 4,842,618 | \$ 3,829,667 |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 19 - Condensed Component Unit Information (continued)

A condensed summary of SAC's statement of income is presented below for the years ended December 31:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Revenues | | |
| Premiums earned, net | \$ 495,783 | \$ 487,918 |
| Net investment income | 218,478 | 84,460 |
| Commission income | 79,193 | 54,273 |
| Total Revenues | <u>793,454</u> | <u>626,651</u> |
| Expenses | | |
| Losses and loss adjustment (benefit) expenses | (3,449) | 13,263 |
| Policy acquisition and other underwriting expenses | 99,147 | 46,982 |
| Professional, general, and administrative expenses | 184,805 | 157,056 |
| Total Expenses | <u>280,503</u> | <u>217,301</u> |
| Net Income | <u>\$ 512,951</u> | <u>\$ 409,350</u> |

A condensed summary of SAC's statement of stockholder's equity is presented below:

| | <u>Common Stock</u> | <u>Additional Paid-In Capital</u> | <u>Retained Earnings</u> | <u>Total Stockholder's Equity</u> |
|---|---------------------|---------------------------------------|------------------------------|---|
| Balance at January 1, 2023 | \$ 250,000 | \$ 1,050,000 | \$ 370,317 | \$ 1,670,317 |
| Capital contribution | - | 1,750,000 | - | 1,750,000 |
| Net income | - | - | 409,350 | 409,350 |
| Balance at December 31, 2023 | 250,000 | 2,800,000 | 779,667 | 3,829,667 |
| Capital contribution | - | 500,000 | - | 500,000 |
| Net income | - | - | 512,951 | 512,951 |
| Balance at December 31, 2024 | <u>\$ 250,000</u> | <u>\$ 3,300,000</u> | <u>\$ 1,292,618</u> | <u>\$ 4,842,618</u> |

Lancaster County Solid Waste Management Authority

Notes to Financial Statements

December 31, 2024 and 2023

Note 19 - Condensed Component Unit Information (continued)

A condensed summary of SAC's statement of cash flows is presented below for the years ended December 31:

| | <u>2024</u> | <u>2023</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities | \$ 480,567 | \$ 459,884 |
| Cash flows from financing activities | <u>500,000</u> | <u>1,750,000</u> |
| Net Change in Cash and Cash Equivalents | 980,567 | 2,209,884 |
| Cash and cash equivalents at beginning of year | <u>3,931,566</u> | <u>1,721,682</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 4,912,133</u> | <u>\$ 3,931,566</u> |

Note 20 - Reclassification

Certain amounts in the 2023 financial statements were reclassified to conform to the 2024 presentation.

Note 21 - Subsequent Events

The Authority has evaluated subsequent events through May 19, 2025. This date is the date the financial statements were available to be issued. The following material events subsequent to December 31, 2024 were noted:

In January 2025, the Authority received official termination notice of the Access Agreement related to a potential real estate purchase. Subsequently, the Authority received the return of their escrowed funds of \$500,000 plus additional interest owed of \$17,432 in January 2025.

In accordance with the Termination Agreement, Inascho has paid the remaining \$74,128 to the Authority on April 2, 2025; making this termination process fully complete.

No other material events subsequent to December 31, 2024 were noted.

Lancaster County Solid Waste Management Authority

Schedule of Changes in Total OPEB Liability and Related Ratios - Single-Employer Defined Benefit OPEB Plan - Unaudited

Last Ten Fiscal Years*

| | Years Ended December 31, | | | | | | | |
|--|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total OPEB Liability | | | | | | | | |
| Service cost | \$ 61,644 | \$ 92,026 | \$ 117,532 | \$ 85,935 | \$ 124,133 | \$ 124,133 | \$ 137,261 | \$ 118,967 |
| Interest | 66,522 | 41,477 | 47,843 | 71,664 | 104,524 | 104,524 | 105,877 | 93,822 |
| Changes of benefit terms ⁽²⁾ | (113,472) | - | - | - | (36,732) | - | - | - |
| Differences between expected and actual experience | 47,833 | - | (584,349) | - | (203,258) | - | - | (39,404) |
| Changes of assumptions ⁽³⁾ | 140,041 | (305,559) | (50,294) | 268,196 | 3,389 | - | - | 1,235,281 |
| Benefit payments | (77,534) | (121,196) | (163,807) | (192,052) | (192,052) | (289,433) | (273,952) | (75,314) |
| Correction ⁽¹⁾ | - | - | - | (1,089,743) | - | - | - | - |
| Net Changes in Total OPEB Liability | 125,034 | (293,252) | (633,075) | (856,000) | (199,996) | (60,776) | (30,814) | 1,333,352 |
| Total OPEB Liability at Beginning of Year | 1,523,673 | 1,816,925 | 2,450,000 | 3,306,000 | 3,505,996 | 3,566,772 | 3,597,586 | 2,264,234 |
| Total OPEB Liability at End of Year | \$ 1,648,707 | \$ 1,523,673 | \$ 1,816,925 | \$ 2,450,000 | \$ 3,306,000 | \$ 3,505,996 | \$ 3,566,772 | \$ 3,597,586 |
| Covered Payroll | \$ 7,755,711 | \$ 7,145,823 | \$ 7,145,823 | \$ 8,228,297 | \$ 8,228,297 | \$ 7,794,515 | \$ 7,284,593 | \$ 7,106,920 |
| Total OPEB Liability as a Percentage of Covered Payroll | 21.3% | 21.3% | 25.4% | 29.8% | 40.2% | 45.0% | 49.0% | 50.6% |

* Data prior to 2017 is not available.

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

⁽²⁾ The discount rate changed from 4.31% to 4.00%. The trend assumption was updated. Retirement assumption was updated to reflect new benefit terms.

⁽³⁾ Employees are now eligible at age 60 with at least 20 years of service. Spouses contribute single rate plus additional 25% fee on the monthly premium.

Lancaster County Solid Waste Management Authority

Notes to Required Supplementary Information - Single-Employer Defined Benefit OPEB Plan Last Ten Fiscal Years*

Funding

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

Changes of Assumptions

Measurement period ending January 1, 2024:

The discount rate changed from 4.31% to 4.00%. The trend assumption was updated. Retirement assumption was updated to reflect new benefit terms.

Employees are now eligible at age 60 with at least 20 years of service. Spouses contribute single rate plus additional 20% fee on the monthly premium.

* Data prior to 2017 is not available.

Lancaster County Solid Waste Management Authority

Schedule of Condensed Revenues, Expenses, and Changes in Net Position

| | Years Ended December 31, | | | | | | | |
|---|--------------------------|----------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Operating Revenues | | | | | | | | |
| Tipping fees, net of hauler rebates | \$ 84,187,195 | \$ 82,733,187 | \$ 73,856,324 | \$ 71,173,706 | \$ 68,420,973 | \$ 66,786,759 | \$ 67,285,377 | \$ 61,751,330 |
| Energy | 20,846,922 | 23,026,916 | 24,811,821 | 18,511,562 | 14,879,766 | 16,036,271 | 17,696,620 | 14,409,009 |
| Transportation and other | 7,761,555 | 7,434,167 | 6,034,569 | 6,470,014 | 5,050,368 | 4,702,226 | 3,453,865 | 3,150,996 |
| Total Operating Revenues | 112,795,672 | 113,194,270 | 104,702,714 | 96,155,282 | 88,351,107 | 87,525,256 | 88,435,862 | 79,311,335 |
| Operating Expenses | | | | | | | | |
| Lancaster Waste-to-Energy Facility | 26,771,076 | 27,391,268 | 27,928,835 | 24,604,984 | 22,073,083 | 22,085,891 | 22,112,494 | 22,723,842 |
| Susquehanna Resource Management Complex | 26,500,673 | 26,044,109 | 25,316,004 | 21,195,916 | 18,390,103 | 19,014,561 | 19,068,573 | 19,073,675 |
| Depreciation | 21,588,062 | 20,739,322 | 23,085,468 | 21,915,901 | 19,094,220 | 14,800,618 | 14,492,523 | 13,609,605 |
| Landfills | 5,666,245 | 5,518,521 | 5,376,910 | 5,318,818 | 4,752,236 | 5,169,371 | 5,213,251 | 4,553,918 |
| Transfer Station Complex | 7,599,435 | 7,216,518 | 6,705,829 | 8,552,417 | 7,311,624 | 8,175,344 | 5,360,165 | 3,765,041 |
| Closure and post-closure care | 1,748,933 | 1,595,525 | 599,037 | 764,964 | 626,860 | 2,923,344 | 1,987,153 | 190,785 |
| Household hazardous waste | 605,104 | 421,448 | 575,772 | 369,929 | 465,342 | 516,665 | 489,036 | 502,269 |
| Total Operating Expenses | 90,479,528 | 88,926,711 | 89,587,855 | 82,722,929 | 72,713,468 | 72,685,794 | 68,723,195 | 64,419,135 |
| Support Expenses | 7,571,511 | 7,696,607 | 7,168,737 | 6,942,890 | 9,446,236 | 9,997,313 | 9,594,430 | 7,774,656 |
| Total Operating and Support Expenses | 98,051,039 | 96,623,318 | 96,756,592 | 89,665,819 | 82,159,704 | 82,683,107 | 78,317,625 | 72,193,791 |
| Operating Income | 14,744,633 | 16,570,952 | 7,946,122 | 6,489,463 | 6,191,403 | 4,842,149 | 10,118,237 | 7,117,544 |
| Interest and Investment Income (Loss) | 4,640,646 | 3,774,408 | (1,418,511) | (15,867) | 2,143,520 | 2,475,836 | 1,086,299 | 718,542 |
| Interest Expense | (1,959,100) | (1,843,221) | (2,686,489) | (4,013,735) | (4,256,228) | (4,401,154) | (4,586,685) | (4,681,613) |
| Net Other Nonoperating Revenues (Expenses) and Capital Contributions | 439,258 | 1,191,114 | (2,887,654) | 992,767 | 828,822 | (486,823) | 481,155 | 5,214,876 |
| Changes in Net Position before Special Item | 17,865,437 | 19,693,253 | 953,468 | 3,452,628 | 4,907,517 | 2,430,008 | 7,099,006 | 8,369,349 |
| Special Item - Transfer from Government Self-Insurance Fund | - | - | - | 3,457,754 | - | - | - | - |
| Changes in Net Position | \$ 17,865,437 | \$ 19,693,253 | \$ 953,468 | \$ 6,910,382 | \$ 4,907,517 | \$ 2,430,008 | \$ 7,099,006 | \$ 8,369,349 |

CONCISE STATEMENTS FOR PUBLICATION

LANCASTER COUNTY SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF NET POSITION

| | December 31, | |
|--|------------------------------|------------------------------|
| | 2024 | 2023 |
| Assets | | |
| Current assets | \$ 78,956,783 | \$ 74,982,796 |
| Restricted assets | 35,002,866 | 33,633,704 |
| Other assets | 571,787 | 1,373,864 |
| Real estate, facilities, and equipment, net | 229,032,309 | 220,999,859 |
| Deferred outflows of resources | <u>1,220,567</u> | <u>1,154,439</u> |
| Total Assets and Deferred Outflows of Resources | <u>344,784,312</u> | <u>332,144,662</u> |
| Liabilities | | |
| Current liabilities | 16,806,858 | 16,811,254 |
| Long-term liabilities | 99,786,373 | 104,783,408 |
| Deferred inflows of resources | <u>1,450,088</u> | <u>1,674,444</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>118,043,319</u> | <u>123,269,106</u> |
| Net Position | <u>\$ 226,740,993</u> | <u>\$ 208,875,556</u> |

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | Years Ended December 31, | |
|---------------------------------------|---------------------------------|-----------------------------|
| | 2024 | 2023 |
| Operating Revenues | \$ 112,795,672 | \$ 113,194,270 |
| Operating and Support Expenses | <u>98,051,039</u> | <u>96,623,318</u> |
| Operating Income | 14,744,633 | 16,570,952 |
| Total Nonoperating Revenues | <u>3,120,804</u> | <u>3,122,301</u> |
| Changes in Net Position | <u>\$ 17,865,437</u> | <u>\$ 19,693,253</u> |