

# DELAWARE SOLID WASTE AUTHORITY - 2014

2014 Delaware Solid Waste Authority Annual Report



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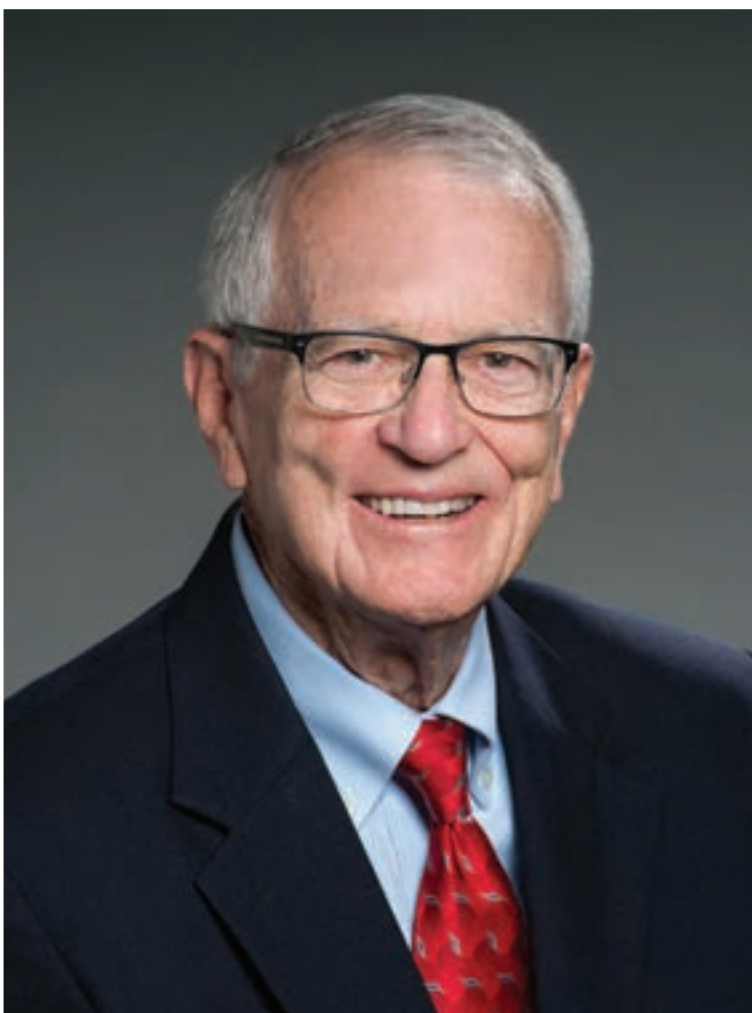
2014 ANNUAL REPORT



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## DSWA **CHAIRMAN'S LETTER**

Richard V. Pryor | **Chairman of the Board**

As last year's FY 2013 letter indicated, this year (FY 2014) would likely involve even greater challenges to the Delaware Solid Waste Authority. We would have to face these challenges with a brand new senior executive team to continue the process of formulating a new strategic plan that would address the sea changes affecting the solid waste industry regionally, nationally and internationally. I am pleased to report that this Authority has indeed met that challenge.

With the announcement at the close of FY 2013 by DSWA Chief Executive Officer Pasquale ("Pat") S. Canzano of his intention to retire as of January 1, 2014, the Board of Directors assessed the existing pool of talent within the organization and decided to solicit applications from within. Four applicants were selected for intensive personal interviews before the Board, and the performance of all four quickly justified our confidence in the professionalism and leadership potential already available near at hand – a further testament to the ongoing staff-development philosophy and investment on the part of Pat Canzano and his predecessor, DSWA's first CEO, N. C. Vasuki.

Ultimately, the Board selected Chief Operating Officer, Richard ("Rick") P. Watson for promotion to Chief Executive Officer, becoming only the Authority's third CEO since its establishment in 1975. Rick first joined DSWA in October 1981 as a Protect Engineer, becoming Manager of Engineering in 1985. In 1991, he was promoted to Chief Engineer, a position he held until he became COO in 2007. Rick brings a wealth of experience through much of DSWA's growth and development and a keen analytical skillset that has already served him well in discharging his more complex duties as CEO. To replace Rick Watson as COO, the Board approved the appointment of Robin M. Roddy. Robin began her DSWA career in 1995 as a Project Engineer, rising in 2000 to the demanding operational position of Manager of Cherry Island Landfill, the largest landfill in the State. In this position, Robin had to track, oversee and control a complex arrangement of DSWA employees, private contractors and their personnel, and waste hauler operations - duties which she managed with judgment, decisiveness and effectiveness.

# DELAWARE SOLID WASTE AUTHORITY - 2014

## DSWA BOARD OF DIRECTORS

Ronald G. McCabe

**Vice Chairman**



Theodore W. Ryan



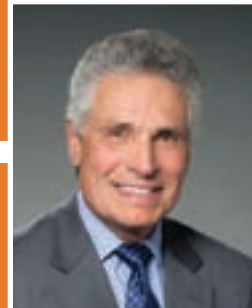
Timothy P. Sheldon



Tonda L. Parks



Gerard L. Esposito



Gregory V. Moore P.E.



Together Rick Watson and Robin Roddy have quickly formed a complementary, effective and smoothly functioning senior management partnership that has taken the reins without skipping a beat. When initially selecting them for their respective promotions early in FY 2014, the Board challenged them to accelerate the strategic planning process, with particular emphasis on continuing quality control, enhanced efficiencies, cost reductions, and shoring up underlying financial strength in the face of changing industry dynamics and future demands. The CEO's letter and the details following in this Annual Report will attest to many of these achievements. And, next year's report will note even more – and difficult – accomplishments that should go far toward sustaining our Mission in the years just ahead. To them and to all the staff of DSWA who have resolutely taken up the challenge and responded with renewed vigor and commitment, I am proud to extend the Board of Directors' congratulations and appreciation.

A handwritten signature in black ink, appearing to read "Richard V. Pryor".

Richard V. Pryor | **Chairman of the Board**



# DELAWARE A YEAR OF TRANSITION

The Delaware Solid Waste Authority (DSWA) experienced significant changes during Fiscal Year 2014. A transition of leadership took place when the Chief Executive Officer, Pasquale S. Canzano, P.E., BCEE, retired on December 31, 2013. His career with DSWA spanned 38 years, the last seven as DSWA's Chief Executive Officer. Pat successfully led our organization through an exceedingly challenging period of time and events.

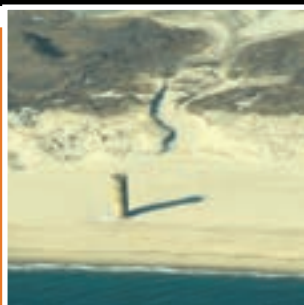
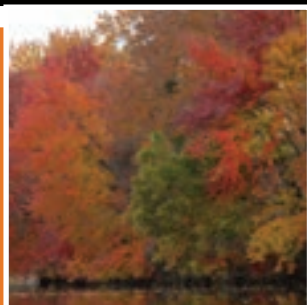
I thoroughly enjoyed working with Pat as his Chief Operating Officer during that time and am honored to have been given the opportunity by DSWA's Board of Directors to lead our organization into the future as the new Chief Executive Officer beginning on January 1, 2014. I am also thrilled at our Board's decision to select Ms. Robin M. Roddy, P.E., BCEE, as our new Chief Operating Officer. Robin has been with DSWA for over 18 years, the last 13 as the Manager of the Cherry Island Landfill, the largest of DSWA's three active landfills. I believe this transition of leadership went very smoothly due to the well-thought-out process led by our Board and Pat Canzano. Their confidence in Robin and my abilities are appreciated and inspiring for us to show everyone how well we can and will do.

Pat initiated the development of a Strategic Business Plan to ensure that DSWA and the new leadership would have a successful, sustainable future. The Plan consists of implementing changes to facilities, operations, and personnel which will increase efficiencies and reduce expenses. It also evaluates emerging recycling technologies and their potential viability in Delaware. Any changes made will not impact our high level of quality or service. Robin and I worked to refine and begin implementation of this Plan during FY2014 and into FY2015.

FY 2014 marked another major transition for DSWA in which we switched from "construction mode" to "operation mode." The completion of construction and certification for use of new cells at each of our three landfills enabled DSWA to start placing solid waste and operating within these new cells as follows:

Landfill	Expansion Cell	Estimated Cell Life	Commencement of Waste Placement
Jones Crossroads	Cell 5	15 years	May 2013
Sandtown	Area F	23 years	March 2014
Cherry Island	Phase III, IV, V Expansion	30 years	March 2014

Delaware's waste disposal capacity is set for many years to come which allows us time to evaluate and implement other waste management and recycling alternatives and improvements. As we transitioned to operating in new landfill cells, we received approximately 8 percent more solid waste than the previous fiscal year. This was our first increase in over eight years and a possible sign that an economic recovery is occurring. Our solid waste management system is now positioned very well to handle any new development.



*FY2014 also saw the commencement of operations of new facilities and programs described below:*

- Two new landfill gas to electricity engines were installed and began operation at the Sandtown Landfill, bringing the total to five engines capable of producing 5 MW of electricity.
- The Delaware Recycling Center Administration Office Building was renovated and repurposed as DSWA's new Environmental Education Building. It reopened in August 2013 and became DSWA's first LEED certified building. Leadership in Energy and Environmental Design (LEED) is a set of rating systems developed by the U.S. Green Building Council for the design, construction, operation, and maintenance of green buildings. This building now provides a permanent location for school children, environmental groups, and the general public to learn more about solid waste, recycling, energy conservation, and environmental protection.
- Two new solar installations were constructed and brought into operation. An innovative 10 KW photovoltaic solar film system was installed on the Cell 2 membrane cap at the Jones Crossroads Landfill and began operation in March 2014 and a 200 KW solar panel system was installed on Phase II of the Cherry Island Landfill and began operation in June 2014.
- A new mattress recycling pilot program began in August 2013 that resulted in the recycling of 1,490 mattresses weighing 48 tons.
- FY2014 also saw a substantial increase in the amount of recyclables processed by our partners in single stream recycling and construction and demolition recycling, ReCommunity Delaware LLC and Revolution Recovery Delaware LLC respectively. These two operations are among the elite in their industry and processed over 157,000 tons combined as detailed further in this report. Both are located at DSWA's Delaware Recycling Center site in New Castle, Delaware.

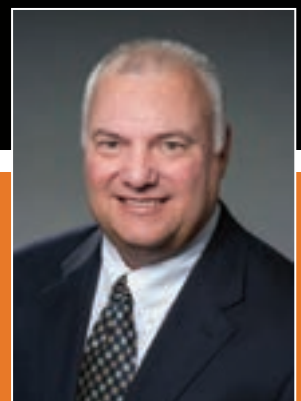
All these projects show our transition to a renewed focus on operations. We are determined to continue DSWA's mission "To define, develop and implement cost-effective plans and programs for solid waste management which best serve Delaware and protect our public health and environment."

DSWA's past leaders, including former Board members and Chief Executive Officers N.C. Vasuki, P.E., BCEE, and Pasquale S. Canzano, P.E., BCEE, established DSWA as a recognized leader both nationally and internationally, in recycling and solid waste management systems. Fortunately, Robin and I were able to participate many years under their tutelage and have gained a tremendous amount of knowledge that makes us confident and excited to be the new leaders who will continue the tradition of excellence established by this organization for the State of Delaware.

Richard P. Watson P.E., BCEE | **Chief Executive Officer**

*Richard P. Watson*

"FY 2014 marked another major transition for DSWA in which we switched from "construction mode" to "operation mode." We are determined to continue DSWA's mission "To define, develop and implement cost-effective plans and programs for solid waste management which best serve Delaware and protect our public health and environment."

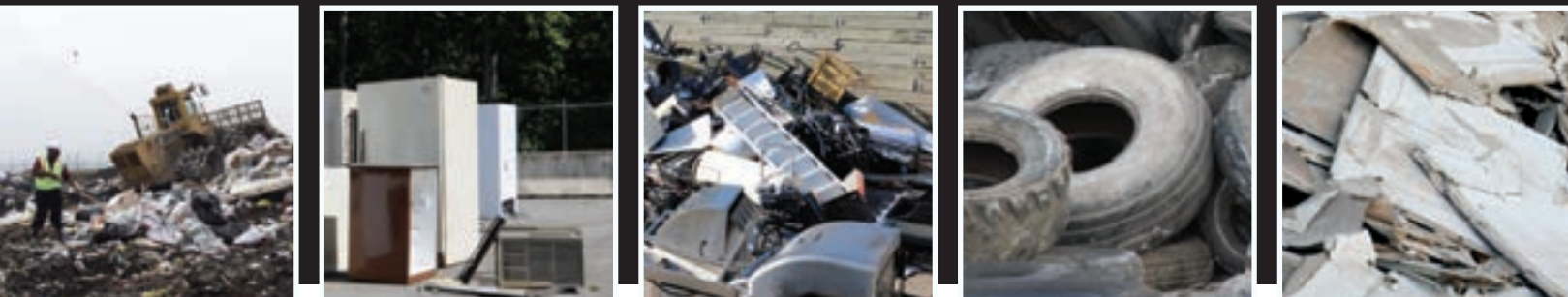


# RECYCLING DIVERSION RATES IN DELAWARE

## Municipal Solid Waste (MSW) Landfill Diversion Rates in Delaware

YEAR	2006	2007	2008	2009	2010	2011	2012	2013
Diverted Recyclables (tons)	248,410	377,066	318,032	323,637	359,147	401,883	405,953	450,499
Landfilled Municipal Solid Waste (MSW) (tons)	823,479	794,984	741,143	668,353	706,368	672,761	607,539	623,463
Total MSW = Diverted Recyclables + Landfilled MSW (tons)	1,071,889	1,172,050	1,059,175	991,990	1,065,515	1,074,644	1,013,492	1,073,962
PERCENT DIVERTED RECYCLABLES	23.2%	32.2%	30.0%	32.6%	33.7%	37.4%	40.1%	41.9%

Source 2013 RPAC annual report.



Materials like tires, white goods (appliances), yard waste, propane tanks and construction debris are diverted from landfills and recycled to help save valuable landfill space.

## Facility Recyclable Quantities Used by Material Type - FY 2014

<b>MATERIAL</b> (material sent to market)	Cherry island Landfill NSWMC	Sandtown Landfill CSWMC	Jones Crossroads Landfill SSWMC	Pine Tree Corners Transfer Station PTCTS	Milford Transfer Station MTS	Route 5 Transfer Station RT5TS	Total TOTAL
Refrigerant White Goods	12.55	25.56	33.55	48.80	7.16	34.85	162.47
Non Refrigerant White Goods	88.41	48.83	313.00	64.38	17.40	137.49	669.51
Tires	145.61	236.76	322.37	51.58	38.87	19.68	814.87
Yard Waste *	316.78	1,433.25	846.38	592.25	313.29	1,644.15	5,146.10
Dry Wall	208.24	117.14	550.30	-	17.14	26.64	919.46
Propane Bottles	2.49	0.63	1.56	0.77	0.07	0.97	6.49
Metal shreds	-	-	227.13	-	-	-	227.13
Matresses	9.56	10.94	27.70	-	-	-	48.20
<b>TOTALS</b>	<b>783.64</b>	<b>1,873.11</b>	<b>2,321.99</b>	<b>757.78</b>	<b>393.93</b>	<b>1,863.78</b>	<b>7,994.23</b>

### MATERIAL USED FOR SOIL COVER & ROAD BUILDING AT LANDFILLS

ALTERNATIVE MATERIALS USED FOR SOIL COVER	TOTAL			
Clean Earth	347,248.10	-	-	347,248.10
Barrier	37,462.20	-	-	37,462.20
Recycled C&D	-	-	18,185.00	18,185.00
<b>TOTAL</b>	<b>384,710.30</b>	<b>0.00</b>	<b>18,185.00</b>	<b>402,895.30</b>

ALTERNATIVE MATERIALS USED FOR ROAD BUILDING				
Steel Slag	28,165.33	3,813.00	-	31,978.33
Recycled Concrete	-	7,544.00	-	7,544.00
Clean Earth Aggregate	7,218.40	-	-	7,218.40
Chipped yardwaste	-	-	-	0.00
<b>TOTAL</b>	<b>35,383.73</b>	<b>11,357.00</b>	<b>0.00</b>	<b>46,740.73</b>

ALTERNATIVE MATERIALS USED FOR SOIL AMENDMENT				
DSWA made Compost	-	-	182.90	182.90
<b>totals</b>	<b>0.00</b>	<b>0.00</b>	<b>182.90</b>	<b>182.90</b>
<b>TOTAL</b>	<b>420,094.03</b>	<b>11,357.00</b>	<b>18,367.90</b>	<b>449,818.93</b>



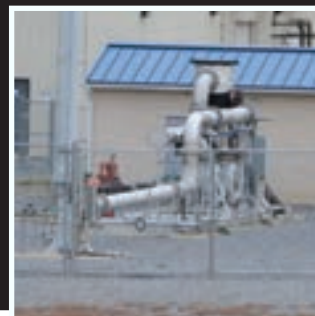
\*A total of 5329 tons of yard waste were recycled as mulch, compost or staged for future processing.



# LANDFILL GAS RECYCLING IN DELAWARE



LFG is a valuable source of green energy for the State of Delaware.



## LANDFILL GAS = “GREEN” ELECTRICITY

LFG	Average Flow	Beneficially Used	Flared	Collected	Energy Derived from Beneficially Used Gas			GHG Reduced
	(SCFM)	(MMSCF)	(MMSCF)	(MMSCF)	(MMBTU)	(KWH) <sup>a</sup>	(# OF HOMES POWERED) <sup>b</sup>	(MTCO2E) <sup>c</sup>
CIL	2,982	718	850	1,568	377,576	22,787,160	2,013	366,898
CSWMC	2,036	532	539	1,071	270,559	24,738,660	1,494	243,081
SSWMC	1,548	730	84	814	390,844	33,386,858	2,049	193,977
TOTAL	6,566	1,980	1,472	3,452	1,038,978	80,912,678	5,556	803,956

a - estimated value

b - determined by USEPA 2013 LMOP LFG Energy Benefits Calculator

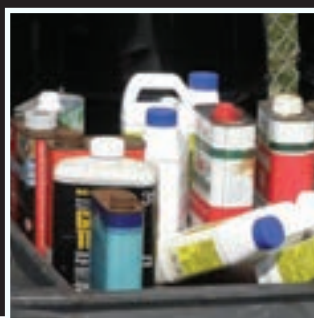
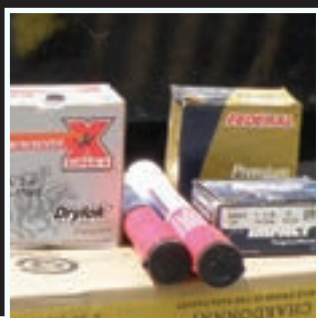
c - metric tons of carbon dioxide equivalents per year reduced thru LFG collection

Landfill gas (LFG) is the natural product of the decomposition that occurs naturally in a landfill. It contains approximately 50% methane, the main component of natural gas. DSWA collects and utilizes the energy capacity of the LFG at all three of our active landfill facilities. In New Castle County the Cherry Island Landfill collects approximately 3,000 cubic feet of LFG per minute. Nearly half of the LFG collected is utilized by Cummins Power Generation to generate power for the Croda Atlas Point Facility. In Kent County the Central Solid Waste Management Center collects approximately 2,000 cubic feet of LFG per minute. In Sussex County the Southern Solid Waste Management Center collects approximately 1,500 cubic feet of LFG per minute. LFG collected at the CSWMC and SSWCM facilities is utilized by Ameresco Delaware Energy, LLC. Ameresco uses engines to generate energy for Delaware homes and businesses. Ameresco has 5 MW of energy generating capacity at both CSWMC and SSWMC facilities.

LFG is a valuable source of green energy for the State of Delaware. Use of LFG to generate energy diverts the use of fossil fuel energy sources including coal, natural gas and oil. The carbon dioxide generated from utilizing LFG is considered “biogenic,” which means that it is carbon neutral so it does not contribute to climate change. LFG is a source of green energy that is available at DSWA facilities. DSWA is committed to continued public/private partnerships that will utilize LFG to produce green energy for Delaware.



# HOUSEHOLD HAZARDOUS WASTE COLLECTION



DSWA operates Household Hazardous Waste (HHW) Collection Events at different locations throughout the year. Delaware residents can bring their HHW to the event free of charge.





## HHW Program Events

EVENT (FY 2014)	POUNDS COLLECTED	COST PER EVENT	PARTICIPANTS
July 2013 (St. Anne's School)	6,484	\$9,253	265
August (SSWMC)	14,296	\$11,311	234
September (DRC)	22,179	\$18,272	994
October (Frawley – Wilm.)	12,878	\$19,594	888
December (U of D Newark)	17,293	\$20,439	768
March 2014 (Frawley Stadium)	19,681	\$24,185	964
April (St. Anne's School)	10,075	\$11,094	336
April (Rehoboth)	7,450	\$7,932	136
May (SSWMC)	10,737	\$14,281	296
June (University of DE Newark)	20,538	\$23,007	695
<b>TOTAL</b>	<b>141,611</b>	<b>\$159,368</b>	<b>5,576</b>

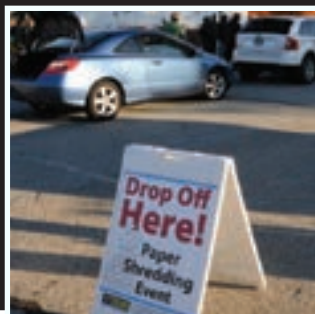
### CHESWOLD WEEKLY PROGRAM

MONTH	WEIGHT (LBS.)	LABOR AND DISPOSAL COSTS	PARTICIPANTS
July 2013	4,511	\$8,708.00	108
August 2013	7,585	\$13,091.60	190
September 2013	5,356	\$9,428.00	137
October 2013	3,902	\$10,904.60	130
November 2013	4,225	\$11,050.89	118
December 2013	3,348	\$8,439.00	101
January 2014	3,981	\$7,748.07	63
February 2014	2,592	\$8,766.55	60
March 2014	3,875	\$11,125.60	104
April 2014	3,690	\$9,981.80	121
May 2014	9,056	\$15,148.55	169
June 2014	8,169	\$13,143.80	141
<b>TOTAL</b>	<b>60,290</b>	<b>\$127,536.46</b>	<b>1,442</b>

### DRC WEEKLY PROGRAM

MONTH	WEIGHT (LBS.)	LABOR AND DISPOSAL COSTS	PARTICIPANTS
July 2013	9,692	\$13,586.60	160
August 2013	6,814	\$11,318.00	98
September 2013	6,085	\$11,074.08	107
October 2013	6,543	\$14,247.27	138
November 2013	5,138	\$11,516.50	75
December 2013	3,326	\$8,104.12	43[1]
January 2014	2,642	\$7,147.50	45
February 2014	3,134	\$8,416.00	43
March 2014	4,353	\$10,780.67	48
April 2014	9,978	\$22,804.60	138
May 2014	8,698	\$15,382.99	134
June 2014	9,741	\$13,843.00	115
<b>TOTAL</b>	<b>76,144</b>	<b>\$148,221.33</b>	<b>1,144</b>

# ELECTRONIC GOODS & PAPER SHREDDING RECYCLING



DSWA's Electronic Goods Recycling (EGR) program allows residents to conveniently drop off their unwanted items for free at DSWA facilities. DSWA also holds special collection events throughout the state. Recycling electronic goods removes potentially hazardous materials from the waste stream and saves landfill space.



## PAPER SHREDDING

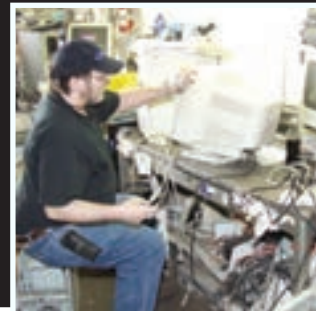
PAPER SHREDDING EVENTS	WEIGHT
July 2013 - St. Anne's School	9,220
August 2013 - SSWMC	2,080
September 2013 - DRC	13,020
September 2013 - Rehoboth Town Hall	3,840
December 2013 - City of Newark	13,900
April 2014 - St. Anne's School	7,240
April 2014 - DuPont Barley Mill	16,400
May 2014 - SSWMC	4,000
May 2014 - DSWA Administrative Office Dover	13,500
June 2014 - City of Newark	14,800
<b>TOTAL (pounds)</b>	<b>98,000</b>
<b>WEIGHT (tons)</b>	<b>49</b>

## ELECTRONIC GOODS RECYCLING COLLECTION PROGRAM

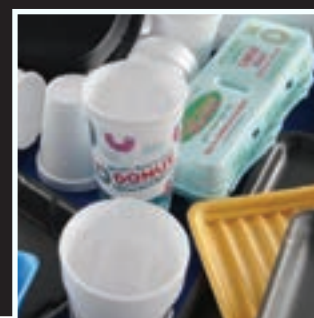
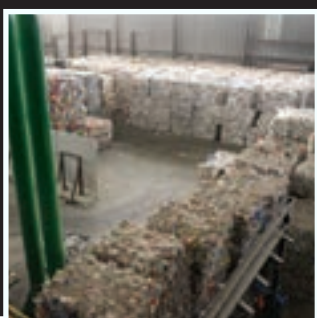
EGR COLLECTION EVENTS	WEIGHT
July 2013 - St. Anne's School	6,852
August 2013 - SSWMC	10,436
October 2013 - Frawley Stadium	30,456
December 2013 - City of Newark	27,491
March 2014 - Frawley Stadium	31,935
April 2014 - St. Anne's School	9,026
May 2014 - SSWMC	11,360
June 2014 - City of Newark	21,647
<b>WEIGHT (lbs.)</b>	<b>149,203</b>
EGR from Collection Events	149,203
EGR from Special Events	74,004
EGR from Businesses	126,010
EGR from DSWA Drop-offs	2,503,609
EGR from Government Offices	178,514
EGR from Non-profits	30,952
EGR at Collected from Schools	293,390
<b>TOTAL (pounds)</b>	<b>3,355,682</b>
<b>WEIGHT (tons)</b>	<b>1678</b>

## ELECTRONICS RECYCLED

DEVICES	NUMBER OF ITEMS
CPU/Laptops/Servers	17,899
Monitors	12,441
Copiers/All-in-ones	730
Televisions	22,999
Other	10,265
<b>TOTAL (items)</b>	<b>64,334</b>
<b>WEIGHT (tons)</b>	<b>1,678</b>



## DELAWARE RECYCLING



The Delaware Recycling Center (DRC) is a pivotal piece of DSWA's role in recycling in Delaware. DSWA has teamed up with two partner companies who have helped to expand DSWA's goal of creating a green campus. ReCommunity, a nationally recognized company, runs a Materials Recovery Facility (MRF) where household recycling is sorted and baled. Revolution Recovery, a Philadelphia-based company, processes and bales construction and demolition (C&D) waste such as wood, drywall, metal, and carpet. All of the sorted and baled material is then sent to different facilities / markets to be recycled into new products.

Also on site at the DRC is DSWA's Environmental Education Building. The education building includes a classroom with multimedia equipment where our education staff will present a range of information on DSWA facilities, programs and

### SINGLE-STREAM RECYCLING FOR FY 2014 TONS RECEIVED

	DELAWARE RECYCLING CENTER	MILFORD TRANSFER STATION	ROUTE 5 TRANSFER STATION	TOTAL
Curbside Collection	34,945	13,553	10,041	58,539
Drop-off Centers	5,687	2,743	2,718	11,148
<b>TOTAL (tons)</b>	<b>40,632</b>	<b>16,296</b>	<b>12,759</b>	<b>69,687</b>

### Drop-off Center Recycling

ITEM/SOURCE	TONS
Single-Stream	10,374
Motor Oil	545
Oil Filters	21
Textiles	72
Batteries	58
<b>TOTALS</b>	<b>11,070</b>

### Polystyrene Foam Recycling

MONTH	POUNDS
JULY 2013	2,540
AUG 2013	1,618
SEPT 2013	1,984
OCT 2013	1,818
NOV 2013	1,056
DEC 2013	1,778
JAN 2014	1,956
FEB 2014	2,397
MAR 2014	2,182
APR 2014	2,136
MAY 2014	1,873
JUNE 2014	2,653
<b>TOTAL LBS.</b>	<b>23,991</b>

### SINGLE-STREAM RECYCLING includes the following:

Newspapers/Brown Paper Bags	Paperboard (cereal/tissue boxes)
Magazines/Catalogs	Cardboard
Telephone/Soft Cover Books	Glass Bottles/Jars (any color)
Junk Mail/Envelopes (all types)	Metal Cans (tin/steel/aluminum)
Paper	

DSWA continued its TEXTILE RECYCLING Program in FY 2014. In FY2014, 72 tons of textiles were recycled.

DSWA continued to provide containers at many of its DROP-OFF CENTER sites for receiving OIL and OIL FILTERS. In FY 2014, 545 tons of Oil was recycled in Delaware. 21 tons of Oil Filters were sent for recycling.

The POLYSTYRENE (foam #6) items accepted include: white packaging (except no peanuts), clean drinking cups, clean food containers, and clean egg cartons. In 2014, 23,991 lbs. of polystyrene was recycled.

BATTERIES accepted are small household batteries (A's, C's, and D's) button type (watch, hearing aid and camera) and rechargeables (small power tools, electronic devices). In 2014, 58 tons of batteries were recycled.

### Household Battery Recycling

BATTERY TYPE	TONS
Non-rechargeable	42.11
Rechargeable	4.43
<b>WEIGHT (tons)</b>	<b>46.54</b>

our partner companies ReCommunity and Revolution Recovery. The ultimate goal is to inform children (and adults) about what happens to trash once it is thrown away and just how important it is to recycle.

Each Wednesday a Household Hazardous Waste and Electronics Collection is held from 10am-2pm. Household Hazardous Waste can include items such as household cleaners, garden pesticides, oil-based and latex paints, nail polish, fluorescent bulbs, and antifreeze.

A single-stream recycling drop-off center is available during business hours, along with a special container for Polystyrene. Residents are able to drop off their clean Polystyrene, such as foam cups, foam plates, foam egg cartons, takeout containers, as well as foam protective packaging typically used to protect consumer goods and electronics.



# DELAWARE SOLID WASTE AUTHORITY FISCAL YEAR 2014

The Delaware Solid Waste Authority is nationally recognized for its management of Delaware's solid waste material. It efficiently operates 3 landfills using innovative technology in order to provide a reliable disposal method for trash while protecting groundwater resources and preventing odors. DSWA also provides opportunities for recycling of special wastes including household hazardous waste, electronics, batteries, and used motor oil and filters. Recently, DSWA has partnered with recycling leader ReCommunity to build and operate a Materials Recovery Facility (MRF) in New Castle, DE. The MRF processes, sorts, and bales all of Delaware's single-stream recyclables material. The bales of material are then taken to different manufacturing facilities where the material is recycled and made into new products. DSWA also partners with Revolution Recovery, a construction and demolition (C&D) debris recycling company. Revolution Recovery receives, sorts, and processes construction debris such as wood, drywall, and metal. This material is then used for mulch, fertilizer components, landfill cover, or as raw material for new products.

The Delaware Solid Waste Authority is proud to have been providing environmental education to residents for many years and is now proud of the new DSWA Environmental Education Building which is available for field trips and other outreach. The education building includes a classroom with multimedia equipment where education staff presents a range of information on DSWA facilities, programs and partner companies ReCommunity and Revolution Recovery. The goal is to inform children (and adults) about what happens to trash once it is thrown away and just how important it is to recycle. They explore how a landfill works as well as how recyclables are sorted and packed at the Materials Recovery Facility. To complement the informative lessons a room of interactive learning displays is located within the education building.

The Delaware Solid Waste Authority is committed to managing Delaware's solid waste in a way that keeps people safe and the environment clean. The DSWA Statewide Solid Waste Management Plan takes us through the year 2020. It includes a reliable system to handle Delaware's trash - for now and for the future.



DELAWARE SOLID WASTE AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013



## DELAWARE SOLID WASTE AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Delaware Solid Waste Authority  
Dover, Delaware

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

We have audited the accompanying statements of net position of Delaware Solid Waste Authority as of June 30, 2014 and 2013, and the related statements of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### **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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Solid Waste Authority as of June 30, 2014 and 2013, and the changes in financial position, and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating revenues and expenses are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of operating revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 schedules of operating revenues and expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Elko & Associates Ltd*

Media, Pennsylvania  
September 29, 2014

## Management's Discussion and Analysis

The Management of the Delaware Solid Waste Authority (DSWA) presents the readers of our financial statements the following overview and analysis of the financial activities of the DSWA for the fiscal years ended June 30, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and notes to the financial statements.

### The Reporting Entity

The DSWA is a body politic and corporate created in 1975 by an act of the Delaware Legislature and is a public instrumentality and political subdivision of the State of Delaware (the "State"). The DSWA is responsible for implementing solid waste disposal, recycling and resources recovery systems, facilities and services. Revenues generated by DSWA operations, primarily disposal fees, provide for the support of the DSWA and its operations on a self-sustaining basis. The State provides no revenues to the DSWA. In carrying out its mission, the DSWA utilizes private industry in the construction and operation of solid waste disposal and transfer facilities and the operation of various segments of its recycling programs. The DSWA is authorized to issue bonds to finance its activities.

The DSWA is governed by a seven member Board of Directors appointed by the Governor with the advice and consent of the Senate. The Chairman of the Board of Directors is designated by and serves at the pleasure of the Governor.

### Budgetary and Accounting Controls

The DSWA adopts an annual operating budget as a financial plan for the year. Actual operating results are monitored on a monthly basis and compared to the adopted budget so that variances can be identified and analyzed. Budgetary compliance is reported to the Board of Directors on a monthly basis. The DSWA's accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. Current controls provide reasonable assurance that the DSWA's assets are properly recorded and protected and that the financial data may be used with confidence in the preparation of historical reports and projections. Accounting controls, which are reviewed regularly by staff, are maintained by segregation of duties and physical and data security systems in all areas of recordkeeping, billing, cash receipts, disbursements and purchasing authority.

### Cash Management

Wilmington Trust Company under an Investment Management Agreement that includes the State of Delaware, Delaware State Housing Authority and the Delaware Transportation Trust manages the DSWA's Operations Cash and Cash Reserves. The majority of funds are invested in United States Government Backed Fixed Income Securities, AA or better Corporate Securities and U.S. Government Sub Agency Securities. A Repurchase Agreement Account is maintained to provide daily liquidity for DSWA's Disbursement Account. Current safekeeping and delivery arrangements are felt by management to provide appropriate security for the DSWA's investments.

## Risk Management

The DSWA maintains a comprehensive package of property and liability insurance relevant to its operations. For Worker's Compensation Insurance, the DSWA participates in the State of Delaware's plan. Since, by law, the DSWA can sue and be sued, it purchases Employers Liability Coverage under an endorsement to its General Liability Policy on the open market. A safety program including safety regulations, first aid training, and driver safety classes is actively administered and enforced to minimize exposures and manage incidents.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the DSWA's basic financial statements. Since the DSWA is engaged only in business type activities, its basic financial statements are comprised of only two components: 1) Enterprise Fund Financial Statements and 2) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Enterprise Fund Financial Statements are designed to provide readers with a broad overview of the DSWA's finances in a manner similar to a private sector business.

The Statement of Net Position presents information on the DSWA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the DSWA is improving or deteriorating.

The Statement of Revenues and Expenses and Changes in Net Position presents information showing how the DSWA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The Statement of Cash Flows presents the change in the DSWA's cash and cash equivalents during the period being reported. This information can assist the user of the report in determining how the DSWA financed its activities and how it met its cash requirements.

The basic Enterprise Fund Financial Statements can be found on pages 9 through 13 of this report.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14 through 26 of this report.

## Financial Highlights

- The DSWA's assets exceeded its liabilities (net position) by approximately \$179.6 million and \$177.3 million at the close of fiscal years 2014 and 2013, respectively. This represents an increase of approximately \$2.3 million (1.3%) in net position in 2014 over the previous year.
- Total operating revenue increased by approximately \$4.7 million or 8.4% more than the previous year. Net user fees reported in this item are net of the Differential Disposal Fee Programs rebates of approximately \$3.4 million in 2014 and \$3.5 million in 2013 (see Note 9).



- Total operating expenses for 2014 increased by \$8.9 million or 18.2% from the previous year. This increase includes approximately \$8.8 million of additional depreciation related to landfill expansion projects completed in 2014 for portions of the landfills having either reached full or almost reached full capacity requiring accelerated depreciation. Operating expenses excluding this added depreciation would have increased by only 0.3% compared to 2013.
- Operating income for 2014 was \$2.4 million versus the prior year operating income of \$6.6 million.
- DSWA issued Revenue Bonds in December 2006 to finance the expansion of the Cherry Island Landfill and provide for the design of future cells at the Sandtown Landfill and the Jones Crossroads Landfill. These bonds were issued for \$95.7 million with final maturity in 2026. In June 2010, an additional bond series was issued to finance the construction of new landfill cells at Sandtown and Jones Crossroads. The issue was split into the 2010 Series "A" Tax Exempt Bonds with principal of \$24,625,000 maturing in 2018 and the 2010 Series "B" Taxable Build America Bonds with principal of \$18,855,000, maturing in 2022 (see Note 7).

#### Summary of Net Position

As noted earlier, net position may serve over time as a useful indicator of DSWA's financial position. The DSWA's net position increased during fiscal year 2014 by \$2,219,873, increased by \$4,938,871 for 2013, and increased by \$10,798,695 for 2012. A condensed summary of DSWA's net position for the three years being reported is presented below:

	Net Position		
	2014	2013*	2012*
Current and Other Assets	\$ 129,287,691	\$ 121,699,819	\$ 122,860,595
Capital Assets	217,217,522	230,331,946	227,890,297
<b>Total Assets</b>	<b>346,505,213</b>	<b>352,031,765</b>	<b>350,750,892</b>
Current Liabilities	16,576,365	18,344,756	17,583,609
Long-Term Obligations	150,369,370	156,347,404	160,766,549
<b>Total Liabilities</b>	<b>166,945,735</b>	<b>174,692,160</b>	<b>178,350,158</b>
Net Position:			
Invested in Capital Assets	130,168,538	140,515,078	135,409,179
Unrestricted	48,282,773	35,725,046	35,903,940
Restricted	1,108,167	1,099,481	1,087,615
<b>Total Net Position</b>	<b>\$ 179,559,478</b>	<b>\$ 177,339,605</b>	<b>\$ 172,400,734</b>

\*As restated see Note 2

Net position invested in capital assets represents the DSWA's investment in capital assets (e.g., land, land improvements, buildings and equipment). The DSWA uses these capital assets to provide services to its customers and consequently, these assets are not available for future spending. The DSWA is bound by the provisions of the Indentures under the issuance of the 2006 Series and 2010 Series A & Series B Solid Waste System Revenue Bonds that established various funds administered by the Trustee and certain funds to be administered by DSWA. The unrestricted funds administered by DSWA can be used to fund Capital Improvement Projects and other operating costs. Restricted net position is limited to outside third party restrictions and represents the net position that has been legally identified for specific purposes.

### Summary of Revenues and Expenses and Changes in Net Position

Summary of revenues and expenses and changes in net position for the years ended June 30, 2014, 2013, and 2012 is presented below:

	Change in Net Position		
	2014	2013*	2012*
<b>Operating Revenues</b>			
Net User Fees: Solid Waste	\$ 56,825,544	\$ 52,190,135	\$ 51,711,946
L/F Gas Marketing Income	1,137,414	1,414,417	2,932,671
Marketing Income Recyclables	1,232,095	1,436,754	2,437,878
Other Income	1,279,189	755,233	569,163
<b>Total Operating Revenues</b>	<b>60,474,242</b>	<b>55,796,539</b>	<b>57,651,658</b>
<b>Operating Expenses</b>			
Salaries and Related Costs	9,379,600	9,235,613	9,468,011
Contractual Services	24,703,228	23,737,994	22,544,089
Depreciation	17,337,016	8,523,985	6,795,029
Landfill Closure	2,939,853	3,877,752	4,757,428
Other Expenses	3,732,595	3,783,720	4,512,028
<b>Total Operating Expenses</b>	<b>58,092,292</b>	<b>49,159,064</b>	<b>48,076,585</b>
 Operating Income	 2,381,950	 6,637,475	 9,575,073
 Net Nonoperating Revenues (Expenses)	 (162,077)	 (1,698,604)	 2,049,610
 Increase in Net Position	 <b>2,219,873</b>	 <b>4,938,871</b>	 <b>11,624,683</b>
 Net Position - Beginning of Year	 177,339,605	 172,400,734	 160,776,051
Net Position - End of Year	<b>\$ 179,559,478</b>	<b>\$ 177,339,605</b>	<b>\$ 172,400,734</b>

\*As restated, see Note 2

### Capital Asset Activity

The following provides a summary of the significant changes in capital assets for the year ended June 30, 2014 and a description of the major items affecting the year-end balances (see Note 5 - Capital Assets).

- Construction in Progress
  - Increases: DRC Entrance Modifications - \$392,448  
Cell Capping - \$1,479,846  
Leachate System Modifications - \$181,324  
Cherry Island Landfill: Administrative Building Addition - \$230,090
- Depreciable Capital Assets
  - Increases: Vehicles - \$220,930, Building Improvements - \$412,009, Heavy Construction Equipment and Processing Equipment - \$163,665
  - Decreases: Vehicles sold or traded-in - \$81,699, Retirement depreciable assets – Equipment - \$116,030.

## Review of Operations

**Landfill Operations.** During the fiscal year 2014, the Delaware Solid Waste Authority's (DSWA's) three operating landfills managed the safe disposal or recycling of 732,960 tons of waste compared to 675,507 tons during the previous year. Of the total waste received, dry waste, which includes construction and demolition waste, of 68,447 tons was received in fiscal year 2014 as compared to 65,493 tons in the previous year. 18,185 tons of the dry waste received during fiscal year 2014 were recycled into an alternate material used for soil cover at the Jones Crossroads Landfill. In addition, 815 tons of tires were recycled as either tire derived fuel or consumer products. A total of 5,329 tons of yard waste were recycled as mulch or compost or staged for future processing. Of this total, 3,983 tons were sent to the market, 1,163 tons were staged for future processing, and 183 tons were used as alternative material for soil amendment at the landfills. The user fee for solid waste and dry waste was \$85.50 per ton at the landfills and transfer stations versus \$84.00 per ton for the prior year.

**Transfer Stations.** During the fiscal year 2014, the DSWA's Pine Tree Corners, Milford and Route 5 Transfer Stations received and transferred 181,017 tons of solid waste. Pine Tree Corners Transfer Station and Milford Transfer Station sent their waste to the Sandtown Landfill for disposal. The Route 5 Transfer Station sent its waste to the Jones Crossroads Landfill for disposal.

**Collection Stations.** The DSWA's five collection stations located in Kent and Sussex Counties continued to provide disposal services to residents for bagged household waste and yard waste at the rate of \$1/bag. A total of 79,664 customers disposed of 108,736 bags of household waste and 24,065 bags of yard waste during fiscal year 2014.

**Recycling.** During the fiscal year 2014, the DSWA's Drop-Off Center Program collected 11,070 tons of various recyclables including cardboard, single-stream, batteries, textiles, oil filters and oil from its 71 sites. The Oil Filter Program marketed 21 tons of oil filters collected statewide. The oil filters were generated from the dropoff sites as well as nonprofit locations. The Electronic Goods Program collected 1,678 tons of electronic goods for recycling. The Recycling Group conducted 13 special collection events for the collection of household hazardous waste, electronic goods, and paper shredding at various locations statewide. From the special collection events 71 tons of hazardous materials and 110 tons of electronic goods were either recycled or safely disposed of along with 49 tons of paper shredded. In addition to the special collection events, two weekly Household Hazardous Waste collection programs were conducted during fiscal year 2014 at our Cheswold Collection Center and Delaware Recycling Center. At those two locations 68 tons of material were collected, which were then either recycled or safely disposed. In fiscal year 2014, a mattress recycling program was initiated and 48 tons of mattresses were recycled.

In February 2012, DSWA entered into a Service Agreement with Revolution Recovery Delaware, LLC (Revolution) to construct and operate a C&D materials recovery facility at DSWA's Delaware Recycling Center on behalf of DSWA. Revolution is in the business of receiving, processing and reselling recyclable C&D materials that have residual value. During fiscal year 2014, Revolution took in 68,229 tons of C&D materials for processing versus fiscal year 2013 tonnage of 44,976 tons.

Also, in February 2012, DSWA entered into a Service Agreement with ReCommunity Delaware, LLC (ReCom) to construct and operate a material recovery facility (the "MRF") at DSWA's Delaware Recycling Center on behalf of DSWA. ReCom is in the business of receiving, processing and reselling residential and commercial recyclable materials that have residual value. During fiscal year 2014, ReCom took in 88,911 tons of recyclable materials for processing versus fiscal year 2013 tonnage of 69,610 tons. The tonnage for each of these years was processed in ReCom's out of state facilities until July of 2013 at which time ReCom's state of the art facility began processing material at DSWA's Delaware Recycling Center.

**Plans for the Future.** Although DSWA experienced a notable increase in tonnage during the most recent fiscal year, we do not see this as a trend for the coming years based upon the significant downturn experienced beginning at the time of the most recent recession, the ongoing national economic climate, and the strong efforts to maximize recycling efforts. With that in mind, DSWA will continue to further evaluate its programs for cost reductions and maximizing all available sources of revenue. As in the past, DSWA will continue to develop its budgets with this conservative approach.

The DSWA will continue to closely monitor the waste and recyclables it receives to make changes to its operations and fees as necessary to carry out its mission. Several Capital Improvement Projects have been deferred until we experience improved economic times.

Nonetheless, the absolutely necessary capital improvement projects will move forward. The expansion projects at the Cherry Island Landfill, the Sandtown Landfill and the Jones Crossroads Landfill have been completed. Mandated projects will continue to utilize the vast majority of DSWA's capital spending dollars for the foreseeable future.

This financial report is designed to provide its readers with an overview of the DSWA finances and to show DSWA's accountability for safeguarding the funds it receives and disburses in the course of conducting its business. If you have any questions concerning this report or need additional financial information, please contact:

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Chief Financial Officer  
Delaware Solid Waste Authority  
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Dover, DE 19903-0455  
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Respectfully submitted,

*John J. Lechner*

John J. Lechner  
Chief Financial Officer

**DELAWARE SOLID WASTE AUTHORITY**  
**STATEMENTS OF NET POSITION**

	JUNE 30,	
	2014	2013
		RESTATED
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted Current Assets:		
Cash and cash equivalents - Note 3	\$ 718,168	\$ 470,756
Investments - Note 4	83,603	5,462,605
Accounts receivable (net of allowance for doubtful accounts of \$112,206 and \$268,004, respectively)	4,726,244	4,434,058
Interest receivable	329,748	438,669
Prepayments and miscellaneous receivables	840,335	1,182,696
Total Unrestricted Current Assets	6,698,098	11,988,784
Restricted Current Assets:		
Investments - Note 4	64,021,559	44,107,842
Total Current Assets	70,719,657	56,096,626
<b>NONCURRENT ASSETS</b>		
Unrestricted Noncurrent Assets:		
Investments - Note 4	22,265,257	16,471,047
Capital Assets - Note 5		
Land	24,941,548	24,926,982
Land improvements	309,168,889	299,247,941
Buildings	44,247,372	42,794,648
Equipment and furniture	18,647,414	18,431,297
Vehicles	2,922,370	2,783,140
Total	399,927,593	388,184,008
Less: Accumulated depreciation	182,756,287	165,616,999
	217,171,306	222,567,009
Construction in progress - Note 5	46,216	7,764,937
Total Capital Assets	217,217,522	230,331,946
Restricted Noncurrent Assets:		
Investments - Note 4	36,302,777	49,132,146
Total Noncurrent Assets	275,785,556	295,935,139
<b>TOTAL ASSETS</b>	<b>\$ 346,505,213</b>	<b>\$ 352,031,765</b>



JUNE 30,	
2014	2013

RESTATED

**LIABILITIES AND NET POSITION****CURRENT LIABILITIES**

Accounts payable	\$ 2,910,420	\$ 4,830,919
Contracts payable, including retainage	42,220	136,226
Refundable security deposits	60,991	64,491
Accrued compensation	1,379,328	1,248,705
Current portion of bonds payable - Note 7	8,305,797	8,021,339
Accrued landfill closure and post closure care costs - Note 6	496,000	360,000
Contract rebate payable - Note 9	3,381,609	3,516,352
Total Current Liabilities	<u>16,576,365</u>	<u>18,178,032</u>

**CURRENT LIABILITIES (Payable From Restricted Assets)**

Arbitrage payable - Note 11	-	166,724
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**NONCURRENT LIABILITIES**

Bonds payable - Note 7	94,590,759	102,876,822
Accrued landfill closure and post closure care costs - Note 6	<u>55,778,611</u>	<u>53,470,582</u>
Total Noncurrent Liabilities	<u>150,369,370</u>	<u>156,347,404</u>
Total Liabilities	<u>166,945,735</u>	<u>174,692,160</u>

**NET POSITION**

Invested in capital assets, net of related debt and accumulated depreciation	130,168,538	140,515,078
Unrestricted	48,282,773	35,725,046
Restricted	<u>1,108,167</u>	<u>1,099,481</u>
Total Net Position	<u>179,559,478</u>	<u>177,339,605</u>

**TOTAL LIABILITIES AND NET POSITION**\$ 346,505,213    \$ 352,031,765

**DELAWARE SOLID WASTE AUTHORITY**  
**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION**

	FOR THE YEARS ENDED JUNE 30,	
	2014	2013
	RESTATED	
<b>OPERATING REVENUES</b>		
Net user fees: solid waste	\$ 56,825,544	\$ 52,190,135
Landfill gas	1,137,414	1,414,417
Other income	2,511,284	2,191,987
Total Operating Revenues	60,474,242	55,796,539
<b>OPERATING EXPENSES</b>		
Salaries and related costs	9,379,600	9,235,613
Professional services	1,122,244	1,214,743
Travel	89,567	70,245
Supplies and materials	1,738,198	1,579,137
Utilities	782,586	919,595
Contractual services	24,703,228	23,737,994
Closure and post closure care of landfills	2,939,853	3,877,752
Depreciation expense	17,337,016	8,523,985
Total Operating Expenses	58,092,292	49,159,064
OPERATING INCOME	2,381,950	6,637,475
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Net investment income (expense)	2,678,088	(496,382)
Bond interest and related expenses	(3,438,267)	(1,545,917)
Other nonoperating revenue - net	598,102	343,695
Net Nonoperating Expenses	(162,077)	(1,698,604)
INCREASE IN NET POSITION	2,219,873	4,938,871
<b>NET POSITION - BEGINNING OF YEAR</b>	177,339,605	172,400,734
<b>NET POSITION - END OF YEAR</b>	\$ 179,559,478	\$ 177,339,605

**DELAWARE SOLID WASTE AUTHORITY**  
**STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED  
JUNE 30,

	2014	2013
		RESTATED
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 56,737,476	\$ 51,899,317
Cash paid to suppliers	(30,685,229)	(27,021,479)
Cash paid to employees	(9,248,977)	(9,386,757)
Landfill gas marketing revenues	1,137,414	1,414,417
Other operating revenues	2,511,284	2,191,987
Net Cash Provided by Operating Activities	20,451,968	19,097,485
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	1,690,861	2,073,742
Purchases of investments	(2,425,834,642)	(649,820,767)
Proceeds from sale of investments	2,419,055,380	648,364,177
Other investing income	765,180	480,549
Net Cash (Used In) Provided by Investing Activities	(4,323,221)	1,097,701
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for debt service requirements	(7,600,000)	(7,295,000)
Interest paid on bonds	(5,056,061)	(5,363,425)
Cash payments for capital assets	(3,267,324)	(7,635,239)
Proceeds from sale of capital assets	42,050	14,875
Net Cash Used in Capital and Related Financing Activities	(15,881,335)	(20,278,789)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	247,412	(83,603)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	470,756	554,359
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 718,168	\$ 470,756

**DELAWARE SOLID WASTE AUTHORITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**

	FOR THE YEARS ENDED	
	JUNE 30,	
	2014	2013
	RESTATED	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
OPERATING INCOME	\$ 2,381,950	\$ 6,637,475
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	17,337,016	8,523,985
Provision for doubtful accounts	(155,798)	-
(Increase) decrease in accounts receivable	(136,388)	912,715
(Increase) decrease in prepayments and miscellaneous receivables	342,361	(1,013,886)
Increase (decrease) in accounts payable	(1,659,576)	1,704,372
Decrease in contracts payable	(94,006)	(844,739)
Decrease in refundable security deposits	(3,500)	(600)
Increase (decrease) in accrued compensation	130,623	(151,144)
Increase in accrued closure and post closure care of landfills	2,444,029	3,518,354
Decrease in contract rebate payable	(134,743)	(189,047)
Total Adjustments	18,070,018	12,460,010
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 20,451,968</b>	<b>\$ 19,097,485</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Net accretion of premium/discount on bonds	\$376,065	\$461,498
Gain on disposition of capital assets	(42,050)	(14,875)
Unrealized gain (loss) on investments	815,212	(2,432,516)
Realized loss on sale of investments	(94,918)	(143,778)
Capitalized interest	1,216,191	3,330,395

**NOTE 1 - Summary of Significant Accounting Policies****(A) Reporting Entity**

The Delaware Solid Waste Authority (the "DSWA") is a body politic and corporate constituting a public instrumentality of the State of Delaware established and organized in 1975 under Delaware Code, Title 7, Chapter 64.

The DSWA has been designated by the State of Delaware, under this act, as the sole entity, governmental or private, with the responsibility for planning and implementing solid waste and resource recovery programs and facilities throughout Delaware in accordance with the Statewide Plan for Solid Waste Management.

The DSWA is governed by a Board of Directors consisting of seven directors, who are appointed by the Governor with the advice and consent of the Senate.

Currently, the DSWA operates solid waste management facilities in each of Delaware's three counties and it has consolidated the financing and operation of its solid waste disposal facilities into a unitary Statewide system.

**(B) Basis of Presentation**

The DSWA operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recognized when incurred. The DSWA follows all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The DSWA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing goods in connection with the DSWA's principal ongoing operations. The principal operating revenues of the DSWA are charges to residents and customers for waste disposal and collection of recyclables and the revenues from the sale of processed recyclable materials. Operating expenses include the cost of waste disposal, recyclable collection and processing services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**(C) Cash and Cash Equivalents**

The DSWA's cash and cash equivalents consist of cash on hand and demand deposits.

For purposes of determining cash equivalents, the DSWA has defined its policy concerning the treatment of short-term investments to include investments with a maturity of three months or less when purchased, as cash equivalents if management does not plan to reinvest the proceeds. Short-term investments that management intends to rollover into similar investments are considered part of the investment portfolio and are classified as investments.

**(D) Restricted Assets**

Restricted assets of the DSWA represent bond proceeds restricted for construction, and other amounts legally required by the DSWA's bond covenants and trust indenture to be set aside for debt service, customer deposits, operations, renewal and replacement and capital improvements. Restricted resources are used first to fund expenses incurred for restricted purposes.



(E) Capital Assets

Capital assets, which include property, plant and equipment are reported in the financial statements. Capital assets are defined by the DSWA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at their historical costs.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is computed over the estimated useful lives of the assets using the straight-line method and is charged to operating expenses. The following useful lives are used to compute depreciation:

Land improvements	3 - 20 years
Buildings	5 - 40 years
Equipment and furniture	3 - 20 years
Vehicles	3 - 5 years

Depreciation of landfill cell development and site costs is recorded based on remaining units of capacity. Total depreciation expense for the years ended June 30, 2014 and 2013 was \$17,337,016 and \$8,523,985, respectively.

(F) Other Significant Accounting Policies

Accounts receivable are reported net of an allowance for the estimated portion that is not expected to be collected. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(G) Compensated Absences

Vacation and sick leave pay are recorded as an expense when earned by the DSWA's employees. As of June 30, 2014 and 2013, accrued vacation and sick leave aggregated \$806,989 and \$817,114, respectively; this resulted in a net decrease of \$10,125 which is reflected in salaries and related costs in the current year. Accrued vacation and sick leave are based on the following criteria.

Employees' unused vacation leave is accumulated to a maximum of two years earned. Upon retirement or termination, employees are paid for all unused accumulated vacation leave at their final rate of pay. The accrued liability is based upon the full amount of accumulated vacation leave.

Employees' unused accumulated sick leave can be used up to the total amount accumulated for future sickness. In the event of termination due to lack of work, employees hired after January 1, 1992 will be paid at the rate of one day for every two days accumulated to the maximum of 90 days at their final rate of pay. In the event of death, employees hired after January 1, 1992 will be paid at the rate of one day for each day accumulated to the maximum of 90 days at their final rate of pay. In the event of termination or death, employees hired before January 1, 1992 will be paid for every day accumulated with no limitation, at their final rate of pay. Upon retirement, payment shall be made at the rate of one day per each day of unused sick leave accumulated to the maximum of 90 days for all employees despite their hire date. Upon voluntary termination, the employee will forfeit all accumulated sick leave. The DSWA has consistently accrued sick leave for only those employees for whom retirement is impending. The accrued liability is based upon the sick leave that would be paid upon impending retirement only.

#### (H) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 the estimates.

#### (I) Net Position

Net position is the difference between assets and liabilities. Net position invested in capital assets represent capital assets, less accumulated depreciation and reduced by the net bonds payable (bonds payable less unspent bond proceeds).

Unrestricted net position represents the net position available to finance future operations or available to be returned through reduced tip fees or rebates. The Board of Directors of the DSWA may designate unrestricted net position for special purposes.

Restricted net position is limited to outside third-party restrictions and represents the net position that has been legally identified for specific purposes.

#### (J) Closure and Post Closure Obligations

The DSWA records all estimated closure costs for existing cells as a liability. Upon final closure of the landfill site, the DSWA is then responsible, under current Federal regulations, for maintaining the closed site for the following thirty years.

#### (K) Recently Issued Accounting Standards

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 –

This Statement provides accounting and financial reporting requirements for governmental entities that provide pensions for their employees through certain pension plans. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses related to pension plans, as well as expanded disclosures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The requirements of this Statement will be effective for the DSWA for the fiscal year ending June 30, 2015. The DSWA participates in the Delaware Public Employees' Retirement System ("DPERS"), which is described in Note 8. The DSWA is currently reviewing the new accounting requirements to determine the effect on the DSWA's financial statements. The DSWA has determined that the Statement will apply to the DSWA's participation in the DPERS defined benefit plan, which will require the DSWA to recognize a liability for its proportionate share of the plan's collective net pension liability and recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to the plan. The amounts will be initially determined as of July 1, 2014, for application of this Statement to the DSWA's financial statements for the year ended June 30, 2015; in addition, the Statement requires restatement of any prior periods presented.

#### NOTE 2 - Prior Period Restatement

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities –

This Statement establishes new accounting and financial reporting standards for certain assets and liabilities of a governmental entity.

The standard requires certain items, previously reported as assets and liabilities, to be reclassified as *deferred outflows* or *inflows of resources* in the Statement of Net Position or as *current-period outflows* or *inflows* (expenses and revenues) in the Statement of Revenues and Expenses and Changes in Net Position.

The requirements of this statement are effective for the DSWA for the fiscal year ended June 30, 2014. The DSWA has determined that the statement will require reclassification of bond issuance costs, reported as of June 30, 2013 in the statement of net position as an asset in the amount of \$708,594, as a prior-period outflow (expense). The effect of the restatement increased the change in net position for the year ended June 30, 2013 by \$58,697. The net position as of July 1, 2012 has been increased by \$767,291 for the effect of the restatement on prior years.

#### NOTE 3 - Cash and Cash Equivalents

The DSWA follows the "Statement of Objectives and Guidelines for the Investments of the State of Delaware," of the State's Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the State with certain limited exceptions. The State's Cash Management Policy is available on the Internet at:

<http://treasury.delaware.gov/wp-content/uploads/CMPB-Investment-Guidelines-for-web-as-of-Mar-2012.pdf>.

Custodial credit risk is the risk that in the event of a bank failure, the DSWA's deposits may not be returned to it. In accordance with the State's Cash Management Policy, the DSWA deposits its funds with financial institutions that comply with the requirements of Delaware Statutes and have been designated as a qualified public depository by the State Treasurer. Under the Statute, banks who hold public deposits and who do not meet the financial criteria outlined in Section V of the State of Delaware's Cash Management Policy, must pledge collateral with a fair value equal to a percentage of the average daily balance of all government deposits in excess of federal deposit insurance. As of June 30, 2014, the DSWA's bank balances were not exposed to custodial credit risk.

NOTE 4 - Investments

In accordance with the DSWA's investment policy, investment purchases are limited to U.S. Government Securities, U.S. Government Agency Securities, Mortgage-Backed Securities with a rating of AAA and Corporate Debt Instruments, such as commercial paper with a rating of A-1 or better, senior long-term debt with a rating of A or better and corporate bonds and debentures with a rating of AA or better. As of June 30, 2014, the DSWA was in compliance with the investment policy.

Custodial credit risk is the risk that, in the event of a bank failure, the DSWA's investment securities may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the DSWA, and are held by either the bank or the bank's trust department or agent but not in the DSWA's name. As of June 30, 2014, none of DSWA's investment securities were deemed subject to custodial credit risk.

The following summarizes the credit quality distribution of securities with credit exposure as a percentage of total investments as of June 30:

		<u>2014</u>	<u>2013</u>
Mutual Funds	AAA	6%	24%
Corporate Obligations	AAA	2%	5%
Corporate Obligations	AA+	2%	2%
Corporate Obligations	AA	5%	7%
Corporate Obligations	AA-	8%	10%
Corporate Obligations	A	0%	1%
Corporate Obligations	A1+	0%	4%
Corporate Obligations	A1	0%	7%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Wilmington U.S. Government Mutual Funds have a weighted average maturity of less than one year, resulting in minimal interest rate risk. The investment in U.S. Treasury Obligations, U.S. Government Agency Bonds and Notes, and Corporate Bonds and Notes and Time Deposits is subject to interest rate risk as a function of the length of time to maturity. The scheduled maturities of investments at June 30, 2014 are summarized below.

Credit risk is the risk that an issuer will not fulfill its obligations while concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. As indicated above in Note 3, the DSWA follows the "Statement of Objectives and Guidelines for the Investments of the State of Delaware," of the State's Cash Management Policy Board (the Board). The policy addresses credit risk as well as concentration of credit risk by not only limiting allowable investments but also by limiting the maximum amount that may be invested in any one issuer, except for investments in U.S. Government Securities which are not limited. The DSWA did not have more than 5 percent of its total investments invested in any one company's corporate bonds and notes as of June 30, 2014 and June 30, 2013.

DSWA's investments are reported at fair value based on quoted market prices. The net change in the fair value of the DSWA's investments for the years ended June 30, 2014 and 2013 resulted in unrealized gain/(loss) of \$815,212 and \$(2,432,516), respectively, and is included in net investment income. The calculation of the net change in the fair value of investments is independent of the calculation of realized gains and losses. The realized gains and losses are computed as the difference between the proceeds of the sale and the cost of the investments sold. Realized gains and losses of the current period include unrealized amounts from prior periods. Realized losses for the years ended June 30, 2014 and 2013 were \$(94,918) and \$(143,778), respectively.

It is the DSWA's policy generally to hold investments until maturity.

The DSWA's investments are summarized as follows:

	2014		2013	
	Fair Value/ Carrying Value	Cost	Fair Value/ Carrying Value	Cost
U.S. Treasury Obligations	\$ 8,373,716	\$ 8,465,316	\$ 9,094,657	\$ 9,220,821
U.S. Government Agency Bonds and Notes	32,057,603	32,609,023	36,586,102	37,671,308
Wilmington U.S. Government Mutual Funds	7,143,502	7,143,502	27,495,003	27,494,998
Time Deposits	53,960,385	53,960,385	-	-
Corporate Bonds and Notes	21,137,990	21,222,074	41,997,878	42,328,822
Total Investments	<u>\$ 122,673,196</u>	<u>\$ 123,400,300</u>	<u>\$ 115,173,640</u>	<u>\$ 116,715,949</u>

The investments mature as follows:

	Total	Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years
U.S. Treasury Obligations	\$ 8,373,716	\$ -	\$ 7,633,091	\$ 740,625	\$ -
U.S. Government Agency Bonds and Notes	32,057,603	952,255	12,759,217	17,370,508	975,623
Wilmington U.S. Government Mutual Funds	7,143,502	7,143,502	-	-	-
Time Deposits	53,960,385	53,960,385	-	-	-
Corporate Bonds and Notes	21,137,990	2,049,020	14,431,991	4,656,979	-
	<u>\$ 122,673,196</u>	<u>\$ 64,105,162</u>	<u>\$ 34,824,299</u>	<u>\$ 22,768,112</u>	<u>\$ 975,623</u>



## NOTE 5 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	June 30, 2013	Additions	Transfers	Sales/ Retirements	June 30, 2014
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 7,764,937	\$ 3,385,352	\$ (11,104,073)	\$ -	\$ 46,216
Land	24,926,982	14,566	-	-	24,941,548
Total capital assets not being depreciated	32,691,919	3,399,918	(11,104,073)	-	24,987,764
<b>Depreciable capital assets:</b>					
Land improvements	299,247,941	7,905	9,913,043	-	309,168,889
Less: accumulated depreciation	(123,842,137)	(14,116,150)	-	-	(137,958,287)
Buildings	42,794,648	412,010	1,040,714	-	44,247,372
Less: accumulated depreciation	(24,931,854)	(1,697,192)	-	-	(26,629,046)
Equipment and furniture	18,431,297	181,831	150,316	(116,030)	18,647,414
Less: accumulated depreciation	(14,383,371)	(1,401,420)	-	116,030	(15,668,761)
Vehicles	2,783,140	220,929	-	(81,699)	2,922,370
Less: accumulated depreciation	(2,459,637)	(122,255)	-	81,699	(2,500,193)
Depreciable assets, net of accumulated depreciation	197,640,027	(16,514,342)	11,104,073	-	192,229,758
Capital assets, net	\$ 230,331,946	\$ (13,114,424)	\$ -	\$ -	\$ 217,217,522

The status of the DSWA's construction in progress at June 30, 2014 is as follows:

	Expected Completion Date	Costs to Date
Landfills:		
<u>Sandtown</u>		
Leachate Systems Modifications	FY 2015	\$ 8,625
<u>Jones Crossroads</u>		
Landfill Gas System Expansion	FY 2015	37,591
Total Construction In Progress		<u>\$ 46,216</u>

NOTE 6 - Landfill Closure and Post Closure Care Costs

On October 9, 1991, the U.S. Environmental Protection Agency issued its rule, "Solid Waste Disposal Facility Criteria." This rule establishes closure requirements, location restrictions, operating criteria, design criteria, groundwater monitoring and corrective action requirements, post closure care requirements and financial assurance requirements for Municipal Solid Waste Landfills. State governments are primarily responsible for establishing state legislation and related permit programs to implement and enforce the EPA rule and have been given flexibility to tailor requirements to accommodate the wide variety of local conditions that exist.

In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on the estimated future closure costs that will be incurred near or at the date of closure and the estimated post closure care costs at each site for thirty years after closure. The DSWA reports a portion of these closure and post closure care costs as an operating expense each year based on landfill capacity used during the year. Accrued landfill closure and post closure care costs of \$56,274,611 as of June 30, 2014 and \$53,830,582 as of June 30, 2013, represent the cumulative amount reported based on the estimated percentage of landfill capacity used as of those dates. The DSWA will recognize the remaining estimated cost of closure and post closure care of \$114,987,467 as the remaining estimated capacity is filled. The estimated total current cost of the landfill closure and post closure care of \$171,262,078 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2014. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or in landfill laws and regulations. The following is a summary of selected information related to the DSWA's landfills as of June 30, 2014:

Landfill	Estimated Capacity Used	Cumulative Remaining Life	Accrued Costs	Costs to be Recognized in the Future
Cherry Island	54.08%	30 years	\$ 33,429,040	\$ 25,469,897
Sandtown	22.70%	67 years	7,739,466	47,537,500
Jones Crossroads	17.59%	69 years	14,346,005	41,980,070
Pigeon Point	100.00%	Closed 1985	760,100	-
Total			<u>\$ 56,274,611</u>	<u>\$ 114,987,467</u>

During fiscal year 2006, the DSWA received a permit from Delaware Department of Natural Resources and Environmental Control (DNREC) for expanding the Cherry Island Landfill. The permit requires some waste to be disposed at an alternate DSWA facility and prohibits landfilling yard waste at this facility. In addition, the DSWA is allowed to fill bench areas and expand the landfill elevation.

A summary of the current year expenditures and accruals is as follows:

	Total	Cherry Island	Sandtown	Jones Crossroads	Pigeon Point
Balance of accrual, June 30, 2013	\$ 53,830,582	\$ 32,137,659	\$ 7,137,895	\$ 13,639,228	\$ 915,800
Current year expenditures:					
Closure costs	-	-	-	-	-
Post closure costs	(495,824)	-	-	-	(495,824)
Net accrual	53,334,758	32,137,659	7,137,895	13,639,228	419,976
Balance of accrual, June 30, 2014	56,274,611	33,429,040	7,739,466	14,346,005	760,100
Net closure and post closure care costs recognized in current year	\$ 2,939,853	\$ 1,291,381	\$ 601,571	\$ 706,777	\$ 340,124

Included in the computation of Landfill Closure and Post Closure Care Costs as of June 30, 2014, are closure costs for: (1) Pine Tree Corners Transfer Station of \$16,100 (2) Cheswold Collection Station of \$2,200 (3) Milford Transfer Station of \$16,100 (4) Ellendale, Long Neck, Omar, and Bridgeville Collection Stations, each totaling \$2,200 (5) DRC Transfer Station of \$16,100 and (6) Route 5 Transfer Station of \$16,100.

#### NOTE 7 - Bonds Payable

The proceeds from periodic debt issuances may only be used for the specific purpose for which the money was raised, which is generally to finance expenditures for landfill construction and development. Proceeds from the bond issues are held in trust until such time as the DSWA incurs qualified expenditures. Premium and discounts on bonds payable are amortized over the life of the related debt issues and reported as a component of interest expense.

On December 20, 2006, the DSWA issued \$95,715,000 of tax exempt special revenue bonds secured by the pledged revenues of the DSWA for the purpose of financing the expansion of the DSWA's Cherry Island Landfill and various other projects as described in the DSWA's capital improvement program. The bonds carry interest rates of 3.5% to 5% and mature between June 1, 2008 and June 1, 2026.

On June 23, 2010, the DSWA issued \$43,480,000 of special revenue bonds secured by the pledged revenues of the DSWA for the purpose of financing the expansion of the DSWA's Sandtown and Jones Crossroads Landfills and various other projects as described in the DSWA's capital improvement program. The bonds were delivered in two series:

Tax Exempt Series "A" bonds carry interest rates of 2.0% to 3.5% and mature between June 1, 2011 and June 1, 2018.

Taxable Build America Bonds (BAB's) Series "B" carry interest rates of 4.42% to 5.37% and mature between June 1, 2016 and June 1, 2022. The DSWA will receive an annual subsidy from the IRS of 35% of the interest cost for each year outstanding.

Revenue bonds payable by the DSWA at June 30 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Series 2006	\$ 69,810,000	\$ 74,010,000
Series 2010 "A"	11,810,000	15,210,000
Series 2010 "B"	<u>18,855,000</u>	<u>18,855,000</u>
Total Principal	100,475,000	108,075,000
Unamortized premium	2,025,759	2,401,822
Accrued interest	<u>395,797</u>	<u>421,339</u>
 Total Bonds Payable	 <u>\$ 102,896,556</u>	 <u>\$ 110,898,161</u>

The debt service requirements on the Series 2006 and Series 2010 bonds are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,910,000	\$ 4,749,562	\$ 12,659,562
2016	7,275,000	4,460,513	11,735,513
2017	8,480,000	4,134,557	12,614,557
2018	9,730,000	3,783,558	13,513,558
2019	9,235,000	3,384,338	12,619,338
2020-2024	43,210,000	9,764,880	52,974,880
2025-2026	<u>14,635,000</u>	<u>1,106,500</u>	<u>15,741,500</u>
	 <u>\$ 100,475,000</u>	 <u>\$ 31,383,908</u>	 <u>\$ 131,858,908</u>

The total interest expense incurred on the DSWA bond debt for the years ended June 30, 2014 and 2013 was \$5,030,519 and \$5,337,811, respectively. The total interest capitalized and included in Construction in progress on the Statements of Net Position for the years ended June 30, 2014 and 2013 was \$1,216,191 and \$3,330,395, respectively.

NOTE 8 - Pension Plan

Plan Description: All full-time or regular part-time employees of the DSWA are required to participate in the Delaware Public Employees' Retirement System (the "System") administered by the Delaware Board of Pension Trustees. The System is a cost-sharing, multiple-employer, defined benefit public employee retirement system that provides retirement, death and disability benefits to plan members and beneficiaries. Pension benefits of the System are established by Delaware Statutes, Chapter 55, Title 29, and may be amended by the Delaware Legislature.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Office of Pensions, McArdle Building, 860 Silver Lake Blvd., Suite 1, Dover, Delaware 19904-2402, by visiting the web site at [www.delawarepensions.com](http://www.delawarepensions.com) or by calling 1-800-722-7300.

Funding Policy: Plan members hired prior to January 1, 2012 are required to contribute 3% of their annual salary which exceeds \$6,000 per calendar year. Plan members hired on or after January 1, 2012 are required to contribute 5% of their annual salary which exceeds \$6,000 per calendar year.

The DSWA is required to contribute at an actuarially determined rate, which was 21.02%, 20.28%, and 18.76% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012, respectively. The contribution requirements for plan members and participating governments are established by State statute. The DSWA's contributions to the System for the years ended June 30, 2014, 2013 and 2012 were \$1,244,646, \$1,205,197 and \$1,137,842, respectively, and were equal to the required contributions for each year.

NOTE 9 - Contract Rebate Payable

The DSWA offers a Differential Disposal Fee Program to all customers who enter into a contract with the DSWA to bring all of their solid waste or dry waste which has been collected in the State of Delaware to the DSWA facilities in accordance with the contract. The program will run through June 30, 2016. The program offers rebates of \$8.00/ton and \$4.00/ton for deliveries to the landfills or transfer stations, respectively.

For the program years ended June 30, 2014 and 2013, three hundred and twenty seven (327) and three hundred and eighty two (382) participants received rebates totaling \$3,381,609 and \$3,516,352, respectively; operating revenues are reported net of these rebates.

NOTE 10 - Risk Management

The DSWA is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The DSWA purchases commercial insurance in the open market from insurance companies with an A.M. Best rating of A-size VII or higher for all insurable risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 - Commitments and Contingencies

Arbitrage: The Tax Reform Act of 1986 requires the DSWA to rebate the earnings on the investment of revenue bond proceeds, in excess of their yield, to the Federal Government. Of the rebate, 90 percent is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. At December 20, 2011, the Rebate Installment Date, the liability for the 2006 bond issuance totaled \$768,349. The DSWA remitted the 90 percent payment to the IRS in the amount of \$691,514. As of June 30, 2014, the DSWA has no contingent liability for arbitrage rebate.



Contract Commitments: The DSWA has several uncompleted construction contracts for landfill development and improvements to the solid waste system. The construction is being funded primarily from existing renewal and replacement funds. At June 30, 2014, the uncompleted contracts are summarized as follows:

	Contract Amount	Approved Payments	Retainage Payable	Remaining Contract Commitment
Jones Crossroads Landfill	\$ 3,246,612	\$ 3,235,890	\$ 10,722	\$ 10,722

In addition to the construction contract commitments, the DSWA also has contracts for various facilities and programs. The facilities include the Cherry Island and Sandtown Landfills and the Pine Tree, Milford and Route 5 Transfer Stations. The future estimated cost of these commitments as of June 30, 2014 is \$22,435,583, which relates to contracts expiring through July 2015. The DSWA's contracts include termination for convenience clauses which allows the DSWA to cancel the contracts at any time.

#### NOTE 12 - Service and Lease Agreements

During February 2012, DSWA entered into two service agreements, and related property leases, for the purpose of having constructed two separate Material Recovery Facility (MRF) operations at DSWA's Delaware Recycling Center for the purpose of processing recyclables on behalf of DSWA.

DSWA entered into a service agreement with Revolution Recovery Delaware, LLC (Revolution) to construct and operate a construction and demolition (C&D) MRF on behalf of DSWA. Revolution is in the business of receiving, processing and reselling C&D recyclables that have residual value. Operation of the C&D MRF is the full responsibility of Revolution. The Service Agreement provides for Revolution to pay DSWA a tipping fee per ton on all incoming C&D tonnage. Additionally, Revolution will lease one or more of the buildings, and related land area, at the DRC to utilize as its operational facility. The lease carries an initial one-year term, with nineteen automatic annual renewals. Current rental is set at \$133,305 for the primary building, \$10,491 for a secondary building, and Ground Rent of \$257.12 per thousand square feet of outside storage area, with future annual rents subject to the annual change in CPI.

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

NOTE 12 Service and Lease Agreements continued

DSWA entered into a Service Agreement with ReCommunity Delaware, LLC (ReCom) to construct and operate a single-stream and commercial recyclable materials MRF on behalf of DSWA. ReCom is in the business of receiving, processing and reselling residential and commercial recyclable materials that have residual value. Operation of this MRF is the full responsibility of ReCom. During the construction phase of the MRF, ReCom was to pay DSWA a portion of the revenue of the materials handled by ReCom based on a combination of the material type and the current market pricing for recyclable materials. After the MRF was constructed and operational in October 2013, the Service Agreement provides for a current tip fee payment to DSWA of \$2.57 per ton of incoming Residential Recyclable material. Also, ReCom will provide DSWA with a sharing of revenues dependent upon material type and current market conditions, offset by operational processing costs. As part of the agreement, the tip fee and some operational costs used in the revenue sharing calculations became subject to an annual adjustment using 90% of the CPI. Additionally, a twenty-year lease agreement covering 2 buildings, and the adjacent surrounding areas, took effect once the MRF was operational. The initial annual rent is set at \$205,254 beginning in October 2013 and will be subject to an annual adjustment of 90% of the annual change in CPI.

### **ADDITIONAL INFORMATION**

# DELAWARE SOLID WASTE AUTHORITY

SCHEDULES OF OPERATING REVENUES AND EXPENSES • FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Landfill Operations	Transfer Station Operations	Collection Station Operations	Recycling Operations	Household Hazardous Waste Program	General & Administrative	2014 Total	2013 Total
OPERATING REVENUES								
Net user fees: solid waste	\$41,760,534	\$14,926,139	\$138,871	\$ -	\$ -	\$ -	\$56,825,544	\$52,190,135
Lanadfill gas	1,137,414	-	-	-	-	-	1,137,414	1,414,417
Other income	1,403,575	65,948	-	1,040,525	-	1,236	2,511,284	2,191,987
TOTAL OPERATING REV- ENUES	44,301,523	14,992,087	138,871	1,040,525	-	1,236	60,474,242	55,796,539
OPERATING EXPENSES:								
Salaries and related costs	3,991,114	378,063	166,928	1,130,334	-	3,713,161	9,379,600	9,235,613
Professional services	584,596	1,000	-	-	-	536,648	1,122,244	1,214,743
Travel	19,385	-	-	6,203	69	63,910	89,567	70,245
Supplies and materials	1,284,892	8,486	4,203	184,419	-	256,198	1,738,198	1,579,137
Utilities	527,837	74,898	7,205	92,498	-	80,148	782,586	919,595
Contractual services	13,096,301	7,835,256	102,672	1,620,615	412,936	1,635,448	24,703,228	23,737,994
Closure and post closure care of landfills	2,939,853	-	-	-	-	-	2,939,853	3,877,752
Depreciation expense	15,154,710	1,198,100	13,062	879,393	8,954	82,797	17,337,016	8,523,985
TOTAL OPERATING EX- PENSES	37,598,688	9,495,803	294,070	3,913,462	421,959	6,368,310	58,092,292	49,159,064
Management operations distri- bution	4,586,203	1,423,678	-	357,193	-	(6,367,074)	-	-
OPERATING INCOME	\$2,116,632	\$4,072,606	\$(155,199)	\$(3,230,130)	\$(421,959)	\$ -	\$2,381,950	\$6,637,475

**Our Mission Statement...**

To define, develop, and implement cost-effective plans and programs for solid waste management which best serve Delaware and protect our public health and environment.

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