



Chester County Solid Waste Authority
(A Component of the County of
Chester, Pennsylvania)

**Financial Statements and
Supplementary Information**
December 31, 2016 and 2015 (with
Independent Auditor's Report Thereon)

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)

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(A Component Unit of the County of Chester, Pennsylvania)

Contents

Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-10
Basic Financial Statements	
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13
Notes to the Financial Statements	14-27
Supplementary Information	
Schedule 1 - Direct Costs of Landfill Operations	28
Schedule 2 - Landfill Site Expenses	29
Schedule 3 - General and Administrative Expenses	30



Independent Auditor's Report

Board of Directors
Chester County Solid Waste Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Chester County Solid Waste Authority, a component unit of the County of Chester, Pennsylvania, as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, which collectively comprise Chester County Solid Waste 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 audits. We conducted our audits 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 Chester County Solid Waste Authority'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 Chester County Solid Waste Authority as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In 2016, the Authority implemented Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, as listed in the table of contents, 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 regarding 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.

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Chester County Solid Waste Authority’s basic financial statements. The supplementary information included in schedules 1, 2, and 3 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 records and other records used to prepare the basic financial statements. This 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 supplementary information included in schedules 1, 2, and 3 is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

March 28, 2017

Chester County Solid Waste Authority

(A Component Unit of the County of Chester, Pennsylvania)

Management Discussion and Analysis

This section of the Chester County Solid Waste Authority's (the Authority) annual financial statements presents a discussion and analysis of the Authority's performance during the fiscal years ended December 31, 2016 and 2015.

Financial Highlights

Net revenues of \$15,431,767 for 2016 have increased by 1.6% from 2015 net revenues of \$15,184,613, and comparing unfavorably to the 2014 net revenues of \$15,775,196. The increase in net operating revenues was primarily due to higher alternative daily cover volume. A summary of sales dollars and tons by source follows:

Sales Revenue and Tonnage					
By Source					
Year 2016 compared to 2015 with comparative information for 2014					
	2016 Tons	2015 Tons	Variance	%	2014 Tons
Municipal waste	225,102	231,238	(6,136)	(2.7)%	254,871
Construction and demolition	32,111	32,383	(272)	(0.8)%	31,479
Residuals	10,406	17,832	(7,426)	(41.6)%	13,767
Alternative Daily Cover	95,566	28,935	66,631	230.3%	25,269
Recycling	4,216	5,110	(894)	(17.5)%	5,637
Annual tons	367,401	315,498	51,903	16.5%	331,023
	2016 Dollars	2015 Dollars	Variance	%	2014 Dollars
Municipal waste	\$ 14,732,616	15,068,830	(336,214)	(2.2)%	\$ 16,101,980
Construction and demolition	1,942,886	1,954,045	(11,159)	(0.6)%	1,831,234
Residuals	623,936	670,310	(46,374)	(6.9)%	579,064
Alternative Daily Cover	1,327,496	373,826	953,670	255.1%	305,365
Recycling	190,094	246,520	(56,426)	(22.9)%	255,345
Subtotal revenue	18,817,028	18,313,531	503,497	2.7%	19,072,988
Less statutory payments	(3,385,261)	(3,128,918)	(256,343)	8.2%	(3,297,792)
Net operating revenue	\$ 15,431,767	15,184,613	247,154	1.6%	\$ 15,775,196

Total operating expenses increased from 2015 to 2016 by \$1,587,580 or 14.3%, primarily due to higher site maintenance expense, as a result of repairing drainage / final grading and applying intermediate cover, to prepare for the 2017 capping project. In addition, there was additional leachate due to the opening of the Area E expansion area. The operating expenses increased from 2014 to 2015 by \$1,504,212, or 15.7%, primarily due to higher expansion cell depletion expense, as a result of incorporating the Area E expansion in the depletion calculation.

Chester County Solid Waste Authority

(A Component Unit of the County of Chester, Pennsylvania)

Management Discussion and Analysis

Summary of Major Expense Categories

Year 2016 compared to 2015 with comparative information for 2014

	2016	2015	Variance	%	2014
Revenue from landfill operations	\$ 15,431,767	15,184,613	247,154	1.6%	15,775,196
Direct costs of landfill operations	6,679,364	5,448,471	1,230,893	22.6%	5,239,672
Landfill site expenses	1,155,254	792,659	362,595	45.7%	755,265
General and administrative expenses	2,055,663	1,830,701	224,962	12.3%	1,644,883
Depletion of landfill site - initial investment	—	—	—		2,384
Expansion cells	2,247,791	2,414,393	(166,602)	(6.9)%	975,410
Amortization of intangible assets and deferred charges	—	—	—		8,275
Provision for closure/postclosure costs	515,719	579,987	(64,268)	(11.1)%	936,110
Total operating expenses	<u>12,653,791</u>	<u>11,066,211</u>	<u>1,587,580</u>	<u>14.3%</u>	<u>9,561,999</u>
Operating income	2,777,976	4,118,402	(1,340,426)	(32.5)%	6,213,197
Non-Operating Revenue	1,461,759	1,061,210	400,549	37.7%	682,185
Payment to County of Chester	800,000	800,000	—		800,000
Increase in Net Position	<u>\$ 3,439,735</u>	<u>4,379,612</u>	<u>(939,877)</u>	<u>(21.5)%</u>	<u>6,095,382</u>

The 2016 change in Net Position of \$3,439,735 decreased from the 2015 change of \$4,379,612. The 2016 decrease in the change in Net Position is primarily due to higher site maintenance expense (\$879,046) and leachate disposal expense (\$227,309). The 2015 change in Net Position of \$4,379,612 decreased from the 2014 change of \$6,095,382. The 2015 decrease in the change in Net Position is primarily due to lower revenue from landfill operations (\$590,583), higher expansion cells depletion expense (\$1,438,983), lower closure/post closure costs (\$356,123 due to revision of cost estimates), and increased general and administrative expenses (\$185,818, primarily local contributions / public information expense).

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Chester County Solid Waste Authority

(A Component Unit of the County of Chester, Pennsylvania)

Management Discussion and Analysis

A summary of the assets and liabilities at December 31, 2016, 2015, and 2014 are as follows:

<i>December 31,</i>	2016	2015	2014
Assets			
Current assets			
Cash and cash equivalents	\$ 1,287,176	\$ 4,067,120	\$ 1,422,971
Accounts receivable, net	1,893,177	2,272,830	2,050,776
Prepaid expenses and accrued interest	448,431	396,613	194,696
Unrestricted investments	25,888,593	17,420,856	13,953,863
Restricted investments	6,033,395	1,997,075	537,766
Total current assets	35,550,772	26,154,494	18,160,072
Restricted investments	19,724,645	23,399,995	26,122,830
Other assets	4,685,273	4,818,620	4,768,411
Landfill site and expansion cells, net	22,775,252	24,900,175	27,006,480
Capital assets, net	8,558,185	11,592,618	11,181,956
Total assets	\$ 91,294,127	\$ 90,865,902	\$ 87,239,749
Liabilities and Net Position			
Current liabilities			
Current portion of estimated closure/post closure costs	\$ 6,033,395	\$ 1,997,075	\$ 537,766
Accounts payable	1,096,986	861,058	1,222,968
Retainage Payable	1,412,276	1,404,040	1,383,632
Commonwealth of Pennsylvania and other surcharges withheld	851,261	801,357	860,765
Accrued liabilities:			
Payroll and related taxes	23,410	13,467	9,187
Employee benefit plan	116,741	115,217	109,681
Total current liabilities	9,534,069	5,192,214	4,123,999
Estimated closure/post closure costs, net of current portion	10,319,572	17,672,937	19,494,611
Total liabilities	19,853,641	22,865,151	23,618,610
Net position			
Net investment in capital assets	29,921,161	35,088,753	36,804,804
Restricted	9,405,073	5,727,058	6,628,219
Unrestricted	32,114,252	27,184,940	20,188,116
Total net position	71,440,486	68,000,751	63,621,139
Total liabilities and net position	\$ 91,294,127	\$ 90,865,902	\$ 87,239,749

Total assets at December 31, 2016 were \$91,294,127, an increase from \$90,865,902 in 2015. The 2016 increase of \$428,225 is due to an increase in investments as a result of positive cash flow from operations and limited capital expenditures in 2016. Total assets at December 31, 2015 were \$90,865,902, an increase from \$87,239,749 in 2014. The 2015 increase of \$3,626,153 is primarily due to an increase in investments and cash as a result of positive cash flow from operations and limited capital expenditures in 2015.

Chester County Solid Waste Authority

(A Component Unit of the County of Chester, Pennsylvania)

Management Discussion and Analysis

The following summary compares the asset balances for 2016 to 2015 and 2014 for landfill cells:

	Cost	Accumulated Depletion	Net Book Value 2016	Net Book Value 2015	Net Book Value 2014
Landfill site	\$ 5,000,000	(5,000,000)	-	-	-
Area D Expansion	16,598,487	(16,598,487)	-	16,616	2,363,342
Area E Expansion	24,899,163	(2,158,449)	22,740,714	24,849,021	24,608,600
Area F Expansion	34,538	-	34,538	34,538	34,538
Fully depleted landfill costs	33,570,705	(33,570,705)	-	-	-
Total	<u>\$ 80,102,893</u>	<u>(57,327,641)</u>	<u>22,775,252</u>	<u>24,900,175</u>	<u>27,006,480</u>

Landfill Site and Expansion Cells

Additions for 2016 and 2015

	December 31, 2014	2015 Additions	December 31, 2015	2016 Additions	December 31, 2016
Landfill site	\$ 5,000,000	-	5,000,000	-	5,000,000
Area D Expansion	16,458,094	67,667	16,525,761	72,726	16,598,487
Area E Expansion	24,608,600	240,421	24,849,021	50,142	24,899,163
Area F Expansion	34,538	-	34,538	-	34,538
Fully depleted landfill costs	33,570,705	-	33,570,705	-	33,570,705
Gross book value	79,671,937	308,088	79,980,025	122,868	80,102,893
Less accumulated depletion	(52,665,457)	(2,414,393)	(55,079,850)	(2,247,791)	(57,327,641)
Net book value	<u>\$ 27,006,480</u>	<u>(2,106,305)</u>	<u>24,900,175</u>	<u>(2,124,923)</u>	<u>22,775,252</u>

Overview of the Financial Statements

The financial statements include management's discussion and analysis, audited financial statements, and notes to the financial statements. These statements provide the Authority's financial position and recent activities. The financial statements and notes provide more detailed information. The Authority's financial statements are prepared on an accrual basis in conformity with U.S. generally accepted accounting principles as applied to government units (GAAP). Revenues and expenses are recognized in the period incurred under this basis.

Financial Operational Analysis

The major factors in the \$428,225 increase in assets from 2015 to 2016 and the \$3,626,153 increase in assets from 2014 to 2015 are detailed as follows:

Cash decreased by \$2,779,944 from 2015 to 2016 and increased by \$2,644,149 from 2014 to 2015 as a result of cash being retained by the Pennsylvania Department of Environmental Protection (PADEP) from the maturity of an investment which was held as part of the Collateral Agreement for closure / post

Chester County Solid Waste Authority

(A Component Unit of the County of Chester, Pennsylvania)

Management Discussion and Analysis

closure. These funds were held by PADEP at December 31, 2015, and were returned to CCSWA in February 2016 and the Authority used the funds to purchase unrestricted investments for future needs.

Net accounts receivable decreased \$379,653 from 2015 to 2016 and increased \$222,054 from 2014 to 2015 due to \$300,200 from the sale of a piece of equipment in December 2015 and payment not received until early 2016.

Prepaid expenses increased by \$51,818 from 2015 to 2016 and increased by \$201,917 from 2014 to 2015, primarily due to commissions paid for the purchase of municipal bonds.

Current unrestricted investments increased \$8,467,737 from 2015 to 2016 and increased by \$3,466,993 from 2014 to 2015, due to positive cash flow from operations and limited capital expenditures required in both 2015 and 2016.

Current restricted investments increased by \$4,036,320 from 2015 to 2016 and increased \$1,459,309 from 2014 to 2015 due to anticipated expenditures for closure and capping work. Noncurrent restricted investments of \$19,724,645 as December 31, 2016 and \$23,399,995 as of December 31, 2015. This is a decrease of \$3,675,350 from 2015 to 2016 and \$2,722,835 from 2014 to 2015, which are primarily due to increase in current restricted balance (noted above), as well as the completion of closure / post Closure work and requirements. Restricted investments (both current and non-current) are held to satisfy state bonding requirements (currently \$24,534,000), which assure funding to meet state and federal laws that require capping of closed cells and a 30 year post-closure care period. The state bonding requirements remain at \$24,534,000, which is in accordance with revised engineering estimates that were completed in 2015.

Other assets consists of non-contiguous residential real estate (net of accumulated depreciation), that the Authority does not intend to hold for long-term purposes. Other assets decreased \$133,347 from 2015 to 2016 due to no additional purchases during the year, and the continuation of normal depreciation of the house structure. From 2014 to 2015 there was a \$50,209 increase, due to the purchase of residential real estate in excess of annual depreciation.

Landfill site and expansion cells decreased by \$2,124,923 in 2016 versus 2015, due to \$122,868 of net additions (net of reclassification entries) offset by depletion, based on tons placed into the landfill, of \$2,247,791. Landfill site and expansion cells decreased by \$2,106,305 in 2015 versus 2014, due to \$308,088 of additions offset by depletion, based on tons placed into the landfill, of \$2,414,393. The additions in 2015 and 2016 were primarily due to the construction of the Area E expansion. In July 2004, the Authority received approval from the PADEP to add 2,256,117 tons of capacity, which is anticipated to be fully utilized in 2018. In December 2010, the Authority received a permit for the construction of Area E to the active landfill. This new expansion added 4.1 million tons of capacity and approximately 10 years to the landfill. The landfill will be fully depleted in 2024 - 2025 depending on the tonnage received. The cost of this expansion is expected to be from \$50 million to \$55 million. Work on the site is to be completed in various phases, through a competitive bidding process. Currently, the Authority has signed construction contracts totaling approximately \$14.1 million of which \$1.4 million remains to be paid as of December 31, 2016. Through December 31, 2016, the Authority has incurred \$24.90 million of capital costs related to the Area E construction project.

Capital assets, net decreased by \$3,034,433 from 2015 to 2016 due to capital expenditures of \$1,577,317, depreciation of \$1,766,369, net retirements of \$18,137, and a reclassification (primarily to closure / post closure) of \$2,827,244. Capital assets, net increased by \$410,662 from 2014 to 2015 due to capital expenditures of \$2,140,126, depreciation of \$1,600,878, and net retirements of \$128,586.

Chester County Solid Waste Authority

(A Component Unit of the County of Chester, Pennsylvania)

Management Discussion and Analysis

The closure/post closure liability at December 31, 2016 was \$16,352,967 compared to \$19,670,012 in 2015. The decrease is due to the completion of closure / post closure work and requirements, as well as revisions to estimate of costs. The liability is calculated on the basis of total estimated costs recognized on available tons deposited in the landfill for the period. The current estimate of the total remaining liability for the Authority is approximately \$28,994,815, which will be fully accrued based on remaining tonnage.

Total net position is \$71,440,486 at December 31, 2016, up by \$3,439,735 from the prior year due to favorable operating results. Total net position was \$68,000,751 at December 31, 2015, up by \$4,379,612 from the prior year due to favorable operating results.

Comparing key factors to the Authority's approved 2016 Financial Plan; disposal tonnage was 5.8% below target, but revenue from landfill operations was only 0.1% below budget due to increased alternative daily cover revenue. Direct costs of landfill operations were unfavorable by 17.2%, primarily due to site maintenance costs related to final grading and applying intermediate cover, to prepare for the 2017 capping project. In addition there was additional leachate due to the opening of the Area E expansion area. Other expenses were negatively impacted by site odor control measures taken during the year, as well as higher expense for legal matters. Overall the 2016 change in net position was 30.0% below the 2016 Financial Plan.

Comparing key factors to the Authority's approved 2015 Financial Plan; tonnage was 5.6% below target, resulting in revenue from landfill operations being 7.9% below budget. Direct costs of landfill operations were unfavorable by 8.2%, primarily due to site maintenance costs / cover soil required to prepare site for 2016 capping project. Other expenses were basically in line with the 2015 Financial Plan; with the overall change in net position being 26.0% below the 2015 Financial Plan.

If you have any questions about this report, contact the Chief Financial Officer, Chester County Solid Waste Authority, 7224 28th Division Hwy., Narvon, PA 17555.

Financial Statements

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Statements of Net Position

<i>December 31,</i>	2016	2015
Assets		
Current assets		
Cash and cash equivalents (note 6)	\$ 1,287,176	\$ 4,067,120
Accounts receivable, net of an allowance for uncollectible accounts of approximately \$51,000 and \$107,000 in 2016 and 2015, respectively	1,893,177	2,272,830
Prepaid expenses and accrued interest	448,431	396,613
Unrestricted investments (note 6)	25,888,593	17,420,856
Restricted investments (note 5)	6,033,395	1,997,075
Total current assets	35,550,772	26,154,494
Restricted investments (note 5)	19,724,645	23,399,995
Other assets (note 4)	4,685,273	4,818,620
Landfill site and expansion cells construction, permitting, and preparation costs, net (note 3)	22,775,252	24,900,175
Capital assets, net (note 4)	8,558,185	11,592,618
Total assets	\$ 91,294,127	\$ 90,865,902
Liabilities and Net Position		
Current liabilities		
Current portion of estimated closure/post closure costs (note 9)	\$ 6,033,395	\$ 1,997,075
Accounts payable	1,096,986	861,058
Retainage Payable	1,412,276	1,404,040
Commonwealth of Pennsylvania and other surcharges withheld	851,261	801,357
Accrued liabilities:		
Payroll and related taxes	23,410	13,467
Employee benefit plan	116,741	115,217
Total current liabilities	9,534,069	5,192,214
Estimated closure/post closure costs, net of current portion (note 9)	10,319,572	17,672,937
Total liabilities	19,853,641	22,865,151
Net position		
Net investment in capital assets	29,921,161	35,088,753
Restricted	9,405,073	5,727,058
Unrestricted	32,114,252	27,184,940
Total net position	71,440,486	68,000,751
Total liabilities and net position	\$ 91,294,127	\$ 90,865,902

See accompanying notes to financial statements.

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended December 31,</i>	2016	2015
Revenue from landfill operations, net of statutory payments of \$3,385,261 and \$3,128,918 in 2016 and 2015, respectively	\$ 15,431,767	\$ 15,184,613
Operating expenses:		
Direct costs of landfill operations	6,679,364	5,448,471
Landfill site expenses	1,155,254	792,659
General and administrative expenses	2,055,663	1,830,701
Depletion of landfill site:		
Expansion cells	2,247,791	2,414,393
Provision for closure and post closure costs (note 9)	515,719	579,987
Total operating expenses	12,653,791	11,066,211
Operating income	2,777,976	4,118,402
Non operating revenue		
Investment income, net	643,516	72,139
Other income, net	774,587	803,257
Gain on disposal of fixed assets	43,656	185,814
Total non operating revenue	1,461,759	1,061,210
Increase in net position before payments to County of Chester	4,239,735	5,179,612
Payments to County of Chester	(800,000)	(800,000)
Increase in net position	3,439,735	4,379,612
Net position		
Beginning of year	68,000,751	63,621,139
End of year	\$ 71,440,486	\$ 68,000,751

See accompanying notes to financial statements.

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Statements of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Cash flows from operating activities:		
Cash received from customers	\$ 15,559,974	\$ 15,204,651
Cash paid to vendors	(5,625,107)	(4,585,374)
Cash paid to employees	(3,159,442)	(2,953,207)
Net cash provided by operating activities	6,775,425	7,666,070
Cash flow for non capital financing activity:		
Payments to County of Chester	(800,000)	(800,000)
Cash flows from capital and related financing activities		
Capital expenditures	(1,697,409)	(2,652,555)
Proceeds from disposal of capital assets	354,506	12,900
Net cash used in capital and financing related activities	(1,342,903)	(2,639,655)
Cash flows from investing activities		
Purchases of restricted investments	(7,152,627)	(20,964,635)
Sale of restricted investments	7,935,000	24,015,290
Purchases of unrestricted investments	(10,043,466)	(5,466,847)
Interest received on investments	1,074,040	30,669
Other income, net	774,587	803,257
Net cash provided by investing activities	(7,412,466)	(1,582,266)
Net change in cash and cash equivalents	(2,779,944)	2,644,149
Cash and cash equivalents, beginning of year	\$ 4,067,120	\$ 1,422,971
Cash and cash equivalents, end of year	\$ 1,287,176	\$ 4,067,120
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,777,976	\$ 4,118,402
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for closure and post closure costs	515,719	579,987
Cost adjustment for closure and post closure costs	(1,003,796)	(942,352)
Depletion of landfill site	2,247,791	2,414,393
Depreciation of capital assets	1,938,242	1,767,739
Change in assets and liabilities:		
Decrease in accounts receivable, excluding amounts due from asset sales	28,303	79,296
Decrease in prepaid expenses	59,827	65,187
Increase (Decrease) in non-capital related accounts payable	149,992	(366,990)
Increase in accrued liabilities and other	11,467	9,816
Increase (Decrease) in surcharges withheld	49,904	(59,408)
Total adjustments	3,997,449	3,547,668
Net cash provided by operating activities	\$ 6,775,425	\$ 7,666,070
Supplemental disclosure of non cash information		
Capping construction in process applied to closure liability	\$ 2,828,968	\$ -

Chester County Solid Waste Authority

(A Component Unit of the County of Chester, Pennsylvania)

Notes to the Financial Statements

1. Organization and Nature of Operation

The Chester County Solid Waste Authority (the Authority) was created pursuant to an ordinance of the Board of Commissioners of the County of Chester, Pennsylvania (the County), and incorporated on August 20, 1984, in accordance with the Municipality Authorities Act of 1945, as amended (the Act). Under the Act, the Authority has a term of existence of 50 years from its date of incorporation. The Act empowers the Authority to acquire, hold, improve, maintain, operate, and own solid waste disposal facilities and to enter into waste disposal contracts with both public and private entities. The Pennsylvania Solid Waste Management Act as amended (Act 97) and the Pennsylvania Municipal Waste Planning, Recycling and Waste Reduction Act as amended (Act 101) regulate the management of solid waste disposal throughout the state. Under Act 97 and Act 101, each county is required to adopt a municipal waste management plan for municipal waste generated within its boundaries.

As a public authority, the Authority is not subject to federal and state income taxes. The Authority was formed by and is a component unit of the County as the County guarantees any debt of the Authority. The financial statements of the Authority are included in the County's basic financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. The Authority's policy is to define operating activities in the statement of revenues, expenses and changes in net position as those that generally result from exchange transactions such as the payment received for solid waste disposal and payment made for the landfill operation and administration. Certain other transactions are reported as non-operating activities including the Authority's investment income, interest expense, and disposal of capital assets. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first for restricted purposes, then unrestricted resources as needed.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates recorded. Significant items subject to such estimates and assumptions include the useful lives of fixed assets and other assets, landfill closure and post closure costs, and other contingencies.

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Notes to the Financial Statements

Investments

The investments are reported in accordance with the authoritative guidance on fair value measurements and disclosures, the Authority discloses the fair value of its investments in a hierarchy that ranks the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest ranking to valuations based upon unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest ranking to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Exceptions to fair value measurement included in the guidance allows for certain exceptions to fair value measurement and allows for cost-based measurements; notably that of money market investments that have a remaining maturity of one year or less upon acquisition may be reported at amortized cost.

Capital and Other Assets

Capital assets are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs are charged to income as incurred; significant renewals and betterments are capitalized.

Under the terms of a property value guarantee agreement (see note 10), the Authority purchased several properties that are not contiguous to the landfill and that the Authority does not intend to hold long-term. Properties are generally rented on short-term leases until the Authority determines to sell the property. These properties are classified as other assets on the balance sheets and the cost attributed to the land are carried at their purchase cost while buildings are depreciated using the straight-line method over their estimated life. Residential real estate properties purchased by the Authority that are contiguous to the landfill site are considered to be capital assets as the Authority intends to hold these properties indefinitely.

The Authority periodically evaluates assets (including non-contiguous properties classified as other assets) for impairment based on prevailing market values.

Net Position

Net position represents assets less liabilities. Net position invested in capital assets consists of capital and landfill assets, net of accumulated depreciation, and reduced by outstanding balances of debt (including retainage) issued for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or other external restriction. Unrestricted net position consists of net position that does not meet the definition of the two preceding categories and, thus, is generally available for use in operations.

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Notes to the Financial Statements

Closure and Postclosure Costs

The Authority accrues closure and postclosure care costs based on estimates of the costs on percentage of the facility utilized. See note 9 for additional information regarding closure and postclosure care costs.

License Agreements

On May 1, 2003, the Authority signed two agreements with Granger Energy of Honey Brook, LLC (Granger) concerning beneficial use of landfill gas. In February 2010, an addendum to the agreement was approved. These agreements have a 10-year term, renewable for five successive 5-year term, and provide Granger rights to the landfill gas, access and control of gas wells and flares, and the lease of Authority property for their facility. The Authority has recorded approximately \$2,000 of rental income related to the lease agreement, which is shown as other income for the years ended December 31, 2016 and 2015. Although the facility improvements are owned by Granger, the Authority agreed to share the project cost, which was only to be paid from royalty payments that are due to the Authority from future gas sales. The Authority agreed to pay upon execution of the February 2010 addendum, \$500,000 in partial settlement of the Authority's remaining principal and interest balance related to its share of gas collection system project costs. For the first 12 months after the payment, Granger agreed to pay the Authority 25% of the monthly landfill gas payment determined under the addendum, and apply the remaining 75% against the outstanding principal and interest balance. For the second 12 months, the Authority will receive 50% of the monthly landfill gas payment and 50% will be applied to the outstanding balance. At the end of the second 12 months, the remaining principal and interest balance will be canceled and the Authority will thereafter receive 100% of the monthly landfill gas payment as determined under the addendum. If the agreement is canceled, then the Authority has no obligation to pay its share of the costs. The payments commenced March 2010 and approximately \$318,000 and \$343,000 was recognized as other income for the years ended December 31, 2016 and 2015, respectively. Because the terms of the agreements do not result in any legal obligation to the Authority, no liability has been recorded in the financial statements as of December 31, 2016 and 2015.

3. Landfill Site and Expansion Cells

The landfill site was assigned a cost of \$5,000,000 at acquisition in 1984 based on its estimated fair value. Such cost is being charged to expense in a manner consistent with the physical usage, or depletion, of the site. Expansion cells construction, permitting, and site preparation costs consist of the following components:

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)

Notes to the Financial Statements

<i>December 31,</i>	Cost	Accumulated Depletion	Balance 2016	Balance 2015
Landfill site	\$ 5,000,000	\$ (5,000,000)	\$ -	\$ -
Area D expansion	16,598,487	(16,598,487)	-	16,616
Area E expansion	24,899,163	(2,158,449)	22,740,714	24,849,021
Area F expansion	34,538	-	34,538	34,538
Fully depleted landfill costs	33,570,705	(33,570,705)	-	-
Total	\$ 80,102,893	\$ (57,327,641)	\$ 22,775,252	\$ 24,900,175

<i>December 31,</i>	Balance 2015	Additions	Reclasses	Balance 2016
Landfill site	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Area D expansion	16,525,761	72,726	-	16,598,487
Area E expansion	24,849,021	12,773	37,369	24,899,163
Area F expansion	34,538	-	-	34,538
Fully depleted landfill costs	33,570,705	-	-	33,570,705
Site and expansion, at cost	79,980,025	85,499	37,369	80,102,893
Less accumulated depletion	(55,079,850)	(2,247,791)	-	(57,327,641)
Net book value	\$ 24,900,175	\$ 2,162,292	\$ 37,369	\$ 22,775,252

<i>December 31,</i>	Balance 2014	Additions	Reclasses	Balance 2015
Landfill site	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Area D expansion	16,458,094	67,667	-	16,525,761
Area E expansion	24,608,600	240,421	-	24,849,021
Area F expansion	34,538	-	-	34,538
Fully depleted landfill costs	33,570,705	-	-	33,570,705
Site and expansion, at cost	79,671,937	308,088	-	79,980,025
Less accumulated depletion	(52,665,457)	(2,414,393)	-	(55,079,850)
Net book value	\$ 27,006,480	\$ (2,106,305)	\$ -	\$ 24,900,175

Fully depleted landfill costs include Area B Cells (1, 2, 3, and 4), Area C Cells (1, 2, 3, and 4), and the pipeline relocation. These landfill costs have been fully depleted and are shown in the aggregate in the tables above. Costs to construct expansion cells are initially capitalized, and subsequently charged to expenses in a manner consistent with the physical usage, or depletion, of the site, typically driven by tons of solid waste accepted.

Area B Cells 1, 2, 3, and 4 had total costs of \$13,448,191 and closure and capping was completed in 2000.

Area C Cells 1, 2, 3, and 4 including the Pipeline Relocation had total costs of \$20,122,514 and closure and capping was completed in 2005.

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)

Notes to the Financial Statements

Area D -During 2016 and 2015, the Authority capitalized costs incurred with feasibility tests, permitting, and construction costs related to the expansion of Area D, which was approved by the Pennsylvania Department of Environmental Protection (DEP) in July 2004. Area D began operating in August 2005, and approximately 258,000 tons of waste were deposited in this cell during 2015. During 2016, approximately 1,000 tons of waste was deposited in Area D, which was being prepared for capping.

Area E -During 2016 and 2015, the Authority capitalized costs incurred related to engineering and construction to expand into Area E. The permit for Area E was approved on December 22, 2010. Area E Cell 1 began operating in October 2015, and approximately 272,000 tons and 24,000 tons of waste was deposited in this cell during 2016 and 2015, respectively.

Accordingly, depletion charged to operations was \$2,247,791 and \$2,414,393 in 2016 and 2015, respectively.

Area F - During 2016 and 2015, no costs were capitalized relating to Area F. During 2014, the Authority capitalized costs incurred related to a feasibility study conducted for the expansion of an additional cell, Area F.

4. Capital and Other Assets

Capital assets consist of the following:

<i>December 31,</i>	2016	2015	Estimated Useful Lives
Real estate acquired	\$ 4,157,777	\$ 4,151,606	27.5 Years
Leachate treatment plant	2,216,865	2,197,296	13 Years
Gas collection system	1,710,940	1,044,454	5 Years
Building and improvements	1,434,861	1,382,354	15 years
Property improvements	865,042	871,703	15 Years
Scale house	4,076,491	4,059,124	8 Years
Office facilities	37,645	35,750	15 Years
Non operating equipment	862,272	868,730	5-8 Years
Heavy operating equipment	7,721,850	7,692,812	5-7 Years
Furniture and fixtures	136,599	199,924	5 Years
Automobiles and trucks	287,535	268,784	3 Years
Construction in progress	598,364	3,069,598	Not depreciated
Capital assets, at cost	24,106,241	25,842,135	
Less accumulated depreciation	(15,548,056)	(14,249,517)	
Net book value	\$ 8,558,185	\$ 11,592,618	

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)

Notes to the Financial Statements

<i>December 31,</i>	Balance 2015	Additions	Retirements	Reclasses	Balance 2016
Real estate acquired	\$ 4,151,606	\$ 7,171	\$ (1,000)	\$ -	\$ 4,157,777
Leachate treatment plant	2,197,296	25,321	(5,752)	-	2,216,865
Gas collection system	1,044,454	667,630	(1,144)	-	1,710,940
Building and improvements	1,382,354	52,507	-	-	1,434,861
Property improvements	871,703	26,313	(32,974)	-	865,042
Scale house	4,059,124	21,757	(4,390)	-	4,076,491
Office facilities	35,750	1,895	-	-	37,645
Non-operating equipment	868,730	32,745	(39,203)	-	862,272
Heavy operating equipment	7,692,812	269,067	(240,029)	-	7,721,850
Furniture and fixtures	199,924	20,290	(83,615)	-	136,599
Automobiles and trucks	268,784	87,976	(69,225)	-	287,535
Construction in progress	3,069,598	364,645	(8,635)	(2,827,244)	598,364
Capital assets, at cost	25,842,135	1,577,317	(485,967)	(2,827,244)	24,106,241
Less accumulated depreciation	(14,249,517)	(1,766,369)	467,830	-	(15,548,056)
Net book value	\$ 11,592,618	\$ (189,052)	\$ (18,137)	\$ (2,827,244)	\$ 8,558,185

<i>December 31,</i>	Balance 2014	Additions	Retirements	Reclasses	Balance 2015
Real estate acquired	\$ 4,151,396	\$ 1,000	\$ (790)	\$ -	\$ 4,151,606
Leachate treatment plant	2,219,175	31,651	(53,530)	-	2,197,296
Gas collection system	1,183,813	12,384	(151,743)	-	1,044,454
Building and improvements	1,388,988	-	(6,634)	-	1,382,354
Property improvements	1,574,736	81,295	(784,328)	-	871,703
Scale house	4,051,486	11,057	(3,419)	-	4,059,124
Office facilities	28,013	7,737	-	-	35,750
Non operating equipment	901,309	1,755	(34,334)	-	868,730
Heavy operating equipment	7,080,250	1,514,111	(901,549)	-	7,692,812
Furniture and fixtures	238,788	33,676	(72,540)	-	199,924
Automobile and trucks	261,192	29,877	(22,285)	-	268,784
Construction in progress	2,654,015	415,583	-	-	3,069,598
Capital assets, at cost	25,733,161	2,140,126	(2,031,152)	-	25,842,135
Less accumulated depreciation	(14,551,205)	(1,600,878)	1,902,566	-	(14,249,517)
Net book value	\$ 11,181,956	\$ 539,248	\$ (128,586)	\$ -	\$ 11,592,618

Chester County Solid Waste Authority

(A Component Unit of the County of Chester, Pennsylvania)

Notes to the Financial Statements

Residential real estate purchased under the Authority's property value guarantee agreement that are not contiguous to the landfill and that the Authority does not intend to hold long term are considered other assets. The carrying value of these properties were \$4,685,273 and \$4,818,620 at December 31, 2016 and 2015, respectively. Depreciation expense for non-contiguous real estate for the years ended December 31, 2016 and 2015 amounted to \$171,873 and \$166,861, respectively.

In 2016 and 2015, the Authority recorded retirements of \$485,967 and \$2,031,152 of assets that were either no longer in service or in possession of the Authority or were sold. Assets retired for the year ended December 31, 2016 and 2015 had a net book value of \$18,137 and \$128,586, respectively. Assets sold resulted in a gain of \$43,656 and \$185,814 for 2016 and 2015, respectively.

5. Restricted Investments

Restricted investments are comprised of the following:

<i>December 31,</i>	2016	2015
Self Closure/Post Closure Account	\$ 25,758,040	\$ 25,397,070
Total carrying value	\$ 25,758,040	\$ 25,397,070

The restricted investments shown above are invested in government securities.

The amounts above are presented as restricted investments in the statements of net position as follows:

<i>December 31,</i>	2016	2015
Current portion	\$ 6,033,395	\$ 1,997,075
Noncurrent portion	19,724,645	23,399,995
Total	\$ 25,758,040	\$ 25,397,070

6. Deposits and Investments

Deposits

Commonwealth of Pennsylvania (Commonwealth) law requires that the Authority's deposits be placed in savings accounts, time deposits, or share accounts of institutions insured by their Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured and for any amounts above the insured maximum if the approved collateral as provided by law shall be pledged by the depository.

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Notes to the Financial Statements

At December 31 2016, the carrying value and bank balance of the Authority's deposits were \$1,287,176 and \$1,317,829, respectively. At December 31 2015, the carrying value and bank balance of the Authority's deposits were \$4,067,120 and \$1,187,379, respectively.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less to be cash equivalents.

Investments

The Authority has adopted a formal investment policy in accordance with Section 5611 of the Commonwealth of Pennsylvania Municipality Authorities Act. In accordance with their investment policy, the Authority is authorized to invest in (1) U.S. Treasury bills; (2) short-term obligations of the U.S. government or its agencies or instrumentalities; (3) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision; and (4) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 if the only investments of that company are in the authorized investments for Authority funds listed above.

Money market mutual fund balances in excess of \$500,000 at December 31, 2016 and 2015 were uninsured and collateralized by financial institutions via single collateral pool arrangements as permitted by Act No. 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors. Certificates of Deposit are FDIC insured for up to \$250,000.

Unrestricted investments consisted of money market mutual funds and certificates of deposits which were recorded at amortized costs as noted below:

	2016	2015
Money market funds	\$ 25,369,744	\$ 16,905,074
Certificates of Deposit	518,849	515,782
Total	\$ 25,888,593	\$ 17,420,856

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Notes to the Financial Statements

The Authority had the following investments and maturities:

<i>December 31, 2016</i>		Investment maturities (in years)		
Investment Type	Fair Value	Less than 1	1-5	5-10
Municipal Bonds	\$ 25,758,040	\$ 349,430	\$ 11,317,073	\$ 14,091,537
Total	\$ 25,758,040	\$ 349,430	\$ 11,317,073	\$ 14,091,537

<i>December 31, 2015</i>		Investment maturities (in years)		
Investment Type	Fair Value	Less than 1	1-5	5-10
U.S. Treasury Notes	\$ 7,935,000	\$ 7,935,000	\$ -	\$ -
Municipal Bonds	17,462,070	-	7,670,870	9,791,200
Total	\$ 25,397,070	\$ 7,935,000	\$ 7,670,870	\$ 9,791,200

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. For municipal bonds, fair value is based on the securities relationship to similar benchmark quoted prices (Level 2), while U.S. Treasuries fair value is based on active market quotes (Level 1). The aggregate fair value by input level, for the Authority investments as of December 31, 2016 and 2015 are as follows:

<i>December 31, 2016</i>		Fair Value	Level 1	Level 2	Level 3
Municipal Bonds	\$ 25,758,040	\$ -	\$ 25,758,040	\$ -	-
Total	\$ 25,758,040	\$ -	\$ 25,758,040	\$ -	-

<i>December 31, 2015</i>		Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 7,935,000	\$ 7,935,000	-	-	-
Municipal Bonds	17,462,070	-	17,462,070	-	-
Total	\$ 25,397,070	\$ 7,935,000	\$ 17,462,070	\$ -	-

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Notes to the Financial Statements

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the value of an investment. The Authority's investment policy does not specifically limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy limits its investments to credit quality ratings of not less than A- as rated by Standard & Poor's Investor Service. The Authority's investments in U.S. Treasury securities were rated AAA by Standard & Poor's and AAA by Moody's Investors Service, and the investments in the municipal bond securities were rated A- or higher by Standard & Poor's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments collateral securities that are in the possession of an outside party. The U.S. Treasury and municipal securities include insured or registered investments, held either by the Authority or by its agent in the Authority's name.

Concentration of Credit Risk - The Authority's investment policy does not limit the amount that may be invested with anyone issuer. As of December 31, 2016 the Authority had no issuers with investments in excess of 5% of the investment portfolio, other than City of Reading (5%), Philadelphia Authority for Industrial Development (14%), the Commonwealth of Pennsylvania (21%), and Carbon County Hospital Authority of Pennsylvania (6%). As of December 31, 2015 the Authority had no issuers with investments in excess of 5% of the investment portfolio, other than U.S. Treasury notes (29%), City of Duquesne (5%), City of Philadelphia (14%), and the Commonwealth of Pennsylvania (11%).

Reconciliation to Financial Statements

Total deposits of \$1,287,176 and \$4,067,120 at December 31, 2016 and 2015, respectively, and total investments \$51,646,633 and \$46,885,046 at December 31, 2016 and 2015, respectively, are presented in the statements of net position as follows:

<i>December 31,</i>		2016		2015
Cash and cash equivalents	\$	1,287,176	\$	4,067,120
Unrestricted investments		25,888,593		17,420,856
Restricted investments - current		6,033,395		1,997,075
Restricted investments - noncurrent		19,724,645		23,399,995
Total	\$	52,933,809	\$	46,885,046

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Notes to the Financial Statements

7. Major Customers

The Authority derived approximately 52% and 55% of its operating revenues from four customers for the years ended December 31, 2016 and 2015, respectively. Accounts receivable of the Authority consist of amounts due principally from entities engaged in waste disposal operations primarily in Chester County. At December 31, 2016 and 2015, approximately 67% and 61% of the total accounts receivable balance was due from its four major customers. A major customer is defined as contributing 5% or greater to the total operating revenue.

8. Employee Benefit Plan

The Authority maintains a single-employer defined contribution employee benefit plan with Mass Mutual covering substantially all employees. Participation begins January 1 in the year following the date of hire. The Authority's contributions for each employee are fully vested after one year of continued service. Contributions to the plan are at the discretion of the Authority's board of directors up to a maximum of 15% of employee compensation, and employee contributions are not required. On termination of service due to death, disability, separation or retirement at or after age 65, a participant may elect to receive a lump sum amount equal to the value of his or her account, or may elect to receive benefits in the form of an annuity as specified by the Plan. Forfeitures by non-vested participants are used to reduce future Authority contributions or pay plan expenses. For both 2016 and 2015, there were no forfeitures nor were there any forfeitures applied to reduce contributions or pay expenses. In both 2016 and 2015, the contribution rate was 12%. The Authority's total payroll approximated \$1,921,000 and \$1,822,000 in 2016 and 2015, respectively. Total expense under the plan approximated \$214,000 and \$217,000 in 2016 and 2015, respectively.

9. Closure and Postclosure Costs

Commonwealth and federal laws and regulations require the Authority to place a cover on the completed sections of the landfill when it stops accepting waste at a site, and to perform certain maintenance and monitoring functions at the landfill site for extended periods (up to 30 years) after closure. Although closure and postclosure care costs are paid only when the Authority stops accepting waste at a site, a portion of such costs is reported as an operating expense each period based on landfill capacity used as of each balance sheet date. As of December 31, 2016, the landfill's total capacity used to date is approximately 94%. Based on estimates using current tonnage received, the landfill will be fully depleted by approximately 2025. The Authority increases or decreases its estimated liability for closure and post closure costs each year based on revised cost estimates provided by consulting engineers and percentage of the facility utilized. During 2016 and 2015, costs of \$515,719 and \$579,987, respectively, were expensed. Accrued costs amounted to the following:

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Notes to the Financial Statements

<i>December 31,</i>	2016		2015	
Current portion	\$	6,033,395	\$	1,997,075
Noncurrent portion		10,319,572		17,672,937
Total	\$	16,352,967	\$	19,670,012

The current closure and postclosure financial assurance requirement approved by the Pennsylvania Department of Environmental Protection (PADEP) is \$24,534,000 as of December 31, 2016. The Authority will recognize the remaining estimated cost of closure and postclosure care for the entire site (measured as of December 31, 2016) as the remaining estimated capacity is filled. Actual cost may differ due to the rate of inflation, changes in technology, or changes in regulations. The closure and postclosure financial assurance requirement approved by the PADEP was \$24,534,000 as of December 31, 2015.

Total cash and investments on deposit in trust accounts specifically restricted for closure and post-closure care costs totaled \$25,758,040 and \$25,397,070 at December 31, 2016 and 2015, respectively.

	Estimated closure / postclosure costs
Balance at December 31, 2014	\$ 20,032,377
Closure / Postclosure expense	579,987
Payments made	(942,352)
Balance at December 31, 2015	19,670,012
Closure / Postclosure expense	515,719
Payments made	(1,003,796)
Capping construction in process applied to closure liability	(2,828,968)
Balance at December 31, 2016	\$ 16,352,967

The U.S Environmental Protection Agency (EPA) enacted regulations that became effective in October 1993, which, among other things, require municipal solid waste organizations to conduct postclosure care monitoring activities for a minimum of 30 years for new landfill units. Management of the Authority has been advised by legal counsel that such regulations do not apply to certain older portions the Authority's land fill site that did not receive waste after the date the regulations were published. Accordingly, based on management's present intentions, the Authority's recorded liability for postclosure

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Notes to the Financial Statements

obligations reflects the estimated costs of postclosure care for these older areas of the landfill site for a period of 20 years after closure, consistent with a Closure Plan submitted by the Authority and approved by the PADEP. The Authority is permitted to voluntarily conduct postclosure care activities for a period in excess of 20 years and has resolved to annually review and reevaluate its plans and intentions in this regard. Further, the Authority's recorded obligations for closure and postclosure care activities are accounting estimates that are based on a number of variables and could change significantly in the future as a result of changes in regulatory requirements, technology, and management's plans.

10. Commitments and Contingencies

Insurance & Environmental

The Authority maintains insurance coverage for environmental and other matters subject to certain policy exclusions. The insurance limits in force for 2016 and 2015 were \$6,000,000 for each occurrence and \$12,000,000 aggregate. Any significant claims against the Authority relative to environmental matters that are not covered by existing insurance arrangements, if asserted and not successfully defended, could have material adverse impact on the Authority's financial position and results of operations. As of December 31, 2016 and 2015, the Authority was not aware of any such claims, asserted or unasserted, related to its operations.

Legal

The Authority made claims against the contractor related to the construction of Area E for what it deemed to be a breach of contract and is seeking damages. The contractor filed a counterclaim, which the authority believes is without merit. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the net position or results of operations of the Authority.

Property Value Guarantee

The Authority has a property value guarantee agreement with property owners whose personal residence was within three quarters of a mile from the edge of the waste footprint of the Area D Landfill Expansion as of July 15, 2004. Under the terms of the agreement, if a property owner receives a written offer that is less than appraised fair market value assuming that the site of the landfill was farmland, the Authority will pay the property owner the difference between fair market value and the amount received in the transaction, less certain fees and taxes. Additionally, if an agreement of sale is not signed prior to the expiration of 180 days from the date of the owner entering into a brokerage agreement with a licensed real estate broker, the Authority will purchase the property at appraised fair market value. During December 31, 2016 and 2015, \$22,650 and \$27,050, respectively was paid for Area D property value guarantees.

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Notes to the Financial Statements

In January 2012, the Authority entered into host municipality benefits agreements with a local township. The agreements provide for payments to area property owners within one half mile of the landfill “Area E” boundary, with the payment amount based on respective properties’ assessed values, which totaled approximately \$500,000, which were capitalized as part of the Area E expansion costs to be amortized over the estimated useful life of that area once it begins accepting waste. Additionally, the agreements provide for a property value guarantee similar in nature to the property value guarantee for “Area D” described above. In 2016 and 2015, the Authority did not make any payments for Area E property value guarantees.

Supplementary Schedules

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)

Schedule 1

Direct Costs of Landfill Operations

<i>Years Ended December 31,</i>	2016	2015
Wages	\$ 844,746	\$ 805,537
Payroll taxes and benefits	509,697	454,197
Operational supplies and expense	214,981	147,454
Insurance	150,792	145,594
Fuel and lubricants	206,933	233,796
Repairs and maintenance	1,440,707	626,104
Depreciation expense	1,892,444	1,725,970
Cover materials	610,066	660,868
Employee benefit plan	116,426	118,193
Heat and light	11,224	11,674
Leachate treatment	681,348	519,084
Total direct costs of landfill operations	\$6,679,364	\$ 5,448,471

See independent auditor's report.

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)
Schedule 2
Landfill Site Expenses

<i>Years Ended December 31,</i>	2016	2015
Well sampling	\$ 119,487	\$ 114,942
Water quality professional services	28,500	45,737
Aerial survey	-	3,411
Module certification	6,220	12,815
Consulting engineers	144,976	54,843
Surveying	18,034	10,980
Erosion control/Stone for roadway	40,850	11,208
Landfill gas services	84,836	85,474
Odor control expense	320,928	133,560
Purchased properties expense	124,150	121,021
Hydroseeding	-	27,551
Wildlife habitat expense	67,423	83,056
Recycling/composting development	199,850	88,061
Total landfill site expenses	\$ 1,155,254	\$ 792,659

See independent auditor's report.

Chester County Solid Waste Authority
(A Component Unit of the County of Chester, Pennsylvania)

Schedule 3

General and Administrative Expenses

<i>Years Ended December 31,</i>	2016	2015
Salaries	\$ 700,980	\$ 673,275
Payroll taxes and benefits	315,134	280,817
Telephone expenses	28,936	23,783
Conferences, dues and subscriptions	43,822	35,721
Travel and entertainment	38,549	30,663
Heat and light	6,646	6,665
Professional services	171,730	179,806
Advertising	1,826	4,217
Provision for bad debts	(50,000)	-
Office expense	90,415	85,254
Employee benefit plan	66,715	54,683
Legal expense	300,922	107,214
Depreciation expense	45,798	41,769
Local government/school taxes	94,774	90,399
Public information & community support	199,416	216,435
Total general and administrative expenses	\$2,055,663	\$ 1,830,701

See independent auditor's report.