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CHESTER COUNTY SOLID WASTE AUTHORITY

A N N U A L R E P O R T 2 0 1 1



ABOUT THE AUTHORITY AND ITS MEMBERS

The Chester County Solid Waste Authority was established by the Chester County Commissioners in August 1984. That same year, the CCSWA became the owner and operator of the Lanchester Landfill in Honey Brook, PA.

The Authority is comprised of volunteer Chester County business persons and one representative from Caernarvon Township, Lancaster County. All members of the Authority serve without compensation or benefits.



DR. ROBERT J. SCHOENBERGER
Chairman
Semi-Retired, Environmental Consultant

A resident of Upper Uwchlan Township, Dr. Schoenberger serves on the Township Planning Commission. A former Chairman of the Pennsylvania Governor's Solid Waste Advisory Committee; he has 45 years experience in the solid waste industry.



WILLIAM H. SHIRK
Member
Semi-Retired Data Processing Consultant

A resident of Caernarvon Township, Bill Shirk is currently providing data processing consulting services for Judge Tech Services at AmeriHealth Administrators.



RAMSEY G. DILIBERO
Vice Chairman
Retired President of BFI International

A resident of West Nantmeal Township, Mr. DiLibero was inducted into the Environmental Hall of Fame in recognition of his 30 years of service to the industry.



VINCENT CAROSELLA
Member
Attorney at Law

A resident of West Vincent Township, Mr. Carosella has many years of experience in the solid waste industry. He is the President of the law firm of Carosella & Associates, P.C. based in West Chester, PA.



PETER W. KNIPE
Treasurer
Chief Financial Officer, STV Group, Inc.

A resident of North Coventry, Mr. Knipe works for an international consulting engineering architectural company.



CARMEN BATTAVIO
Member
Owner of Battavio Plumbing, Heating and Air Conditioning

A resident of East Goshen Township, Mr. Battavio has served on the Board of Supervisors for the past 16 years and is a life member of the Goshen Fire Company.



PETER J. MARROLETTI
Secretary
Retired BFI Manager

A resident of Charlestown Township, Mr. Marroletti has 28 years experience in the solid waste industry.

THE STAFF AT LANCHESTER

EXECUTIVE

Robert A. Watts, Executive Director

BUSINESS/ADMINISTRATION

James M. Gorney, Business Manager
David B. Lozenski, Assistant Business Manager-Finance
Peggy Cunius, Accounts Payable/Administrative Assistant
Dayle Anderson, Accounts Receivable (part-time)
Michael J. Smale, Lead Weighmaster
Barbara Skiles, Weighmaster (part-time)

Jim Jennings, Weighmaster (part-time)
Phillip Demarra, Weighmaster (part-time)
Small Load Facility Attendant (part-time)

ENGINEERING & COMPLIANCE

ENGINEERING
Owen R. Esterly, P.E., Facility Engineer
COMPLIANCE
Teresa A. Devine, Compliance Officer
Sharon Andrien, Maintenance Worker
WATER MANAGEMENT
Gary Laird, Manager of Water Operations
Henry Palmer, Water Operations Assistant

RECYCLING

Nancy Fromnick, County Recycling Coordinator
Irene Perry, Administrative Assistant

OPERATIONS

Earl L. Graham Jr., Operations Manager
Dawn E. Nichols, Operations/Wildlife/Livestock Manager
Ed Carlson, Lead Operator

MAINTENANCE & REPAIRS

Thomas M. Barbarish, Mechanic
LANDFILL OPERATIONS
Steve Dunn, Operator
Robert Hollenbaugh, Operator
Randy G. Savage, Operator
Jacob A. Houck, Operator
Carlos Alicea, Utility Worker
Bill Bramm, Operator
Tom Kostingo, Operator
Jeffrey Watts, Weighmaster/Operator
Ryan Cloak, Utility Worker

LETTER FROM THE CHAIRMAN BOB SCHOENBERGER



I am pleased to offer the 2011 Annual Report from the Chester County Solid Waste Authority to the County Commissioners, our customers, our neighbors and our host communities. During the year, we began to prepare for our Area E expansion that will provide to Chester County local governments and county residents disposal and cost stability until the mid 2020 decade. Providing this stability for Chester County is one of the principle objectives in the planning and management of the county solid waste system. Our CCSWA Board can only accomplish this goal through sound and thoughtful planning and responsible fiscal and operation management.

To that end the Authority recognizes the dedication of all our employees, and especially Executive Director Bob Watts for their daily diligence in performing the work that makes the Lanchester operation run seamlessly, with outstanding environmental sustainability, in complete compliance with environmental regulations and lastly, with cost efficiency. We thank each and every one of you for your contributions.

The Authority has been advised in past discussions that our landfill operation is highly visible and clearly contrasts with surrounding topography. To explore whether

this visual disparity can be mitigated, Lanchester has offered to the surrounding communities the opportunity to explore mitigation options. The principal option that is being explored is to plant trees on high elevation portions of the landfill once active filling ceases. Since tree vegetation is currently excluded by DEP regulation, Authority Board and staff together with Caernarvon Supervisors and staff visited a pilot project near Scranton where several controlled plots of trees were several years into pilot program. As a result of this visit, an advisory committee is being established to advise Lanchester when closure of the landfill begins. We thank Caernarvon Township for their assistance and suggestions regarding how we might soften our community presence.

Our Authority Board was unchanged in 2011, and I personally thank my six colleagues, and especially Chester County Commissioner Costello for their assistance and guidance in maintaining an efficient and effective management team.

LETTER FROM THE EXECUTIVE DIRECTOR

BOB WATTS



In January 2011, a very significant event occurred—the Authority received the permit to construct the next expansion at Lanchester Landfill.

After seven years of planning, this was a major milestone for the Chester County Solid Waste Authority Board, our staff and consultants. This provided us the capability to provide safe disposal capacity for the 49 Chester County municipalities we serve for an additional ten years. The first phase of construction began the last quarter of 2011 on the Area E Landfill Expansion. The first Phase of construction consisted of enlarging the sedimentation ponds and relocating some utilities. The plan calls for four phases of construction over the next two and a half years before waste can be placed in the first of three cells. Like the previous expansion, the Area E Expansion will utilize a reinforced earth wall to reduce the footprint of the expansion. The Area E Expansion will include 14.3 acres of newly lined area and 41.6 acres of landfilling on top of existing areas.

Early in 2011 we began working with one of our neighbors to start a project we have been considering for a few years—a Nature Trail around the landfill. The son of a neighbor who was an Eagle Scout candidate was interested in a trail construction project that would be on our property and behind his house. We used recycled tire rubber for a portion of the trail surface. The Boy Scout and his family assisted in the design and placement of a small bridge that has a top deck of recycled wood. The Lanchester Nature

Trail opened in May 2011 along with the Scenic Overlook.

The trail is about a mile round trip and contains a number of informational signs, benches, picnic tables and 700 feet of recycled rubber surface.

A personally rewarding part of my job at CCSWA has been the Board's encouragement to participate in continuing education and professional organizations. I have been a member of the Professional Recyclers of Pennsylvania (PROP) for over ten years and have been taking classes to become a Certified Recycling Professional. PROP is a state wide nonprofit organization that promotes waste reduction and recycling. I have worked for the last thirteen years with Nancy Fromnick (Chester County's Recycling Coordinator) to make our Small Load Facility one of the most complete recycling centers in the area. It was in 2010 when Nancy nominated me for the PROP Board of Directors and I was elected. Over the next year I was a very active new Board Member and made a lot of suggestions. In the fall of 2011 at PROP's annual Board Election I was nominated and became their new Board President. I look forward to the challenges ahead in expanding the landfill, lengthening the trail and making PROP a more successful organization.

2011 A Year In Review

PHASE 1A OF AREA E EXPANSION

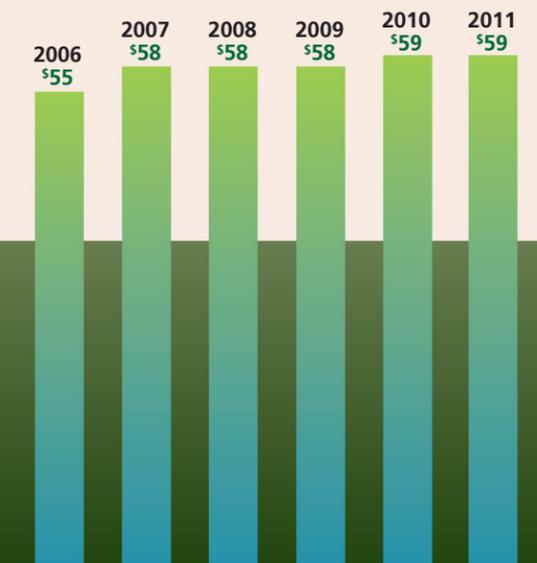
The Area E Expansion project, located on the south side of the property, received approval of its permit application from the Pennsylvania Department of Environmental Protection (PADEP) in January of 2011. Construction of Phase 1A began in October consisting of enlarging two sedimentation ponds and relocating utilities. Area E will include 14.3 acres of newly lined landfill space and 41.6 acres built on top of existing landfill space. The expansion will give Lanchester Landfill a ten-year capacity of 4 millions tons when it begins accepting waste in 2014. This will coincide with the time that Area D will be running out of capacity.



2011 Single Stream Recycling Contest Winners. From left to right: Ryan Costello, Chester County Commissioner; Alletta Bowers, West Chester East High School Video Instructor; Christina Betz and Jeff Cindric, West Chester East High School students, Terence Farrell and Kathi Cozzone Chester County Commissioners

Tipping Fees 2006 to 2011

The amount charged to dispose of one ton of municipal solid waste at the Lanchester Landfill.



CAPITAL IMPROVEMENTS AT LANCHESTER

In the fall, as part of the Area E Expansion, the Harden Group was awarded the contract to relocate one of the facility's flares from its current location to an area adjacent to the Granger Energy building. The flare burns the methane gas that is generated at the landfill when Granger Energy's customers are not utilizing all the pipeline gas.

The Authority purchased new operating equipment including a water truck to control dust, Bortek sweeper, fuel truck, and compost turner at a cost of \$761,840.

In an ongoing effort to enhance the facility, colorful wildflower gardens were planted at the front entrance



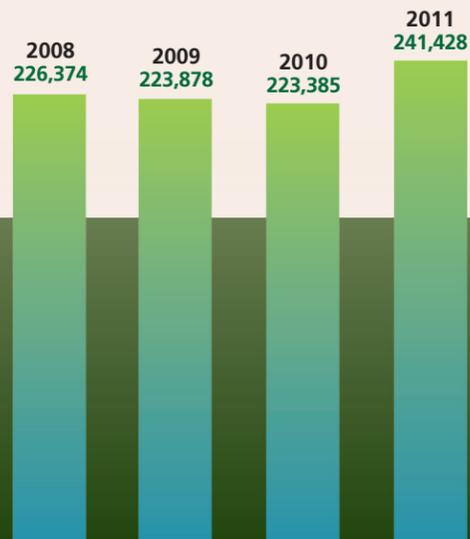
and pollinator-friendly shrubs and flowers were planted next to the main offices; also added was a butterfly house. The projects were awarded to Larry Weaner Design Associates at a cost of \$15,200.

Phase I of the Natural Trail construction was completed consisting of a one mile round trip trail with a picnic table and benches, bird and bat houses. The trail was fully opened to the public for the first time, in 2011 on Sundays during the warmer months. Phase II, which will consist of expanding the existing trail and will commence installation in May of 2012.

The website for the Chester County Solid Waste Authority was updated with all of the up-to-the-minute information, history and capital improvement projects at the Lanchester Landfill.

Tonnages 2008 to 2011

Chester County's Municipal Waste Plan Revision was approved by the County Commissioners in late 2010 which resulted in more Chester County municipal solid waste being disposed of at the Lanchester Landfill.



LEACHATE TREATMENT PLANT UPGRADES

After undergoing an increase in capacity in 2010, the Authority will again be upgrading the leachate treatment plant in order to double the size of the ultra-filtration system. The new processing capacity will increase the throughput of effluent. The contract for the project has been awarded to Keystone Engineering Group at a cost of \$35,000.



TREES ON FINAL CAP AS DEMONSTRATION PROJECT

The Authority will be holding committee meetings to discuss to feasibility of planting trees on final capped areas. New technology has been developed that may make this option viable, which would enhance the aesthetics of the landfill for the surrounding communities.

THE AUTHORITY UPDATES 10-YEAR PLAN

The state mandated Ten Year Plan address the issue of waste generation and recycling. The current plan maps a strategy for the proper handling of waste material that is generated in the county while also assuring capacity for its' disposal through the year 2013. The 2012 update will add the G.R.O.W.S. Landfill as a back-up facility to the current list of waste and recycling facilities that include Lanchester Landfill and S.E.C.C.R.A. Landfill.

SOLAR PANELS TO POWER LANCHESTER LANDFILL

The Authority anticipates receiving a permit from PADEP (Pennsylvania Department of Environmental Protection), giving authorization to begin installing solar panels on existing berms throughout the facility. When completed, the captured electricity will generate enough power to supply all of Lanchester Landfill's electricity needs.

PHASE 1B OF AREA E EXPANSION

Phase 1B of the Area E Expansion project will entail relocating the existing leachate collection system and compost area. A temporary storm water diversion structure will be built to safely control runoff.

Statement Of Financial Condition

CCSWA 2011 Sources of Revenues

2011 TONNAGE

Municipal Solid Waste—CHESCO	221,304
Residual	16,851
Transfer Trailer	49,476
Construction/Demolition	21,140
Recycling	4,825

TOTAL ANNUAL TONNAGE 313,596

2011 RATE STRUCTURE (\$/TON)

Municipal Solid Waste—CHESCO	\$57.64
Residual	59.20
Transfer Trailer	55.96
Construction/Demolition	54.53
Recycling	39.96

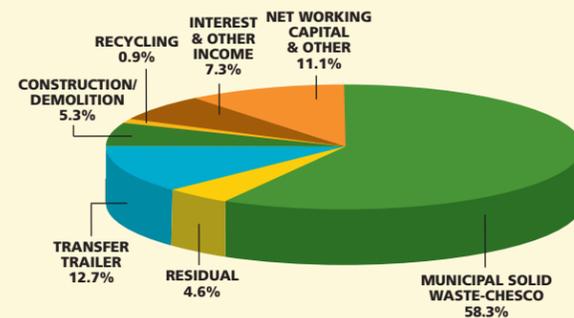
WEIGHTED AVERAGE \$56.98

2011 TIPPING REVENUES

Municipal Solid Waste—CHESCO	\$12,755,457
Residual	997,634
Transfer Trailer	2,768,621
Construction/Demolition	1,152,760
Recycling	192,819

GROSS OPERATING REVENUE \$17,867,291

2011 Sources of Revenues



2011 OTHER SOURCES OF INCOME

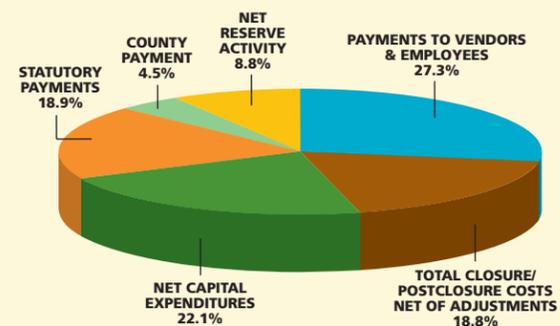
Interest & Other Income	\$ 1,588,030
Working Capital & Other	2,423,344

Total Sources of Funds \$21,878,665

Total Expenditures 19,315,896

INCREASE IN NET ASSETS AT YEAR END 2011 \$ 2,562,769

CCSWA 2011 Uses of Revenues



2011 Uses

Payments to Vendors & Employees	\$ 5,264,426
Total Closure/Postclosure Costs Net of Adjustments	3,622,431
Net Capital Expenditures	4,268,015
Statutory Payments	3,657,093
County Payment	800,000
Net Reserve Activity	1,703,931
TOTAL USES	\$19,315,896

Statement Of Financial Condition

Statements of Revenue, Expenses and Changes in Net Assets

Years Ended December 31,	2011	2010
Revenue from landfill operations, net of statutory payments of \$3,657,093 and \$3,688,701 in 2011 and 2010, respectively	\$14,210,199	\$13,329,117
Operating expenses:		
Direct costs of landfill operations	4,863,206	4,230,809
Landfill site expenses	589,772	593,249
General and administrative expenses	1,526,863	1,442,361
Depletion of landfill site:		
Initial investment	2,014	2,014
Expansion cells	1,036,527	1,276,486
Amortization of intangible assets and deferred charges	11,157	11,812
Provision for closure and postclosure costs	4,405,921	1,336,039
Total operating expenses	12,435,460	8,892,770
Operating income	1,774,739	4,436,347
Non operating revenue (expenses)		
Investment income	108,735	122,021
Interest expense	(21,443)	(7,928)
Alternative cover soil income	1,034,207	1,188,215
Other income (expense), net	477,632	(169,099)
Loss on disposal of fixed assets	(11,101)	(92,785)
Total non operating revenue	1,588,030	1,040,415
Increase in net assets before payment to County of Chester	3,362,769	5,476,762
Payments to County of Chester	(800,000)	(800,000)
Increase in net assets	2,562,769	4,676,762
Net assets:		
Beginning of year	44,719,744	40,042,982
End of year	\$47,282,513	\$44,719,744

Summary of Financials

Balance Sheets

December 31,	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 298,561	\$ 380,420
Accounts receivable, net of an allowance for uncollectible accounts of \$188,365 and \$206,897 in 2011 and 2010, respectively	1,561,736	1,264,151
Prepaid expenses	104,768	154,222
Unrestricted investments	22,540,174	18,013,533
Restricted cash and investments	550,270	548,844
Total current assets	25,055,509	20,361,170
Restricted cash and investments	22,598,898	22,564,880
Other assets	4,148,352	2,609,972
Landfill site and expansion cells construction, permitting, and preparation costs, net	6,913,248	6,270,081
Capital assets, net	10,577,953	10,181,938
Intangible assets, net	31,488	42,645
Total assets	\$69,325,448	\$62,030,686
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of estimated closure/postclosure costs	\$ 550,270	\$ 548,844
Accounts and retainage payable	1,887,265	725,459
Commonwealth of Pennsylvania and other surcharges withheld	879,138	915,232
Accrued liabilities:		
Payroll and related taxes	16,394	23,289
Employee benefit plan	101,016	137,219
Other	83,839	56,890
Total current liabilities	3,517,922	2,406,933
Estimated closure/postclosure costs	18,525,013	14,904,009
Total liabilities	22,042,935	17,310,942
Net assets:		
Invested in capital assets	17,522,688	16,494,664
Restricted	4,073,885	7,660,871
Unrestricted	25,685,940	20,564,209
Total net assets	47,282,513	44,719,744
Total liabilities and net assets	\$69,325,448	\$62,030,686

Summary of Financials

Statements of Cash Flows

Years Ended December 31,	2011	2010
Cash flows from operating activities:		
Cash received from customers	\$13,948,708	\$13,396,284
Cash paid to vendors	(2,684,336)	(2,743,627)
Cash paid to employees	(2,580,090)	(2,238,585)
Net cash provided by operating activities	8,684,282	8,414,072
Cash flow from non capital financing activity:		
Payments to County of Chester	(800,000)	(800,000)
Net cash used in noncapital financing activity	(800,000)	(800,000)
Cash flow from capital and related financing activities		
Capital expenditures	(4,416,635)	(3,585,491)
Proceeds from disposal of capital assets	148,620	125,800
Net cash used in capital and related financing activities	(4,268,015)	(3,459,691)
Cash flows from investing activities		
Purchases of investments, net	(21,648,000)	(13,409,059)
Sale of investments	21,929,303	14,263,000
Investment expenses	(21,443)	(7,928)
Interest received on investments	119,302	138,238
Alternative cover soil income, net	912,210	1,188,215
Other income, net	412,559	(169,099)
Net cash provided by investing activities	1,703,931	2,003,367
Net change in cash and cash equivalents	5,320,198	6,157,748
Cash and cash equivalents, beginning of year		
Cash and cash equivalents	380,420	363,517
Restricted cash	13,310,985	7,170,140
	13,691,405	7,533,657
Cash and cash equivalents, end of year		
Cash and cash equivalents	298,561	380,420
Restricted cash	18,713,042	13,310,985
	\$19,011,603	\$13,691,405
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,774,739	\$ 4,436,347
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for closure and postclosure costs	4,405,921	1,336,039
Cost adjustment for closure and post closure costs	(783,490)	(741,932)
Depletion of landfill site	1,038,541	1,278,500
Depreciation of capital assets	2,131,600	1,784,918
Amortization of intangible assets	11,157	11,812
Change in assets and liabilities:		
Increase (decrease) in accounts receivable	297,585	(94,812)
Increase (decrease) in prepaid expenses	49,454	(19,677)
Increase (decrease) in non-capital related accounts payable	(188,982)	260,154
Increase (decrease) in accrued liabilities and other	(16,149)	744
Increase (decrease) in surcharges withheld	(36,094)	161,979
Total adjustments	6,909,543	3,977,725
Net cash provided by operating activities	\$ 8,684,282	\$ 8,414,072