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Annual Report

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DELAWARE SOLID WASTE AUTHORITY

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.**

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Chairman's Letter

It is with great pleasure that I am able to reflect on 2017 and the great strides DSWA continues to make in order to stay true to its mission of providing plans and programs that best serve the solid waste management needs for the residents of Delaware.

In 2017, DSWA was able to offer lower tipping fees to all of the businesses, municipalities and government agencies who signed a 5-year contract; agreeing to bring all the waste they collect to DSWA facilities. This act insures steady and predictable revenue streams which allow the DSWA to run the many programs and services it provides for Delaware. The Board of Directors is proud of the hard work DSWA employees have put in to become proficient in reducing operating costs to make this happen.

One of the greatest undertakings for 2017 was the revitalization of the recycling drop-off program. The DSWA management team took a close, resolute look at the program to determine the most cost effective and responsible way to revamp the program. Staff had to find a way to eliminate the historically heavy contamination of recyclables being collected. Although it was a hard decision the Board agreed with staff's recommendation to reduce the number of centers. The remaining centers would be centralized and manned to provide an increase in the level of service for our customers. These improvements were implemented while allowing the recycling drop-off program to continue to be cost free to Delaware residents.

I continue to be a proud member of your DSWA Board of Directors. Speaking for my Board member colleagues I continue to be so very impressed with the DSWA staff and their dedication to providing the best service and experience to all Delawareans.



I hope as you read through this report that you will be able to see the hard work and dedication that runs through DSWA on all levels.

A handwritten signature in white ink, reading "Gerard L. Esposito". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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 Review

Fiscal Year 2017 (July 1, 2016 – June 30, 2017) was the beginning of a new chapter in Delaware Solid Waste Authority's (DSWA) history.

It was our first full year under the new 5-year Discount Disposal Fee (DDF) contract system and the revision to DSWA's Regulations requiring solid waste (excluding construction and demolition waste) generated in Delaware to be brought to DSWA facilities.

The new 5-year DDF contract substantially reduced the net amount a customer pays to use DSWA facilities compared to the prior DDF contract.

	FY2017	FY2016	Reduction
Landfills	\$65.00/ton	\$80.50/ton	19%
Transfer Stations	\$75.00/ton	\$84.50/ton	11%

By signing this contract, our customers agree to bring all their Delaware-generated solid waste (excluding construction and demolition waste) to DSWA facilities. They also agree to either commit to bring all their Delaware recyclables to DSWA or provide additional free service such as free hauling of community cleanup event materials.

Customers who chose not to sign this contract still saw a four (4) percent decrease in the gate rate from \$88.50/ton in FY2016 to \$85.00/ton in FY2017 at DSWA landfills and transfer stations.

This substantial reduction in our rates was made possible from our efforts in the past few years to become more efficient, reduce operating costs and from the early redemption of our 2006 Series Revenue Bonds on June 1, 2016.

The revision to DSWA's Regulation resulted in an estimated two (2) percent increase in solid waste coming to DSWA facilities. In addition, an increase in Delaware's population and a stronger economy resulted in an overall increase in solid waste coming to DSWA of 5.7 percent.

Delaware's recycling programs continued to perform very well even in the challenging time of weak markets for the recovered materials. The recycling diversion rate for the State of Delaware as reported by the Recycling Public Advisory Council, increased again in 2016 to 44.5%.

DSWA Recycling Drop-Off Centers continued on their transition from numerous unmanned remote sites to manned DSWA properties. FY2017 began with 47 sites and ended with 17 sites, 11 of which were manned. This transition succeeded in reaching its goal of reducing the severe contamination of recyclables that was occurring at unmanned sites, yet still providing a recycling option for persons who self-haul their recyclables. At the height of this Drop-Off Recycling Program there were over 180 centers, that collected over 20,000 tons per year of recyclables. After the implementation of the Universal Recycling Law in 2010 which required all licensed waste haulers to provide customers with both waste and recycling collection services, the need for Drop-Off Centers decreased to 8,249 tons in FY2017.

Simultaneously, with the transition to manned sites, DSWA made improvements to other programs including household hazardous waste, electronic goods, paper shredding, batteries, oil filters and oil.

As part of DSWA's solid waste management planning effort, we performed a Waste Characterization Analysis that measured more than 50 categories of materials received at our facilities to determine the effectiveness of our recycling efforts and the potential opportunities for other materials such as organics to be targeted for recovery. The results will be evaluated and incorporated into our future plans for sustainable materials management.

I am proud to be able to lead an extraordinarily knowledgeable, dedicated and motivated staff who enables our organization to provide Delaware with a superior sustainable recycling and solid waste management system that maintains outstanding fiscal responsibility and value while protecting the public health and environment.



Richard P. Watson

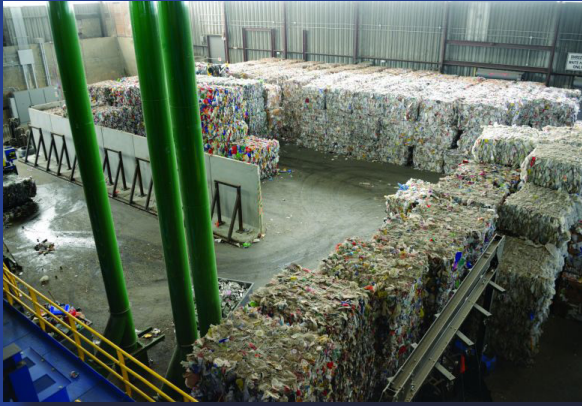
Richard P. Watson P.E., BCEE | **Chief Executive Officer**

Recycling Diversion Rates in Delaware

YEAR	2008	2009	2010	2011	2012	2013	2014	2015	2016
Diverted Recyclables (tons)	318,032	232,637	359,147	401,883	405,953	450,499	472,344	499,363	541,234
Landfilled Municipal Solid Waste (MSW) (tons)	741,143	668,353	706,368	672,761	607,539	623,463	658,788	673,058	675,721
Total MSW = Diverted Recyclables + Landfilled MSW (tons)	1,059,175	991,990	1,065,515	1,074,492	1,013,492	1,073,962	1,131,132	1,172,421	1,216,955
PERCENT DIVERTED RECYCLABLES	30.0%	32.6%	33.7%	37.4%	40.1%	41.9%	41.8%	42.6%	44.5%

Source: Recycling Public Advisory Council Annual Report





DSWA Recycling

SINGLE-STREAM RECYCLING FOR FY 2017 TONS RECEIVED

	Delaware Recycling Center	Milford Transfer Station	Rt. 5 Transfer Station	Total
Total Material Received (tons)	86,567	18,395	25,993	130,955



DROP-OFF CENTER PROGRAM

Item/Source	Tons	Sent To
Single-Stream	7,654	Recommunity
Motor Oil	510	Heritage-Crystal Clean
Oil Filters	37	Heritage-Crystal Clean
Textiles	9	Goodwill
Household Batteries	40	Inmetco + Call2Recycle
Polystyrene Foam	13	Dart Container
Totals	8,263	



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	(# homes powered) ^b	(MTCO ₂ E) ^c
NSWMC	982	741	1,723	510,983	43,673,767	3,858	353,949
CSWMC	611	109	720	294,917	26,917,253	2,378	138,098
SSWMC	613	61	674	284,894	26,134,859	2,309	127,157
Total	2,206	912	3,118	1,090,794	96,725,879	8,545	619,204

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 a 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 3,200 cubic feet of LFG per minute. More than 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 (CSWMC) collects approximately 1,400 cubic feet of LFG per minute. In Sussex County the Southern Solid Waste Management Center (SSWMC) collects approximately 1,300 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 facility.

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.



Facility Recyclable Quantities Sent to Market by Material Type-FY 2017

Material	Cherry Island Landfill	Sandtown Landfill	Jones Crossroads Landfill	Pine Tree Corners Transfer Station	Milford Transfer Station	Rt. 5 Transfer Station	Total
(TONS) Sent to Market	NSWMC	CSWMC	SSWMC	PTCTS	MTS	RT 5 TS	TOTAL
Refrigerant White Goods	63.22	50.45	70.67	76.28	18.94	67.56	347.12
Non Refrigerant White Goods	200.61	85.79	460.99	231.25	46.16	302.46	1,327.26
Tires	380.73	218.67	299.87	55.31	27.45	28.03	1,010.06
Dry Wall	171.32	80.19	1,004.37	26.64	30.62	116.04	1,429.18
Propane Bottles	3.87	0.87	2.20	1.18	1.02	1.27	10.41
Metal Shreds	-	-	57.68	-	-	-	57.68
Mattresses	70.89	26.55	63.58	-	-	-	161.02
TOTAL (TONS)	890.64	462.52	1,959.36	390.66	124.19	515.36	4,342.73

Facility Recyclable Quantities Used by Material Type - FY 2017

	Cherry Island Landfill	Sandtown Landfill	Jones Crossroads Landfill	Total
Materials (Tons Material Used)				
Alternative Materials Used For Soil Cover				
Clean Earth	342,690.13	-	-	342,690.13
Barrier	79,688.00	-	-	79,688.00
Recycled C&D	-	-	3,309.00	3,309.00
Total	422,378.13	0.00	3,309.00	425,687.13
Alternative Materials Used For Road Building				
Steel Slag	44,287.00	-	-	44,287.00
Clear Earth Aggregate	8,100.00	-	-	8,100.00
Chipped Yardwaste	-	1,672.72	-	1,672.72
Total	52,387.00	1,672.72	0.00	54,059.72
Alternative Materials Used for Soil Amendment				
Yard Waste	3,845.00	-	3,318.00	7,163.00
Total	3,845.00	0.00	3,318.00	7,163.00
TOTALS	478,610.13	1,672.72	6,627.00	486,909.85

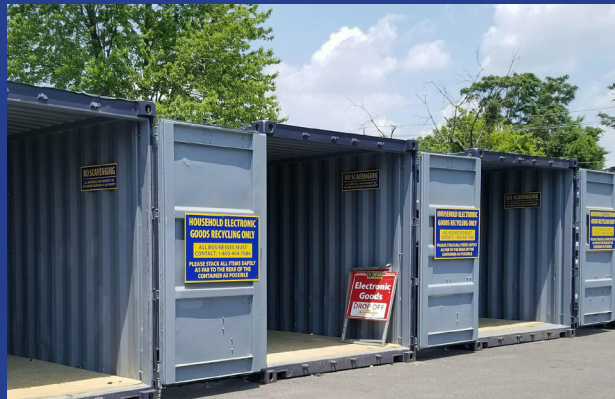
Electronics Recycling

Saturday Collections

Locations (FY 2017)	Pounds Collected	Cost Per Event
July 2016 – St. Anne's School	26,566	\$6,641.50
August 2016 – Mt. Pleasant Elementary	44,951	\$11,237.75
September 2016 – Town of Elsmere	23,765	\$5,941.25
September 2016 – Nylon Capital Shopping Center	10,671	\$2,667.75
October 2016 – Hocker's Super Center	14,723	\$3,680.75
November 2016 – U of D STAR Campus	53,844	\$13,461.00
April 2017 – Blue Hen Corporate Center	26,497	\$6,756.74
April 2017 – St. Anne's School	40,389	\$10,299.20
April 2017 – Mt. Pleasant Elementary	46,947	\$11,971.49
May 2017 – Nylon Capital Shopping Center	12,559	\$3,202.55
May 2017 – DuPont Barley Mill	29,131	\$7,428.41
June 2017 – Delaware City	19,495	\$4,971.23
June 2017 – North Star Elementary	42,725	\$10,894.88
June 2017 – Milford Transfer Station	15,523	\$3,958.37
Total	407,786	\$103,112.83



DSWA provides free electronics recycling collection services for Delaware residents. In addition, free electronics recycling services are provided to governmental offices, non-profits and schools. Recycling electronic goods removes potentially hazardous materials from the waste stream and saves landfill space.



Primary Devices Collected	Number Collected
CPU/Laptops/Servers	14,747
Monitors	5,688
Televisions	18,586
Total Items	39,021

Electronic Goods Collection Totals

Material Collection Point	Pounds Collected
Saturday Collection Events	407,786
Weekly Drop-offs	927,563
Government Offices Collection	178,649
Non-profits Collections	71,976
School Collection	423,711
TOTAL	2,009,685
TOTAL COST	\$491,836.66

Document Shredding

Paper Shredding Events		
Locations (FY 2017)	Pounds Collected	Cost
July 2016 – St. Anne’s School	16,720	\$2,400.00
August 2016 – Mt. Pleasant Elementary	30,420	\$3,000.00
September 2016 – Town of Elsmere	13,280	\$2,000.00
September 2016 – Nylon Capital Shopping Center	6,560	\$1,500.00
October 2016 – Hocker’s Super Center	8,700	\$1,250.00
November 2016 – U of D STAR Campus	27,240	\$3,000.00
April 2017 – Blue Hen Corporate Center	18,480	\$3,000.00
April 2017 – St. Anne’s School	17,840	\$2,400.00
April 2017 – Mt. Pleasant Elementary	28,560	\$3,000.00
May 2017 – Nylon Capital Shopping Center	5,220	\$1,500.00
May 2017 – DuPont Barley Mill	17,300	\$3,000.00
June 2017 – Delaware City	9,700	\$1,250.00
June 2017– North Star Elementary	25,720	\$3,000.00
June 2017 – Milford Transfer Station	6,040	\$1,500.00
Total	231,780	\$31,800.00



DSWA offers document shredding at many Saturday Collection Events throughout the year, as well as special monthly events during our weekly collections at DSWA facilities.



Household Hazardous Waste Collection

Saturday Collection Events			
Event (FY 2017)	Pounds Collected	Cost Per Event	Participants
July 2016 – St. Anne's School	6,356	\$9,285.80	573
July 2016 – DE Recycling Center (Latex Paint Only)	49,600	\$19,910.00	362
August 2016 – Mt. Pleasant Elementary	17,716	\$21,536.50	1,110
September 2016 – Town of Elsmere	13,198	\$15,275.00	637
September 2016 – Nylon Capital Shopping Center	3,962	\$7,143.00	240
October 2016 – Hocker's Super Center	3,687	\$7,114.00	445
November 2016 – U of D STAR Campus	23,316	\$24,895.80	1,243
April 2017 – Blue Hen Corporate Center	17,538	\$16,722.50	718
April 2017 – St. Anne's School	31,719	\$23,131.20	951
April 2017 – Mt. Pleasant Elementary	29,029	\$25,665.00	1,195
May 2017 – Nylon Capital Shopping Center	6,879	\$10,149.50	242
May 2017 – DuPont Barley Mill	24,357	\$18,694.00	767
June 2017 – Delaware City	18,158	\$14,047.00	411
June 2017 – North Star Elementary	38,714	\$30,225.00	1,133
June 2017 – Milford Transfer Station	12,670	\$14,132.50	320
Totals	296,899	\$257,926.80	10,347

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. Delaware residents can bring their HHW to DSWA free of charge.



Weekly Collection Events July 2016-June 2017

Location	Weight (LBS)	Cost	Participants
Delaware Recycling Center	198,744	\$250,048.55	7,503
Cheswold Collection Station	97,767	\$163,503.85	3,935
Jones Crossroads Landfill	103,059	\$164,142.30	2,818
Total	399,570	\$577,694.70	14,256



LATEX PAINT COLLECTION EVENT

Event	Weight (lbs)	Participants	Cost
July 2016 (DE Recycling Center)	49,600	362	\$19,910.00



DELAWARE SOLID WASTE AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 audits were 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.

The image shows a handwritten signature in cursive script that reads "Wipfli LLP". The signature is written in dark ink and is positioned above the date and location text.

Media, Pennsylvania
November 8, 2017

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, 2017 and 2016. 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 32 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 \$210.6 million and \$209.4 million at the close of fiscal years 2017 and 2016, respectively. This represents an increase of approximately \$1.2 million (.6%) in net position in 2017 over the previous year.
- Total incoming tonnage in fiscal year 2017 increased by approximately 45,000 tons resulting in a 5.6% increase in revenue-generating tons compared to fiscal year 2016.
- Total operating revenue decreased by approximately \$4.7 million or 6.8% less than fiscal year 2016. By comparison, the prior year was \$4.5 million or a 7.0% increase from fiscal year 2015. This change was expected due to changes in rebates beginning in fiscal year 2017. Net user fees reported in this item are net of the Differential Disposal Fee Programs rebates of approximately \$9.15 million in 2017 and \$3.65 million in 2016 (see Note 8).

- Total operating expenses for 2017 (prior to depreciation and closure costs) increased by approximately \$4.5 million or 11.8% from the previous year. This was, in part, due to an increase in tonnage of 5.6% with variable related cost and significant pension related costs incurred as a result of net pension liability adjustments.
- Operating income for 2017 was approximately \$500,000 versus the prior year operating income of \$18.3 million. This was due to the reduction of net tipping fees related to the new DDF agreements, increases to long term post closure costs (\$10.6 million), and increases to pension related costs (\$2.1 million). The closure and pension costs are non-cash items in the foreseeable future but liabilities related to these future costs are adjusted annually.
- 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 on June 1, 2016 of what would have been principal payments post fiscal year 2016 of \$60.8 million. With adequate reserve levels allowing for 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 2017 by \$1,213,281 and also increased by \$20,480,670 for 2016. A condensed summary of DSWA's net position for the two years being reported is presented below:

	Net Position	
	2017	2016
Current and Other Assets	\$ 121,863,271	\$ 103,384,280
Capital Assets	193,496,562	201,311,952
Deferred Outflow of Resources	567,000	519,277
Total Assets and Deferred Outflow of Resources	315,926,833	305,215,509
Current Liabilities	14,790,168	13,036,402
Long-Term Obligations	90,124,509	81,908,141
Deferred Inflow of Resources	411,056	883,147
Total Liabilities and Deferred Inflow of Resources	105,325,733	95,827,690
Net Position:		
Invested in Capital Assets	178,761,583	182,962,384
Unrestricted	31,321,008	25,999,920
Restricted	518,509	425,515
Total Net Position	\$ 210,601,100	\$ 209,387,819

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

A summary of revenues and expenses and changes in net position for the years ended June 30, 2017 and 2016 is presented below:

	Change in Net Position	
	2017	2016
Operating Revenues		
Net User Fees: Solid Waste	\$ 59,761,833	\$ 65,048,689
L/F Gas Marketing Income	1,298,489	1,273,155
Marketing Income Recyclables	1,802,843	1,241,201
Other Income	1,668,641	1,694,214
Total Operating Revenues	64,531,806	69,257,259
Operating Expenses		
Salaries and Related Costs	11,083,051	8,363,458
Contractual Services	27,343,915	25,705,083
Depreciation	10,976,113	11,122,025
Landfill Closure	10,557,467	1,802,474
Other Expenses	4,067,317	3,936,665
Total Operating Expenses	64,027,863	50,929,705
Operating Income	503,943	18,327,554
Net Nonoperating Revenue	709,338	2,153,116
Increase in Net Position	1,213,281	20,480,670
Net Position - Beginning of Year	209,387,819	188,907,149
Net Position - End of Year	\$ 210,601,100	\$ 209,387,819

Capital Asset Activity

The following provides a summary of the significant changes in capital assets for the year ended June 30, 2017 and a description of the major items affecting the year-end balances (see Note 4 - Capital Assets).

- Construction in Progress
Increases: Central Landfill scalehouse - \$987,912
- Depreciable Capital Assets
Increases: Vehicles - \$376,525, Building and Land Improvements - \$550,434, Heavy Construction Equipment and Processing Equipment - \$1,054,529

Decreases: Vehicles sold or traded-in - \$105,917

Review of Operations

Landfill Operations. During the fiscal year 2017, the Delaware Solid Waste Authority's three operating landfills managed the safe disposal or recycling of 845,397 tons of waste compared to 799,762 tons during the previous year. Of the total waste received, dry waste, which includes construction and demolition waste, 101,573 tons were received in fiscal year 2017 compared to 91,834 tons in the previous fiscal year. During fiscal year 2017, 3,309 tons of the dry waste was recycled into an alternate material used for soil cover at the Jones Crossroads Landfill. In addition, 1,010 tons of tires were recycled as either tire-derived fuel or consumer products. A total of 8,836 tons of yard waste was recycled as mulch or compost or staged for future processing. The user fee for solid waste was \$85.00 per ton at the landfills and transfer stations versus \$88.50 per ton for the prior year. Solid waste rebates per ton were \$20 at the landfills and \$10 at the transfer stations compared to \$8 and \$4 for these facilities in the prior year.

Transfer Stations. During the fiscal year 2017, the DSWA's Pine Tree Corners, Milford and Route 5 Transfer Stations received and transferred a total of 199,262 tons of waste compared to 195,339 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 79,591 customers disposed of 106,576 bags of household waste and 23,023 bags of yard waste during fiscal year 2017.

Recycling. During the fiscal year 2017, the DSWA's Drop Off Center Program collected 8,249 tons of various recyclables including cardboard, single stream, batteries, textiles, oil filters and oil from its 17 sites. The Oil Filter Program marketed 37 tons of oil filters collected statewide. The oil filters were generated from the dropoff sites. The Electronic Goods Program collected 1,005 tons of electronic goods for recycling. The Recycling Group conducted 15 special collection events for the collection of household hazardous waste, electronic goods, and paper shredding at various locations statewide. From the special collection events, 148 tons of hazardous materials and 204 tons of electronic goods were either recycled or safely disposed of along with 116 tons of paper shredded. In addition to the special collection events, three weekly Household Hazardous Waste collection programs were conducted during fiscal year 2017 at our Cheswold Collection Center, Delaware Recycling Center, and Southern Solid Waste Management Center. At those three locations 200 tons of material were collected, which were then either recycled or safely disposed. In fiscal year 2017, a mattress recycling program collected 161 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 2017, Revolution took in 112,195 tons of C&D materials for processing versus fiscal year 2016 tonnage of 85,019 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 2017, ReCom received 130,451 tons of recyclable materials for processing versus fiscal year 2016 incoming tonnage of 131,325 tons.

Plans for the Future. The DSWA continues to experience an upward trend with regard to incoming revenue generating tonnage. Subsequent to the downturn in the overall economy in 2008, the DSWA experienced several years of declining tonnage only to rebound with four consecutive years of notable annual increases and a total increase of over 25% in fiscal year 2017 above the low levels reached in fiscal year 2013. This increase is due to an economy that continues a steady recovery, implementation of flow control in Delaware in fiscal year 2017, and a new discount disposal fee arrangement in 2017. 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. This implementation of flow control was done at the same time the DSWA decided to offer a more aggressive rebate program to assure the public that it was doing all it could to remain competitively priced in the region while flow control was being put into place.

With the implementation of flow control and a steady increase in tonnage, the DSWA made a decision to effectively reduce the net per ton fees for discount disposal fee customers by up to almost 20% in an effort to make sure cost cutting measures taken over the last few years were passed along to its customers. 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. With the satisfaction of debt obligations from expansion projects in the past and the operational cost efficiencies put in place, the DSWA will continue to pass these savings along while also putting in place a long term framework for investments into its sustainability. While the DSWA is always reviewing its operations for cost savings, it also understands the need to invest in infrastructure and technology in its field that allow for accomplishing its mission while understanding its long term financial and social responsibilities.

As confidence grows on the stability of the revenue generating waste tonnage, there is cautious optimism in the area of recycling operations. In the prior year, DSWA had made some additional commitments to its recycling operations in an effort to be sure the processing of these materials would remain a priority by DSWA and its recycling partners in what had become uncertain market conditions. During 2017, with the help of some of the restructuring of these arrangements, the DSWA experienced an increase of recycling related revenue of over 18% to offset some of the costs assumed to secure the long term health of its partnerships. There will be a continued effort to monitor the market conditions and balance the financial impact of decisions surrounding this area of operations with the social responsibility of finding a suitable use of these products in the recycling arena.

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:

Joseph J. Koskey
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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>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Unrestricted Current Assets:		
Cash and cash equivalents - Note 2	\$ 616,078	\$ 786,032
Investments - Note 3	6,419,050	2,484,789
Accounts receivable (net of allowance for doubtful accounts of \$93,507 and \$97,750, respectively)	6,181,888	6,266,399
Interest receivable	262,596	184,335
Prepayments and miscellaneous receivables	<u>1,710,119</u>	<u>2,177,935</u>
Total Unrestricted Current Assets	15,189,731	11,899,490
Restricted Current Assets:		
Investments - Note 3	<u>60,667,300</u>	<u>47,956,081</u>
Total Current Assets	<u>75,857,031</u>	<u>59,855,571</u>
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets:		
Investments - Note 3	<u>17,498,406</u>	<u>21,398,316</u>
Capital Assets - Note 4		
Land	24,941,548	24,941,548
Land improvements	312,845,413	312,296,897
Buildings	44,777,510	44,753,189
Equipment and furniture	19,319,889	19,792,843
Vehicles	<u>2,879,466</u>	<u>2,608,858</u>
Total	404,763,826	404,393,335
Less: Accumulated depreciation	<u>213,392,458</u>	<u>204,092,756</u>
	191,371,368	200,300,579
Construction in progress - Note 4	<u>2,125,194</u>	<u>1,011,373</u>
Total Capital Assets	<u>193,496,562</u>	<u>201,311,952</u>
Restricted Noncurrent Assets:		
Investments - Note 3	<u>28,507,834</u>	<u>22,130,393</u>
Total Noncurrent Assets	<u>239,502,802</u>	<u>244,840,661</u>
DEFERRED OUTFLOW OF RESOURCES		
Related to pensions - Note 7	<u>567,000</u>	<u>519,277</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 315,926,833</u></u>	<u><u>\$ 305,215,509</u></u>

The accompanying Notes are an integral part of these statements.

	JUNE 30,	
	2017	2016
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 4,374,203	\$ 4,250,181
Accrued compensation	1,145,402	1,395,547
Current portion of bonds payable - Note 6	4,737,171	3,741,296
Contract rebate payable - Note 8	<u>4,533,392</u>	<u>3,649,378</u>
Total Current Liabilities	<u>14,790,168</u>	<u>13,036,402</u>
NONCURRENT LIABILITIES		
Bonds payable - Note 6	16,176,008	20,812,251
Accrued landfill closure and post closure care costs - Note 5	69,665,567	59,108,100
Net pension liability - Note 7	<u>4,282,934</u>	<u>1,987,790</u>
Total Noncurrent Liabilities	<u>90,124,509</u>	<u>81,908,141</u>
Total Liabilities	<u>104,914,677</u>	<u>94,944,543</u>
DEFERRED INFLOW OF RESOURCES		
Related to pensions - Note 7	<u>411,056</u>	<u>883,147</u>
NET POSITION		
Invested in capital assets, net of related debt and accumulated depreciation	178,761,583	182,962,384
Unrestricted	31,321,008	25,999,920
Restricted	<u>518,509</u>	<u>425,515</u>
Total Net Position	<u>210,601,100</u>	<u>209,387,819</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
	<u>\$ 315,926,833</u>	<u>\$ 305,215,509</u>

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,	
	2017	2016
OPERATING REVENUES		
Net user fees: solid waste	\$ 59,761,833	\$ 65,048,689
Landfill gas	1,298,489	1,273,155
Other income	3,471,484	2,935,415
Total Operating Revenues	64,531,806	69,257,259
OPERATING EXPENSES		
Salaries and related costs	11,083,051	8,363,458
Professional services	1,280,993	1,424,239
Travel	68,221	108,743
Supplies and materials	1,950,658	1,537,111
Utilities	767,445	866,572
Contractual services	27,343,915	25,705,083
Closure and post closure care of landfills	10,557,467	1,802,474
Depreciation expense	10,976,113	11,122,025
Total Operating Expenses	64,027,863	50,929,705
OPERATING INCOME	503,943	18,327,554
NONOPERATING REVENUES (EXPENSES)		
Net investment income	334,808	2,815,148
Bond interest and related expenses	(149,808)	(1,357,830)
Other nonoperating revenue - net	524,338	695,798
Net Nonoperating Revenues (Expenses)	709,338	2,153,116
INCREASE IN NET POSITION	1,213,281	20,480,670
NET POSITION - BEGINNING OF YEAR	209,387,819	188,907,149
NET POSITION - END OF YEAR	<u>\$ 210,601,100</u>	<u>\$ 209,387,819</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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 61,198,174	\$ 65,036,427
Cash paid to suppliers	(31,287,210)	(29,572,254)
Cash paid to employees	(9,557,866)	(8,745,609)
Landfill gas marketing revenues	1,298,489	1,273,155
Other operating revenues	3,471,484	2,935,415
Net Cash Provided by Operating Activities	25,123,071	30,927,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	970,650	1,289,456
Purchases of investments	(439,304,172)	(1,645,199,939)
Proceeds from sale of investments	419,421,550	1,687,286,863
Other investing income	318,826	1,143,520
Net Cash Provided by (Used In) Investing Activities	(18,593,146)	44,519,900
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for debt service requirements	(3,650,000)	(68,055,000)
Interest paid on bonds	(1,095,557)	(4,460,512)
Cash payments for capital assets	(2,245,012)	(3,473,901)
Proceeds from sale of capital assets	290,690	208,900
Net Cash Used in Capital and Related Financing Activities	(6,699,879)	(75,780,513)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(169,954)	(333,479)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	786,032	1,119,511
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 616,078	\$ 786,032

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,	
	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 503,943	\$ 18,327,554
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,976,113	11,122,025
Recovery of doubtful accounts	(4,242)	(1,886)
Decrease in accounts receivable	88,753	934,022
Decrease (increase) in prepayments and miscellaneous receivables	467,816	(1,089,896)
Decrease (increase) in deferred outflow of resources	(47,723)	13,454
Increase in accounts payable	124,022	248,234
Decrease in contracts payable	-	(17,263)
Decrease in refundable security deposits	-	(60,491)
Decrease in accrued compensation	(250,145)	(145,663)
Increase in accrued closure and post closure care of landfills	10,557,467	1,640,974
Increase in contract rebate payable	884,014	205,989
Increase in net pension liability	2,295,144	893,859
Decrease in deferred inflow of resource	(472,091)	(1,143,779)
Total Adjustments	24,619,128	12,599,579
Net Cash Provided by Operating Activities	<u>\$ 25,123,071</u>	<u>\$ 30,927,133</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Amortization of premium/discount on bonds	\$ (18,756)	\$ 1,757,324
Gain on disposition of capital assets	(251,022)	(208,900)
Unrealized loss (gain) on investments	748,550	(1,017,128)
Realized loss on sale of investments	11,061	36,629
Capitalized interest	955,379	1,064,945

The accompanying Notes are an integral part of these statements.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 AND 2016

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, 2017 and 2016 was \$10,976,113 and \$11,122,025, 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, 2017:

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, 2017 AND 2016

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, 2017 and 2016, accrued vacation and sick leave aggregated \$863,872 and \$824,618, respectively; this resulted in a net increase of \$39,254 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 inflows of resources. Net position invested in capital assets represents 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, 2017 AND 2016

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 plans, as well as expanded disclosures. For defined benefit OPEB plans, 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, 2017 AND 2016

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, 2017, 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, 2017, 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, 2017, 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>2017</u>	<u>2016</u>
Mutual Funds	AAA	36%	32%
Corporate Obligations	AAA	1%	1%
Corporate Obligations	AA+	2%	3%
Corporate Obligations	AA	3%	3%
Corporate Obligations	AA-	12%	10%
Corporate Obligations	A+	1%	1%
Corporate Obligations	A	2%	1%

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, 2017 are summarized below.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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 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 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, 2017 and 2016.

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, 2017 and 2016 resulted in an unrealized loss of \$(748,550) and unrealized gain of \$1,017,128, 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, 2017 and 2016 were \$11,061 and \$36,629, respectively.

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

The DSWA's investments are summarized as follows:

	2017		2016	
	Fair Value/ Carrying Value	Cost	Fair Value/ Carrying Value	Cost
U.S. Treasury Obligations	\$ 8,456,932	\$ 8,465,012	\$ 9,119,582	\$ 8,964,732
U.S. Government Agency Bonds and Notes	24,131,463	24,264,569	21,517,031	21,336,756
Wilmington U.S. Government Money Market Fund	41,115,775	41,115,775	30,150,206	30,150,206
Time Deposits	15,123,567	15,123,567	15,540,862	15,540,862
Corporate Bonds and Notes	<u>24,264,853</u>	<u>24,263,774</u>	<u>17,641,898</u>	<u>17,368,579</u>
Total Investments	<u>\$ 113,092,590</u>	<u>\$ 113,232,697</u>	<u>\$ 93,969,579</u>	<u>\$ 93,361,135</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 3 - Investments - continued

Investments as of June 30, 2017 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	\$ 8,456,932	\$ 1,596,787	\$ 6,860,145	\$ -
U.S. Government Agency Bonds and Notes	24,131,463	3,173,809	20,466,029	491,625
Wilmington U.S. Government Money Market Fund	41,115,775	41,115,775	-	-
Time Deposits	15,123,567	15,123,567	-	-
Corporate Bonds and Notes	<u>24,264,853</u>	<u>6,076,414</u>	<u>14,625,304</u>	<u>3,563,135</u>
	<u><u>\$113,092,590</u></u>	<u><u>\$ 67,086,352</u></u>	<u><u>\$41,951,478</u></u>	<u><u>\$ 4,054,760</u></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, 2017:

	<u>Level 1</u>	<u>Level 2</u>
<u>Investments at fair value</u>		
Debt Securities:		
U.S. Treasury Obligations	\$ 8,456,932	\$ -
Corporate bonds and notes	-	24,264,853
U.S. Government Agency bonds and notes	-	24,131,463
Total Investments	<u><u>\$ 8,456,932</u></u>	<u><u>\$ 48,396,316</u></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><u>\$ 9,119,581</u></u>	<u><u>\$ 39,158,930</u></u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 4 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Sales/ Retirements</u>	<u>June 30, 2017</u>
Capital assets not being depreciated:					
Construction in progress	\$ 1,011,373	\$ 1,113,821	\$ -	\$ -	\$ 2,125,194
Land	<u>24,941,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,941,548</u>
Total capital assets not being depreciated	<u>25,952,921</u>	<u>1,113,821</u>	<u>-</u>	<u>-</u>	<u>27,066,742</u>
Depreciable capital assets:					
Land improvements	312,296,897	550,433	-	(1,917)	312,845,413
Less: accumulated depreciation	(154,623,915)	(8,310,979)	-	1,917	(162,932,977)
Buildings	44,753,189	27,095	-	(2,774)	44,777,510
Less: accumulated depreciation	(29,867,108)	(1,537,845)	-	2,774	(31,402,179)
Equipment and furniture	19,792,843	1,132,517	-	(1,605,471)	19,319,889
Less: accumulated depreciation	(17,411,933)	(959,501)	-	1,605,471	(16,765,963)
Vehicles	2,608,858	376,525	-	(105,917)	2,879,466
Less: accumulated depreciation	<u>(2,189,800)</u>	<u>(167,788)</u>	<u>-</u>	<u>66,249</u>	<u>(2,291,339)</u>
Depreciable assets, net of accumulated depreciation	<u>175,359,031</u>	<u>(8,889,543)</u>	<u>-</u>	<u>(39,668)</u>	<u>166,429,820</u>
Capital assets, net	<u>\$ 201,311,952</u>	<u>\$ (7,775,722)</u>	<u>\$ -</u>	<u>\$ (39,668)</u>	<u>\$ 193,496,562</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 4 - Capital Assets - continued

The status of the DSWA's construction in progress at June 30, 2017 is as follows:

	<u>Expected Completion Date</u>	<u>Costs to Date</u>
Landfills:		
<u>Sandtown</u>		
Borrow pit	FY 2018	\$ 59,707
Scalehouse	FY 2018	1,947,855
<u>Jones Crossroads</u>		
Cell Capping	FY 2018	38,828
Recycling operations:		
Aerial relocation (DRC)	FY 2018	25,120
Recycling drop of area (Southern)	FY 2018	29,900
Transfer stations:		
<u>Pinetree</u>		
Building upgrades	FY 2018	<u>23,784</u>
 Total Construction In Progress		 <u><u>\$ 2,125,194</u></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, 2017 AND 2016

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 \$69,665,567 as of June 30, 2017 and \$59,108,100 as of June 30, 2016, 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 \$128,494,111 as the remaining estimated capacity is filled. The estimated total current cost of the landfill closure and post closure care of \$198,159,678 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, 2017. 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, 2017:

<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	58.90%	25 years	\$ 40,218,620	\$ 25,840,187
Sandtown	25.61%	73 years	9,866,779	53,828,545
Jones Crossroads	19.086%	98 years	19,564,628	48,825,379
Pigeon Point	100.00%	Closed 1985	15,540	-
Total			<u>\$ 69,665,567</u>	<u>\$ 128,494,111</u>

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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, June 30, 2016	\$ 59,108,100	\$ 35,042,060	\$ 8,670,663	\$ 15,379,277	\$ 16,100
Current year expenditures:					
Post closure costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net accrual	59,108,100	35,042,060	8,670,663	15,379,277	16,100
Balance of accrual, June 30, 2017	<u>69,665,567</u>	<u>40,218,620</u>	<u>9,866,779</u>	<u>19,564,628</u>	<u>15,540</u>
Net closure and post closure care costs recognized in current year	<u>\$ 10,557,467</u>	<u>\$ 5,176,560</u>	<u>\$ 1,196,116</u>	<u>\$ 4,185,351</u>	<u>\$ (560)</u>

Included in the computation of Landfill Closure and Post Closure Care Costs as of June 30, 2017, are closure costs for: (1) Pine Tree Corners Transfer Station of \$15,540 (2) Cheswold Collection Station of \$2,040 (3) Milford Transfer Station of \$15,540 (4) Ellendale, Long Neck, Omar, and Bridgeville Collection Stations, each totaling \$2,040 (5) DRC Transfer Station of \$15,540 and (6) Route 5 Transfer Station of \$15,540.

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, 2017 AND 2016

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>2017</u>	<u>2016</u>
Series 2010 "A"	\$ 4,655,000	\$ 8,305,000
Series 2010 "B"	<u>16,205,000</u>	<u>16,205,000</u>
Total Principal	20,860,000	24,510,000
Unamortized premium (discount)	(28,992)	(47,749)
Accrued interest	<u>82,171</u>	<u>91,296</u>
Total Bonds Payable	<u>\$ 20,913,179</u>	<u>\$ 24,553,547</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>
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>\$ 20,860,000</u>	<u>\$ 3,145,776</u>	<u>\$ 24,005,776</u>

The total interest expense incurred on the DSWA bond debt for the years ended June 30, 2017 and 2016 was \$1,086,433 and \$4,180,099, respectively. The total interest capitalized and included in Construction in progress on the Statements of Net Position for the years ended June 30, 2017 and 2016 was \$955,379 and \$1,064,945, respectively.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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 67.7% with 2% reduction, 75% with 3% reduction, or 100% with 6% reduction of benefit); 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.

Burial Benefit - \$7,000 per member.

Contributions:

Employer - Determined by the Board of Pension Trustees. Employer contributions were 9.58% and 9.56% of earnings for the Fiscal Years 2016 and 2015, 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, 2017 AND 2016

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, 2016 and 2015 was as follows:

Plan Year	Total pension liability (1)	Plan fiduciary net position (2)	Net pension liability (1) - (2)
2016	\$ 26,954,901	\$ 22,671,967	\$ 4,282,934
2015	27,114,917	25,127,127	1,987,790

The collective total pension liability for the June 30, 2016 and 2015 measurement dates was determined by an actuarial valuation as of June 30, 2016 and 2015 respectively. These actuarial valuations used the following actuarial assumptions:

Investment rate of return/discount rate (a)	7.2%
Projected salary increases (a)	2.5% + Merit
Cost-of-living adjustments	0.0%

(a) Inflation is included at 2.5%

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 2016. 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.

Key assumption changes include a reduction in the inflation assumption from 3.0% to 2.5% and a change to use updated mortality tables. Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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, 2017 AND 2016

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	Asset allocation
Domestic equity	5.7%	34.0%
International equity	5.7	14.7
Fixed income	2.0	25.0
Alternative investments	7.8	20.9
Cash and equivalents	-	5.4

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 DSWA's 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 2016 proportionate share of the net pension liability	\$ 7,443,917	\$ 4,282,934	\$ 1,625,019
DSWA's 2015 proportionate share of the net pension liability	\$ 4,491,143	\$ 1,987,790	\$ (946,255)

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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, 2016 and 2015 is \$93,941 and \$44,589, 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, 2016 and 2015 is \$411,056 and \$883,147, respectively, reported as a deferred inflow of resources.

The annual difference between the projected and actual earnings on investments is amortized over a six-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, 2017 (based on plan year ended June 30, 2016) will be recognized in pension expense as follows:

Year ending June 30:

2017	\$173,640
2018	173,640
2019	589,400
2020	422,101
2021	5,985
Thereafter	(44,317)

The amount of \$567,000 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, 2018.

DELAWARE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 7 - Pension Plan and Other Benefits - continued

Collective Pension Expense

The components of the DSWA's pension expense for the year ended June 30, 2017 (plan year ended June 30, 2016) are as follows:

Service costs	\$ 513,782
Interest on total pension liability	1,865,737
Member contributions	(168,090)
Administrative expense	16,754
Change in benefit plan	-
Projected earning on plan investments	(1,691,121)
Amortization of investment return differences	226,488
	<hr/>
Pension expense	<u>\$ 763,550</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, 2017 and 2016 were \$751,283 and \$581,049, 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 website 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. Beginning in 2017, the program in place offered rebates of \$20/ton and \$10/ton for deliveries to the landfills and transfer stations, respectively. During 2016, the prior 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, 2017 and 2016, three hundred and five (305) and three hundred and twenty five (325) participants received rebates totaling \$9,144,410 and \$3,649,378, 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, 2017 AND 2016

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, 2017, 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 in 2016. The amount was collected in 2017.

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, 2017, 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	<u>\$ 318,371</u>	<u>\$ 252,824</u>	<u>\$ -</u>	<u>\$ 65,547</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, 2017 is \$12,122,423, which relates to contracts expiring through March 2020. 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 \$271,107 for the primary building, \$10,756 for a secondary building, and Ground Rent of \$263.60 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, 2017 AND 2016

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 \$2.62 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 two buildings, and the adjacent surrounding areas, took effect once the MRF was operational. The annual rent for 2017 is set at \$207,700 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, 2017 AND 2016

	Landfill Operations	Transfer Station Operations	Collection Station Operations	Recycling Operations	Household Hazardous Waste Program	General & Administrative	2017 Total	2016 Total
OPERATING REVENUES								
Net user fees: solid waste	\$ 44,141,123	\$ 15,462,250	\$ 158,460	\$ -	\$ -	\$ -	\$ 59,761,833	\$ 65,048,689
Landfill gas	1,298,489	-	-	-	-	-	1,298,489	1,273,155
Other income	1,725,634	43,312	-	1,702,398	-	140	3,471,484	2,935,415
TOTAL OPERATING REVENUES	47,165,246	15,505,562	158,460	1,702,398	-	140	64,531,806	69,257,259
OPERATING EXPENSES								
SALARIES AND RELATED COSTS	4,777,830	604,288	251,330	1,273,291	21	4,176,291	11,083,051	8,363,458
PROFESSIONAL SERVICES	698,098	9,500	1,500	9,438	-	562,457	1,280,993	1,424,239
TRAVEL	16,554	7	-	2,143	-	49,517	68,221	108,743
SUPPLIES AND MATERIALS	1,536,220	10,145	1,812	183,970	-	218,511	1,950,658	1,537,111
UTILITIES	494,761	93,150	7,415	110,887	-	61,232	767,445	866,572
CONTRACTUAL SERVICES	13,604,249	8,931,808	138,789	2,183,110	833,642	1,652,317	27,343,915	25,705,083
CLOSURE AND POST CLOSURE CARE OF LANDFILLS	10,557,467	-	-	-	-	-	10,557,467	1,802,474
DEPRECIATION EXPENSE	9,056,757	1,206,656	6,457	604,650	-	101,593	10,976,113	11,122,025
TOTAL OPERATING EXPENSES	40,741,936	10,855,554	407,303	4,367,489	833,663	6,821,918	64,027,863	50,929,705
MANAGEMENT OPERATIONS DISTRIBUTION	4,708,393	1,541,720	-	571,665	-	(6,821,778)	-	-
OPERATING INCOME	\$ 1,714,917	\$ 3,108,288	\$ (248,843)	\$ (3,236,756)	\$ (833,663)	\$ -	\$ 503,943	\$ 18,327,554

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
DSWA's proportion of the net pension liability	0.2842 %	0.2988 %	0.2971 %	0.3291 %
DSWA's proportionate share of the net pension liability	\$ 4,282,934	\$ 1,987,790	\$ 1,093,931	\$ 3,563,426
DSWA's covered - employee payroll	\$ 5,915,614	\$ 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	72.40 %	38.22 %	20.00 %	59.97 %
Plan fiduciary net position as a percentage of the total pension liability	84.11 %	92.67 %	95.80 %	87.23 %

(1) Plan years ended June 30, 2016, 2015, 2014 and 2013

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 519,277	\$ 532,731	\$ 519,501	\$ 528,803
Contributions in relation to the contractually required contribution	<u>(519,277)</u>	<u>(532,731)</u>	<u>(519,501)</u>	<u>\$ (528,803)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DSWA's covered-employee payroll	\$ 5,915,614	\$ 5,200,028	\$ 5,468,431	\$ 5,941,607
Contributions as a percentage of covered-employee payroll	8.78 %	10.24 %	9.50 %	8.90 %

(1) Plan years ended June 30, 2016, 2015, 2014 and 2013

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Delaware Solid Waste Authority
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