

Celebrating the **PAST**
Challenging the **FUTURE**



Delaware Solid Waste Authority
2016 Annual Report



Signing of Title 7, Chapter 64 of the Delaware Code on August 12, 1975 which made DSWA responsible for developing, adopting and implementing the Statewide Waste Management Plan for Delaware		Cherry Island Landfill	Cherry Island Landfill Gas Plant	Milford Transfer Station
Environmental Education Building		Left to Right: Pat Canzano- FMR CEO David Wilhelm- FMR Chief of Facilities NC Vasuki- FRM CEO Tom Houska- FRM Chief of Admin. Services Ron Peters- FRM CFO Rick Watson- Current CEO		Chief of Facilities Management, Logan Miller and Sr. Facility Manager, Jim Vescovi
		Current DSWA Board of Directors Left to Right: Ronald McGabe, Vice Chairman Timothy Sheldon Tonda Parks Gerard Esposito, Chairman William Strickland Michael Paraskewich, Jr. Norman Griffiths		
Employee's of DSWA partner company ReCommunity sorting single stream recycling at the Materials Recovery Facility in New Castle	Trash Can Dan during school visit	Single Stream Recycling Program Starts in Rehoboth Beach		

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CHAIRMAN'S REVIEW

It is with pleasure that I am able to reflect on DSWA's accomplishments in FY2016. DSWA achieved a lot during this past year, significantly in the stability of our services and the rate structure for our customers. As you read this Annual Report, you will see details about what was accomplished to set the stage for our future.

During FY2016 DSWA also we celebrated its 40 year anniversary. As you'll see in this report, there is an impressive timeline of progress over that time of leading the State of Delaware in solid waste management. Delawareans should be proud of the recent and aggressive progress of recycling which has resulted in a recycling rate of 43%. While significant, it is even more notable when considering how far we've come in such a short period of time. Here are some highlights of the more comprehensive timeline that you will find in this report:

- In 1990, DSWA started the Recycle Delaware Drop-off Program. Residents could drop off recyclables into source separated containers at recycling centers located throughout the state.
- In 2004, DSWA started a voluntary subscription based curbside recycling program.
- In 2006, the percentage of recyclables diverted from landfills in Delaware was 23.2%.
- In early 2008, DSWA converted their recyclables collection program to single-stream. Participants no longer needed to separate traditional recyclables (i.e. glass bottles, cans, plastic bottles, mixed papers by material type).
- In July 2010, DSWA and DNREC agreed to permit conditions that restricted yard waste comingled with trash.
- In December 2011, DSWA entered into partnerships with recycling leader ReCommunity, to build and operate a Materials Recovery Facility (MRF). 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 partnered 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.
- In 2016, over 364,000 Delaware households received curbside recycling service and an estimated 20,000 multi-family households received recycling collection from private waste companies. A total of 499,363 tons of material was recycled statewide. From 2006-2015 there has been a reduction of more than 150,421 tons of municipal solid waste going into Delaware landfills, which is adding additional years of landfill life to Delaware.

In closing, as I reported last year, the DSWA Board of Directors has gone through fairly significant transition over the last year and a half. At last year's writing there was a vacant position on the Board which was filled in November 2015. The Board was further strengthened with the addition of William J. Strickland, President and Principal of L&W Insurance Agency. Bill brings over 25 years of administrative and executive experience and technical expertise in the complex insurance-related arena—a critical area of concern for DSWA. He has already proven to be a solid addition to the leadership of DSWA.



I hope that you will take the time you read through this report so you can appreciate how well DSWA continues to carry out its mission of managing Delaware's vast array of solid waste materials in a superior fashion.

Sincerely,

A handwritten signature in black ink, reading "Gerard L. Esposito". The signature is fluid and cursive, with a long horizontal stroke at the end.

Gerard L. Esposito, **Chairman of the Board**

BOARD OF DIRECTORS



Ronald G. McCabe
Vice Chairman



Timothy P. Sheldon



Tonda L. Parks



Norman D. Griffiths



Michael R. Paraskewich, Jr., Ph.D, P.E.



William J. Strickland

The Board of Directors consists of seven members all working towards the mission of the Delaware Solid Waste Authority (DSWA). The Board of Directors takes this mission very seriously and is always looking for ways to improve within the organization. They set policies and make decisions regarding current operations, programs, and planning. All board members are appointed by the Governor and confirmed by the Senate for three-year terms and the Chairman serves at the pleasure of the Governor. Board members serve voluntarily and without pay. All members are Delaware residents and take an active role in their local communities and charity organizations. They are also active within DSWA by visiting DSWA facilities and attending events. The Board of Directors realizes the importance of these events in getting information about DSWA's facilities and programs out to the public.

CEO'S RETROSPECT

The Delaware Solid Waste Authority's 40th Fiscal Year (FY2016 which ran from July 1, 2015 through June 20, 2016) was truly remarkable and one could argue the best it's ever had. Why? Well let me list just a few reasons:

1. Our Operating Revenues set a new high of more than \$69 million which was approximately \$4.5 million more than the previous high set last year.
2. Our Operating Expenses were slightly less than last Fiscal Year even though we handled 3.4% more tons.
3. We implemented an early redemption of the 2006 Series Revenue Bonds on June 1, 2016. This will :
 - a. Save DSWA \$17.9 M in interest payments over the next 10 years
 - b. Allow us to substantially reduce our Operating Expenses
 - c. Allow us to substantially reduce our Tip Fee for future years
4. We implemented a "belt and suspenders approach" beginning July 1, 2016, to secure future revenue tons.
 - a. The "belt" was our success in signing up all licensed haulers and most customers to a new 5 year Discount Disposal Fee (DDF) contract. By signing this contract, our customers agree to bring all their Delaware generated solid waste (excluding construction and demolition waste) to DSWA facilities. They in turn will receive a large rebate every six months.
 - b. The "suspenders" was the revision to DSWA's Regulations in January 2016 requiring solid waste (excluding construction and demolition waste) generated in Delaware to be disposed at DSWA facilities.
5. DSWA and its partners in recycling, ReCommunity for single stream recycling and Revolution Recovery for construction and demolition recycling, continued to provide high levels of recycling even in the depressed commodities markets. Our efforts, along with Delaware's private recyclers, helped to increase the amount and percent of recycling as measured and reported by the Recycling Public Advisory Council shown later in this Annual Report.

I believe the above listed accomplishments speak loudly to the strength and sustainability of this organization, that in its 40th year of existence we are setting new records environmentally and fiscally.

From its humble beginning in 1975 with a few staff persons and a tiny budget, DSWA has grown to be a comprehensive recycling and solid waste organization staffed with highly efficient professionals who operate and manage assets worth over \$300 M and have set, and achieved, high standards that others in our industry envy.

We have been and will continue to strive to be leaders and innovators in recycling and solid waste management, yet will be fiscally responsible in our endeavors for the citizens of Delaware. That is our challenge for the future.



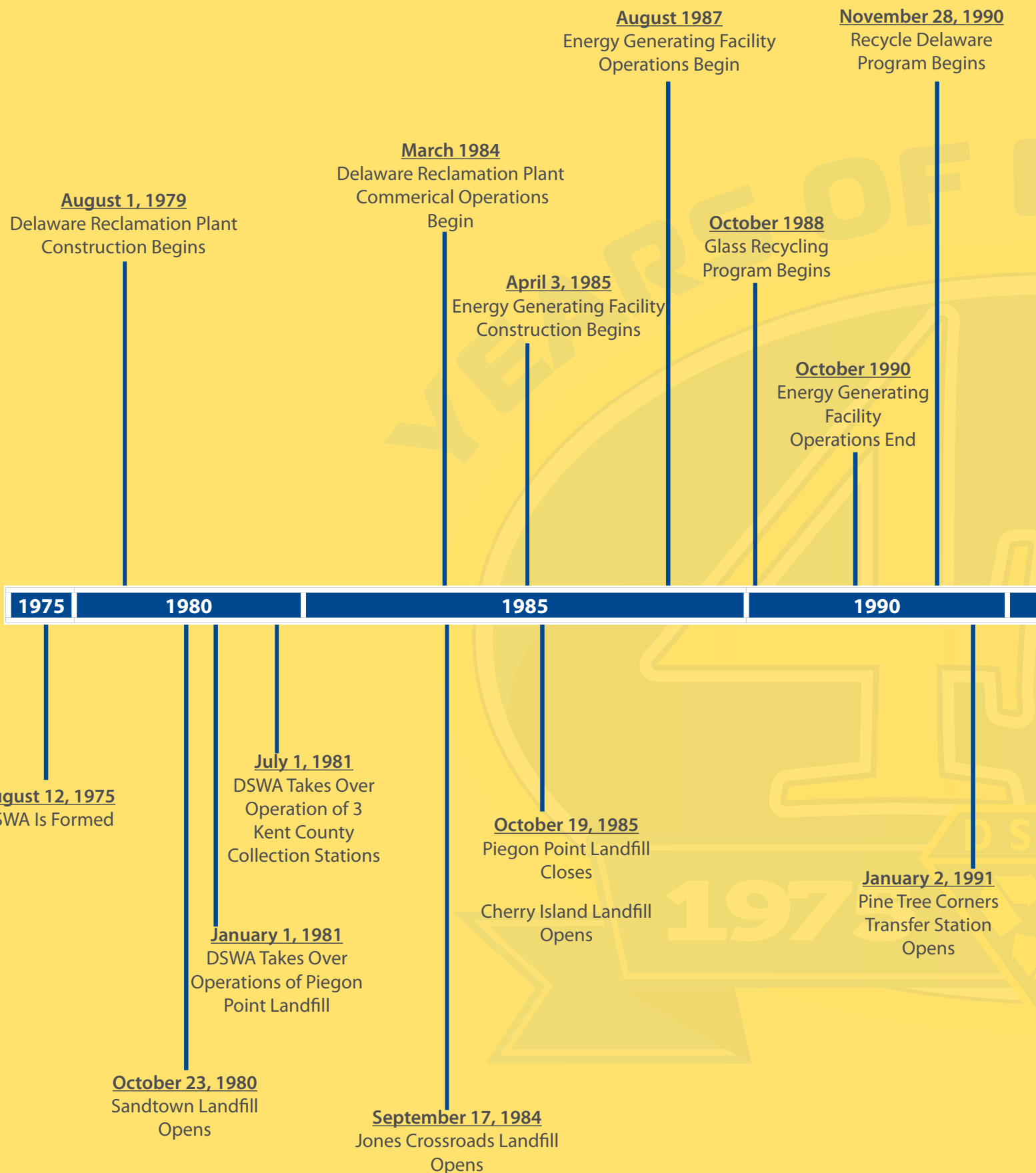
Richard P. Watson

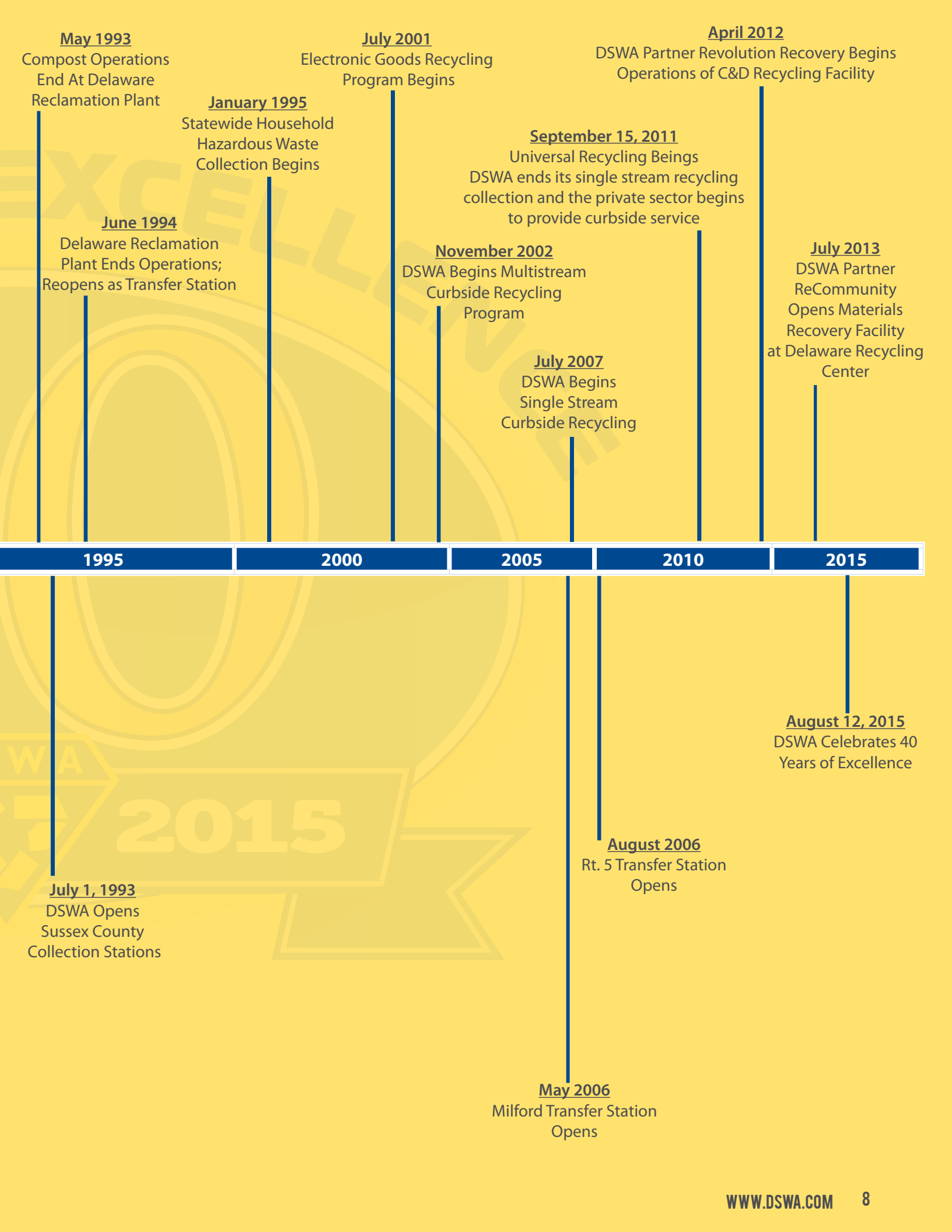
Richard P. Watson P.E., BCEE | **Chief Executive Officer**

Our Mission Since 1975....

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.

Since 1975 The Delaware Solid Waste Authority has strived to live up to his mission statement by providing the best programs, facilities and customer service that we can. The following pages will give quick snapshot of just some of the work DSWA has been able to complete in it's 40 year history. As DSWA continues to serve the residents of Delaware we know these accomplishments will only grow and as we propel towards our 50 year anniversary we know we can continue to meet the challenge.





May 1993

Compost Operations
End At Delaware
Reclamation Plant

June 1994

Delaware Reclamation
Plant Ends Operations;
Reopens as Transfer Station

January 1995

Statewide Household
Hazardous Waste
Collection Begins

July 2001

Electronic Goods Recycling
Program Begins

November 2002

DSWA Begins Multistream
Curbside Recycling
Program

July 2007

DSWA Begins
Single Stream
Curbside Recycling

September 15, 2011

Universal Recycling Begins
DSWA ends its single stream recycling
collection and the private sector begins
to provide curbside service

April 2012

DSWA Partner Revolution Recovery Begins
Operations of C&D Recycling Facility

July 2013

DSWA Partner
ReCommunity
Opens Materials
Recovery Facility
at Delaware Recycling
Center

August 12, 2015

DSWA Celebrates 40
Years of Excellence

July 1, 1993

DSWA Opens
Sussex County
Collection Stations

August 2006

Rt. 5 Transfer Station
Opens

May 2006

Milford Transfer Station
Opens

2015

RECYCLING DIVERSION RATES IN DELAWARE

YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Diverted Recyclables (tons)	248,410	377,066	318,032	323,637	359,147	401,883	405,953	450,499	472,344	499,363
Landfilled Municipal Solid Waste (MSW) (tons)	823,479	794,984	741,143	668,353	706,368	672,761	607,539	623,463	658,788	673,058
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	1,131,132	1,172,421
PERCENT DIVERTED RECYCLABLES	23.2%	32.2%	30.0%	32.6%	33.7%	37.4%	40.1%	41.9%	41.8%	42.6%

Source: Recycling Public Advisory Council Annual Report



Facility Recyclable Quantities Sent to Market by Material Type - FY 2016

Material	Cherry Island Landfill	Sandtown Landfill	Jones Crossroads Landfill	Pine Tree Corners Transfer Station	Milford Transfer Station	Route 5 Transfer Station	Total
(TONS material sent to market)	NSWMC	CSWMC	SSWMC	PTCTS	MTS	RT5TS	TOTAL
Refrigerant White Goods	126.97	32.12	40.74	77.98	15.89	52.92	346.62
Non Refrigerant White Goods	139.74	55.12	307.03	150.34	33.72	221.44	907.39
Tires	286.74	241.57	253.55	55.19	27.35	24.62	889.02
Dry Wall	44.50	31.92	1,059.79	3.51	36.54	97.69	1,273.95
Propane Bottles	4.46	0.61	2.84	0.96	0.10	1.06	10.03
Metal Shreds	-	-	33.56	-	-	-	33.56
Mattresses	24.79	36.54	97.09	-	-	-	158.42
TOTALS (TONS)	627.20	397.88	1,794.60	287.98	113.60	397.73	3,618.99

Facility Recyclable Quantities Used by Material Type - FY 2016

	Cherry Island Landfill	Sandtown Landfill	Jones Crossroads Landfill	Total
Materials (Tons (materials used))				
Alternative Materials Used For Soil Cover				
Clean Earth	481,819.69	-	-	481,819.69
Barrier	44,833.00	-	-	44,833.00
Recycled C&D	-	-	4,059.00	4,059.00
Total	526,652.69	0.00	4,059.00	530,711.69
Alternative Materials Used For Road Building				
Steel Slag	22,077.39	-	-	22,077.39
Clean Earth Aggregate	18,526.70	-	-	18,526.70
Chipped Yardwaste	-	1,684.99	-	1,684.99
Total	40,604.09	1,684.99	0.00	42,289.08
Alternative Materials Used for Soil Amendment				
DSWA made Compost	648.85	-	-	648.85
Yard Waste	-	-	2,876.16	2,876.16
Total	648.85	0.00	2,876.16	3,525.01
TOTALS	567,905.63	1,684.99	6,935.16	576,525.78

LANDFILL GAS UTILIZATION

LANDFILL GAS = "GREEN" ENERGY

LFG	Beneficially Used	Flared	Collected	Energy Derived from Beneficially Used Gas			GHG Reduced
	(MMSCF)	(MMSCF)	(MMSCF)	(MMBTU)	(KWH) ^a	(# OF HOMES POWERED) ^b	(MTCO2E) ^c
CIL	730	647	1,377	392,438	33,541,729	2,963	289,310
CSWMC	715	149	865	344,849	31,389,697	2,773	165,134
SSWMC	621	107	729	288,046	26,222,817	2,317	137,374
TOTAL	2,067	904	2,970	1,025,333	91,154,243	8,052	591,817

a - estimated value

b - determined by USEPA 2014 LMOP LFG Energy Benefits Calculator

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

Landfill gas (LFG) is the product of the decomposition that occurs naturally in a landfill. It contains approximately 50% methane, which is 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 2,800 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 and the City of Wilmington's Wastewater Treatment Plant. In Kent County the Central Solid Waste Management Center collects approximately 1,600 cubic feet of LFG per minute. In Sussex County the Southern Solid Waste Management Center collects approximately 1,400 cubic feet of LFG per minute. LFG collected at the CSWMC and SSWMC facilities is utilized by Ameresco Delaware Energy, LLC. Ameresco uses engines to generate electricity for Delaware homes and businesses. Ameresco has 5 MW of energy generating capacity at each CSWMC and SSWMC facilities.

LFG is a valuable source of green energy for the State of Delaware. Use of LFG to generate electricity 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.



RECYCLING IN DELAWARE

SINGLE-STREAM RECYCLING FOR FY 2016 TONS RECEIVED

	Delaware Recycling Center	Milford Transfer Station	Rt. 5 Transfer Station	Total
Total Material Received (tons)	87,752	17,862	24,831	130,445
Total Transferred To ReCommunity (tons)				129,306

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.



Drop-Off Center Recycling Breakdown

ITEM/SOURCE	TONS	SENT TO
Single-Stream	9,206	Recommunity
Motor Oil	561	Heritage-Crystal Clean
Oil Filters	48	Heritage-Crystal Clean
Textiles	20	Goodwill
Household Batteries	54	Immetco + Call2Recycle
Polystyrene Foam	13	Dart Container
TOTALS	9,902	



HOUSEHOLD HAZARDOUS WASTE COLLECTION



DSWA operates Household Hazardous Waste (HHW) Saturday Collection Events at different locations throughout the year. In addition, weekly collection is provided in each of Delaware's three counties as shown below. Delaware residents can bring their HHW to us free of charge. Clean Harbors, the leading provider in environmental, energy and industrial services throughout North America, collects Household Hazardous Waste at each DSWA Collection Event.

SATURDAY COLLECTION EVENTS			
Event (FY 2016)	POUNDS COLLECTED	COST PER EVENT	PARTICIPANTS
July – St. Anne's Episcopal School	13,129	\$11,830.00	566
Aug – Blue Hen Corporate Center	7,187	\$10,564.00	378
Aug – Mt. Pleasant Elementary School	28,359	\$26,105.33	968
Sept – Nylon Capital Shopping Center	3,981	\$7,797.00	210
Sept – Town of Elsmere	14,127	\$13,472.00	604
Oct – Frawley Stadium	16,965	\$16,254.05	575
Oct – University of Delaware STAR Campus	17,920	\$20,526.33	775
Apr – DuPont Barley Mill Plaza	19,330	\$24,394.33	1,030
Apr – St. Anne's Episcopal School	9,857	\$8,947.00	598
Apr – Milford Transer Station	8,798	\$11,318.50	334
Apr – North Star Elementary School	19,741	\$20,578.00	980
May – Town of Lewes	2,471	\$5,978.40	0*
May – Blue Hen Corporate Center	11,678	\$12,744.00	608
May – Mt. Pleasant Elementary School	18,706	\$18,085.80	875
Jun – Delaware City	11,530	\$12,462.40	422
Jun – University of Delaware STAR Campus	22,202	\$23,162.40	773
TOTALS	225,981	\$244,219.54	9,696

*Material was collected by the Town of Lewes, participants were not calculated



WEEKLY COLLECTION EVENTS

FY 2016, JULY 2015 – JUNE 2016

MONTH	WEIGHT (LBS.)	LABOR AND DISPOSAL COSTS	PARTICIPANTS
Delaware Recycling Center	125,170	\$239,342.50	6,308
Cheswold Collection Station	73,567	\$158,863.09	3,217
Jones Crossroads Landfill	84,703	\$161,102.79	2,699
TOTAL	283,440	\$559,308.38	12,224



ELECTRONICS RECYCLING



SATURDAY COLLECTION EVENTS	
EVENT (FY 2016)	POUNDS COLLECTED
July – St. Anne’s Episcopal School	20,752
Aug – Blue Hen Corporate Center	11,894
Aug – Mt. Pleasant Elementary School	44,071
Sept – Nylon Capital Shopping Center	8,954
Sept – Town of Elsmere	21,809
Sept – Lantana Sqaure Shopping Center	24,405
Oct – Frawley Stadium	20,454
Oct – Town of Rehoboth	4,234
Oct – University of Delaware STAR Campus	40,115
Apr – DuPont Barley Mill Plaza	50,723
Apr – St. Anne’s Episcopal School	25,816
Apr – Milford Transfer Station	15,149
Apr – North Star Elementary	36,691
May – Blue Hen Corporate Center	18,707
May – Mt. Pleasant Elementary	32,184
Jun – Delaware City	21,355
Jun – University of Delaware STAR Campus	40,161
	437,474



ELECTRONICS RECYCLED

DEVICES	NUMBER OF ITEMS
CPU/Laptops/Servers	16,938
Monitors	6,507
Televisions	15,876
TOTAL (items)	39,321
WEIGHT (pounds)	1,911,414

ELECTRONIC GOODS COLLECTION TOTALS	
Material Collection Point	Pounds Collected
Saturday Collection Events	437,474
Weekly Drop-offs	893,504
Government Offices Collection	141,731
Non-profits Collections	85,549
School Collection	353,156
TOTAL	1,911,414



DSWA provided free electronics recycling collection services for Delaware residents. In addition, free electronics recycling services were provided to governmental offices, non-profits and schools. Recycling electronic goods removes potentially hazardous materials from the wastestream and saves landfill space. ECOvanta, the electronic waste (“e-waste”) recycling subsidiary of Covanta Energy Corporation provides collection and recycling services for Electronic goods.

PAPER SHREDDING & LATEX PAINT COLLECTION

LATEX PAINT COLLECTION EVENTS

EVENT	WEIGHT (POUNDS)	PARTICIPANTS	COST
October 2015	23,000	191	\$10,150
March 2016	15,300	228	\$11,370
TOTALS	38,300	419	\$21,520



DSWA offers paper shredding at many Saturday Collection Events throughout the year, as well as special collection events for latex paint. DSWA has partnered with GDB International Inc. to provide collection of latex paint at special collection events. GDB is one of the largest recyclers of post-consumer paint. Paint collected by GDB is recycled and then marketed under their own brands, and exported to partners in 64 countries and also used for graffiti abatement programs. Shred One provides document shredding services at DSWA Collection Events.

PAPER SHREDDING

PAPER SHREDDING EVENTS	WEIGHT (POUNDS)
July – St. Anne's Episcopal School	12,460
Aug – Blue Hen Corporate Center	12,580
Aug – Mt. Pleasant Elementary School	20,620
Sept – Nylon Capital Shopping Center	7,540
Sept – Town of Elsmere	14,400
Sept – Lantana Square Shopping Center	26,800
Oct – Frawley Stadium	27,400
Oct – Town of Rehoboth	13,600
Oct – University of Delaware	17,200
Nov – Hocker's Grocery Store	7,000
Apr – DuPont Barley Mill Plaza -	25,180
Apr – St. Anne's Episcopal School	23,720
Apr – Milford Transfer Station	6,520
Apr – DuPont Barley Mill Plaza -	9,160
Apr – North Star Elementary School	22,160
May – Blue Hen Corporate Center	21,360
May – Mt. Pleasant Elementary School	16,460
Jun – Delaware City	11,220
Jun – University of Delaware	18,520
TOTALS	313,900

DELAWARE SOLID WASTE AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016 and 2015, 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; 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 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, 2016 and 2015, 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 audits 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 as a whole. The schedules of operating revenues and expenses, schedules of proportionate share of the pension liability and schedules of contributions (the "supplemental schedules") are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental schedules 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 supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Wipfli LLP".

Media, Pennsylvania
October 25, 2016

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, 2016 and 2015. 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 31 of this report.

Financial Highlights

- The DSWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (net position) by approximately \$209.4 million and \$188.9 million at the close of fiscal years 2016 and 2015, respectively. This represents an increase of approximately \$20.5 million (10.9%) in net position in 2016 over the previous year.
- Total incoming tonnage in fiscal year 2016 increased by approximately 26,000 tons resulting in a 3.4% increase in revenue-generating tons compared to fiscal year 2015.
- Total operating revenue increased by approximately \$4.5 million or 7.0% more than fiscal year 2015. By comparison, the year to year increase in the prior year was \$4.2 million or an identical 7.0% increase from fiscal year 2014. Net user fees reported in this item are net of the Differential Disposal Fee Programs rebates of approximately \$3.65 million in 2016 and \$3.44 million in 2015 (see Note 8).

- Total operating expenses for 2016 decreased by approximately \$180,000 or 0.4% from the previous year. This was despite an increase in tonnage of 3.4%. Variable costs directly associated with the incoming tonnage increase were offset most notably by savings in overall employment costs along with supplies and materials.
- Operating income for 2016 was \$18.3 million versus the prior year operating income of \$13.6 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 6).
- The above noted Revenue Bonds issued in 2006 included a provision for early redemption as early as June 2016. The DSWA opted to exercise that option resulting in accelerated redemption June 1, 2016 of what would have been principal payments post fiscal year 2016 of \$60.8 million. With adequate reserve levels allowing the flexibility to exercise this option, the DSWA will save \$17.9 million in interest payments over the next ten years.

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 2016 by \$20,480,670 and also increased by \$12,391,596 for 2015. A condensed summary of DSWA's net position for the two years being reported is presented below:

	Net Position	
	2016	2015
Current and Other Assets	\$ 103,384,280	\$ 144,777,853
Capital Assets	201,311,952	207,895,131
Deferred Outflow of Resources	519,277	532,731
Total Assets and Deferred Outflow of Resources	305,215,509	353,205,715
Current Liabilities	13,036,402	16,872,508
Long-Term Obligations	81,908,141	145,399,132
Deferred Inflow of Resources	883,147	2,026,926
Total Liabilities and Deferred Inflow of Resources	95,827,690	164,298,566
Net Position:		
Invested in Capital Assets	182,962,384	129,235,621
Unrestricted	25,999,920	58,631,229
Restricted	425,515	1,040,299
Total Net Position	\$ 209,387,819	\$ 188,907,149

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, 2016 and 2015 is presented below:

	Change in Net Position	
	2016	2015
Operating Revenues		
Net User Fees: Solid Waste	\$ 65,048,689	\$ 60,779,172
L/F Gas Marketing Income	1,273,155	1,290,578
Marketing Income Recyclables	1,241,201	1,272,691
Other Income	1,694,214	1,380,636
Total Operating Revenues	69,257,259	64,723,077
Operating Expenses		
Salaries and Related Costs	8,363,458	8,860,907
Contractual Services	25,705,083	25,368,134
Depreciation	11,122,025	11,448,018
Landfill Closure	1,802,474	1,515,305
Other Expenses	3,936,665	3,917,632
Total Operating Expenses	50,929,705	51,109,996
Operating Income	18,327,554	13,613,081
Net Nonoperating Revenue (Expenses)	2,153,116	(1,221,485)
Increase in Net Position	20,480,670	12,391,596
Net Position - Beginning of Year	188,907,149	176,515,553
Net Position - End of Year	\$ 209,387,819	\$ 188,907,149

Capital Asset Activity

The following provides a summary of the significant changes in capital assets for the year ended June 30, 2016 and a description of the major items affecting the year-end balances (see Note 4 - Capital Assets).

- Construction in Progress
Increases: Central Landfill scalehouse - \$125,008
- Depreciable Capital Assets
Increases: Vehicles - \$175,930, Building and Land Improvements (i.e., landfill flare improvements and cell capping) - \$2,279,902, Heavy Construction Equipment and Processing Equipment - \$609,585

Decreases: Vehicles sold or traded-in - \$266,270

Review of Operations

Landfill Operations. During the fiscal year 2016, the Delaware Solid Waste Authority's three operating landfills managed the safe disposal or recycling of 799,762 tons of waste compared to 773,772 tons during the previous year. Of the total waste received, dry waste, which includes construction and demolition waste, 91,834 tons were received in fiscal year 2016 compared to 71,587 tons in the previous fiscal year. During fiscal year 2016, 4,059 tons of the dry waste was recycled into an alternate material used for soil cover at the Jones Crossroads Landfill. In addition, 889 tons of tires were recycled as either tire-derived fuel or consumer products. A total of 5,210 tons of yard waste was recycled as mulch or compost or staged for future processing. The user fee for solid waste and dry waste was \$88.50 per ton at the landfills and transfer stations versus \$87.00 per ton for the prior year.

Transfer Stations. During the fiscal year 2016, the DSWA's Pine Tree Corners, Milford and Route 5 Transfer Stations received and transferred a total of 195,339 tons of solid waste compared to 190,968 tons during the prior fiscal year. The waste from Pine Tree Corners Transfer Station and Milford Transfer Station was transported to the Sandtown Landfill for disposal. The Route 5 Transfer Station transported 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 77,673 customers disposed of 103,749 bags of household waste and 23,332 bags of yard waste during fiscal year 2016.

Recycling. During the fiscal year 2016, the DSWA's Drop Off Center Program collected 9,890 tons of various recyclables including cardboard, single stream, batteries, textiles, oil filters and oil from its 47 sites. The Oil Filter Program marketed 48 tons of oil filters collected statewide. The oil filters were generated from the dropoff sites. The Electronic Goods Program collected 936 tons of electronic goods for recycling. The Recycling Group conducted 21 special collection events for the collection of household hazardous waste, electronic goods, and paper shredding at various locations statewide. From the special collection events, 132 tons of hazardous materials and 214 tons of electronic goods were either recycled or safely disposed of along with 157 tons of paper shredded. In addition to the special collection events, three weekly Household Hazardous Waste collection programs were conducted during fiscal year 2016 at our Cheswold Collection Center, Delaware Recycling Center, and Southern Solid Waste Management Center. At those three locations 142 tons of material were collected, which were then either recycled or safely disposed. In fiscal year 2016, a mattress recycling program collected 158 tons of mattresses that were able to be 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 2016, Revolution took in 85,019 tons of C&D materials for processing versus fiscal year 2015 tonnage of 88,816 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 2016, ReCom received 131,325 tons of recyclable materials for processing versus fiscal year 2015 incoming tonnage of 139,699 tons.

Plans for the Future. The DSWA continues to experience a positive trend as it relates to incoming tonnage and the corresponding results on operations as reflected in the accompanying financial statements. Subsequent to the downturn in the overall economy in 2008, the DSWA experienced several years of declining revenue-generating tonnage only to rebound with three consecutive years of notable annual increases and a total increase of over 18% in fiscal year 2016 above the low levels reached in fiscal year 2013. This is ongoing evidence of a solidifying base level of tonnage we expect to continue into the near future. In addition to the effects of an expected modest recovery in the economy, it is expected that the DSWA will also experience tonnage increases related to the implementation of flow control in the State of Delaware. Flow control is a mechanism by which certain waste is mandated to be brought to DSWA facilities instead of a portion of that waste being directed to competing facilities in the region. While the exact increases related to flow control in the future are not known, management realistically expects at least a 5% increase above current levels aside from other factors that are contributing to a rebound in tonnage levels. With yet another year of positive results with regard to revenue generating tonnage, there is increasing confidence that the downturn experienced in recent years is behind us when evaluating near term expectations.

With the growing confidence that revenue-generating tonnage has rebounded and with the implementation of flow control that will further solidify that base tonnage, further steps were taken to not only streamline operations but also to implement reduced fees at the DSWA facilities. This was done in order to continue to serve the community and do so in a financially responsible manner understanding that the community we serve should benefit from the efficiencies we generate. While the DSWA has been proactive in creating efficiencies in operations, the DSWA will always remain forward thinking when it comes to maintaining a framework for investments in future sustainability of the DSWA in providing the quality service we strive for. As some of the uncertainty in recent years is replaced with positive results, this will be reflected in a budgeting approach that has been more conservative in recent years. Our approach will continue to be one in which we balance preparedness with realistic expectations based on the most recent trending information available.

Despite having experienced continued positive growth in revenue-generating tonnage in fiscal year 2016, there will be a need to monitor recycling operations. Market conditions have generated uncertainty as the recyclable materials resale market is volatile. The DSWA has continued to show its steadfast commitment to its partnerships in the processing of these materials as we recognize our responsibility to serve our community into the future. Ongoing prudent efforts are being made to evaluate operations in order to fulfill the DSWA's mission while considering the cost effectiveness and social responsibility.

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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Respectfully submitted,

Joseph J. Koskey

Joseph J. Koskey
Chief Financial Officer

STATEMENTS OF NET POSITION

DELAWARE SOLID WASTE AUTHORITY
STATEMENTS OF NET POSITION

	JUNE 30,	
	<u>2016</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Unrestricted Current Assets:		
Cash and cash equivalents - Note 2	\$ 786,032	\$ 1,119,511
Investments - Note 3	2,484,789	1,854,967
Accounts receivable (net of allowance for doubtful accounts of \$97,750 and \$99,636, respectively)	6,266,399	7,198,535
Interest receivable	184,335	295,898
Prepayments and miscellaneous receivables	<u>2,177,935</u>	<u>1,088,039</u>
Total Unrestricted Current Assets	11,899,490	11,556,950
Restricted Current Assets:		
Investments - Note 3	<u>47,956,081</u>	<u>81,716,166</u>
Total Current Assets	<u>59,855,571</u>	<u>93,273,116</u>
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets:		
Investments - Note 3	<u>21,398,316</u>	<u>21,175,135</u>
Capital Assets - Note 4		
Land	24,941,548	24,941,548
Land improvements	312,296,897	310,001,213
Buildings	44,753,189	44,574,233
Equipment and furniture	19,792,843	18,608,993
Vehicles	<u>2,608,858</u>	<u>2,699,198</u>
Total	404,393,335	400,825,185
Less: Accumulated depreciation	<u>204,092,756</u>	<u>193,237,000</u>
	200,300,579	207,588,185
Construction in progress - Note 4	<u>1,011,373</u>	<u>306,946</u>
Total Capital Assets	<u>201,311,952</u>	<u>207,895,131</u>
Restricted Noncurrent Assets:		
Investments - Note 3	<u>22,130,393</u>	<u>30,329,602</u>
Total Noncurrent Assets	<u>244,840,661</u>	<u>259,399,868</u>
DEFERRED OUTFLOW OF RESOURCES		
Related to pensions - Note 7	<u>519,277</u>	<u>532,731</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 305,215,509</u></u>	<u><u>\$ 353,205,715</u></u>

The accompanying Notes are an integral part of these statements.

JUNE 30,	
2016	2015

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 4,250,181	\$ 4,001,946
Contracts payable, including retainage	-	17,263
Refundable security deposits	-	60,491
Accrued compensation	1,395,547	1,541,210
Current portion of bonds payable - Note 6	3,741,296	7,646,709
Accrued landfill closure and post closure care costs - Note 5	-	161,500
Contract rebate payable - Note 8	3,649,378	3,443,389
Total Current Liabilities	13,036,402	16,872,508

NONCURRENT LIABILITIES

Bonds payable - Note 6	20,812,251	86,999,575
Accrued landfill closure and post closure care costs - Note 5	59,108,100	57,305,626
Net pension liability - Note 7	1,987,790	1,093,931
Total Noncurrent Liabilities	81,908,141	145,399,132
Total Liabilities	94,944,543	162,271,640

DEFERRED INFLOW OF RESOURCES

Related to pensions - Note 7	883,147	2,026,926
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NET POSITION

Invested in capital assets, net of related debt and accumulated depreciation	182,962,384	129,235,621
Unrestricted	25,999,920	58,631,229
Restricted	425,515	1,040,299
Total Net Position	209,387,819	188,907,149

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 305,215,509	\$ 353,205,715
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The accompanying Notes are an integral part of these statements.

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

	FOR THE YEARS ENDED JUNE 30,	
	2016	2015
OPERATING REVENUES		
Net user fees: solid waste	\$ 65,048,689	\$ 60,779,172
Landfill gas	1,273,155	1,290,578
Other income	2,935,415	2,653,327
Total Operating Revenues	69,257,259	64,723,077
OPERATING EXPENSES		
Salaries and related costs	8,363,458	8,860,907
Professional services	1,424,239	1,218,820
Travel	108,743	93,049
Supplies and materials	1,537,111	1,725,629
Utilities	866,572	880,134
Contractual services	25,705,083	25,368,134
Closure and post closure care of landfills	1,802,474	1,515,305
Depreciation expense	11,122,025	11,448,018
Total Operating Expenses	50,929,705	51,109,996
OPERATING INCOME	18,327,554	13,613,081
NONOPERATING REVENUES (EXPENSES)		
Net investment income	2,815,148	1,682,552
Bond interest and related expenses	(1,357,830)	(3,281,540)
Other nonoperating revenue - net	695,798	377,503
Net Nonoperating Revenue (Expenses)	2,153,116	(1,221,485)
INCREASE IN NET POSITION	20,480,670	12,391,596
NET POSITION - BEGINNING OF YEAR	188,907,149	176,515,553
NET POSITION - END OF YEAR	<u>\$ 209,387,819</u>	<u>\$ 188,907,149</u>

The accompanying Notes are an integral part of these statements.

DELAWARE SOLID WASTE AUTHORITY
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 65,036,427	\$ 58,120,457
Cash paid to suppliers	(29,572,254)	(28,541,970)
Cash paid to employees	(8,745,609)	(9,154,841)
Landfill gas marketing revenues	1,273,155	1,290,578
Other operating revenues	2,935,415	2,653,327
Net Cash Provided by Operating Activities	30,927,134	24,367,551
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,289,456	1,275,841
Purchases of investments	(1,645,199,939)	(848,714,247)
Proceeds from sale of investments	1,687,286,863	836,614,823
Other investing income	1,143,520	482,284
Net Cash Provided by (Used In) Investing Activities	44,519,900	(10,341,299)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for debt service requirements	(68,055,000)	(7,910,000)
Interest paid on bonds	(4,460,512)	(4,749,562)
Cash payments for capital assets	(3,473,901)	(997,876)
Proceeds from sale of capital assets	208,900	32,529
Net Cash Used in Capital and Related Financing Activities	(75,780,513)	(13,624,909)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(333,479)	401,343
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,119,511	718,168
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 786,032	\$ 1,119,511

The accompanying Notes are an integral part of these statements.

DELAWARE SOLID WASTE AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)

	FOR THE YEARS ENDED JUNE 30,	
	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 18,327,554	\$ 13,613,081
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,122,025	11,448,018
Recovery of doubtful accounts	(1,886)	(12,570)
Decrease (increase) in accounts receivable	934,022	(2,459,721)
Increase in prepayments and miscellaneous receivables	(1,089,896)	(247,704)
Decrease (increase) in deferred outflow of resources	13,454	(13,230)
Increase in accounts payable	248,234	1,091,526
Decrease in contracts payable	(17,263)	(24,957)
Decrease in refundable security deposits	(60,491)	(500)
Increase (decrease) in accrued compensation	(145,663)	161,882
Increase in accrued closure and post closure care of landfills	1,640,974	1,192,515
Increase in contract rebate payable	205,989	61,780
Increase (decrease) in net pension liability	893,859	(2,469,495)
Increase (decrease) in deferred inflow of resource	(1,143,779)	2,026,926
Total Adjustments	12,599,579	10,754,470
Net Cash Provided by Operating Activities	<u>\$ 30,927,133</u>	<u>\$ 24,367,551</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Net accretion of premium/discount on bonds	\$ 1,757,324	\$ 316,184
Gain on disposition of capital assets	(208,900)	(32,529)
Unrealized gain on investments	(1,017,128)	(318,397)
Realized loss on sale of investments	36,629	15,152
Capitalized interest	1,064,945	1,127,751

The accompanying Notes are an integral part of these statements.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - Summary of Significant Accounting Policies - continued

(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, 2016 and 2015 was \$11,122,025 and \$11,448,018, respectively.

(F) Accounts Receivable

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) Investments

Certain investments held by the DSWA are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 generally accepted accounting principles allows for certain exceptions to fair value measurement and allows for cost-based measurements. The most significant exception provides that money market investments (commercial paper, banker's acceptances, and U.S. Treasury securities) that have a remaining maturity of one year or less upon acquisition may be reported at amortized cost.

The DSWA has the following recurring fair value measurements as of June 30, 2016:

U.S. Treasury obligations (Level 1) - fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - Summary of Significant Accounting Policies - continued

Corporate and U.S. Government Agency bonds and notes (Level 2) – fair value is estimated as the present value of expected future cash inflows, taking into account (1) the type of security, its terms, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. Significant inputs utilized by brokers and pricing services include the probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

(H) Compensated Absences

Vacation and sick leave pay are recorded as an expense when earned by the DSWA's employees. As of June 30, 2016 and 2015, accrued vacation and sick leave aggregated \$824,618 and \$689,849, respectively; this resulted in a net increase of \$134,769 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.

(I) 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.

(J) Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflow of resources. 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.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - Summary of Significant Accounting Policies - continued

(K) 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.

(L) Pension Plan

The DSWA participates in the Delaware Public Employees' Retirement System ("DPERS"). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of DPERS and additions to/deductions from DPERS' fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(M) Recently Issued Accounting Standards

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB).

This Statement provides accounting and financial reporting requirements for governmental entities that provide OPEB for their employees. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses related to OPEB plan, as well as expanded disclosures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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, 2018. The DSWA participates in the Delaware Public Employees' Retirement System ("DPERS"). 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 OPEB plan, which will require the DSWA to recognize a liability for its proportionate share of the plan's collective net OPEB liability and recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to its proportionate shares of collective OPEB 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, 2017, for application of this Statement to the DSWA's financial statements for the year ended June 30, 2018; in addition, the Statement requires restatement of any prior periods presented.

NOTE 2 - Cash and Cash Equivalents

The DSWA follows the "Objectives and Guidelines for the Investment of State of Delaware Funds" 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://regulations.delaware.gov/AdminCode/title1/1200/1201.pdf>.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 2 - Cash and Cash Equivalents - continued

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 8.0 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, 2016, the DSWA's bank balances were not exposed to custodial credit risk.

NOTE 3 - 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, 2016, 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, 2016, 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>2016</u>	<u>2015</u>
Mutual Funds	AAA	32%	9%
Corporate Obligations	AAA	1%	2%
Corporate Obligations	AA+	3%	2%
Corporate Obligations	AA	3%	4%
Corporate Obligations	AA-	10%	6%
Corporate Obligations	A+	1%	0%
Corporate Obligations	A	1%	0%

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, 2016 are summarized below.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 3 - Investments - continued

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, 2016 and 2015.

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, 2016 and 2015 resulted in unrealized gain of \$1,017,128 and \$318,397, 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, 2016 and 2015 were \$36,629 and \$15,152, respectively.

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

The DSWA's investments are summarized as follows:

	2016		2015	
	Fair Value/ Carrying Value	Cost	Fair Value/ Carrying Value	Cost
U.S. Treasury Obligations	\$ 9,119,582	\$ 8,964,732	\$ 8,464,149	\$ 8,465,316
U.S. Government Agency Bonds and Notes	21,517,031	21,336,756	28,911,258	29,184,272
Wilmington U.S. Government Money Market Fund	30,150,206	30,150,206	11,809,793	11,809,793
Time Deposits	15,540,862	15,540,862	66,833,643	66,833,643
Corporate Bonds and Notes	17,641,898	17,368,579	19,057,027	19,191,665
Total Investments	<u>\$ 93,969,579</u>	<u>\$ 93,361,135</u>	<u>\$ 135,075,870</u>	<u>\$ 135,484,689</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 3 - Investments - continued

Investments as of June 30, 2016 mature, or are available, as follows:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>
U.S. Treasury Obligations	\$ 9,119,581	\$ 754,936	\$ 8,364,645	\$ -
U.S. Government Agency Bonds and Notes	21,517,031	408,409	19,537,018	1,571,604
Wilmington U.S. Government Money Market Fund	30,150,206	30,150,206	-	-
Time Deposits	15,540,862	15,540,862	-	-
Corporate Bonds and Notes	<u>17,641,899</u>	<u>3,586,457</u>	<u>10,383,911</u>	<u>3,671,531</u>
	<u>\$ 93,969,579</u>	<u>\$ 50,440,870</u>	<u>\$ 38,285,574</u>	<u>\$ 5,243,135</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments carried at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>
<u>Investments at fair value</u>		
Debt Securities:		
U.S. Treasury Obligations	\$ 9,119,581	\$ -
Corporate bonds and notes	-	17,641,899
U.S. Government Agency bonds and notes	-	21,517,031
Total Investments	<u>\$ 9,119,581</u>	<u>\$ 39,158,930</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments carried at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>
<u>Investments at fair value</u>		
Debt Securities:		
U.S. Treasury Obligations	\$ 8,464,149	\$ -
Corporate bonds and notes	-	19,057,027
U.S. Government Agency bonds and notes	-	28,911,258
Total Investments	<u>\$ 8,464,149</u>	<u>\$ 47,968,285</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 4 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Transfers</u>	<u>Sales/ Retirements</u>	<u>June 30, 2016</u>
Capital assets not being depreciated:					
Construction in progress	\$ 306,946	\$ 3,373,948	\$ (2,669,521)	\$ -	\$ 1,011,373
Land	<u>24,941,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,941,548</u>
Total capital assets not being depreciated	<u>25,248,494</u>	<u>3,373,948</u>	<u>(2,669,521)</u>	<u>-</u>	<u>25,952,921</u>
Depreciable capital assets:					
Land improvements	310,001,213	232,047	2,063,637	-	312,296,897
Less: accumulated depreciation	(146,150,600)	(8,473,315)	-	-	(154,623,915)
Buildings	44,574,233	147,338	31,618	-	44,753,189
Less: accumulated depreciation	(28,320,060)	(1,547,048)	-	-	(29,867,108)
Equipment and furniture	18,608,993	609,584	574,266	-	19,792,843
Less: accumulated depreciation	(16,453,490)	(958,443)	-	-	(17,411,933)
Vehicles	2,699,198	175,930	-	(266,270)	2,608,858
Less: accumulated depreciation	<u>(2,312,850)</u>	<u>(143,220)</u>	<u>-</u>	<u>266,270</u>	<u>(2,189,800)</u>
Depreciable assets, net of accumulated depreciation	<u>182,646,637</u>	<u>(9,957,127)</u>	<u>2,669,521</u>	<u>-</u>	<u>175,359,031</u>
Capital assets, net	<u>\$ 207,895,131</u>	<u>\$ (6,583,179)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,311,952</u>

The status of the DSWA's construction in progress at June 30, 2016 is as follows:

	<u>Expected Completion Date</u>	<u>Costs to Date</u>
Landfills:		
<u>Sandtown</u>		
Borrow pit	FY 2017	\$ 38,024
Scalehouse	FY 2018	959,943
Transfer stations:		
<u>Pinetree</u>		
Building upgrades	FY 2017	<u>13,406</u>
Total Construction In Progress		<u>\$ 1,011,373</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 5 - 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 \$59,108,100 as of June 30, 2016 and \$57,467,126 as of June 30, 2015, 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 \$111,912,319 as the remaining estimated capacity is filled. The estimated total current cost of the landfill closure and post closure care of \$171,020,419 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, 2016. 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, 2016:

<u>Landfill</u>	<u>Estimated Capacity Used</u>	<u>Cumulative Remaining Life</u>	<u>Accrued Costs</u>	<u>Costs to be Recognized in the Future</u>
Cherry Island	57.25%	29 years	\$ 35,042,060	\$ 24,030,233
Sandtown	24.58%	82 years	8,670,663	46,768,759
Jones Crossroads	19.04%	110 years	15,379,277	41,113,327
Pigeon Point	100.00%	Closed 1985	<u>16,100</u>	<u>-</u>
Total			<u>\$ 59,108,100</u>	<u>\$ 111,912,319</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 5 - Landfill Closure and Post Closure Care Costs - continued

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

	<u>Total</u>	<u>Cherry Island</u>	<u>Sandtown</u>	<u>Jones Crossroads</u>	<u>Pigeon Point</u>
Balance of accrual, July 1, 2015	\$ 57,467,126	\$ 34,248,614	\$ 8,204,287	\$ 14,836,625	\$ 177,600
Current year expenditures:					
Post closure costs	<u>(161,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(161,500)</u>
Net accrual	57,305,626	34,248,614	8,204,287	14,836,625	16,100
Balance of accrual, June 30, 2016	<u>59,108,100</u>	<u>35,042,060</u>	<u>8,670,663</u>	<u>15,379,277</u>	<u>16,100</u>
Net closure and post closure care costs recognized in current year	<u>\$ 1,802,474</u>	<u>\$ 793,446</u>	<u>\$ 466,376</u>	<u>\$ 542,652</u>	<u>\$ -</u>

Included in the computation of Landfill Closure and Post Closure Care Costs as of June 30, 2016, are closure costs for: (1) Pine Tree Corners Transfer Station of \$16,100 (2) Cheswold Collection Station of \$2,400 (3) Milford Transfer Station of \$16,100 (4) Ellendale, Long Neck, Omar, and Bridgeville Collection Stations, each totaling \$2,400 (5) DRC Transfer Station of \$16,100 and (6) Route 5 Transfer Station of \$16,100.

NOTE 6 - 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. Included with the issuance of these special revenue bonds was a provision to allow for early redemption no earlier than June 1, 2016. The DSWA opted to exercise this option on June 1, 2016 thereby satisfying all debt as it relates to this issuance of bonds.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 6 - Bonds Payable - continued

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>2016</u>	<u>2015</u>
Series 2006	\$ -	\$ 65,405,000
Series 2010 "A"	8,305,000	8,305,000
Series 2010 "B"	<u>16,205,000</u>	<u>18,855,000</u>
Total Principal	24,510,000	92,565,000
Unamortized premium (discount)	(47,749)	1,709,575
Accrued interest	<u>91,296</u>	<u>371,709</u>
Total Bonds Payable	<u><u>\$ 24,553,547</u></u>	<u><u>\$ 94,646,284</u></u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,650,000	\$ 1,095,557	\$ 4,745,557
2018	4,655,000	986,058	5,641,058
2019	3,905,000	840,588	4,745,588
2020	4,000,000	646,510	4,646,510
2021	4,000,000	441,710	4,441,710
2022	<u>4,300,000</u>	<u>230,910</u>	<u>4,530,910</u>
	<u><u>\$ 24,510,000</u></u>	<u><u>\$ 4,241,333</u></u>	<u><u>\$ 28,751,333</u></u>

The total interest expense incurred on the DSWA bond debt for the years ended June 30, 2016 and 2015 was \$4,180,099 and \$4,725,474, respectively. The total interest capitalized and included in Construction in progress on the Statements of Net Position for the years ended June 30, 2016 and 2015 was \$1,064,945 and \$1,127,751, respectively.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 7 - Pension Plan and Other Benefits

Plan Description – The Delaware Public Employees' Retirement System (DPERS), State Employees' Pension Plan (the Plan) is a cost-sharing multiple-employer defined benefit pension plan established in the Delaware Code.

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other Plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan.

Eligibility - the Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

There are two tiers within this plan: 1) Employees hired prior to January 1, 2012 (Pre-2012) 2) Employees hired on or after January 1, 2012 (Post-2011).

Service Benefits - Final average monthly compensation (employee hired Post-2011 may not include overtime in pension compensation) multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of 12 consecutive months of compensation.

Vesting - Pre-2012 date of hire: 5 years of credited service. Post-2011 date of hire: 10 years of credited service.

Retirement - Pre-2012 date of hire: Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age. Post-2011 date of hire: age 65 with at least 10 years of credited service; Age 60 with 20 years of credited service; and 30 years of credited service at any age.

Disability Benefits - Pre-2012 date of hire: Same as Service Benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 date of hire: In the Disability Insurance Program.

Survivor Benefits - If employee is receiving a pension, the eligible survivor receives 50% of pension (or 66.7% with 2% reduction, or 100% with 6% reduction for 2015 and 75% with 3% reduction of benefit for 2014); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62 for both 2015 and 2014.

Burial Benefit - \$7,000 per member.

Contributions:

Employer - Determined by the Board of Pension Trustees. Employer contributions were 9.56% and 9.50% of earnings for the Fiscal Year 2015 and 2014, respectively.

Member - Pre-2012 date of hire Member - 3% of earnings in excess of \$6,000 and Post-2011 date of hire Member - 5% of earnings in excess of \$6,000.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 7 - Pension Plan and Other Benefits - continued

PRI Contributions - The Plan's Reporting units make contributions to a PRI fund which accumulates resources to fund ad hoc post-retirement increases granted by the General Assembly. The increases are funded over a 5-year period from the PRI fund. The allocation of the contribution from the PRI Fund to the Pension Trust is a reduction to the net pension liability of each participating employer.

Collective Net Pension Liability and Actuarial Information

The DSWA's proportionate share of the net pension liability as of June 30, 2015 and 2014 was as follows:

Plan Year	Total pension liability (1)	Plan fiduciary net position (2)	Net pension liability (1) - (2)
2015	\$ 27,114,917	\$ 25,127,127	\$ 1,987,790
2014	26,019,959	24,926,028	1,093,931

The collective total pension liability for the June 30, 2015 and 2014 measurement dates was determined by an actuarial valuation as of June 30, 2015 and 2014 respectively. These actuarial valuations used the following actuarial assumptions:

Investment rate of return/discount rate (a)	7.2%
Projected salary increases (a)	3.5% to 11.5%
Cost-of-living adjustments	Ad hoc

(a) Inflation is included at 3%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP- 2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 7 - Pension Plan and Other Benefits - continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the DPERS's current and expected asset allocation is summarized in the following table:

Asset Class	Long-term expected real rate of return
Domestic equity	5.7%
International equity	5.7
Fixed income	2.0
Alternative investments	7.8
Cash and equivalents	-

Discount rate - The discount rate used to measure the total pension liability for all plans was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the DSWA's proportionate share of the collective net pension liability (asset), calculated using the discount rate of 7.2%, as well as what the DSWAs' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease to discount rate (6.2%)	Discount Rate (7.2%)	1% Increase to discount rate (8.2%)
DSWA's 2015 proportionate share of the net pension liability	\$ 4,491,143	\$ 1,987,790	\$ (946,255)
DSWA's 2014 proportionate share of the net pension liability	\$ 4,099,846	\$ 1,093,931	\$ (1,446,607)

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 7 - Pension Plan and Other Benefits - continued

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

Expected and actual experience differences - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members which is 6 years. The first year of amortization is recognized as pension expense with the remaining years either a deferred outflow or deferred inflow. The collective amount of the difference between expected and actual experience for fiscal years ended June 30, 2015 and 2014 is \$44,589 and \$0, respectively.

Net difference between projected and actual investment earnings on pension plan investments - The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.2% is amortized over a closed period of 5 years. The DSWA's proportionate share of the collective amount of the difference between projected and actual earnings for fiscal years ended June 30, 2015 and 2014 is \$883,147 and \$2,026,926, respectively, reported as a deferred inflow of resources.

The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs. The DSWA's proportionate share of the cumulative amounts of collective deferred inflows of resources reported as of June 30, 2016 (based on plan year ended June 30, 2015) will be recognized in pension expense as follows:

Year ending June 30:

2016	\$(316,299)
2017	(316,299)
2018	(316,299)
2019	120,824
2020	(55,074)

The amount of \$519,277, reported as deferred outflows related to pension, resulting from DSWA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 7 - Pension Plan and Other Benefits - continued

Pension Expense

The components of the DSWA's pension expense for the year ended June 30, 2016 (plan year ended June 30, 2015) are as follows:

Service costs	\$ 573,833
Interest on total pension liability	1,876,240
Member contributions	(175,515)
Administrative expense	21,971
Change in benefit plan	161,923
Projected earning on plan investments	(1,775,317)
Amortization of investment return differences	(316,299)
	<hr/>
Pension expense	<u>\$ 366,836</u>

Other Post-Employment Plans

In addition to the cost-sharing pension plan, DSWA participates in other post-employment cost-sharing programs administered by DPERS. The DSWA is required to contribute at an actuarially determined rate for the other post-employment plans.

DPERS issues publicly available financial reports for the other post-employment plans. The DSWA's contributions to the other post-employment plans for the years ended June 30, 2016 and 2015 were \$581,049 and \$603,784, respectively.

Additional information for the pension plan and other post-employment plans 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 or by calling 1-800-722-7300.

NOTE 8 - 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. During 2016 and 2015, the program offered 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, 2016 and 2015, three hundred and twenty five (325) and three hundred and twenty seven (327) participants received rebates totaling \$3,649,378 and \$3,443,389, respectively; operating revenues are reported net of these rebates.

NOTE 9 - 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.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 10 - 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. As of June 30, 2016, the DSWA has no contingent liability for arbitrage rebate. During December 2011, the DSWA made an installment arbitrage payment in the amount of \$691,514 to the Internal Revenue Service (IRS) related to the 2006 bond issuance. As noted in Note 6, the DSWA exercised their option to redeem the 2006 revenue bonds. As a result of the redemption, it was determined that the DSWA overpaid the 2011 arbitrage installment payment to the IRS. DSWA filed a request for recovery of overpayments under the arbitrage rebate provision with the IRS in the amount of \$617,021 and this amount is included in prepayments and miscellaneous receivables on the statements of net position.

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, 2016, the uncompleted contracts are summarized as follows:

	<u>Contract Amount</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitment</u>
Sandtown Landfill	\$ 284,268	\$ 213,201	\$ -	\$ 71,067

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, 2016 is \$22,715,419, which relates to contracts expiring through May 2018. The DSWA's contracts include termination for convenience clauses which allows the DSWA to cancel the contracts at any time.

NOTE 11 - 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 \$265,191 for the primary building, \$10,521 for a secondary building, and Ground Rent of \$257.85 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, 2016 AND 2015

NOTE 11 - 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 annual rent for 2016 is set at \$207,258 and is subject to an annual adjustment of 90% of the annual change in CPI.

During fiscal year 2016, DSWA entered into renegotiations with ReCom in order to take into consideration the market conditions that could temporarily affect ReCom's ability to continue to provide the crucial services related to the processing of recycled goods in the State of Delaware. In doing so, DSWA took on the responsibility of absorbing the hauling costs of these goods from its transfer stations in the southern area of the state as well as offering ReCom some level of reimbursement in the event of significant market downturns. In exchange, DSWA will benefit from a larger revenue sharing percentage as market conditions improve. These renegotiated terms will remain in place through June 2021.

ADDITIONAL INFORMATION

DELAWARE SOLID WASTE AUTHORITY
SCHEDULES OF OPERATING REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Landfill Operations	Transfer Station Operations	Collection Station Operations	Recycling Operations	Household Hazardous Waste Program	General & Administrative	2016 Total	2015 Total
OPERATING REVENUES								
Net user fees: solid waste	\$ 48,195,062	\$ 16,705,297	\$ 148,330	\$ -	\$ -	\$ -	\$ 65,048,689	\$ 60,779,172
Landfill gas	1,273,155	-	-	-	-	-	1,273,155	1,290,578
Other income	1,759,717	48,143	-	1,127,175	-	380	2,935,415	2,653,327
TOTAL OPERATING REVENUES	51,227,934	16,753,440	148,330	1,127,175	-	380	69,257,259	64,723,077
OPERATING EXPENSES								
SALARIES AND RELATED COSTS	3,675,626	452,285	215,185	919,112	296	3,100,954	8,363,458	8,860,907
PROFESSIONAL SERVICES	642,082	2,750	1,500	1,750	-	776,157	1,424,239	1,218,820
TRAVEL	21,125	-	-	2,901	-	84,717	108,743	93,049
SUPPLIES AND MATERIALS	1,185,240	7,633	1,528	101,888	-	240,822	1,537,111	1,725,629
UTILITIES	546,163	88,972	7,242	150,685	-	73,510	866,572	880,134
CONTRACTUAL SERVICES	12,617,751	8,624,318	107,452	1,681,827	855,892	1,817,843	25,705,083	25,368,134
CLOSURE AND POST CLOSURE CARE OF LANDFILLS	1,802,474	-	-	-	-	-	1,802,474	1,515,305
DEPRECIATION EXPENSE	9,167,198	1,205,096	1,955	660,425	-	87,351	11,122,025	11,448,018
TOTAL OPERATING EXPENSES	29,657,659	10,381,054	334,862	3,518,588	856,188	6,181,354	50,929,705	51,109,996
MANAGEMENT OPERATIONS DISTRIBUTION	4,452,155	1,382,066	-	346,753	-	(6,180,974)	-	-
OPERATING INCOME	\$ 17,118,120	\$ 4,990,320	\$ (186,532)	\$ (2,738,166)	\$ (856,188)	\$ -	\$ 18,327,554	\$ 13,613,081

DELAWARE SOLID WASTE AUTHORITY
SCHEDULES OF PROPORTIONATE SHARE OF THE PENSION LIABILITY
STATE EMPLOYEES' PENSION PLAN (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
DSWA's proportion of the net pension liability	0.2988 %	0.2971 %	0.3291 %
DSWA's proportionate share of the net pension liability	\$ 1,987,790	\$ 1,093,931	\$ 3,563,426
DSWA's covered - employee payroll	\$ 5,200,028	\$ 5,468,431	\$ 5,941,607
DSWA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.22 %	20.00 %	59.97 %
Plan fiduciary net position as a percentage of the total pension liability	92.67 %	95.80 %	87.23 %

(1) Plan years ended June 30, 2015, 2014 and 2013

DELAWARE SOLID WASTE AUTHORITY
SCHEDULES OF CONTRIBUTIONS
STATE EMPLOYEES' PENSION PLAN (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 532,731	\$ 519,501	\$ 528,803
Contributions in relation to the contractually required contribution	<u>(532,731)</u>	<u>(519,501)</u>	<u>(528,803)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DSWA's covered-employee payroll	\$ 5,200,028	\$ 5,468,431	\$ 5,941,607
Contributions as a percentage of covered-employee payroll	10.24 %	9.50 %	8.90 %

(1) Plan years ended June 30, 2015, 2014 and 2013

Delaware Solid Waste Authority

www.dswa.com

