

**York County Solid Waste and  
Refuse Authority**

**Financial Statements and  
Supplementary Information**

**December 31, 2016 and 2015**



**FOCUSED. ON YOU.**

# York County Solid Waste and Refuse Authority

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December 31, 2016 and 2015

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# Management's Discussion and Analysis

This section of the Authority's annual financial report presents our analysis of the Authority's financial performance during the fiscal year ended on December 31, 2016. Please read it in conjunction with the financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The Authority's net position increased by \$10.3 million or a 6.2 percent change.
- During the year, the Authority's revenue from waste disposal fees increased by \$0.5 million, or 2.3 percent, while electric sales increased by \$0.2 million, or 1.1 percent.
- During the year, the Authority's operating expenses decreased by \$2.5 million, or 7.3 percent, primarily as the result of a decrease in operation and maintenance costs.

## REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The balance sheet includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. All of the current year's revenue and expenses are accounted for in the statement of revenue and expenses. This statement measures the success of the Authority's operations over the past years and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges. It also establishes the Authority's credit worthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

## FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis of the Authority begins on the second page of the financial statements. The balance sheet and the statement of revenue and expenses report the net position of the Authority and changes in them. You can think of the Authority's net position, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, long-term contracts, population growth, and new or changed government legislation.

## NET POSITION

To begin our analysis, a summary of the Authority's balance sheet is presented in Table A-1:

**TABLE A-1**  
**Condensed Statements of Net Position (Balance Sheet)**  
**(In millions of dollars)**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Annual Percent Change</u>	
Current Assets	<b>\$ 114.3</b>	\$ 130.8	(16.5)	(12.6)	%
Property, Plant, and Equipment, Net	<b>53.6</b>	30.0	23.6	78.7	
Other Assets	<b>20.5</b>	20.7	(0.2)	(1.0)	
<b>Total Assets</b>	<b><u>188.4</u></b>	<u>181.5</u>	<u>6.9</u>	3.8	
Current Liabilities	<b>4.9</b>	6.8	(1.9)	(27.9)	
Long-Term Debt	<b>5.9</b>	7.3	(1.4)	(19.2)	
Landfill Closure and Post Closure Care	<b>-</b>	0.1	(0.1)	(100.0)	
<b>Total Liabilities</b>	<b><u>10.8</u></b>	<u>14.2</u>	<u>(3.4)</u>	(23.9)	
<b>Total Net Position</b>	<b><u>\$ 177.6</u></b>	<u>\$ 167.3</u>	<u>10.3</u>	6.2	%

As can be seen from the table above, net position increased \$10.3 million to \$177.6 million in 2016, up from \$167.3 million in 2015. This was due to favorable results of operations and was earmarked for anticipated future projects of the Authority.

**TABLE A-2**  
**Condensed Statement of Revenue and Expenses**  
(In millions of dollars)

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Annual Percent Change</u>
Waste Disposal Fees	\$ 22.7	\$ 22.2	0.5	2.3 %
Electric Sales	18.3	18.1	0.2	1.1
Other Income	1.9	0.7	1.2	171.4
<b>Total Revenue</b>	<b>42.9</b>	<b>41.0</b>	<b>1.9</b>	<b>4.6</b>
Operating Expenses	31.7	34.2	(2.5)	(7.3)
Depreciation	0.7	1.3	(0.6)	(46.2)
Interest Expense	0.2	0.3	(0.1)	(33.3)
<b>Total Expenses</b>	<b>32.6</b>	<b>35.8</b>	<b>(3.2)</b>	<b>(8.9)</b>
<b>Changes in Net Position</b>	<b>\$ 10.3</b>	<b>\$ 5.2</b>	<b>5.1</b>	<b>98.1 %</b>

While the balance sheet shows changes in financial position, the statement of revenue and expenses provides answers as to the nature and source of these changes. As seen in Table A-2, waste disposal fees increased by \$0.5 million to \$22.7 million in 2016, up from \$22.2 million in 2015. Tonnage processed increased from 430,598 tons in 2015 to 431,412 tons in 2016 mostly as a result of increased throughput at the Resource Recovery Center (RRC). Increased energy production at the RRC caused electric sales to increase \$0.2 million to \$18.3 million in 2016 from \$18.1 million in 2015. The increase in other income is due primarily to a decrease in the net loss of investments and an increase in grant income. Operating expenses decreased in 2016 primarily due to a decrease in operation and maintenance costs. Depreciation has decreased in 2016 due to the original cost of the RRC being fully depreciated.

### **CAPITAL ASSETS**

At the end of 2016, the Authority had invested \$186.9 million in a broad range of infrastructure including the Resource Recovery Center, Management Center, Yardwaste transfer site, Recyclable materials drop-off center, landfill liners and system improvements, truck storage building, vehicles and equipment. During the year 2016, the Authority made capital improvements totaling \$24.4 million, primarily in RRC site improvements. More information on the Authority's capital assets is presented in Note 8 of the financial statements.

## LONG-TERM DEBT

At year-end, the Authority had \$7.3 million in long- and short-term debt down from \$8.7 million in 2015 for a decrease of \$1.4 million or 16.1 percent, which was the amount of the 2016 principal payments on outstanding debt. More detailed information about the Authority's long-term liabilities is presented in Note 9 of the financial statements. No new long-term debt was incurred in the current year.

One area that demonstrates the Authority's financial strength and future borrowing capacity is seen in its debt service coverage ratio, which is currently 7.0.

**TABLE A-3**  
**Debt Coverage Ratio**  
**(In millions of dollars)**

	<u>2016</u>	<u>2015</u>	<u>Annual Percent Change</u>
Waste Disposal Fees	\$ 22.7	\$ 22.2	2.3 %
Electric Sales	18.3	18.1	1.1
<b>Total Operating Revenue</b>	<b>41.0</b>	40.3	1.7
<b>Total Operating Expenses</b>	<b>31.7</b>	34.2	(7.3)
<b>Operating Surplus</b>	<b>9.3</b>	6.1	52.5
Depreciation	(0.7)	(1.3)	(46.2)
Interest Expense	(0.2)	(0.3)	(33.3)
Other Income (Net)	1.9	0.7	171.4
<b>Net Surplus</b>	<b>\$ 10.3</b>	\$ 5.2	98.1
<b>Cash Flow Available for Debt Service (1)</b>	<b>\$ 11.2</b>	\$ 6.8	64.7
<b>Annual Debt Service</b>	<b>\$ 1.6</b>	\$ 1.6	0.0
<b>Debt Service Coverage Ratio (2)</b>	<b>\$ 7.0</b>	4.3	62.8

(1) Cash Flow Available for Debt Service = Current period surplus + Interest + Depreciation

(2) Debt Service Coverage Ratio = Cash Flow Available for Debt Service / Annual Debt Service

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Authority and management considered many factors when setting the fiscal year 2017 budget and tip fees. The 2017 budget was prepared with sensitivity to the economy, and comparison with other resource recovery centers in the region. It recognizes the Authority's basic premise of developing the York County Resource Recovery Center to provide a solid waste management program that is safe, efficient and economical which is affirmed by the Solid Waste Management Plan. The budget is based on processing 410,000 tons as set forth in the Service Agreement with Covanta York Renewable Energy, LLC (Covanta). The 2017 budget established the 2017 York County tipping fee at \$62 per ton.

## **CONTACTING THE AUTHORITY'S ASSISTANT EXECUTIVE DIRECTOR**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Assistant Executive Director, 2700 Blackbridge Road, York, PA 17406.

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Ed Heindel  
Chairman

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David E. Vollero  
Executive Director

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Jerry C. Grim  
Assistant Executive Director



## **Independent Auditor's Report**

To the Board of Directors  
York County Solid Waste and Refuse Authority  
York, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of York County Solid Waste and Refuse Authority (Authority) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of York County Solid Waste and Refuse Authority as of December 31, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RKL LLP

April 20, 2017  
York, Pennsylvania

# York County Solid Waste and Refuse Authority

## Balance Sheet

	December 31,	
	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 26,221,948	\$ 22,387,457
Short-term investments	2,268,674	2,327,549
Capital project escrow funds	23,981,669	44,864,628
General reserve escrow funds	54,119,399	54,612,360
Repair and replacement reserve fund	1,970,417	-
Accounts receivable	4,475,296	5,918,733
Current portion of note receivable	536,563	-
Accrued interest receivable	389,329	333,509
Prepaid expenses	344,877	366,511
<b>Total Current Assets</b>	<b>114,308,172</b>	<b>130,810,747</b>
<b>Property, Plant, and Equipment, Net</b>	<b>53,613,731</b>	<b>30,061,139</b>
<b>Other Assets</b>		
Note receivable	8,304,609	8,841,172
Closure funds	7,191,016	7,108,201
Self-insurance trust fund	2,859,366	2,851,124
Manchester Township escrow fund	1,334,872	1,019,835
Landfill trust fund	842,265	842,033
<b>Total Other Assets</b>	<b>20,532,128</b>	<b>20,662,365</b>
<b>Total Assets</b>	<b>\$ 188,454,031</b>	<b>\$ 181,534,251</b>

See accompanying notes.

	December 31,	
	<u>2016</u>	<u>2015</u>
<b><i>Liabilities and Net Position</i></b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,387,000	\$ 1,350,000
Accounts payable	3,281,608	5,239,414
Accrued payroll and vacation	218,451	215,142
Payroll taxes withheld and accrued	7,692	6,940
Accrued interest payable	16,723	19,806
<b>Total Current Liabilities</b>	<b>4,911,474</b>	<b>6,831,302</b>
<b>Long-Term Debt</b>	<b>5,937,000</b>	<b>7,324,000</b>
<b>Landfill Closure and Post Closure Care</b>	<b>-</b>	<b>85,651</b>
<b>Total Liabilities</b>	<b>10,848,474</b>	<b>14,240,953</b>
<b>Net Position</b>		
Invested in capital assets, net of related debt	46,289,731	21,387,139
Restricted for landfill trust fund	842,265	842,033
Restricted for closure funds	7,191,016	7,108,201
Restricted for self-insurance trust fund	2,859,366	2,851,124
Restricted for Manchester Township escrow funds	1,334,872	1,019,835
Unrestricted	119,088,307	134,084,966
<b>Total Net Position</b>	<b>177,605,557</b>	<b>167,293,298</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 188,454,031</b>	<b>\$ 181,534,251</b>

# York County Solid Waste and Refuse Authority

## Statement of Revenue and Expenses

	Years Ended December 31,			
	2016		2015	
<b>Operating Revenue</b>				
Waste disposal fees	\$ 22,740,843	55.40 %	\$ 22,227,913	55.10 %
Electric sales	18,310,158	44.60	18,116,660	44.90
<b>Total Operating Revenue</b>	<b>41,051,001</b>	<b>100.00</b>	<b>40,344,573</b>	<b>100.00</b>
<b>Operating Expenses</b>	<b>31,656,000</b>	<b>77.11</b>	<b>34,244,491</b>	<b>84.88</b>
<b>Operating Income before Depreciation</b>	<b>9,395,001</b>	<b>22.89</b>	<b>6,100,082</b>	<b>15.12</b>
<b>Depreciation</b>	<b>727,620</b>	<b>1.77</b>	<b>1,369,943</b>	<b>3.40</b>
<b>Operating Income</b>	<b>8,667,381</b>	<b>21.12</b>	<b>4,730,139</b>	<b>11.72</b>
<b>Other Income (Expenses)</b>				
Other income	1,879,463	4.58	691,604	1.71
Interest expense	(234,585)	(0.57)	(270,259)	(0.67)
<b>Total Other Income, Net</b>	<b>1,644,878</b>	<b>4.01</b>	<b>421,345</b>	<b>1.04</b>
<b>Changes in Net Position</b>	<b>\$ 10,312,259</b>	<b>25.13 %</b>	<b>\$ 5,151,484</b>	<b>12.76 %</b>

# York County Solid Waste and Refuse Authority

## Statement of Changes in Net Position

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	Years Ended December 31,	
	2016	2015
	<u>                    </u>	<u>                    </u>
<b>Net Position at Beginning of Year</b>	<b>\$ 167,293,298</b>	<b>\$ 162,141,814</b>
Changes in net position	<u>10,312,259</u>	<u>5,151,484</u>
<b>Net Position at End of Year</b>	<b><u><u>\$ 177,605,557</u></u></b>	<b><u><u>\$ 167,293,298</u></u></b>

# York County Solid Waste and Refuse Authority

## Statement of Cash Flows

	Years Ended December 31,	
	2016	2015
<b>Cash Flows from Operating Activities</b>		
Cash received from grants and customers	\$ 42,784,817	\$ 38,453,336
Cash paid to suppliers, employees, and trust funds	(31,836,181)	(33,900,941)
<b>Net Cash Provided by Operating Activities</b>	<b>10,948,636</b>	<b>4,552,395</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(4,138,292)	(29,370,549)
Proceeds from sale of investments	22,555,651	59,311,787
Repayment of note receivable	-	496,048
Investment income received	2,122,881	2,038,984
<b>Net Cash Provided by Investing Activities</b>	<b>20,540,240</b>	<b>32,476,270</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital expenditures	(26,187,717)	(13,548,567)
Proceeds from disposal of property, plant, and equipment	121,000	943
Proceeds from long-term debt	-	-
Principal repayments of long-term debt	(1,350,000)	(1,326,000)
Interest paid	(237,668)	(258,604)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(27,654,385)</b>	<b>(15,132,228)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,834,491</b>	<b>21,896,437</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>22,387,457</b>	<b>491,020</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 26,221,948</b>	<b>\$ 22,387,457</b>

# York County Solid Waste and Refuse Authority

## Statement of Cash Flows (continued)

	Years Ended December 31,	
	2016	2015
<b>Cash Flows from Operating Activities</b>		
Operating income	\$ 8,667,381	\$ 4,730,139
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	727,620	1,369,943
(Increase) decrease in assets		
Accounts receivable	1,443,437	(2,009,091)
Prepaid expenses	21,634	(70,380)
Increase (decrease) in liabilities		
Accounts payable	(120,225)	549,913
Accrued payroll and vacation	3,309	18,860
Payroll taxes withheld and accrued	752	485
Landfill closure and post closure care	(85,651)	(155,328)
Other receipts	290,379	117,854
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 10,948,636</b>	<b>\$ 4,552,395</b>

### Supplementary Schedule of Noncash Investing and Financing Activities

#### In 2016

Accounts payable includes \$1,692,763 for capital expenditures.

#### In 2015

Accounts payable includes \$3,530,344 for capital expenditures.

## **York County Solid Waste and Refuse Authority**

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Notes to Financial Statements

December 31, 2016 and 2015

### **Note 1 - Nature of Operations**

The York County Solid Waste and Refuse Authority (Authority) was created in 1971 under the Municipal Authorities Act and is responsible for facilitating the responsible management of York County's municipal solid waste. This mission is achieved through the use of an integrated system of waste management that incorporates waste reduction, reuse, recycling, educational outreach and waste-to-energy technology. This integrated system is implemented through the use of a county-wide 25-year waste management plan.

The Authority facilities include the York County Resource Recovery Center (RRC), the Yard Waste Transfer Facility, a Public Recycling Drop-off Center, a Public Education Center, and the now closed York County Sanitary Landfill which hosts a community recreation complex and wildlife habitat on 200-plus acres of its 308 acre site.

County-wide programs include efforts such as education and outreach programs conducted on and off-site, electronics recycling, household hazardous waste collection, and Christmas tree recycling.

The Authority operates separately from the County of York as an independent, self-funded entity. The Authority's operations and programs are supported by its two revenue streams which include the "tip fee" (cost for disposal of waste) at the RRC and the sale of electricity (considered a source of "tier two alternative energy in PA") derived from processing the waste at the RRC. Electricity is sold to the local utility company.

### **Note 2 - Summary of Significant Accounting Policies**

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

#### **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Basis of Presentation**

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.



**Note 2 - Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Authority considers all cash accounts, which are not subject to withdrawal restrictions, penalties, or otherwise restricted, and all highly-liquid debt investments purchased with a maturity of three months or less, to be cash and cash equivalents.

**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.

**Investments**

Investments are stated at fair value.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost and are depreciated on the straight-line method over the estimated average useful lives of the assets as follows: buildings and improvements, five to twenty-five years; heavy equipment, five years; miscellaneous equipment, five years; office furniture and equipment, five years; and landfill liners and system improvements, five to twenty-five years.

Maintenance, repairs, and minor renewals which do not significantly improve or extend the lives of the respective assets are charged against operations when incurred.

Additions, improvements, and major renewals are capitalized.

**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, 2016 and 2015.

## York County Solid Waste and Refuse Authority

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Notes to Financial Statements

December 31, 2016 and 2015

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **Recent Accounting Pronouncement**

Effective January 1, 2016, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements.

### **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 Measurement**

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 measurement). 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.

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

Cash and money market funds - the carrying amount approximates fair value because of the short-term nature of these investments.

Certificates of deposit, discount commercial paper, and debt securities - fair value was based on quoted market prices for the identical securities.

# York County Solid Waste and Refuse Authority

## Notes to Financial Statements

December 31, 2016 and 2015

### Note 4 - Fair Value Measurement (Continued)

The following tables present the balances of fair value measurements on a recurring basis by level within the hierarchy as of December 31:

	2016			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Investments Measured at Fair Value</b>				
<b>Cash and Cash Equivalents</b>				
Cash	\$ 436,000	\$ -	\$ -	\$ 436,000
Money market funds	2,802,276	-	-	2,802,276
<b>Certificates of Deposit</b>	<b>9,803,849</b>	<b>-</b>	<b>-</b>	<b>9,803,849</b>
<b>Discount Commercial Paper</b>	<b>5,988,580</b>	<b>-</b>	<b>-</b>	<b>5,988,580</b>
<b>Debt Securities</b>				
U.S. Treasury obligations	39,497,398	-	-	39,497,398
U.S. Government Agencies	30,543,987	-	-	30,543,987
Mutual funds	5,495,588	-	-	5,495,588
	<u>\$ 94,567,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,567,678</u>
<b>2015</b>				
<b>Investments Measured at Fair Value</b>				
<b>Cash and Cash Equivalents</b>				
Cash	\$ 436,000	\$ -	\$ -	\$ 436,000
Money market funds	1,646,674	-	-	1,646,674
<b>Certificates of Deposit</b>	<b>979,591</b>	<b>-</b>	<b>-</b>	<b>979,591</b>
<b>Debt Securities</b>				
U.S. Treasury obligations	84,811,250	-	-	84,811,250
U.S. Government Agencies	20,135,901	-	-	20,135,901
Mutual funds	5,616,314	-	-	5,616,314
	<u>\$ 113,625,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,625,730</u>

## York County Solid Waste and Refuse Authority

### Notes to Financial Statements

December 31, 2016 and 2015

#### Note 5 - Deposits and Investments

All deposits and investments are carried at fair value, which are separated and detailed in this note 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 Short-Term Investments

As of December 31, 2016 and 2015, the carrying values of the Authority's cash deposits amounted to \$26,221,948 and \$22,387,457, respectively, and the bank balances amounted to \$26,331,911 and \$22,536,190, respectively. Of the bank balances, up to \$250,000 of deposit accounts are covered by the Federal Deposit Insurance Corporation (FDIC) in the Authority's name as of December 31, 2016 and 2015. Bank balances are categorized as follows as of December 31:

	<u>2016</u>	<u>2015</u>
Collateralized with securities held by the pledging financial institution's trust department held in the Authority's name	<b>\$ 20,540,653</b>	\$ 16,786,190
Unsecured	<b>5,541,258</b>	5,500,000
Amount insured by federal depository insurance, including fully insured, non-interest bearing accounts	<u>250,000</u>	<u>250,000</u>
	<u><b>\$ 26,331,911</b></u>	<u>\$ 22,536,190</u>

Bank balances are collateralized under Pennsylvania Act 72. Pennsylvania Act 72 allows for bank-owned securities to be pledged on a pooled basis to collateralize public funds. Unsecured amounts include funds held in Pennsylvania Local Government Investment Trust account (PLGIT).

Short-term investments consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Securities held by the pledging financial institution's trust department but in the Authority's name - mutual funds	<u><b>\$ 2,268,674</b></u>	<u>\$ 2,327,549</u>

## York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2016 and 2015

### Note 5 - Deposits and Investments (continued)

#### Capital Project Escrow Funds

The Authority established capital project escrow funds, which will be used to pay for capital costs, including site improvement projects and plant life extension projects. Per the escrow agreement, the Authority can transfer funds to the general reserve escrow funds or the general checking fund. All monies are held by Wilmington Trust Investment Group, as Escrow Agent, in the Authority's name.

Capital Project Escrow Funds consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
<b>At Fair Value</b>		
Certificates of deposit	\$ 9,004,230	\$ -
U.S. Treasury obligations	7,990,129	38,864,088
Discount commercial paper	5,988,580	-
U.S. Government Agencies	998,730	6,000,540
	<u>\$ 23,981,669</u>	<u>\$ 44,864,628</u>

Capital Project Escrow Funds also has \$10,055,811 and \$10,121,434 included with cash and cash equivalents on the balance sheet as of December 31, 2016 and 2015, respectively.

#### General Reserve Escrow Funds

The Authority established general reserve escrow funds, which will be used to pay operating expenses, debt service, or to finance capital projects. Per the escrow agreement, the Authority can transfer funds to the capital project escrow funds or the general fund. All monies are held by Wilmington Trust Investment Group, as Escrow Agent, in the Authority's name.

General Reserve Escrow Funds consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
<b>At Fair Value</b>		
U.S. Treasury obligations	\$ 27,181,013	\$ 41,109,067
U.S. Government Agencies	26,938,386	13,503,293
	<u>\$ 54,119,399</u>	<u>\$ 54,612,360</u>

General Reserve Escrow Funds also has \$3,185,076 and \$2,029,707 included with cash and cash equivalents on the balance sheet as of December 31, 2016 and 2015, respectively.

# York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2016 and 2015

## Note 5 - Deposits and Investments (continued)

### Repair and Replacement Reserve Fund

The Authority established a repair and replacement reserve fund in the amount of \$2,000,000 to pay the cost of non-routine repair and replacement of critical equipment at the RRC. Covanta may submit an invoice for such costs provided that payment has been agreed to in a written Change Order and costs are for the purchase and supply of equipment and/or integral components. The Authority shall not be required to replenish the reserve fund after disbursement of funds hereunder. All monies are held by Wilmington Trust Investment Group, as Escrow Agent, in the Authority's name.

Repair and Replacement Reserve Fund consists of the following as of December 31:

	<u>2016</u>	<u>2015</u>
<b>At Fair Value</b>		
U.S. Government Agencies	<u>\$ 1,970,417</u>	<u>\$ -</u>

Repair and Replacement Reserve Funds also has \$23,887 and \$2,000,022 included with cash and cash equivalents on the balance sheet as of December 31, 2016 and 2015, respectively.

### Closure Funds

#### Section 1109 Trust Fund

Under Section 1109 of Act 101, any municipal authority operating a landfill solely for municipal waste not classified as hazardous is required to establish an interest bearing trust account with an accredited financial institution. This trust money may be used only for completing the final closure and post closure care of the landfill. No withdrawals may be made from the trust until closure of the landfill. Any money remaining in the trust to certification of final closure of the landfill will be returned to the Authority. All monies are held by Fulton Financial Advisors, as Trustee, in the Authority's name.

#### Collateral Bond

Under Act 97, any permittee/operator of a waste management facility is required to establish a collateral bond pledged to the Pennsylvania Department of Environmental Protection. This money is available for use for closure of the RRC and to prevent and correct potential adverse environmental effects from the operation of the RRC. Liability under this bond shall continue through the duration of the processing and/or disposal of solid waste and for a period of ten years after final approved closure of the RRC. The collateral shall remain in effect until such time as the Pennsylvania Department of Environmental Protection shall, in writing, release such liability and obligations. The collateral bond is held by the Pennsylvania Department of Environmental Protection in the name of the Authority.

## York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2016 and 2015

### Note 5 - Deposits and Investments (continued)

#### Closure Funds (continued)

Closure funds consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
<b>At Fair Value</b>		
Section 1109 Trust Fund		
U.S. Treasury obligations	\$ 4,326,256	\$ 4,838,095
Money market funds	992,687	222,447
Certificates of deposit	799,619	979,591
U.S. Government Agencies	636,454	632,068
Collateral Bond		
Cash	436,000	436,000
	<u>\$ 7,191,016</u>	<u>\$ 7,108,201</u>

#### Self-Insurance Trust Fund

Section 1107 of Act 101 requires municipal authorities to provide financial assurances for satisfying claims of bodily injury and property damage resulting from pollution occurrences arising from the operation of a landfill or resource recovery facility. Municipal authorities may self-insure against such claims. The Authority established a self-insurance fund in 1992 for the purpose of paying claims to third parties. The establishment of the self-insurance fund and procedures thereunder are in accordance with regulations by the Pennsylvania Department of Environmental Protection which require the fund to be maintained at a minimum of \$2,000,000. All funds are held by Wilmington Trust Investment Group, as Trustee, in the Authority's name.

Self-insurance trust fund consists of the following as of December 31:

	<u>2016</u>	<u>2015</u>
<b>At Fair Value</b>		
Mutual funds	\$ 2,463,799	\$ 2,527,981
Money market funds	395,567	323,143
	<u>\$ 2,859,366</u>	<u>\$ 2,851,124</u>

#### Manchester Township Escrow Fund

Manchester Township required security to be posted in order for the Authority to receive approval for land development plan 2013-05 for the RRC site improvement project. The escrow fund required an amount equal to \$1,019,700 per the Township engineer. In the event the Authority fails to perform the public improvements as provided for in the final land development plan, the cost of the improvements will be paid to Manchester Township from the escrow fund. Any money remaining in the escrow fund after completion of the RRC site improvement project will be returned to the Authority. All monies are held by Wilmington Trust Investment Group, as Escrow Agent, in the Authority's name.

## York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2016 and 2015

### Note 5 - Deposits and Investments (continued)

#### Manchester Township Escrow Fund (continued)

Manchester Township Escrow Fund consists of the following as of December 31:

	<u>2016</u>	<u>2015</u>
<b>At Fair Value</b>		
Money market funds	<u>\$ 1,334,872</u>	<u>\$ 1,019,835</u>

#### Landfill Trust Fund

In accordance with an agreement dated December 9, 1985, between Stewartstown Borough (Borough) and Stewartstown Borough Authority, and the Authority, the Borough will accept pretreated leachate from the Authority's landfill in Hopewell Township for treatment at the Borough's sewage treatment plant. In order to ensure continued operation of pretreatment facilities satisfactory to the Borough in the event the Authority ceases to exist, the Authority has established a Trust Fund in the amount of \$100,000 and \$0.50 per ton for each ton of refuse deposited at the landfill. The Authority ceased utilizing the landfill for trash disposal as of December 31, 1997. The funds are restricted for use by the Borough in the event the Authority fails to meet its obligations to the Borough as set forth in the Agreement. The Trust Fund shall continue until the Pennsylvania Department of Environmental Protection and the engineer for Stewartstown Borough determine that further collection and treatment of leachate is unnecessary, or until the Authority purchases an insurance policy in terms, conditions, and amounts acceptable to and for the benefit of the Borough. At that time, the Trust Fund may be terminated and the monies returned to the Authority. All monies are held by Wilmington Trust Investment Group, as Trustee.

The Landfill Trust Fund consists of the following as of December 31:

	<u>2016</u>	<u>2015</u>
<b>At Fair Value</b>		
Stewartstown Borough Trust Fund -		
Mutual funds	\$ 763,115	\$ 760,784
Money market funds	<u>79,150</u>	<u>81,249</u>
	<u>\$ 842,265</u>	<u>\$ 842,033</u>



# York County Solid Waste and Refuse Authority

## Notes to Financial Statements

December 31, 2016 and 2015

### Note 5 - Deposits and Investments (continued)

#### Interest Rate Risk

The Authority's investments consist of the following as of December 31:

	2016			
	Fair Value of Investment Maturities (in Years)			
	Less Than 1	1 to 5	6 to 10	More Than 10
<b>Cash and Cash Equivalents</b>				
Wilmington U.S. Government Money Market Fund	\$ 474,717	\$ -	\$ -	\$ -
Federated Treasury Obligations Fund	1,334,872	-	-	-
GS Financial Sq Treas Oblig MMF #469	992,687	-	-	-
Cash - Collateral Bond	436,000	-	-	-
<b>Discount Commercial Paper</b>	5,988,580	-	-	-
<b>Certificates of Deposit</b>	9,803,849	-	-	-
<b>Debt Securities</b>				
FFCB Debt	636,454	-	-	-
United States Treasury Note	6,991,029	24,899,819	2,281,194	-
United States Treasury Bills	999,100	-	-	-
FHLMC	-	994,570	-	885,256
FHLB	-	13,212,154	-	-
FNMA	-	2,472,225	4,356,580	-
FNMA Pool	-	-	-	1,158,276
GNMA II Pool	-	-	-	4,496,840
GNMA Pool	-	-	-	2,331,632
GS Short Dur Gov In (447)	4,326,256	-	-	-
Blackrock PA Municipal Bond Fund	2,112,743	-	-	-
Ishares 3-7 year Treasury Bond ETF	-	1,555,877	-	-
Vanguard PA LT Tax Exempt Fund	-	1,826,968	-	-
	<u>\$ 34,096,287</u>	<u>\$ 44,961,613</u>	<u>\$ 6,637,774</u>	<u>\$ 8,872,004</u>

## York County Solid Waste and Refuse Authority

### Notes to Financial Statements

December 31, 2016 and 2015

#### Note 5 - Deposits and Investments (continued)

##### Interest Rate Risk (continued)

	2015			
	Fair Value of Investment Maturities (in Years)			
	Less Than 1	1 to 5	6 to 10	More Than 10
<b>Cash and Cash Equivalents</b>				
Wilmington U.S. Government Money Market Fund	\$ 404,391	\$ -	\$ -	\$ -
Federated Treasury Obligations Fund	1,019,835	-	-	-
Federated Treasury Obligation MMF #395	222,448	-	-	-
Cash - Collateral Bond	436,000	-	-	-
<b>Certificates of Deposit</b>	979,591			
<b>Debt Securities</b>				
FFCB Debt	-	632,067	-	-
United States Treasury Note	24,161,393	42,979,912	12,831,852	-
United States Treasury Bills	498,808	-	-	-
FHLMC	4,316,699	-	-	-
FHLB	6,325,569	-	-	-
GNMA II Pool	-	-	-	6,211,360
GNMA Pool #AM0236	-	-	-	2,650,204
GS Short Dur Gov In (447)	4,339,287	-	-	-
Blackrock PA Municipal Bond Fund	2,181,514	-	-	-
Ishares 3-7 year Treasury Bond ETF	-	1,557,147	-	-
Vanguard PA LT Tax Exempt Fund	-	1,877,653	-	-
	<u>\$ 44,885,535</u>	<u>\$ 47,046,779</u>	<u>\$ 12,831,852</u>	<u>\$ 8,861,564</u>

##### Credit Risk

As of December 31, 2016 and 2015, all of the Authority's rated investments in debt securities were rated AAA by Moody's and AA+ by Standard & Poor's.

##### Custodial Credit Risk

For deposits and short-term investments, custodial 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 securities that are in the possession of an outside party. As of December 31, 2016 and 2015, \$28,350,585 and \$24,613,739, respectively, of the Authority's deposits and short-term investments were exposed to custodial credit risk.

## York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2016 and 2015

### Note 5 - Deposits and Investments (continued)

#### Concentration of Credit Risk

The Authority places no limit on the amount that may be invested in any one issuer. As of December 31, 2016 and 2015, more than 5% of the Authority's investments are in United States Treasury Notes, Federal Home Loan Bank, Federal National Mortgage Association, and Government National Mortgage Association Pool. As of December 31, 2016, these investments are 36.14%, 13.97%, 7.22%, and 7.22%, respectively, of the Authority's total investments. As of December 31, 2015, these investments are 70.38%, 5.57%, 0.00%, and 7.80%, respectively, of the Authority's total investments.

### Note 6 - Contract Receivable/Future Contract Income

On November 11, 1998, the Authority executed a Consent to Assignment and Termination and Release Agreement (Agreement) with Viacom, Inc. Under the terms of the Agreement, Viacom agreed to pay to the Authority a termination fee of \$42,000,000 in exchange for a full release of all of its obligations under a 1991 agreement to operate the RRC. The Authority simultaneously executed a service agreement with Montenay York Resource Energy Systems, LLC, which was later purchased by Covanta Energy (CYRES), to operate the RRC. The Authority paid monthly service fees to CYRES, which in the aggregate amounted to \$20,029,077 and \$21,828,641 for the years ended December 31, 2016 and 2015, respectively.

### Note 7 - Note Receivable

Note receivable consists of the following as of December 31:

	<u>2016</u>	<u>2015</u>
County of York, General Obligation Note, Series A of 2009; original principal of \$11,700,000; bearing interest at 3.82% through October 2019, at which time the interest will be adjusted to a new fixed rate equal to Wall Street prime rate as of September 1, 2019, plus 5.00%, not to exceed 15.00%; semi-annual payments of principal and interest; amendment delayed principal repayment originally due in 2016; due November 1, 2029	\$ 8,841,172	\$ 8,841,172
Current portion	<u>(536,563)</u>	<u>-</u>
	<u>\$ 8,304,609</u>	<u>\$ 8,841,172</u>

Interest income related to the note receivable amounted to \$337,733 and \$351,990 for the years ended December 31, 2016 and 2015, respectively.

## York County Solid Waste and Refuse Authority

### Notes to Financial Statements

December 31, 2016 and 2015

#### Note 7 - Note Receivable (continued)

Aggregate maturities of note receivable, assuming no change in current terms, consist of the following for the five years ending December 31, 2021; and thereafter:

2017	\$ 536,563
2018	557,255
2019	578,746
2020	601,066
2021	624,245
Thereafter	<u>5,943,297</u>
	<u>\$ 8,841,172</u>

#### Note 8 - Property, Plant, and Equipment

	<u>2015</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>2016</u>
Land *	\$ 4,940,501	\$ -	\$ -	\$ 4,940,501
Resource Recovery Center	125,087,563	591,496	162,867	125,841,926
Management Center	1,333,472	155,625	-	1,489,097
Yardwaste transfer site	524,792	-	-	524,792
Truck storage building	163,748	-	-	163,748
Heavy equipment	625,057	394,344	(349,622)	669,779
Miscellaneous equipment	282,702	26,106	(7,612)	301,196
Office furniture and equipment	204,287	-	(1,792)	202,495
Landfill liners and system improvements	9,168,336	-	-	9,168,336
Construction-in-progress *	<u>20,592,423</u>	<u>23,182,565</u>	<u>(162,867)</u>	<u>43,612,121</u>
	162,922,881	24,350,136	(359,026)	186,913,991
Accumulated depreciation	<u>(132,861,742)</u>	<u>(727,620)</u>	<u>289,102</u>	<u>(133,300,260)</u>
	<u>\$ 30,061,139</u>	<u>\$ 23,622,516</u>	<u>\$ (69,924)</u>	<u>\$ 53,613,731</u>

## York County Solid Waste and Refuse Authority

### Notes to Financial Statements

December 31, 2016 and 2015

#### Note 8 - Property, Plant, and Equipment (continued)

	<u>2014</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>2015</u>
Land *	\$ 4,940,501	\$ -	\$ -	\$ 4,940,501
Resource Recovery Center	125,087,563	-	-	125,087,563
Management Center	1,333,472	-	-	1,333,472
Yardwaste transfer site	524,792	-	-	524,792
Recyclable materials drop-off center	74,560	-	(74,560)	-
Truck storage building	163,748	-	-	163,748
Heavy equipment	596,962	28,095	-	625,057
Miscellaneous equipment	293,515	44,832	(55,645)	282,702
Office furniture and equipment	204,287	-	-	204,287
Landfill liners and system improvements	9,152,532	15,804	-	9,168,336
Construction-in-progress *	<u>3,697,380</u>	<u>16,895,043</u>	<u>-</u>	<u>20,592,423</u>
	146,069,312	16,983,774	(130,205)	162,922,881
Accumulated depreciation	<u>(131,622,004)</u>	<u>(1,369,943)</u>	<u>130,205</u>	<u>(132,861,742)</u>
	<u>\$ 14,447,308</u>	<u>\$ 15,613,831</u>	<u>\$ -</u>	<u>\$ 30,061,139</u>

\* Not depreciated

The total of capitalized construction-in-progress costs as of December 31, 2016 and 2015 amounted to \$43,612,121 and \$20,592,423, respectively. These capitalized costs are for plant site improvements and plant life extension projects.

As of December 31, 2016, the Authority had long-term construction contracts related to the RRC site improvements amounting to approximately \$59,076,000. As of December 31, 2016, the Authority incurred approximately \$33,417,000 of this total.

## York County Solid Waste and Refuse Authority

Notes to Financial Statements  
December 31, 2016 and 2015

### Note 9 - Long-Term Debt

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

	<u>2016</u>	<u>2015</u>
Branch Banking and Trust Company; Waste System Revenue Note, Series of 2014; issued December 22, 2014; collateralized by capital projects; original principal balance of \$10 million; interest at 2.74%; requires annual principal payments and semi-annual interest payments; due December 1, 2021	\$ 7,324,000	\$ 8,674,000
Current maturities	<u>(1,387,000)</u>	<u>(1,350,000)</u>
	<u>\$ 5,937,000</u>	<u>\$ 7,324,000</u>

Aggregate maturities of long-term debt, assuming no change in current terms, consist of the following for the remaining five years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,387,000	\$ 200,678	\$ 1,587,678
2018	1,425,000	162,674	1,587,674
2019	1,464,000	123,629	1,587,629
2020	1,504,000	83,515	1,587,515
2021	1,544,000	42,306	1,586,306
	<u>\$ 7,324,000</u>	<u>\$ 612,802</u>	<u>\$ 7,936,802</u>

### Note 10 - Designated Net Position

The Board of Directors and management has designated certain assets of the Authority, which consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
General reserve escrow	\$ 57,304,475	\$ 56,642,067
Capital project escrow	34,037,480	54,986,062
Repair and replacement reserve	<u>1,994,304</u>	<u>2,000,022</u>
	<u>\$ 93,336,259</u>	<u>\$ 113,628,151</u>

## **York County Solid Waste and Refuse Authority**

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Notes to Financial Statements

December 31, 2016 and 2015

### **Note 11 - Contingent Liability**

The Authority completed closure construction on the York County Sanitary Landfill during the year ended December 31, 1998. State and federal laws and regulations require that the Authority place a final cover on the landfill site when it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid after the date that the landfill stopped accepting waste, the Authority recognized a portion of these closure and post closure care costs as operating expenses in each operating period based on landfill capacity used as of each balance sheet date. The landfill closure and post closure care liability of \$-0- and \$85,651 as of December 31, 2016 and 2015, respectively, represents the cumulative amount recognized based on the use of 100 percent of the capacity of the landfill, less expenses paid between actual closure and December 31, 2016 and 2015, respectively. The originally recorded liability was based on what it would cost to perform all closure and post closure care in 1998, knowing actual costs may be higher or lower due to inflation or deflation, changes in technology, or changes in regulations.

The Authority will continue to be responsible to perform certain maintenance and monitoring functions at the site through 2028. The Authority will recognize these costs as operating expenses during the year in which the expense is incurred. As of December 31, 2016, management of the Authority is not aware of any additional liability related to their responsibilities for the post closure activities.

### **Note 12 - Pension Plan**

The Authority sponsors a defined contribution retirement plan, the "York County Solid Waste and Refuse Authority" (Plan), which covers all employees who meet certain age and length of service requirements. The plan was established with Manufacturer's and Trade Trust Company (M&T) as Plan Trustee, who holds the assets of the plan in a trust and has exclusive authority and discretion to manage and control the assets of the plan. The Authority, who is acting as Plan Administrator, has provided the Board of Directors with the authority to amend or terminate this plan as described in the plan agreement. As of December 31, 2016 and 2015, there were 25 and 24 plan members, respectively.

For participating employees, the Authority will make contributions to the plan at a rate of 10% of compensation. Participants in the plan become vested in the employer contributions based on a seven-year graded vesting schedule ranging from 0% vested for employment under two years of services to 100% vested after seven years of service. Upon the termination of an employee, forfeitures of unvested amounts are credited to the annual contribution. Forfeitures amounted to \$-0- and \$3,728 for the years ended December 31, 2016 and 2015, respectively. The Authority's contribution and retirement expense for the years ended December 31, 2016 and 2015 amounted to \$139,492 and \$138,772, respectively. Unpaid contributions amounted to \$68,456 and \$68,172 as of December 31, 2016 and 2015, respectively, and are included in accounts payable on the balance sheet.

During the year ended December 31, 1999, the Authority adopted an Eligible Deferred Compensation Plan, under the provisions of Section 457 of the Internal Revenue Code of 1986. Under the plan, contributions by the Authority on behalf of the employees are at management's discretion. No contributions were made to the plan by the Authority during the years ended December 31, 2016 and 2015.

All amounts deferred under both plans are held in trust for the exclusive benefit of the participating employees and are not accessible by the Authority or its creditors.

## **York County Solid Waste and Refuse Authority**

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Notes to Financial Statements

December 31, 2016 and 2015

### **Note 13 - Major Customer**

York County Solid Waste and Refuse Authority incinerates trash brought to its facility, and generates electricity which it sells to Met-Ed. Federal law requires that a local utility purchase the electricity generated by the Authority.

### **Note 14 - Reclassification**

Certain information in the 2015 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2016 financial statements. There were no changes to total changes in net position or total net position.



# York County Solid Waste and Refuse Authority

## Operating Expenses

	Years Ended December 31,			
	2016		2015	
CYRES operations and maintenance	\$ 20,029,077	48.79 %	\$ 21,828,641	54.10 %
Ash recycling	4,693,576	11.43	4,417,585	10.95
Salaries	1,436,942	3.50	1,437,635	3.56
Insurance	1,047,346	2.55	976,297	2.42
Recycling fee	814,411	1.98	835,353	2.07
Residue hauling	703,221	1.71	710,807	1.76
Host fees	626,700	1.53	660,074	1.64
CYRES excess processing fee	559,348	1.36	1,776,849	4.40
Household hazardous waste	165,746	0.40	88,324	0.22
Retirement expense	139,492	0.34	138,772	0.34
Public information	126,296	0.31	125,422	0.31
Engineering fees	119,540	0.29	162,037	0.40
Payroll taxes	115,816	0.28	113,566	0.28
Landfill - nonprocessibles	114,984	0.28	91,462	0.23
Professional fees	111,029	0.27	163,641	0.41
Permits and licenses	106,738	0.26	61,055	0.15
Electric	105,771	0.26	65,440	0.16
Trustee fees	104,824	0.26	101,669	0.25
Building and site maintenance	97,462	0.24	49,429	0.12
Water analysis	73,934	0.18	81,608	0.20
Water and sewer usage	48,040	0.12	30,790	0.08
Financial advisory services	44,709	0.11	53,441	0.13
Other	38,351	0.09	38,301	0.09
Recycling projects	29,222	0.07	32,571	0.08
Office supplies and expenses	28,849	0.07	37,039	0.09
Training program	22,862	0.06	21,732	0.05
Dues, subscriptions, and public notifications	21,385	0.05	19,728	0.05
Telephone	20,185	0.05	18,674	0.05
Alternative water supply	17,623	0.04	18,931	0.05
Equipment rental	17,464	0.04	6,072	0.02
Equipment operating expenses	17,437	0.04	18,269	0.05
Safety program	15,021	0.04	14,320	0.04
Equipment parts and maintenance	12,886	0.03	8,687	0.02
Meetings and conferences	12,611	0.03	10,189	0.03
Temporary help	7,028	0.02	20,715	0.05
Travel expenses	6,632	0.02	7,040	0.02
Uniforms	3,442	0.01	2,326	0.01
	<b>\$ 31,656,000</b>	<b>77.11 %</b>	<b>\$ 34,244,491</b>	<b>84.88 %</b>

## York County Solid Waste and Refuse Authority

### Other Income

	Years Ended December 31,			
	2016		2015	
Interest income - operations	\$ 2,061,460	5.02 %	\$ 1,980,345	4.91 %
Interest income - landfill trusts	117,241	0.29	86,390	0.21
Grant income	269,020	0.66	36,786	0.09
Gain on disposal of property, plant, and equipment	51,076	0.12	943	-
Recycling income	21,091	0.05	75,308	0.19
Other income	268	-	90	-
Rental income	-	-	5,670	0.01
Loss on sale of investments	(102,273)	(0.25)	(613,216)	(1.52)
Net decrease in the fair value of investments	(538,420)	(1.31)	(880,712)	(2.18)
	<u>\$ 1,879,463</u>	<u>4.58 %</u>	<u>\$ 691,604</u>	<u>1.71 %</u>