



DELAWARE SOLID WASTE AUTHORITY

DSWA



2013 ANNUAL REPORT

Our Mission Statement...

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

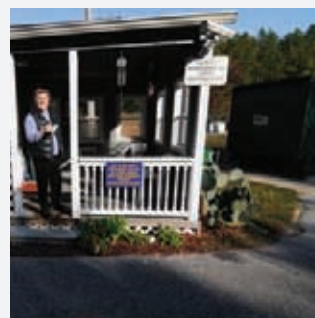


TABLE OF CONTENTS

Chairman Of The Board Letter	2
Chief Executive Officer Letter.....	4
Recycling Diversion Rates in Delaware.....	6
Facility Recyclable Quantities Used by Material Type	7
Landfill Gas Recycling	8
Houshold Hazardous Waste Collection	10
Electronic Goods & Paper Shredding Recycling.....	12
Delaware Recycling	14
Financial Statements.....	i



Richard V. Pryor | [Chairman of the Board](#)

At the close of Fiscal Year 2013, which is the subject of this annual report, our DSWA Chief Executive Officer since January 1, 2007, Pasquale ("Pat") S. Canzano, informed the Board of Directors of his intention to retire January 1, 2014, midway through this next fiscal year. That event and the related selection of his successor and implementation of a new senior management team will, in large measure, be the subject of next fiscal year's annual report. However, it does bring into sharper focus the fact that this Authority has been fortunate to have Pat at the helm during such a volatile and difficult period of extreme economic challenge and widespread changes in the field of solid waste technology, policies and practices. Pat has provided extraordinary leadership service during this period, and I believe this year's Annual Report will provide ample demonstration of that leadership. I am also confident that DSWA's long-standing personnel-development policies and practices will ensure a smooth management transition throughout the months ahead and well beyond.

For over thirty-eight (38) years since its creation by the Delaware Legislature in 1975, DSWA has successfully planned, developed, and implemented an integrated system for solid waste management that not only protects the public health and environment but also does so in a very cost-effective manner. Currently, our system consists of:

- Over 100 Drop-off Centers for recyclable materials;
- A large (160,000 tons/year capacity) Material Recovery Facility for processing single-stream recyclables;
- Two (2) large (each at a capacity of 50,000 tons per year) Construction and Demolition Waste Recycling operations;
- A statewide Household Hazardous Waste Collection program that operates 114 days each year;
- An Electronic Goods Drop-off program that is available at eleven (11) sites throughout the state;
- Three (3) Transfer Stations for receiving large and small truckloads of solid waste and recyclables;

DSWA CHAIRMAN'S LETTER

DSWA BOARD OF DIRECTORS

Ronald G. McCabe
Vice Chairman



Theodore W. Ryan



Timothy P. Sheldon



Tonda L. Parks



Gerard L. Esposito



Gregory V. Moore P.E.



Five (5) Collection Stations for receiving bagged household waste;

Three (3) state-of-the-art Landfills for safe economical disposal of solid waste; and

An Environmental Education Building to provide for the education of school children, teachers, and the general public about solid waste management and recycling.

This system of facilities and programs supports itself primarily from charging user fees for the broad range of wastes that we receive, while recyclable materials generally are received with no charge. As we noted earlier, factors – good and not so good – such as increased recycling, less packaging and improved packaging, the economic downturn with less construction and lower consumer-goods sales, etc., have resulted in significantly declining household and commercial solid waste disposal. These factors have caused a strain on DSWA's revenues, which has necessitated increases in our user fees and major reductions in our workforce.

I applaud the diligent efforts of our DSWA staff in remaining faithful to our Mission and our compact with the people of Delaware to ensure a safe, effective and environmentally sensitive continuation of the vital service we provide here in the First State. Creative strategic planning has been and will continue to be used to shape and discipline the management, operational and program changes crucial to staying abreast of this fast-paced industry and safeguarding our community. I am confident that our staff, administration and Board of Directors will find and enact whatever measures are required.

Richard V. Pryor | Chairman of the Board

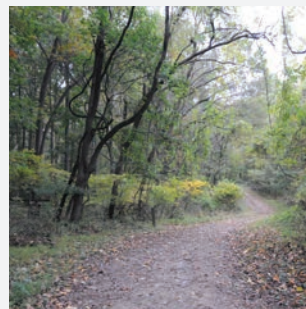
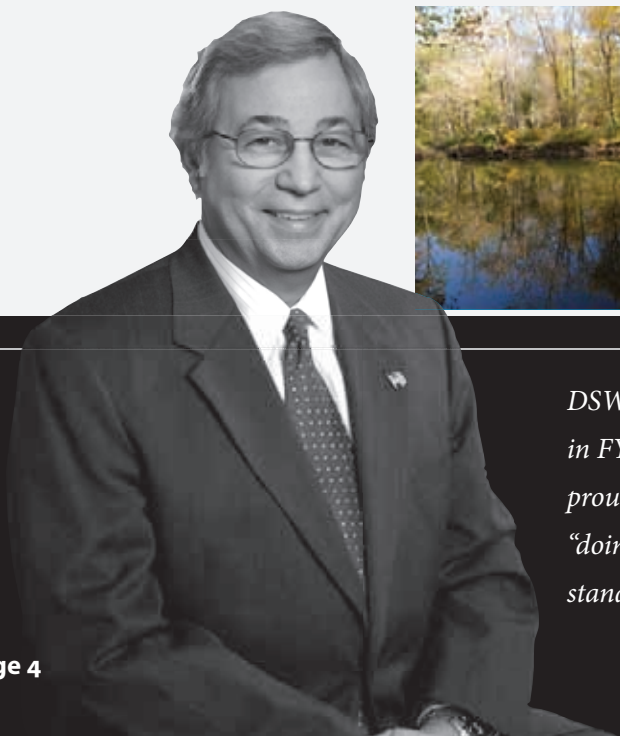


DELAWARE A LEADER IN RECYCLING

Over the years, DSWA has enjoyed an excellent business relationship with the public and private solid waste haulers. The linchpin to maintaining this relationship is the Discount Disposal Fee (DDF) agreement. The DDF requires haulers to bring all solid waste which they collect in Delaware to DSWA facilities. However, recyclables are exempted under the DDF and haulers have the freedom to market collected recyclables wherever they choose. Typically, the DDF agreements are for a period of three years with established tipping fees for the use of DSWA's facilities. The current DDF's are set to terminate at the end of FY 13 and therefore it became necessary, this year, to negotiate new agreements for the period of FY 14 through FY 16. In the negotiation process, DSWA considered input from the haulers and was successful in reaching agreement on a new DDF to become effective July 1, 2013. Therefore, DSWA's revenues to support the existing operations and recycling programs are essentially guaranteed for the next three years. We especially value our business relationship with the solid waste haulers and look forward to providing them with first-class service at our facilities.

We were especially pleased at the progress Re-community made in completing the design to move forward with the construction of a new state-of-the-art Materials Recovery Facility (MRF) at our Delaware Recycling Center (DRC) located at Pigeon Point. The MRF is designed to process about 500 tons per day of source separated single stream recyclables for sale to market outlets. Recyclables will include aluminum and ferrous metals, plastics, mixed colored glass and paper fiber including cardboard. In addition, the MRF, which is scheduled to be online next summer, will initially provide 40 green jobs. This is a major milestone for DSWA and Delaware as a leader in recycling. In addition to processing recyclables from Delaware, the Re-community MRF provides a hub for surrounding states to recycle their single stream materials.

Equally as exciting, Revolution Recovery also made significant progress at the DRC in the development of their recycling facility (CDRF) for construction and demolition (C&D) materials. Revolution Recovery has been highly successful in attracting C&D recyclables to their facility and has exceeded expectations. Plans are in motion to expand and automate the processing line to meet the



DSWA's operating budget has been reduced from about \$80 million in FY 07 projected to about \$53 million in FY 14. - I am especially proud of our employees in their willingness to meet the challenge of "doing more with less" to help reduce expenses while meeting our standard of excellence

Pasquale S. Canzano P.E., BCEE | [CEO](#)

current capacity requirements of about 250 tons per day of C&D materials. The CDRF became fully operative this Spring and has the capability to recycle wood, metals, plastics, rubble, dry wall and carpeting. In addition, the CDRF has created 23 green jobs.

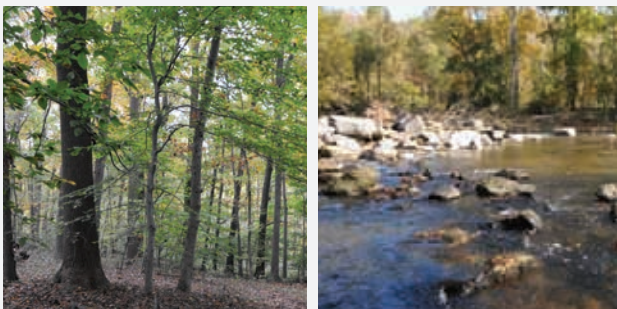
The combination of Re-community's MRF for recycling residential and commercial source separated single stream recyclables and Revolution Recovery's CDRF for recycling C&D materials at a single location is unmatched in Delaware. It uniquely positions DSWA and Delaware as a recycling leader now and into the future!

Coinciding with the progress being made with the Re-community and Revolution Recovery projects, DSWA continued to explore cost-saving measures and operational efficiencies to reduce expenses. DSWA's operating budget has been reduced from about \$80 million in FY 07 projected to about \$53 million in FY 14. This was achieved predominantly through staff reductions, savings in contract costs through competitive bidding in the down economy and operational efficiencies, which included on-site biological treatment and spray irrigation of leachate, utilization of municipal wastewater treatment plants for leachate disposal and the use of

green power generated from landfill gas. Although staffing has been decreased by about 34% over the past few years, DSWA has been able to maintain top-notch waste management and recycling services for Delawareans. I am especially proud of our employees in their willingness to meet the challenge of "doing more with less" to help reduce expenses while meeting our standard of excellence.

Perhaps not as exciting, but noteworthy, is my decision to retire at the end of the year. My tenure as DSWA's CEO for the past seven years has been the highlight of my 41 years in public service. In particular, my 38 years spanning a career with DSWA have been exceedingly challenging and rewarding. It has been a distinct pleasure to work with exceptional employees, who are second to none in the solid waste management field. DSWA's Directors unselfishly volunteer their time in meeting their fiduciary responsibilities to provide environmentally safe waste management and outstanding recycling programs for the people of Delaware. I consider it an honor and privilege to have worked with my current Board of Directors and those that have preceded them in past years. They are the best of the best!

Pasquale S. Canzano P.E., BCEE | Chief Executive Officer



RECYCLING DIVERSION RATES IN DELAWARE

YEAR	2006	2007	2008	2009	2010	2011	2012
Diverted Recyclables (tons)	248,410	377,066	318,032	323,637	359,147	401,883	405,953
Landfilled Municipal Solid Waste (MSW) (tons)	823,479	794,984	741,143	668,353	706,368	672,761	574,206
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
PERCENT DIVERTED RECYCLABLES	23.2%	32.2%	30.0%	32.6%	33.7%	37.4%	40.1%

Source 2012 RPAC annual report.



Facility Recyclable Quantities Used by Material Type - FY 2013

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

Material (material sent to market)	Cherry Island Landfill NSWMC	Sandtown Landfill SSWMC	Jones Crossroads Landfill CSWMC	Pine Tree Corners Transfer Station PTCTS	Milford Transfer Station MTS	Route 5 Transfer Station RT5TS	Total TOTAL
Refrigerant White Goods	36.56	22.06	21.80	34.26	5.56	27.47	147.71
Non Refrigerant White Goods	25.48	32.62	319.63	51.67	18.39	121.20	568.99
Tires	284.25	202.22	189.83	45.03	20.27	27.63	769.23
Yard Waste	0.00	0.00	0.00	333.92	318.07	1,619.31	2,271.30
Dry Wall	0.00	0.00	612.57	-	-	18.36	630.93
Propane Bottles	3.89	0.69	1.35	0.56	0.45	0.74	7.68
Metal shreds	-	-	150.16	-	-	-	150.16
TOTALS	350.18	257.59	1,295.34	465.44	362.74	1,814.71	4,546.00

Material used for soil cover & road building at landfills

ALTERNATIVE MATERIALS USED FOR SOIL COVER			TOTAL	
Clean Earth	275,376.61	-	-	275,376.61
Barrier	35,500.79	-	-	35,500.79
Recycled C&D	-	-	17,004.00	17,004.00
TOTAL	310,877.40	0.00	17,004.00	327,881.40

ALTERNATIVE MATERIALS USED FOR ROAD BUILDING				
Steel Slag	51,355.82	5,491.00	-	56,846.82
Recycled Concrete	-	6,916.00	-	6,916.00
Clean Earth Aggregate	8,611.04	-	-	8,611.04
Chipped yardwaste	-	562.87	-	562.87
TOTAL	59,966.86	12,969.87	0.00	72,936.73

ALTERNATIVE MATERIALS USED FOR SOIL AMENDMENT				
DSWA made Compost	683.54		289.69	973.23
totals	683.54	0.00	289.69	973.23
TOTAL	371,527.80	12,969.87	17,293.69	401,791.36



LANDFILL GAS RECYCLING IN DELAWARE



LANDFILL GAS = "GREEN" ELECTRICITY

LFG	Beneficially Used	Flared	Collected	Energy Derived from Beneficially Used Gas			Greenhouse Gases Reduced
	(MMSCF)	(MMSCF)	(MMSCF)	(MMBTU)	(KWH)	(# OF HOMES POWERED)	(MTCO2E)
CSWMC	556	447	1,003	254,209	23,913,508	2,084	193,122
SSWMC	810	26	836	409,064	37,187,774	3,240	174,865
CIL	654	1,278	1,933	335,312	48,405,768	4,218	380,033
Total	2,020	1,751	3,772	998,585	219,014,100	9,542	748,020

a - estimated value

b - determined by USEPA 2012 LMOP LFG Energy Benefits Calculator

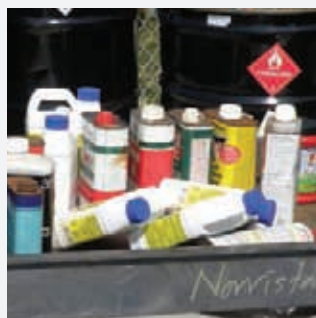
c - metric tons of carbon dioxide equivalents per year reduced thru LFG collection

DSWA collects the naturally occurring landfill gas (LFG) at all three of its landfills. In New Castle County, Cherry Island Landfill (CIL) generates approximately 3,500 cubic feet of LFG per minute. The energy power of this gas is equivalent to approximately 16 megawatts (MWs). The LFG offsets fossil fuels, such as coal, natural gas or oil. DSWA also collects landfill gas at its Sandtown and Jones Crossroads Landfills. A private energy management company, Ameresco, developed, owns, and operates the two landfill gas-to-electricity power plants at DSWA's Sandtown and Jones Crossroads Landfills. These facilities generate 3 MW and 5 MW of electricity respectively. Tons of naturally occurring methane are now being captured and converted into "green" electricity.



Through our LFG utilization projects, DSWA works with energy developers to generate approximately 24 MWs of green electricity used to meet Delaware's energy needs. LFG is a readily available renewable energy resource. Unlike some forms of green energy, landfill gas is generated and available for use 24 hours per day and 7 days per week. Utilization of this resource offsets the use of fossil fuels and reduces greenhouse gas emissions.

HOUSEHOLD HAZARDOUS WASTE COLLECTION



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



HHW PROGRAM EVENTS

EVENT (FY 2013)	POUNDS COLLECTED	COST PER EVENT	PARTICIPANTS
July (Pine Tree)	7,166	\$7,228.20	139
August (SSWMC)	13,445	\$11,166.40	133
September (Newark)	26,928	\$25,327.80	582
October (Frawley – Wilm.)	39,252	\$31,275.64	725
October (Elsmere –special event)	6,976	\$9,600.45	86
December (Newark)	13,673	\$24,964.00	533
March (Frawley Stadium)	31,713	\$22,835.03	802
April (Pine Tree)	7,836	\$10,615.45	210
May (SSWMC)	27,144	\$21,153.92	249
May (Rehoboth special event)	8,625	\$7,892.00	127
June (U of D Cleanout)	282	\$2,091.00	0
TOTAL	183,040	\$174,149.89	3,586

CHESWOLD WEEKLY PROGRAM

FY 2013 JULY 2012 – JUNE 2013 - Total Pounds Collected at Events

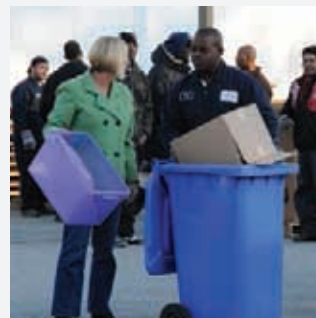
MONTH	WEIGHT (LBS.)	LABOR AND DISPOSAL COSTS	PARTICIPANTS
July	6,107	\$12,987	126
August	7,283	\$16,557	168
September	4,674	\$12,048	117
October	6,044	\$12,627	136
November	5,135	\$14,226	115
December	4,527	\$14,672	113
January	4,107	\$7,754	98
February	2,404	\$8,958	61
March	3,365	\$10,633	112
April	3,845	\$9,487	107
May	4,127	\$10,981	156
June	4,290	\$9,016	101
TOTAL	55,908	\$139,906	1,410

DRC WEEKLY PROGRAM

FY 2013 JULY 2012 – JUNE 2013 Total Pounds Collected at Events

MONTH	WEIGHT (LBS.)	LABOR AND DISPOSAL COSTS	PARTICIPANTS
July	0	0	0
August	0	0	0
September	0	0	0
October	0	0	0
November	0	0	0
December	0	0	0
January	3,041	\$10,545	84
February	1,811	\$6,762	48
March	3,846	\$7,883	48
April	8,736	\$12,095	122
May	10,035	\$14,770	159
June	8,869	\$10,487	132
TOTAL	27,469	\$52,055	461

ELECTRONIC GOODS & PAPER SHREDDING **RECYCLING**





EGR RECYCLED

DEVICES	TONS
Monitors	13,590
CPU/Hard Drives	16,175
Copiers/All-in-ones	1,266
Televisions	22,331
Other	9,178
TOTAL	62,540
WEIGHT (tons)	1,738

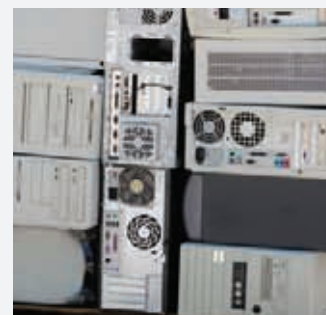
PAPER SHREDDING

PAPER SHREDDING EVENTS	WEIGHT
8/2012 - New Castle Cty Gov't Office	22,370
11/2012 - Rehoboth Town Hall	3,600
2/2013 - New Castle Cty Government Office	10,050
4/2013 - Barley Mill Plaza	18,357
4/2013 - Pine Tree Corners Transfer St.	4,920
5/2013 - SSWMC	2,420
Weight (lbs.)	61,717

ELECTRONIC GOODS RECYCLING COLLECTION PROGRAM

EGR COLLECTION EVENTS

7/2012 - Pine Tree Corners Transfer St.	9,843
8/2012 - Southern Solid Waste Mngt Ctr	6,188
8/2012 - New Castle Cty Gov't Office	55,609
9/2012 - City of Newark	24,096
10/2012 - Frawley Stadium	37,551
11/2012 - Rehoboth Town Hall	5,481
12/2012 - City of Newark	26,290
2/2013 - New Castle Cty Government Office	10,787
3/2013 - Frawley Stadium	30,593
4/2013 - Pine Tree Corners Transfer St.	12,372
4/2013 - Barley Mill Plaza	47,227
5/2013 - SSWMC	13,286
WEIGHT (lbs.)	278,323
EGR at Collection Events	278,323
EGR Collected from Businesses	153,206
EGR Collected from DSWA Drop-offs	2,464,169
EGR Collected from Government Offices	180,835
EGR Collected from Non-profits	41,337
EGR Collected from Schools	357,579
WEIGHT (lbs.)	3,476,449
WEIGHT (tons)	1,738



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

DELAWARE RECYCLING



Since 1990, Delaware residents have used these drop-off centers at various locations to recycle their household items, such as textiles, batteries, newspapers, plastic narrow-neck bottles, cans, junk mail, glass, used motor oil and oil filters.

Single-Stream Recycling for FY 2013 Tons Received

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

Drop-off Center Recycling

ITEM/SOURCE	TONS
Single-Stream	11,147
Motor Oil	599
Oil Filters	43
Textiles	96
Batteries	64
TOTALS	11,949

SINGLE-STREAM RECYCLING includes the following:

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

DSWA continued its TEXTILE RECYCLING Program in FY 2013. Acceptable materials include old clothing, shoes (pairs only) curtains and linens. Not accepted are rubber, vinyl, fabric scraps or dirty rags. All collected textiles were delivered to Goodwill Industries of Delaware for recycling. In FY2013, 96 tons of textiles were recycled.

DSWA continued to provide containers at many of its DROP-OFF CENTER sites for receiving OIL and OIL FILTERS. In FY 2013, 163,126 gallons of Oil has been recycled in Delaware, which equals 599 tons! 43 tons of Oil Filters were sent for recycling.

The POLYSTYRENE (foam #6) items accepted include: white packaging (except no peanuts), clean drinking cups, clean food containers, and clean egg cartons. In 2013, 28,261 lbs. of polystyrene was recycled.

BATTERIES accepted are small household batteries (A's, C's, and D's) button type (watch, hearing aid and camera) and rechargeables (small power tools, electronic devices). In 2013, 68.27 tons of batteries were recycled.

Polystyrene Foam Recycling

MONTH	POUNDS
7/2013	2,655
8/2012	1,230
9/2012	3,214
10/2012	3,642
11/2012	2,529
12/2012	1,258
1/2013	2,487
2/2013	2,856
3/2013	297
4/2013	4,723
5/2013	2,142
6/2013	1,228
TOTAL (lbs.)	28,261

Household Battery Recycling

BATTERY TYPE	TONS
Non-rechargeable	66.58
Rechargeable	1.69
WEIGHT (tons)	68.27

DELAWARE SOLID WASTE AUTHORITY FISCAL YEAR 2013



2013 Delaware Solid Waste Authority Annual Report



DELAWARE SOLID WASTE AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

DELAWARE SOLID WASTE AUTHORITY

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
FINANCIAL STATEMENTS	
Statements of Net Position	9 - 10
Statements of Revenues and Expenses and Changes in Net Position	11
Statements of Cash Flows	12 - 13
Notes to Financial Statements	14 - 27
ADDITIONAL INFORMATION	
Schedules of Operating Revenues and Expenses	28



& Associates Ltd
Accountants & Advisors

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, 2013 and 2012, and the related statements of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Solid Waste Authority as of June 30, 2013 and 2012, and the changes in financial position, and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The schedules of operating revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating revenues and expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

Elko & Associates Ltd

September 18, 2013

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, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and notes to the financial statements.

The Reporting Entity

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

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

Budgetary and Accounting Controls

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

Cash Management

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

Risk Management

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

Overview of the Financial Statements

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

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

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

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

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

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

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14 through 27 of this report.

Financial Highlights

- The DSWA's assets exceeded its liabilities (net position) by approximately \$178.0 million and \$173.2 million at the close of fiscal years 2013 and 2012, respectively. This represents an increase of approximately \$4.9 million (2.8%) in net position in 2013 over the previous year.
- Total operating revenue decreased by approximately \$1.9 million or 3.2% less than the previous year. Net user fees reported in this item are net of the Discount Disposal Fee Programs rebates of approximately \$3.5 million in 2013 and \$3.7 million in 2012 (see Note 8).

- Total operating expenses for 2013 increased by \$1.1 million or 2.3% from the previous year. This increase includes approximately \$1.7 million of additional depreciation related to landfill expansion projects completed in 2013. Operating expenses excluding this added depreciation would have decreased by 1.3% compared to 2012.
- Operating income for 2013 was \$6.6 million versus the prior year operating income of \$9.6 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 a 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).

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 2013 by \$4,880,174, increased by \$11,565,986 for 2012, and increased by \$16,969,135 for 2011. A condensed summary of DSWA's net position for the three years being reported is presented below:

	Net Position		
	2013	2012	2011
Current and Other Assets	\$ 122,408,413	\$ 123,627,886	\$ 135,303,621
Capital Assets	230,331,946	227,890,297	218,032,088
Total Assets	352,740,359	351,518,183	353,335,709
Current Liabilities	18,344,756	17,583,609	27,451,058
Long-Term Obligations	156,347,404	160,766,549	164,282,612
Total Liabilities	174,692,160	178,350,158	191,733,670
Net Position:			
Invested in Capital Assets	140,515,078	135,409,179	137,547,836
Unrestricted	36,433,640	36,671,231	22,979,276
Restricted	1,099,481	1,087,615	1,074,927
Total Net Position	\$ 178,048,199	\$ 173,168,025	\$ 161,602,039

Net position invested in capital assets represent 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 are limited to outside third party restrictions and represent the net position that have 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, 2013, 2012, and 2011 is presented below:

	Change in Net Position		
	2013	2012	2011
Operating Revenues			
Net User Fees: Solid Waste	\$ 52,190,135	\$ 51,711,946	\$ 56,014,983
L/F Gas Marketing Income	1,414,417	2,932,671	4,623,544
Marketing Income Recyclables	1,436,754	2,437,878	2,954,997
Other Income	755,233	569,163	542,638
Total Operating Revenues	55,796,539	57,651,658	64,136,162
Operating Expenses			
Salaries and Related Costs	9,235,613	9,468,011	10,078,534
Contractual Services	23,737,994	22,544,089	23,040,833
Depreciation	8,523,985	6,795,029	7,378,058
Landfill Closure	3,877,752	4,757,428	2,076,127
Other Expenses	3,783,720	4,512,028	5,240,448
Total Operating Expenses	49,159,064	48,076,585	47,814,000
Operating Income	6,637,475	9,575,073	16,322,162
Net Nonoperating Revenues	(1,757,301)	1,990,913	2,678,802
Income Before Special Items	4,880,174	11,565,986	19,000,964
Special Items - Impairment Loss	-	-	(2,031,829)
Increase in Net Position	4,880,174	11,565,986	16,969,135
Net Position - Beginning of Year	173,168,025	161,602,039	144,632,904
Net Position - End of Year	\$ 178,048,199	\$ 173,168,025	\$ 161,602,039

Capital Asset Activity

The following provides a summary of the significant changes in capital assets for the year ended June 30, 2013 and a description of the major items affecting the year-end balances (see Note 4 - Capital Assets).

- Construction in Progress
Increases: Jones Crossroads Landfill: Cell 5 Expansion - \$341,357, Cell Capping - \$3,148,088, Leachate System Modifications - \$244,351, Wetlands Mitigation - \$246,322
Cherry Island Landfill: Administrative Building Addition - \$618,903, Instrumentation Installation - \$736,548, Lagoon Seepage Issues - \$143,150
Sandtown Landfill: Cell Capping - \$137,903, Gas System Expansion - \$113,727
- Depreciable Capital Assets
Increases: Vehicles - \$167,963, Building Improvements - \$657,928, Heavy Construction Equipment and Processing Equipment - \$225,260, Land Improvements - \$52,635, Land - \$195,065
Decreases: Vehicles sold or traded-in - \$127,321, Retirement depreciable assets - Equipment - \$37,724.

Review of Operations

Landfill Operations. During the fiscal year 2013, the Delaware Solid Waste Authority's (DSWA's) three operating landfills managed the safe disposal or recycling of 675,507 tons of waste compared to 675,669 tons during the previous year. Of the total waste received, dry waste, which includes construction and demolition waste, of 65,493 tons was received in fiscal year 2013 as compared to 66,002 tons in the previous year. 17,004 tons of the dry waste received during fiscal year 2013 was recycled into an alternate material used for soil cover at the Jones Crossroads Landfill. In addition, 769 tons of tires were recycled as either tire derived fuel or consumer products. A total of 3,807 tons of yard waste were recycled as mulch or compost or used in road construction. Of this total, 2,271 tons were sent to the market and 1,536 tons were used as alternative material for soil amendment at the landfills. The user fee for solid waste and dry waste was \$84.00 per ton at the landfills and transfer stations versus \$82.00 per ton for the prior year.

Transfer Stations. During the fiscal year 2013, the DSWA's Pine Tree Corners, Milford and Route 5 Transfer Stations received and transferred 186,412 tons of solid waste. Pine Tree Corners Transfer Station and Milford Transfer Station sent their waste to the Sandtown Landfill for disposal. The Route 5 Transfer Station sent its waste to the Jones Crossroads Landfill for disposal.

Collection Stations. The DSWA's five collection stations located in Kent and Sussex Counties continued to provide disposal services to residents for bagged household waste and yard waste at the rate of \$1/bag. A total of 77,089 customers disposed 105,664 bags of household waste and 22,995 bags of yard waste during fiscal year 2013.

Recycling. During the fiscal year 2013, the DSWA's Drop Off Center Program collected 11,949 tons of various recyclables including cardboard, single stream, batteries, textiles, oil filters and oil from its 117 sites. The Oil Filter Program marketed 43 tons of oil filters collected statewide. The oil filters were generated from the drop off sites as well as non-profit locations. The Electronic Goods Program collected 1,738 tons of electronic goods for recycling. The Household Hazardous Waste Program conducted eight regularly scheduled events and three special collection events in various locations statewide. From the regularly scheduled events and the special collection events 183,040 pounds of material was collected, which were recycled or safely disposed. In addition to the regularly scheduled and special collection events, a Household Hazardous Waste pilot program was conducted during fiscal year 2013 at our Cheswold Collection Center. At this location 55,908 pounds of material were collected, which were then either recycled or safely disposed. In addition, a weekly Household Hazardous Waste pilot program in New Castle County began in January 2013. At this location 27,469 pounds were collected, which were then either recycled or safely disposed.

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 2013 Revolution took in 44,976 tons of C&D materials for processing versus fiscal year 2012 tonnage of 2,235 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 2013 ReCom took in 69,610 tons of recyclable materials for processing versus fiscal year 2012 tonnage of 19,230 tons. The tonnage for each of these years was processed in ReCom's out of state facilities. Starting July of 2013, ReCom's state of the art facility was processing material at DSWA's Delaware Recycling Center.

Plans for the Future. DSWA continues to review its programs to reduce costs and increase revenues. It is anticipated that the solid waste tonnage will continue to regress due to a combination of the current national economic situation and the strong effort to increase recycling. DSWA has taken, and will continue to take, a conservative approach when developing future budgets.

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

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

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

John J. Lechner
Chief Financial Officer
Delaware Solid Waste Authority
1128 S. Bradford Street
P.O. Box 455
Dover, DE 19903-0455
Telephone: (302) 739-5361

Respectfully submitted,

John J. Lechner

John J. Lechner
Chief Financial Officer

DELAWARE SOLID WASTE AUTHORITY
STATEMENTS OF NET POSITION

	JUNE 30,	
	2013	2012
ASSETS		
CURRENT ASSETS		
Unrestricted Current Assets:		
Cash and cash equivalents - Note 2	\$ 470,756	\$ 554,359
Investments - Note 3	5,462,605	6,971,946
Accounts receivable (net of allowance for doubtful accounts of \$268,004 and \$300,000, respectively)	4,434,058	5,346,773
Interest receivable	438,669	497,309
Prepayments and miscellaneous receivables	1,182,696	168,810
Total Unrestricted Current Assets	11,988,784	13,539,197
Restricted Current Assets:		
Investments - Note 3	44,107,842	50,056,884
Total Current Assets	56,096,626	63,596,081
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets:		
Investments - Note 3	16,471,047	15,051,963
Capital Assets - Note 4		
Land	24,926,982	24,731,917
Land improvements	299,247,941	147,551,679
Buildings	42,794,648	42,136,720
Equipment and furniture	18,431,297	17,359,907
Vehicles	2,783,140	2,742,497
Total	388,184,008	234,522,720
Less: Accumulated depreciation	165,616,999	157,258,059
	222,567,009	77,264,661
Construction in progress - Note 4	7,764,937	150,625,636
Total Capital Assets	230,331,946	227,890,297
Other Assets - Note 1		
Bond issuance costs, net of accumulated amortization of \$339,696 and \$280,999, respectively - Note 6	708,594	767,291
Total Other Assets	708,594	767,291
Restricted Noncurrent Assets:		
Investments - Note 3	49,132,146	44,212,551
Total Noncurrent Assets	296,643,733	287,922,102
TOTAL ASSETS	\$ 352,740,359	\$ 351,518,183

The accompanying Notes are an integral part of these statements.

	JUNE 30,	
	2013	2012
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 4,830,919	\$ 3,126,547
Contracts payable, including retainage	136,226	980,965
Refundable security deposits	64,491	65,091
Accrued compensation	1,248,705	1,399,849
Current portion of bonds payable - Note 6	8,021,339	7,741,952
Accrual for landfill closure and post closure care costs - Note 5	360,000	484,000
Contract rebate payable - Note 8	3,516,352	3,705,399
Total Current Liabilities	18,178,032	17,503,803
CURRENT LIABILITIES (Payable From Restricted Assets)		
Arbitrage payable - Note 10	166,724	79,806
NONCURRENT LIABILITIES		
Bonds payable - Note 6	102,876,822	110,938,321
Accrued landfill closure and post closure care costs - Note 5	53,470,582	49,828,228
Total Noncurrent Liabilities	156,347,404	160,766,549
Total Liabilities	174,692,160	178,350,158
NET POSITION		
Invested in capital assets, net of related debt and accumulated depreciation	140,515,078	135,409,179
Unrestricted	36,433,640	36,671,231
Restricted	1,099,481	1,087,615
Total Net Position	178,048,199	173,168,025
TOTAL LIABILITIES AND NET POSITION	\$ 352,740,359	\$ 351,518,183

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,	
	2013	2012
OPERATING REVENUES		
Net user fees: solid waste	\$ 52,190,135	\$ 51,711,946
Landfill gas	1,414,417	2,932,671
Other income	2,191,987	3,007,041
Total Operating Revenues	55,796,539	57,651,658
OPERATING EXPENSES		
Salaries and related costs	9,235,613	9,468,011
Professional services	1,214,743	1,302,952
Travel	70,245	79,227
Supplies and materials	1,579,137	1,883,045
Utilities	919,595	1,246,804
Contractual services	23,737,994	22,544,089
Closure and post closure care of landfills	3,877,752	4,757,428
Depreciation expense	8,523,985	6,795,029
Total Operating Expenses	49,159,064	48,076,585
OPERATING INCOME	6,637,475	9,575,073
NONOPERATING REVENUES (EXPENSES)		
Net investment income (expense)	(496,382)	2,341,632
Bond interest and related expenses	(1,604,614)	(671,206)
Other nonoperating revenue - net	343,695	320,487
Net Nonoperating Revenues (Expenses)	(1,757,301)	1,990,913
INCREASE IN NET POSITION	4,880,174	11,565,986
NET POSITION - BEGINNING OF YEAR	173,168,025	161,602,039
NET POSITION - END OF YEAR	\$ 178,048,199	\$ 173,168,025

The accompanying Notes are an integral part of these statements.

DELAWARE SOLID WASTE AUTHORITY
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 51,899,317	\$ 52,785,663
Cash paid to suppliers	(27,021,479)	(36,487,650)
Cash paid to employees	(9,386,757)	(9,299,222)
Landfill gas marketing revenues	1,414,417	2,932,671
Other operating revenues	2,191,987	3,007,041
Net Cash Provided by Operating Activities	19,097,485	12,938,503
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,073,742	2,033,578
Purchases of investments	(649,820,767)	(755,598,476)
Proceeds from sale of investments	648,364,177	765,717,167
Other investing income (expense)	480,549	(460,140)
Net Cash Provided by Investing Activities	1,097,701	11,692,129
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for debt service requirements	(7,295,000)	(7,025,000)
Interest paid on bonds	(5,363,425)	(5,634,150)
Cash payments for capital assets	(7,635,239)	(12,348,816)
Proceeds from sale of capital assets	14,875	350,001
Net Cash Used in Capital and Related Financing Activities	(20,278,789)	(24,657,965)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(83,603)	(27,333)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	554,359	581,692
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 470,756</u>	<u>\$ 554,359</u>

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,	
	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 6,637,475	\$ 9,575,073
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,523,985	6,795,029
Decrease in accounts receivable	912,715	1,215,027
(Increase) decrease in prepayments and miscellaneous receivables	(1,013,886)	366,456
Increase (decrease) in accounts payable	1,704,372	(7,718,573)
Decrease in contracts payable	(844,739)	(1,230,979)
Decrease in refundable security deposits	(600)	(5,000)
Increase (decrease) in accrual for compensation	(151,144)	168,789
Increase in accrued closure and post closure care of landfills	3,518,354	4,275,447
Decrease in contract rebate payable	(189,047)	(502,766)
Total Adjustments	12,460,010	3,363,430
Net Cash Provided by Operating Activities	<u>\$ 19,097,485</u>	<u>\$ 12,938,503</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Amortization of bond issue costs	\$ 58,697	\$ 58,697
Net accretion of premium/discount on bonds	461,498	537,710
Gain on disposition of capital assets	(14,875)	(193,053)
Unrealized gain (loss) on investments	(2,432,516)	74,075
Realized gain (loss) on sale of investments	(143,778)	28,779
Capitalized interest	3,330,395	4,461,369

The accompanying Notes are an integral part of these statements.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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) and those of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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, 2013 AND 2012

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, 2013 and 2012 was \$8,523,985 and \$6,795,029, respectively.

(F) Other Significant Accounting Policies

Accounts receivable are shown 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) Other Assets

Bond issuance costs, net of accumulated amortization, are reported in other assets. Bond issuance costs are amortized on a straight-line basis over the term of the bonds.

(H) Compensated Absences

Vacation and sick leave pay are recorded as an expense when earned by the DSWA's employees. As of June 30, 2013 and 2012, accrued vacation and sick leave aggregated \$817,114 and \$875,272, respectively; this resulted in a net decrease of \$58,158 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.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 - Summary of Significant Accounting Policies - continued

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

Unrestricted net position represent 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.

(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) Recently Issued Accounting Standards

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

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

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

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 - Summary of Significant Accounting Policies - continued

The requirements of this statement will be effective for the DSWA for the fiscal year ending June 30, 2014. 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 require reclassification of bond issuance costs, reported as of June 30, 2013 in the statement of net position as an asset in the amount of \$708,594, as a current-period outflow (expense). The reclassification will result in restatement of the DSWA's financial statements with a decrease to Net Position of \$708,594.

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

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

The requirements of this Statement will be effective for the DSWA for the fiscal year ending June 30, 2015. The DSWA participates in the Delaware Public Employees' Retirement System ("DPERS"), which is described in Note 7. The DSWA is currently reviewing the new accounting requirements to determine the effect on the DSWA's financial statements. The DSWA has determined that the Statement will apply to the DSWA's participation in the DPERS defined benefit plan, which will require the DSWA to recognize a liability for its proportionate share of the plan's collective net pension liability and recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to the plan. The amounts will be initially determined as of July 1, 2014, for application of this Statement to the DSWA's financial statements for the year ended June 30, 2015; in addition, the Statement requires restatement of any prior periods presented.

NOTE 2 - Cash and Cash Equivalents

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

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

Custodial credit risk is the risk that in the event of a bank failure, the DSWA's deposits may not be returned to it. In accordance with the State's Cash Management Policy, the DSWA deposits its funds with financial institutions that comply with the requirements of Delaware Statutes and have been designated as a qualified public depository by the State Treasurer. Under the Statute, banks who hold public deposits and who do not meet the financial criteria outlined in Section V of the State of Delaware's Cash Management Policy, must pledge collateral with a fair value equal to a percentage of the average daily balance of all government deposits in excess of federal deposit insurance. As of June 30, 2013, the DSWA's bank balances were not exposed to custodial credit risk.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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, 2013, 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, 2013, 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:

		2013	2012
Mutual Funds	AAA	24%	20%
Corporate Obligations	AAA	5%	4%
Corporate Obligations	AA+	2%	2%
Corporate Obligations	AA	7%	4%
Corporate Obligations	AA-	10%	11%
Corporate Obligations	A	1%	2%
Corporate Obligations	A1+	4%	8%
Corporate Obligations	A1	7%	11%

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 is subject to interest rate risk as a function of the length of time to maturity. The scheduled maturities of investments at June 30, 2013 are summarized below.

Credit risk is the risk that an issuer will not fulfill its obligations while concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. As indicated above in Note 2, 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 does not have more than 5 percent of its total investments, as of June 30, 2013 and 2012, invested in any one company's corporate bonds and notes.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - Investments - continued

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, 2013 and 2012 resulted in unrealized gain/(loss) of \$(2,432,516) and \$74,075, 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 gains/(losses) for the years ended June 30, 2013 and 2012 were \$(143,778) and \$28,779, respectively.

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

The DSWA's investments are summarized as follows:

	2013		2012	
	Fair Value/ Carrying Value	Cost	Fair Value/ Carrying Value	Cost
U.S. Treasury Obligations	\$ 9,094,657	\$ 9,220,821	\$ 4,471,114	\$ 4,336,517
U.S. Government Agency Bonds and Notes	36,586,102	37,671,308	40,409,064	39,998,066
Wilmington U.S. Government Mutual Funds	27,495,003	27,494,998	23,503,729	23,503,729
Corporate Bonds and Notes	41,997,878	42,328,822	47,909,437	47,564,829
Total Investments	<u>\$ 115,173,640</u>	<u>\$ 116,715,949</u>	<u>\$ 116,293,344</u>	<u>\$ 115,403,141</u>

The investments mature as follows:

	Total	Less than 1 year	1 - 5 years	6 - 10 years	More than 10 years
U.S. Treasury Obligations	\$ 9,094,657	\$ 759,696	\$ 3,951,173	\$ 4,383,788	\$ -
U.S. Government Agency Bonds and Notes	36,586,102	1,786,890	13,006,274	20,864,158	928,780
Wilmington U.S. Government Mutual Funds	27,495,003	27,495,003	-	-	-
Corporate Bonds and Notes	41,997,878	19,528,881	17,942,150	4,526,847	-
	<u>\$ 115,173,640</u>	<u>\$ 49,570,470</u>	<u>\$ 34,899,597</u>	<u>\$ 29,774,793</u>	<u>\$ 928,780</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	June 30, 2012	Additions	Transfers	Sales/ Retirements	June 30, 2013
Capital assets not being depreciated:					
Construction in progress	\$ 150,625,636	\$ 9,666,782	\$ (152,527,481)	\$ -	\$ 7,764,937
Land	24,731,917	195,065	-	-	24,926,982
Total capital assets not being depreciated	175,357,553	9,861,847	(152,527,481)	-	32,691,919
Depreciable capital assets:					
Land improvements	147,551,679	52,635	151,643,627	-	299,247,941
Less: accumulated depreciation	(118,752,439)	(5,089,699)	-	-	(123,842,138)
Buildings	42,136,720	657,928	-	-	42,794,648
Less: accumulated depreciation	(23,375,621)	(1,556,233)	-	-	(24,931,854)
Equipment and furniture	17,359,907	225,260	883,854	(37,724)	18,431,297
Less: accumulated depreciation	(12,640,539)	(1,780,556)	-	37,724	(14,383,371)
Vehicles	2,742,497	167,964	-	(127,321)	2,783,140
Less: accumulated depreciation	(2,489,460)	(97,497)	-	127,321	(2,459,636)
Depreciable assets, net of accumulated depreciation	52,532,744	(7,420,198)	152,527,481	-	197,640,027
Capital assets, net	\$ 227,890,297	\$ 2,441,649	\$ -	\$ -	\$ 230,331,946

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 - Capital Assets - continued

The status of the DSWA's construction in progress at June 30, 2013 is as follows:

	Expected Completion Date	Costs to Date	
Landfills:			
<u>Cherry Island</u>			
CIL Office Building Addition	FY 2014	\$ 620,937	
Total			\$ 620,937
<u>Sandtown</u>			
Area E	FY 2014	1,362,731	
Leachate Systems Modifications	FY 2014	4,991	
Site Improvements	FY 2014	42,755	
Total			1,410,477
<u>Jones Crossroads</u>			
Leachate System Modifications	FY 2014	245,292	
Cell III/IV Capping	FY 2014	3,636,947	
Cell I Capping	FY 2014	991,805	
Cell II Capping	FY 2014	589,535	
Wetlands Mitigation	FY 2014	260,922	
Total			5,724,501
<u>DRC</u>			
Scale Work	FY 2014		9,022
Total Construction In Progress			<u>\$ 7,764,937</u>

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.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

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 \$53,830,582 as of June 30, 2013 and \$50,312,228 as of June 30, 2012, represent the cumulative amount reported based on the estimated percentage of landfill capacity used as of those dates. The DSWA will recognize the remaining estimated cost of closure and post closure care of \$114,770,750 as the remaining estimated capacity is filled. The estimated total current cost of the landfill closure and post closure care of \$168,601,332 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, 2013. 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, 2013:

Landfill	Estimated Capacity Used	Cumulative Remaining Life	Accrued Costs	Costs to be Recognized in the Future
Cherry Island	52.60%	35 years	\$ 32,137,659	\$ 25,700,347
Sandtown	21.81%	68 years	7,137,895	47,317,056
Jones Crossroads	16.91%	73 years	13,639,228	41,753,347
Pigeon Point	100.00%	Closed 1985	915,800	-
Total			<u>\$ 53,830,582</u>	<u>\$ 114,770,750</u>

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

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

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

	Total	Cherry Island	Sandtown	Jones Crossroads	Pigeon Point
Balance of accrual, June 30, 2012	\$ 50,312,228	\$ 29,023,299	\$ 6,593,705	\$ 12,992,750	\$ 1,702,474
Current year expenditures:					
Closure costs	-	-	-	-	-
Post closure costs	(359,398)	-	-	-	(359,398)
Net accrual	49,952,830	29,023,299	6,593,705	12,992,750	1,343,076
Balance of accrual, June 30, 2013	53,830,582	32,137,659	7,137,895	13,639,228	915,800
Net closure and post closure care costs recognized in current year	\$ 3,877,752	\$ 3,114,360	\$ 544,190	\$ 646,478	\$ (427,276)

Included in the computation of Landfill Closure and Post Closure Care Costs as of June 30, 2013, are closure costs for: (1) Pine Tree Corners Transfer Station of \$15,800 (2) Cheswold Collection Station of \$2,100 (3) Milford Transfer Station of \$15,800 (4) Ellendale, Long Neck, Omar, and Bridgeville Collection Stations, each totaling \$2,100 (5) DRC Transfer Station of \$15,800 and (6) Route 5 Transfer Station of \$15,800.

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.

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.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 6 - Bonds Payable - continued

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

	<u>2013</u>	<u>2012</u>
Series 2006	\$ 74,010,000	\$ 78,020,000
Series 2010 "A"	15,210,000	18,495,000
Series 2010 "B"	<u>18,855,000</u>	<u>18,855,000</u>
Total Principal	108,075,000	115,370,000
Unamortized premium	2,401,822	2,863,321
Accrued interest	<u>421,339</u>	<u>446,952</u>
 Total Bonds Payable	 <u><u>\$ 110,898,161</u></u>	 <u><u>\$ 118,680,273</u></u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,600,000	\$ 5,056,061	\$ 12,656,061
2015	7,910,000	4,749,562	12,659,562
2016	7,275,000	4,460,513	11,735,513
2017	8,480,000	4,134,557	12,614,557
2018	9,730,000	3,783,558	13,513,558
2019-2023	45,645,000	12,077,468	57,722,468
2024-2026	<u>21,435,000</u>	<u>2,178,250</u>	<u>23,613,250</u>
	<u><u>\$ 108,075,000</u></u>	<u><u>\$ 36,439,969</u></u>	<u><u>\$ 144,514,969</u></u>

The total interest expense incurred on the DSWA bond debt for the years ended June 30, 2013 and 2012 was \$5,337,811 and \$5,611,590, respectively. The total interest capitalized and included in Construction in progress on the Statements of Net Position for the years ended June 30, 2013 and 2012 was \$3,330,395 and \$4,461,369, respectively.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 7 - Pension Plan

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

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

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

The DSWA is required to contribute at an actuarially determined rate, which was 20.28%, 18.76% and 17.20% of annual covered payroll for the years ended June 30, 2013, 2012 and 2011, respectively. The contribution requirements for plan members and participating governments are established by State statute. The DSWA's contributions to the System for the years ended June 30, 2013, 2012 and 2011 were \$1,205,197, \$1,137,842 and \$1,091,219, respectively, and were equal to the required contributions for each year.

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. The program will run through June 30, 2013. The program offers rebates of \$8.00/ton and \$4.00/ton for deliveries to the landfills or transfer stations, respectively.

For the program years ended June 30, 2013 and 2012, three hundred and eighty two (382) and three hundred and ninety nine (399) participants received rebates totaling \$3,516,352 and \$3,705,399, respectively.

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, 2013 AND 2012

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. At December 20, 2011, the Rebate Installment Date, the liability for the 2006 bond issuance totaled \$768,349. The DSWA remitted the 90 percent payment to the IRS in the amount of \$691,514. As of June 30, 2013, the DSWA is contingently liable for arbitrage rebate currently computed to total \$166,724.

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, 2013, the uncompleted contracts are summarized as follows:

	Contract Amount	Approved Payments	Retainage Payable	Remaining Contract Commitment
Cherry Island Landfill	\$ 6,925,320	\$ 6,090,869	\$ -	\$ 834,451
Sandtown Landfill	13,466,476	13,415,441	23,421	51,035
Jones Crossroads Landfill	23,965,375	22,784,109	98,558	1,181,266
	<u>\$ 44,357,171</u>	<u>\$ 42,290,419</u>	<u>\$ 121,979</u>	<u>\$ 2,066,752</u>

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, 2013 is \$32,159,602, which relates to contracts expiring through July 2015. The DSWA's contracts include termination for convenience clauses which allows the DSWA to cancel the contracts at any time.

The DSWA and the city of Wilmington negotiated a Restated Sludge Agreement that provides for a ten-year period beyond 2003, during which time the City will not be charged service fees for stabilized sludge that is utilized by the DSWA for landfill operations.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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 \$131,944 for the primary building, \$10,384 for a secondary building, and Ground Rent of \$254.50 per thousand square feet of outside storage area, with future annual rents subject to the annual change in CPI.

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 will 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 is constructed and operational, the Service Agreement provides for a current tip fee payment to DSWA of \$2.54 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 will be subject to an annual adjustment using 90% of the CPI. Additionally, a twenty-year lease agreement covering 2 buildings, and the adjacent surrounding areas, will take effect when the MRF is operational. The anticipated operational date is September 2013. The initial annual rent is set at \$205,254 and will be subject to an annual adjustment of 90% of the annual change in CPI.

DELAWARE SOLID WASTE AUTHORITY

SCHEDULES OF OPERATING REVENUES AND EXPENSES • FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Landfill Operations	Transfer Station Operations	Collection Station Operations	Recycling Operations	Household Hazardous Waste Program	General & Administrative	2013 Total	2012 Total
OPERATING REVENUES								
Net user fees: solid waste	\$36,971,280	\$15,080,050	\$138,805	\$-	\$-	\$-	\$52,190,135	\$51,711,946
Landfill gas	1,414,417	-	-	-	-	-	1,414,417	2,932,671
Other income	850,405	48,412	-	1,292,010	-	1,160	2,191,987	3,007,041
TOTAL OPERATING REVENUES	39,236,102	15,128,462	138,805	1,292,010	-	1,160	55,796,539	57,651,658
OPERATING EXPENSES:								
SALARIES & RELATED COSTS	3,817,643	362,467	153,240	1,086,131	3,785	3,812,347	9,235,613	9,468,011
PROFESSIONAL SERVICES	573,988	2,750	1,500	3,625	-	632,880	1,214,743	1,302,952
TRAVEL	13,720	11	67	2,981	7	53,459	70,245	79,227
SUPPLIES & MATERIALS	1,040,190	4,445	1,777	257,103	557	275,065	1,579,137	1,883,045
UTILITIES	620,999	70,008	7,479	141,354	-	79,755	919,595	1,246,804
CONTRACTUAL SERVICES	11,808,747	8,256,907	92,894	1,649,160	397,887	1,532,399	23,737,994	22,544,089
CLOSURE & POST CLOSURE ARE OF LANDFILLS	3,877,752	-	-	-	-	-	3,877,752	4,757,428
DEPRECIATION EXPENSE	6,466,242	1,198,597	39,073	725,162	8,938	85,973	8,523,985	6,795,029
TOTAL OPERATING EXPENSES	28,219,281	9,895,185	296,030	3,865,516	411,174	6,471,878	49,159,064	48,076,585
MANAGEMENT OPERATIONS EXPENSE DISTRIBUTION	4,639,505	1,307,085	-	524,128	-	(6,470,718)	-	-
TOTAL OPERATING & MANAGEMENT EXPENSES	32,858,786	11,202,270	296,030	4,389,644	411,174	1,160	49,159,064	48,076,585
OPERATING INCOME	\$6,377,316	\$3,926,192	\$(157,225)	\$(3,097,634)	\$(411,174)	\$-	\$6,637,475	\$9,575,073

ADDITIONAL INFORMATION

Copywriter
Michael Parkowski

Design
Debra Hougaard

Photography
Debra Hougaard
Dick Dubroff

Final Focus
Geosyntec

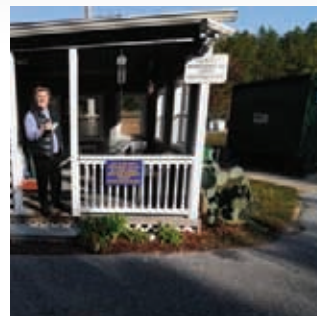
Aerial Photography
Land & Mapping Services

Printed on New Leaf Reincarnation EcoLogo and
FSC® certified paper and manufactured using biogas energy.

*Delaware Solid Waste Authority is proud to print this annual report on
Forest Stewardship Council™ certified paper.*

The Delaware Solid Waste Authority (DSWA) is a leader in providing programs, facilities, and materials that enhance our environment. The FSC is an international independent, non-governmental, not-for-profit organization established to promote the responsible management of the world's forests. FSC certified mills produce paper through a responsible manufacturing process, which includes forests that are self-sustaining. Printers must have Chain of Custody (COC) certification to print the FSC logo on FSC certified papers.

COC is the path taken by raw materials harvested from an FSC certified source through processing, manufacturing, distribution, and printing until it is a final product ready for sale to the end consumer.



Delaware Solid Waste Authority

1128 S. Bradford St., P.O. Box 455
Dover, DE 19903-0455

Phone 302-739-5361 Fax 302-739-4287



Citizen's Response Line
1-800-404-7080
www.dswa.com