



**York County Solid Waste and
Refuse Authority**

**Financial Statements and
Supplementary Information**

December 31, 2022 and 2021



York County Solid Waste and Refuse Authority

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December 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of York County Solid Waste and Refuse Authority (the Authority) as of and for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Emphasis of Matter

The Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* during the year ended December 31, 2022, with retrospective implementation required. The adoption did not impact the Authority's financial statement as of and for the year ended December 31, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve 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 on pages 4 through 10 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 accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 basic financial statements. The 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

March 17, 2023
York, Pennsylvania

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 years ended on December 31, 2022 and 2021. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's net position increased by \$4.8 million or a 2.7 percent change.
- During the year, the Authority's revenue from waste disposal fees increased by \$1.2 million, or 4.0 percent, while electric sales increased by \$10.7 million, or a 94.7 percent.
- Metal income decreased by \$0.5 million or an 18.5 percent change.

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 statement of net position 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, expenses, and changes in net position. 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 following pages. The statement of net position and the statement of revenue, expenses, and changes in net position 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 statement of net position is presented in Table A-1:

TABLE A-1
Condensed Statement of Net Position
(In Millions of Dollars)

	<u>2022</u>	<u>2021</u>	Dollar Change	Annual Percent Change
Current Assets	\$ 85.6	\$ 78.1	\$ 7.5	9.6 %
Capital Assets, Net	96.0	99.8	(3.8)	(3.8)
Other Assets	<u>20.1</u>	<u>12.4</u>	<u>7.7</u>	62.1
Total Assets	<u>201.7</u>	<u>190.3</u>	<u>11.4</u>	6.0
Current Liabilities	3.9	4.9	(1.0)	(20.4)
Long-Term Debt	3.6	4.3	(0.7)	(16.3)
Deferred Inflows of Resources	<u>8.3</u>	<u>-</u>	<u>8.3</u>	100.0
Total Liabilities and Deferred Inflows of Resources	<u>15.8</u>	<u>9.2</u>	<u>6.6</u>	71.7
Total Net Position	<u>\$ 185.9</u>	<u>\$ 181.1</u>	<u>\$ 4.8</u>	2.7 %

As can be seen from the table above, current assets increased by \$7.5 million and capital assets decreased by \$3.8 million. The increase in current assets is partly due to an increase in cash and the general reserve trust fund resulting from operations and an increase in accounts receivable due to higher energy prices. Other assets increased by \$7.7 million primarily due to the adoption of GASB No. 87, *Leases*. Current liabilities decreased due to a decrease in accounts payable. Deferred inflows of resources of \$8.3 million was added in 2022 with the adoption of GASB No. 87 as well.

TABLE A-2
Condensed Statement of Net Position
(In Millions of Dollars)

	<u>2021</u>	<u>2020</u>	Dollar Change	Annual Percent Change
Current Assets	\$ 78.1	\$ 71.8	\$ 6.3	8.8 %
Capital Assets, Net	99.8	99.7	0.1	0.1
Other Assets	<u>12.4</u>	<u>13.8</u>	<u>(1.4)</u>	(10.1)
Total Assets	<u>190.3</u>	<u>185.3</u>	<u>5.0</u>	2.7
Current Liabilities	4.9	5.1	(0.2)	(3.9)
Long-Term Debt	<u>4.3</u>	<u>0.0</u>	<u>4.3</u>	100.0
Total Liabilities	<u>9.2</u>	<u>5.1</u>	<u>4.1</u>	80.4
Total Net Position	<u>\$ 181.1</u>	<u>\$ 180.2</u>	<u>\$ 0.9</u>	0.5 %

As can be seen from the table above, current assets increased by \$6.3 million and other assets decreased by \$1.4 million. This is partly due to closing the Manchester Township escrow fund into the General Reserve escrow fund. Long-term debt increased due to the issuance of the Solid Waste System Revenue Note, Series of 2021 for \$5.0 million.

TABLE A-3
Condensed Statement of Revenue, Expenses, and Changes in Net Position
(In Millions of Dollars)

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Annual Percent Change</u>	
Waste Disposal Fees	\$ 31.4	\$ 30.2	\$ 1.2	4.0	%
Electric Sales	22.0	11.3	10.7	94.7	
Metal Income	2.2	2.7	(0.5)	(18.5)	
Other Income (Loss)	<u>(4.4)</u>	<u>(0.3)</u>	<u>(4.1)</u>	(1,366.7)	
Total Revenue	<u>51.2</u>	<u>43.9</u>	<u>7.3</u>	16.6	
Operating Expenses	41.5	38.3	3.2	8.4	
Depreciation	4.8	4.6	0.2	4.3	
Interest Expense	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	0.0	
Total Expenses	<u>46.4</u>	<u>43.0</u>	<u>3.4</u>	7.9	
Changes in Net Position	<u>\$ 4.8</u>	<u>\$ 0.9</u>	<u>\$ 3.9</u>	433.3	%

While the statement of net position shows the Authority's changes in financial position, the statement of revenue, expenses, and changes in net position provides answers as to the nature and source of these changes. As seen in Table A-3, waste disposal fees increased by \$1.2 million to \$31.4 million in 2022, up from \$30.2 million in 2021. Electric sales increased by \$10.7 million to \$22.0 million in 2022, up from \$11.3 million in 2021 due to higher energy prices, higher capacity prices, and substantially higher renewable energy credit revenue. Metal income decreased to \$2.2 million in 2022 due to declining prices in the metal markets. Other income decreased in 2022 primarily due to a decrease in the fair value of investments. Operating expenses increased by \$3.2 million in 2022, primarily as a result of Covanta operations and maintenance fees.

TABLE A-4
Condensed Statement of Revenue, Expenses, and Changes in Net Position
(In Millions of Dollars)

	2021	2020	Dollar Change	Annual Percent Change
Waste Disposal Fees	\$ 30.2	\$ 28.5	\$ 1.7	6.0 %
Electric Sales	11.3	7.5	3.8	50.7
Metal Income	2.7	1.2	1.5	125.0
Other Income (Loss)	(0.3)	4.2	(4.5)	(107.1)
Total Revenue	43.9	41.4	2.5	6.0
Operating Expenses	38.3	36.8	1.5	4.1
Depreciation	4.6	4.4	0.2	4.5
Interest Expense	0.1	0.1	-	-
Total Expenses	43.0	41.3	1.7	4.1
Changes in Net Position	\$ 0.9	\$ 0.1	\$ 0.8	800.0 %

While the statement of net position shows the Authority's changes in financial position, the statement of revenue, expenses, and changes in net position provides answers as to the nature and source of these changes. As seen in Table A-4, waste disposal fees increased by \$1.7 million to \$30.2 million in 2021, up from \$28.5 million in 2020. Electric sales increased by \$3.8 million to \$11.3 million in 2021, up from \$7.5 million in 2020 due to higher energy and capacity prices. Metal income increased to \$2.7 million in 2021 due to improved metal markets and a full year of metal revenues. Other income decreased in 2021 primarily due to a decrease in the fair value of investments. Operating expenses increased by \$1.5 million in 2021, primarily as a result of Covanta operations and maintenance fees and insurance premiums.

CAPITAL ASSETS

At the end of 2022 and 2021, the Authority had invested \$242.4 million and \$241.4 million, respectively, in a broad range of infrastructure including the Resource Recovery Center, Management Center, Ash Recycling and Processing Facility, Recyclable materials drop-off center, landfill liners and system improvements, truck storage building, vehicles and equipment. During the years 2022 and 2021, the Authority made capital improvements totaling \$1.0 million and \$4.7 million, respectively, primarily in plant life extension projects and RRC site improvements. More information on the Authority's capital assets is presented in Note 7 of the financial statements.

LONG-TERM DEBT

As of December 31, 2022, the Authority had \$4.3 million in long- and short-term debt down from \$5.0 million in 2021 for a decrease of \$0.7 million or 14.0%, which was the amount of the 2022 principal payments on outstanding debt. The December 31, 2021 balance of \$5.0 million was up from \$1.5 million in 2020 for an increase of \$3.5 million, or 233.3%. This resulted from the Authority making their final principal payment on the Solid Waste System Revenue Note, Series of 2014 of \$1.5 million along with the issuance of the Solid Waste System Revenue Note, Series of 2021 for \$5.0 million. More detailed information about the Authority's long-term liabilities is presented in Note 8 of the financial statements.

TABLE A-5
Debt Coverage Ratio
(In Millions of Dollars)

	<u>2022</u>	<u>2021</u>	<u>Annual Percent Change</u>
Waste Disposal Fees	\$ 31.4	\$ 30.2	4.0 %
Electric Sales	22.0	11.3	94.7
Metal Income	2.2	2.7	(18.5)
Total Operating Revenue	55.6	44.2	25.8
Total Operating Expenses	41.5	38.3	8.4
Operating Surplus	14.1	5.9	139.0
Depreciation	(4.8)	(4.6)	4.3
Interest Expense	(0.1)	(0.1)	0.0
Other Income, Net	(4.4)	(0.3)	(1,366.7)
Net Surplus	\$ 4.8	\$ 0.9	433.3
Cash Flow Available for Debt Service (1)	\$ 9.7	\$ 5.6	73.2
Annual Debt Service	\$ 0.8	\$ 1.6	(50.0)
Debt Service Coverage Ratio (2)	12.1	3.5	245.7

(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

TABLE A-6
Debt Coverage Ratio
(In Millions of Dollars)

	<u>2021</u>	<u>2020</u>	<u>Annual Percent Change</u>
Waste Disposal Fees	\$ 30.2	\$ 28.5	6.0 %
Electric Sales	11.3	7.5	50.7
Metal Income	<u>2.7</u>	<u>1.2</u>	125.0
Total Operating Revenue	44.2	37.2	18.8
Total Operating Expenses	<u>38.3</u>	<u>36.8</u>	4.1
Operating Surplus	5.9	0.4	1,375.0
Depreciation	(4.6)	(4.4)	4.5
Interest Expense	(0.1)	(0.1)	-
Other Income, Net	<u>(0.3)</u>	<u>4.2</u>	(107.1)
Net Surplus	<u>\$ 0.9</u>	<u>\$ 0.1</u>	800.0
Cash Flow Available for Debt Service (1)	\$ 5.6	\$ 4.6	21.7
Annual Debt Service	\$ 1.6	\$ 1.6	-
Debt Service Coverage Ratio (2)	3.5	2.9	20.7

(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 2023 budget and tip fees. The 2023 budget was prepared with sensitivity to the economy, and in 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 440,000 tons as set forth in the Service Agreement with Covanta York Renewable Energy, LLC (Covanta). The 2023 budget established the 2023 York County tipping fee at \$72.00 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.

David E. Vollero
Executive Director

Jerry C. Grim
Assistant Executive Director

York County Solid Waste and Refuse Authority

Statement of Net Position

	December 31,	
	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,687,138	\$ 15,171,788
Short-term investments	2,360,032	2,707,627
General reserve escrow funds	59,370,374	56,677,091
Accounts receivable	5,522,027	3,109,615
Accrued interest receivable	398,134	198,021
Prepaid expenses	218,132	206,505
Total Current Assets	85,555,837	78,070,647
Capital Assets, Net	96,038,830	99,843,416
Other Assets		
Leases receivable	8,495,961	-
Closure funds	7,728,667	8,054,688
Self-insurance trust fund	3,029,440	3,347,132
Landfill trust fund	882,219	981,271
Total Other Assets	20,136,287	12,383,091
Total Assets	\$ 201,730,954	\$ 190,297,154

York County Solid Waste and Refuse Authority

Statement of Net Position (continued)

	December 31,	
	2022	2021
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 696,000	\$ 684,000
Accounts payable	2,758,595	3,696,174
Accrued payroll and vacation	470,931	469,351
Payroll taxes withheld and accrued	6,430	5,562
Accrued interest payable	25,716	32,333
Total Current Liabilities	3,957,672	4,887,420
Long-Term Debt	3,620,000	4,316,000
Total Liabilities	7,577,672	9,203,420
Deferred Inflows of Resources		
Leases	8,290,103	-
Net Position		
Net investment in capital assets	91,713,733	93,900,028
Restricted for landfill trust fund	882,219	981,271
Restricted for closure funds	7,728,667	8,054,688
Restricted for self-insurance trust fund	3,029,440	3,347,132
Unrestricted	82,509,120	74,810,615
Total Net Position	185,863,179	181,093,734
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 201,730,954	\$ 190,297,154

York County Solid Waste and Refuse Authority

Statement of Revenue, Expenses, and Changes in Net Position

	Years Ended December 31,			
	2022		2021	
Operating Revenue				
Waste disposal fees	\$ 31,368,597	56.44 %	\$ 30,203,838	68.21 %
Electric sales	22,000,903	39.58	11,340,536	25.61
Metal income	2,213,883	3.98	2,737,686	6.18
Total Operating Revenue	55,583,383	100.00	44,282,060	100.00
Operating Expenses	41,572,006	74.79	38,296,353	86.48
Operating Income before Depreciation	14,011,377	25.21	5,985,707	13.52
Depreciation	4,811,302	8.66	4,637,112	10.47
Operating Income	9,200,075	16.55	1,348,595	3.05
Other Expenses				
Other loss	(4,369,431)	(7.86)	(368,051)	(0.83)
Interest expense	(61,199)	(0.11)	(53,486)	(0.12)
Other Loss, Net	(4,430,630)	(7.97)	(421,537)	(0.95)
Changes in Net Position	4,769,445	8.58 %	927,058	2.10 %
Net Position at Beginning of Year	181,093,734		180,166,676	
Net Position at End of Year	\$ 185,863,179		\$ 181,093,734	

York County Solid Waste and Refuse Authority

Statement of Cash Flows

	Years Ended December 31,	
	2022	2021
Cash Flows from Operating Activities		
Cash received from grants and customers	\$ 53,486,798	\$ 45,684,147
Cash paid to suppliers and employees	(41,584,473)	(38,069,263)
Net Cash Provided by Operating Activities	11,902,325	7,614,884
Cash Flows from Investing Activities		
Purchase of investments	(8,412,366)	(7,087,720)
Proceeds from sale of investments	220,261	3,078,427
Investment income received	1,460,698	1,415,234
Net Cash Used in Investing Activities	(6,731,407)	(2,594,059)
Cash Flows from Capital and Related Financing Activities		
Capital expenditures	(1,941,007)	(4,416,903)
Principal repayments of long-term debt	(684,000)	(1,544,000)
Proceeds from long-term debt	-	5,000,000
Interest received - leases	37,255	-
Interest paid	(67,816)	(24,678)
Net Cash Used in Capital and Related Financing Activities	(2,655,568)	(985,581)
Net Increase in Cash and Cash Equivalents	2,515,350	4,035,244
Cash and Cash Equivalents at Beginning of Year	15,171,788	11,136,544
Cash and Cash Equivalents at End of Year	\$ 17,687,138	\$ 15,171,788

York County Solid Waste and Refuse Authority

Statement of Cash Flows (continued)

	Years Ended December 31,	
	2022	2021
Cash Flows from Operating Activities		
Operating income	\$ 9,200,075	\$ 1,348,595
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	4,811,302	4,637,112
(Increase) decrease in assets		
Accounts receivable	(2,412,412)	943,028
Prepaid expenses	(11,627)	235
Leases receivable	(8,495,961)	-
Increase in liabilities		
Accounts payable	(3,288)	52,311
Accrued payroll and vacation	1,580	173,937
Payroll taxes withheld and accrued	868	607
Increase in deferred inflows of resources		
Leases	8,290,103	-
Other receipts	521,685	459,059
	<u>521,685</u>	<u>459,059</u>
Net Cash Provided by Operating Activities	<u>\$ 11,902,325</u>	<u>\$ 7,614,884</u>

Supplementary Schedule of Noncash Investing and Financing Activities

In 2022

Accounts payable includes \$9,097 for capital expenditures.

In 2021

Accounts payable includes \$943,388 for capital expenditures.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Nature of Operations

The York County Solid Waste and Refuse Authority (the 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, which was last updated in 2014.

The Authority facilities include the York County Resource Recovery Center (RRC), the Ash Recycling and Processing Facility, 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 three revenue streams, which include the "tip fee" (cost for disposal of waste) at the RRC, the sale of electricity (considered a source of "tier two alternative energy in PA") derived from processing the waste at the RRC, and the sale of metals recovered from the waste stream.

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

Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. Based on the above criteria, the Authority has determined there are no agencies or entities which should be presented with the Authority as component units.

The Authority is a component unit of the County of York, Pennsylvania.

Note 2 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus, the accrual basis of accounting and utilize the proprietary fund type. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses are distinguished from nonoperating items in the statement of revenue, expenses, and changes in net position. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for waste disposal services and electricity sales. Operating expenses include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the Authority are investment and other income. The principal nonoperating expense of the Authority is interest expense.

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.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Authority considers all cash accounts that 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, except as included with restricted investment funds.

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, 2022 and 2021, management of the Authority determined that no allowance for uncollectible accounts was necessary.

Leases Receivable

Leases receivable are stated at the present value of the lease payments expected to be received during the lease term and are discounted using the interest rate the lessor charges the lessee. The amortization of the discount on the lease receivable is reported as interest revenue. Any payments received are first allocated to accrued interest receivable and then to lease receivable.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

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 investment:

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.

Capital Assets

Capital assets 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, 2022 and 2021.

York County Solid Waste and Refuse Authority

Notes to Financial Statements
December 31, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Landfill Postclosure Care Costs

Postclosure care costs are expensed as incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow 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.

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.

Change in Accounting Principles

In June 2017, the GASB issued Statement No. 87, *Leases* (Statement). This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 was modified by GASB Statement No. 95 and is now effective for periods beginning after June 15, 2021. The Authority adopted this Statement during the year ended December 31, 2022.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

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 tables 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.

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.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

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:

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments Measured at Fair Value				
Cash and Cash Equivalents				
Money market funds	\$ 1,323,239	\$ -	\$ -	\$ 1,323,239
Cash	1,008,696	-	-	1,008,696
Debt Securities				
U.S. Treasury obligations	34,869,473	-	-	34,869,473
U.S. Government Agencies	24,805,018	-	-	24,805,018
Mutual funds	5,709,428	-	-	5,709,428
Corporate and foreign bonds	5,654,878	-	-	5,654,878
	<u>\$ 73,370,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,370,732</u>
2021				
Investments Measured at Fair Value				
Cash and Cash Equivalents				
Money market funds	\$ 1,391,120	\$ -	\$ -	\$ 1,391,120
Cash	939,954	-	-	939,954
Debt Securities				
U.S. Treasury obligations	32,322,008	-	-	32,322,008
U.S. Government Agencies	20,776,187	-	-	20,776,187
Mutual funds	6,530,479	-	-	6,530,479
Corporate and foreign bonds	9,808,061	-	-	9,808,061
	<u>\$ 71,767,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,767,809</u>

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, the carrying values of the Authority's cash deposits amounted to \$17,687,138 and \$15,171,788, respectively, and the bank balances amounted to \$17,513,443 and \$14,823,539, 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, 2022 and 2021. Bank balances are categorized as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Collateralized with securities held by the pledging financial institution's trust department held in the Authority's name	\$ 11,390,608	\$ 8,733,862
Unsecured	5,872,835	5,839,677
Amount insured by federal depository insurance, including fully insured, non-interest bearing accounts	<u>250,000</u>	250,000
	<u>\$ 17,513,443</u>	<u>\$ 14,823,539</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). 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 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.

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

	<u>2022</u>	<u>2021</u>
Securities held by the pledging financial institution's trust department but in the Authority's name - mutual funds	<u>\$ 2,360,032</u>	<u>\$ 2,707,627</u>

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 a 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.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 5 - Deposits and Investments (continued)

General Reserve Escrow Funds (continued)

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

	<u>2022</u>	<u>2021</u>
At Fair Value		
U.S. Government Agencies	\$ 24,805,018	\$ 20,776,187
U.S. Treasury obligations	28,910,478	26,092,843
Corporate and foreign bonds	5,654,878	9,808,061
Money market funds	<u>756,578</u>	<u>6,594,557</u>
	60,126,952	63,271,648
Amount included with cash and cash equivalents on the statement of net position	<u>(756,578)</u>	<u>(6,594,557)</u>
	<u>\$ 59,370,374</u>	<u>\$ 56,677,091</u>

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, 2022 and 2021

Note 5 - Deposits and Investments (continued)

Closure Funds (continued)

Closure funds consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
At Fair Value		
Section 1109 Trust Fund		
U.S. Treasury obligations	\$ 5,958,995	\$ 6,229,163
Money market funds	961,672	1,017,525
Collateral Bond		
Cash	<u>808,000</u>	<u>808,000</u>
	<u>\$ 7,728,667</u>	<u>\$ 8,054,688</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>2022</u>	<u>2021</u>
At Fair Value		
Mutual funds	\$ 2,544,949	\$ 2,919,953
Money market funds	283,795	295,225
Cash	<u>200,696</u>	<u>131,954</u>
	<u>\$ 3,029,440</u>	<u>\$ 3,347,132</u>

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 5 - Deposits and Investments (continued)

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>2022</u>	<u>2021</u>
At Fair Value		
Stewartstown Borough Trust Fund		
Mutual funds	\$ 804,447	\$ 902,899
Money market funds	<u>77,772</u>	<u>78,372</u>
	<u>\$ 882,219</u>	<u>\$ 981,271</u>

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 5 - Deposits and Investments (continued)

Interest Rate Risk

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

	2022			
	Fair Value of Investment Maturities (in Years)			
	Less Than 1	1 to 5	6 to 10	More Than 10
Cash and Cash Equivalents				
Cash	\$ 1,008,696	\$ -	\$ -	\$ -
Wilmington U.S. Government Money Market Fund	361,565	-	-	-
GS Financial Sq Treas Oblig MMF #469	961,674	-	-	-
Debt Securities				
United States Treasury Note	345,188	25,711,392	2,853,899	-
African Development Bank Med Term Note	-	531,582	-	-
Asian Development Bank Med Term Note	1,095,743	-	-	-
Intl Bk Recon & Develop	-	1,058,462	507,864	-
Inter-American Development Bank International Finance Corp Med Term Note	-	1,001,363	933,988	-
FHLMC	-	525,876	-	-
FHLMC Pool	-	1,182,248	4,107,018	1,155,305
FHLMC - Gold Pool	-	-	205,191	2,744,941
FHLB	-	-	278,115	622,071
FNMA	-	953,647	-	-
FNMA Pool	-	922,650	-	997,512
Freddie Mac REMIC	-	-	426,054	7,308,217
GNMA	-	-	548,316	-
GNMA II Pool	-	-	-	1,024,761
GNMA Pool	-	-	844,926	-
Tennessee Valley Authority	-	706,839	470,796	-
GS Short Dur Gov In (447)	5,958,994	-	-	-
Blackrock PA Municipal Bond Fund	2,199,371	-	-	-
Ishares 3-7 year Treasury Bond ETF	-	1,596,971	-	-
Vanguard PA LT Tax Exempt Fund	-	1,913,086	-	-
	<u>\$ 11,931,231</u>	<u>\$ 36,104,116</u>	<u>\$ 11,176,167</u>	<u>\$ 14,159,218</u>

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 5 - Deposits and Investments (continued)

Interest Rate Risk (continued)

	2021			
	Fair Value of Investment Maturities (in Years)			
	Less Than 1	1 to 5	6 to 10	More Than 10
Cash and Cash Equivalents				
Cash	\$ 939,954	\$ -	\$ -	\$ -
Wilmington U.S. Government Money Market Fund	373,595	-	-	-
GS Financial Sq Treas Oblig MMF #469	1,017,525	-	-	-
Debt Securities				
United States Treasury Note	-	16,469,269	9,623,576	-
African Development Bank Med Term Note	1,318,941	588,816	-	-
Asian Development Bank Med Term Note	1,203,048	1,128,820	-	-
Intl Bk Recon & Develop Inter-American Development Bank Med Term Note	-	1,134,109	585,516	-
Inter-American Development Bank International Finance Corp Med Term Note	1,110,395	-	-	-
Inter-American Development Bank International Finance Corp Med Term Note	-	1,079,199	1,075,063	-
FHLMC	-	584,154	-	-
FHLMC Pool	-	2,525,209	2,149,784	281,485
FHLMC - Gold Pool	-	-	-	977,298
FHLB	-	-	379,224	841,775
FNMA	-	1,014,931	-	-
FNMA Pool	-	1,679,490	36,365	1,405,335
GNMA	-	-	-	5,826,286
GNMA II Pool	-	-	-	601,188
GNMA Pool	-	-	1,201,287	-
Tennessee Valley Authority	-	780,315	591,078	-
GS Short Dur Gov In (447)	6,229,163	-	-	-
Blackrock PA Municipal Bond Fund	2,555,145	-	-	-
Ishares 3-7 year Treasury Bond ETF	-	1,788,513	-	-
Vanguard PA LT Tax Exempt Fund	-	2,186,821	-	-
	<u>\$ 14,747,766</u>	<u>\$ 30,959,646</u>	<u>\$ 15,641,893</u>	<u>\$ 10,418,504</u>

Credit Risk

As of December 31, 2022 and 2021, all of the Authority's rated investments in debt securities were rated AAA by Moody's and AAA or AA+ by Standard & Poor's.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 5 - Deposits and Investments (continued)

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, 2022 and 2021, \$19,623,475 and \$17,281,166, respectively, of the Authority's deposits and short-term investments were exposed to custodial credit risk.

Concentration of Credit Risk

The Authority places no limit on the amount that may be invested in any one issuer. As of December 31, 2022 and 2021, more than 5.00% of the Authority's investments are in the following:

	<u>2022</u>	<u>2021</u>
United States Treasury Notes	39.40 %	36.36 %
Federal National Mortgage Association Pool	10.54	8.12
Federal Home Loan Mortgage Corp	8.78	6.91
GS Short Dur Gov In (447)	8.12	8.68

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 \$25,974,959 and \$23,629,475 for the years ended December 31, 2022 and 2021, respectively.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 7 - Capital Assets

Capital assets consist of the following as of December 31:

	<u>2021</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>2022</u>
Capital Assets				
Land *	\$ 4,940,501	\$ -	\$ -	\$ 4,940,501
Resource Recovery Center	208,192,965	789,417	2,186,311	211,168,693
Ash Recycling and Processing Facility	14,502,679	147,297	-	14,649,976
Management Center	1,483,828	-	(9,500)	1,474,328
Heavy equipment	715,874	-	-	715,874
Miscellaneous equipment	277,802	11,801	-	289,603
Office furniture and equipment	170,467	-	-	170,467
Landfill liners and system improvements	8,920,856	-	-	8,920,856
Construction-in-progress *	2,186,311	58,201	(2,186,311)	58,201
	<u>241,391,283</u>	<u>1,006,716</u>	<u>(9,500)</u>	<u>242,388,499</u>
Accumulated Depreciation				
Resource Recovery Center	(129,377,394)	(4,107,166)	-	(133,484,560)
Ash Recycling and Processing Facility	(1,014,370)	(582,653)	-	(1,597,023)
Management Center	(1,356,734)	(11,192)	9,500	(1,358,426)
Heavy equipment	(678,998)	(9,219)	-	(688,217)
Miscellaneous equipment	(268,067)	(8,313)	-	(276,380)
Office furniture and equipment	(165,681)	(1,740)	-	(167,421)
Landfill lines and system improvements	(8,686,623)	(91,019)	-	(8,777,642)
	<u>(141,547,867)</u>	<u>(4,811,302)</u>	<u>9,500</u>	<u>(146,349,669)</u>
	<u>\$ 99,843,416</u>	<u>\$ (3,804,586)</u>	<u>\$ -</u>	<u>\$ 96,038,830</u>

* Not depreciated

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 7 - Capital Assets (continued)

	<u>2020</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>2021</u>
Capital Assets				
Land *	\$ 4,940,501	\$ -	\$ -	\$ 4,940,501
Resource Recovery Center	205,454,640	2,637,277	101,048	208,192,965
Ash Recycling and Processing Facility	14,490,993	11,686	-	14,502,679
Management Center	1,483,828	-	-	1,483,828
Heavy equipment	669,779	46,095	-	715,874
Miscellaneous equipment	277,802	-	-	277,802
Office furniture and equipment	170,467	-	-	170,467
Landfill liners and system improvements	9,141,460	-	(220,604)	8,920,856
Construction-in-progress *	<u>363,818</u>	<u>2,049,899</u>	<u>(227,406)</u>	<u>2,186,311</u>
	<u>236,993,288</u>	<u>4,744,957</u>	<u>(346,962)</u>	<u>241,391,283</u>
Accumulated Depreciation				
Resource Recovery Center	(125,564,699)	(3,918,937)	106,242	(129,377,394)
Ash Recycling and Processing Facility	(434,730)	(579,640)	-	(1,014,370)
Management Center	(1,345,543)	(11,191)	-	(1,356,734)
Heavy equipment	(656,634)	(22,364)	-	(678,998)
Miscellaneous equipment	(255,847)	(12,220)	-	(268,067)
Office furniture and equipment	(163,940)	(1,741)	-	(165,681)
Landfill lines and system improvements	<u>(8,816,208)</u>	<u>(91,019)</u>	<u>220,604</u>	<u>(8,686,623)</u>
	<u>(137,237,601)</u>	<u>(4,637,112)</u>	<u>326,846</u>	<u>(141,547,867)</u>
	<u>\$ 99,755,687</u>	<u>\$ 107,845</u>	<u>\$ (20,116)</u>	<u>\$ 99,843,416</u>

* Not depreciated

The total of capitalized construction-in-progress costs as of December 31, 2022 and 2021 amounted to \$58,201 and \$2,186,311, respectively. These capitalized costs are for plant life extension projects.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 8 - Long-Term Debt

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

	<u>2022</u>	<u>2021</u>
Citizens & Northern Bank (Bank); Solid Waste System Revenue Note, Series of 2021; issued July 1, 2021; collateralized by capital projects; original principal balance of \$5 million; interest at 1.30%; requires annual principal payments and semi-annual interest payments; due July 15, 2028	\$ 4,316,000	\$ 5,000,000
Current maturities	<u>(696,000)</u>	<u>(684,000)</u>
	<u>\$ 3,620,000</u>	<u>\$ 4,316,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 696,000	\$ 56,108	\$ 752,108
2024	705,000	47,060	752,060
2025	715,000	37,895	752,895
2026	724,000	28,600	752,600
2027	733,000	19,188	752,188
Thereafter	<u>743,000</u>	<u>9,659</u>	<u>752,659</u>
	<u>\$ 4,316,000</u>	<u>\$ 198,510</u>	<u>\$ 4,514,510</u>

The Authority's long-term debt contains a provision that in an event of default, the Bank shall have the right to accelerate the outstanding principal balance.

Note 9 - Designated Net Position

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

	<u>2022</u>	<u>2021</u>
General reserve escrow	<u>\$ 65,999,787</u>	<u>\$ 63,271,648</u>

Note 10 - Lease Income

The Authority has entered into multiple agreements whereby the Authority leases a portion of land to a company for training students to operate tractor trailers in order to obtain a commercial driver's license. The leases are for a three-year period and end in March 2024 and March 2025, but can be terminated by either party with a written notice of sixty days. Fixed lease income earned by the Authority for the years ended December 31, 2022 and 2021 amounted to \$20,000 and \$9,000, respectively.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 10 - Lease Income (continued)

The Authority has entered into an agreement whereby the Authority leases a portion of land to a company for purposes of storing and parking of trucks and semi-trailers through August 2027, but can be terminated by either party with a written notice of ninety days. Fixed lease income earned by the Authority for the year ended December 31, 2022 amounted to \$3,120.

The Authority has entered into an agreement whereby the Authority leases a portion of land to a company for the use, maintenance, repair and operation of a facility for the conversion of food waste to natural gas and such other uses performed in the ordinary course of the tenant's business. The agreement is for a thirty-year period through March 2052 with rent adjusted annually on each anniversary according to the Consumer Price Index. Fixed lease and interest income earned by the Authority for the year ended December 31, 2022 amounted to \$351,437.

Variable and other lease income earned by the Authority for the years ended December 31, 2022 and 2021 amounted to \$-0- and \$4,850, respectively.

Note 11 - Contingencies

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. Closure and post closure care costs will be paid after the date that the landfill stopped accepting waste, and are not material to the financial statements.

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, 2022, management of the Authority is not aware of any additional liability related to their responsibilities for the post closure activities.

The Authority is involved in various legal actions and claims arising in the ordinary course of business. It is the opinion of management that such litigation and claims will be resolved without material effect on the Authority's net position.

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, 2022 and 2021, there were 28 and 26 plan members, respectively.

York County Solid Waste and Refuse Authority

Notes to Financial Statements

December 31, 2022 and 2021

Note 12 - Pension Plan (continued)

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. There were no forfeitures for the years ended December 31, 2022 and 2021. The Authority's contribution and retirement expense for the years ended December 31, 2022 and 2021 amounted to \$169,414 and \$153,074, respectively. Unpaid contributions amounted to \$78,714 and \$77,274 as of December 31, 2022 and 2021, respectively, and are included in accounts payable on the statement of net position.

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, 2022 and 2021.

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.

Note 13 - Major Customer

York County Solid Waste and Refuse Authority incinerates trash brought to its facility, and generates electricity which it sold to PJM Interconnection LLC for the years ended December 31, 2022 and 2021. Federal law requires that a local utility purchase the electricity generated by the Authority.

Note 14 - Subsequent Events

The Authority has evaluated subsequent events through March 17, 2023. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2022 were noted.

York County Solid Waste and Refuse Authority

Operating Expenses

	Years Ended December 31,			
	2022		2021	
CYRES operations and maintenance	\$ 25,974,959	46.73 %	\$ 23,629,475	53.36 %
Ash recycling	6,779,875	12.20	6,356,130	14.35
Salaries	1,804,171	3.24	1,821,669	4.11
Insurance	1,565,600	2.82	1,532,718	3.46
CYRES excess processing fee	1,233,505	2.22	1,136,679	2.56
Recycling fee	890,534	1.60	890,005	2.01
Host fees	864,561	1.56	800,491	1.81
Household hazardous waste	269,570	0.48	219,464	0.50
Electric	259,974	0.47	237,719	0.54
Engineering fees	246,729	0.44	110,004	0.25
Building and site maintenance	226,759	0.41	209,205	0.47
Retirement expense	169,414	0.30	153,074	0.35
Professional fees	168,623	0.30	153,326	0.35
Public information	153,429	0.28	94,169	0.21
Payroll taxes	140,771	0.25	128,381	0.29
Landfill - nonprocessibles	121,160	0.22	120,641	0.27
Permits and licenses	99,221	0.18	101,576	0.23
Trustee fees	92,164	0.17	101,593	0.23
Recycling projects	84,923	0.15	83,036	0.19
Other	84,470	0.15	77,593	0.18
Water analysis	83,071	0.15	78,658	0.18
Water and sewer usage	56,980	0.10	55,202	0.12
Financial advisory services	29,062	0.05	48,259	0.11
Office supplies and expenses	26,723	0.05	23,711	0.05
Equipment operating expenses	22,003	0.04	17,859	0.04
Telephone	19,007	0.03	19,345	0.04
Training program	18,492	0.03	28,443	0.06
Alternative water supply	14,843	0.03	9,650	0.02
Safety program	14,700	0.03	14,078	0.03
Temporary help	12,629	0.02	5,123	0.01
Dues, subscriptions, and public notifications	12,194	0.02	11,146	0.03
Equipment parts and maintenance	10,607	0.02	11,383	0.03
Meetings and conferences	9,896	0.02	4,172	0.01
Equipment rental	9,158	0.02	8,749	0.02
Travel expenses	2,229	0.01	3,627	0.01
	<u>\$ 41,572,006</u>	<u>74.79 %</u>	<u>\$ 38,296,353</u>	<u>86.48 %</u>

York County Solid Waste and Refuse Authority

Other Income (Loss)

	Years Ended December 31,			
	2022		2021	
Interest income - operations	\$ 1,432,459	2.58 %	\$ 1,347,506	3.05 %
Rent income	235,635	0.42	13,850	0.03
Grant income	150,923	0.27	195,863	0.44
Interest income - leases	138,922	0.25	-	-
Recycling income	135,127	0.24	243,564	0.55
Interest income - landfill trusts	126,685	0.23	58,258	0.13
Other income	-	-	5,782	0.01
Loss on disposal of capital assets	-	-	(20,116)	(0.04)
Loss on sale of investments	(391,354)	(0.70)	(517,037)	(1.17)
Net decrease in the fair value of investments	(6,197,828)	(11.15)	(1,695,721)	(3.83)
	<u>\$ (4,369,431)</u>	<u>(7.86) %</u>	<u>\$ (368,051)</u>	<u>(0.83) %</u>