

# 2018 ANNUAL REPORT



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 continues to be my pleasure to reflect upon a year of accomplishments for the Delaware Solid Waste Authority. It was a year that saw a great international upheaval in recycling markets causing tremendous loss of revenue from the sale of recyclables. In fact, markets for some recyclables disappeared. Fiscal year 2018 was indeed a rough year for everyone in the recycling business. Never-the-less, DSWA and its recycling partners were successful in finding markets for all of our recyclable products.

In October 2017, Republic Services, Inc. bought ReCommunity who was the owner/operator of the single-stream Material Recovery Facility at DSWA's Delaware Recycling Center in New Castle, Delaware. The transition went very smoothly without disruption to operations and we welcome Republic Services as our new partner in recycling for Delaware.

Fiscal year 2018 brought about changes to our Board of Directors as well. In June 2017, William J. Strickland resigned from the Board. Mr. Strickland had been a Board member for three years and was a member of the Administrative and Citizens' Affairs Committee.

In March 2018, the Authority's longest-serving Board member, Ronald G. McCabe left our Board. He served on the Board for 39 years, the last 24 as the Vice-Chairman and Chair of the Administrative and Citizens' Affairs Committee. Mr. McCabe's unparalleled commitment to DSWA and the citizens of Delaware were remarkable and we will miss him dearly.

In March 2018, Governor John Carney nominated and the Delaware Senate approved two replacements to the Board of Directors, A. Temple Carter and William J. Riddle. These two gentlemen jumped right into their new roles on the Board. Both Mr. Carter and Mr. Riddle participate on the Administrative and Citizens' Affairs Committee, in addition to Board meetings. Mr. Carter's work experience with the State of Delaware in various positions over the course of 40 years brings a wealth of knowledge to the Board. Mr. Riddle is a well-known and respected financial expert from Sussex County, who is currently the President and Chief Lending Officer of Community Bank Delaware, headquartered in Lewes, Delaware.



The transition on our Board went very smoothly and was a testament to the abilities and commitment shown by our new members and the support from other Board members and staff involved.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Egan". The signature is fluid and cursive, with a long horizontal stroke at the end.

# Board of Directors



Timothy P. Sheldon  
Vice Chairman



Tonda L. Parks



Norman D. Griffiths



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



A. Temple Carter III



William "Jack" Riddle

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 attending many DSWA sponsored events . The Board of Directors realizes the importance of these events in getting information about DSWA's facilities and programs out to the public.





# Board of Directors Changes

## FAREWELL TO OUTGOING FRIENDS...

### Ronald G. McCabe



In March 2018, it was announced that long-time Board member Ronald G. McCabe would not be extending his term as part of the Delaware Solid Waste Authority Board of Directors. Mr. McCabe has been a member of the DSWA Board since July 1979, making him the longest tenured Board member with 39 years of service. Mr. McCabe had a strong commitment and passion for service to the Delaware Solid Waste Authority. During that 39 year period, he attended nearly all Board, Committee and Public Meetings. During his last 24 years, he served as Vice Chairman of the Board and was Chairman of the Administrative Affairs Committee.



Mr. McCabe received tributes for his service on DSWA's Board of Directors from Governor John Carney, the Delaware State Senate and House of Representatives.

In the early 1980's, he was very instrumental in providing support for the establishment of a state-of-the-art sanitary landfill for Sussex County to replace unlined dumps and protect the environment.

In the 1990's, he became deeply involved in the establishment of DSWA's successful Recycle Delaware drop-off program. In the 2000's he championed the establishment of two new transfer stations in Sussex County to handle solid waste and recyclables. Lastly, his support for the establishment of a statewide curbside recycling program was a key factor to its success.



In March 2018, Mr. William J. Strickland announced his resignation from the Delaware Solid Waste Authority Board of Directors. Mr. Strickland served on the Board for 3 years. As President of L&W Insurance Inc. and Chairman of the Kent County Regional Sports Complex, Mr. Strickland's financial, insurance and business knowledge helped to guide many of the decisions the Board had to make during his tenure.



William J. Strickland

## **...AND A WARM WELCOME TO OUR NEW FRIENDS**



A. Temple Carter III

Mr. A. Temple Carter III was nominated and accepted an open position on the Delaware Solid Waste Authority's Board of Directors in March 2018. Mr. Carter presently works for the State of Delaware Office of Management and Budget's office of State Planning Coordination as a Planner. Mr. Carter also worked for 40 years in various positions at DelDot including; Real Estate Agent, Assistant Chief of Utilities, Subdivision Manager for Kent and Sussex Counties and Traffic Engineer. In 2006 and 2007 he was employed as Vice President of Land Development and Construction Management for Kent Construction Company. Early in his career he was owner and of A.T. Carter and Company.

Mr. Carter has been a Board member of the Kent County Board of Adjustments for over 10 years and is currently Vice Chairperson. He has been a Board Member of Bayhealth Medical Center Cancer Institute and Chairman of the Foundation Board. He has served on the Smyrna Town Council including several committees from 2002-2005. For several years he also served as Chairman and Vice Chairman of the Town of Smyrna Planning Commission and Adjustment.



William "Jack" Riddle

Mr. William "Jack" Riddle was nominated and accepted an open position on the Delaware Solid Waste Authority's Board of Directors in March 2018. Mr. Riddle is the President & Chief Lending officer of Community Bank Delaware headquartered in Lewes, DE. He joined the bank at the 2006 inception. He worked for 24 years in various management roles with Citizens Bank prior to joining Community Bank Delaware.

He is a past recipient of the U.S. Small Business Administration, Financial Services Champion, for his commitment to the Delaware Small Business Community. He is active in Rotary as Area 41 Assistant District Governor and is a past president of the Lewes-Rehoboth Club. He currently serves as a member of DEDO advisory group, the Delaware Health Facilities Authority, and he is the Independent Community Banker State Delegate and served as Treasurer of Nanticoke Health Services for over 15 years. Jack is a University of Delaware finance graduate and received his MBA from Salisbury State University.

# CEO's Review

Fiscal year 2018 (July 1, 2017-July 30, 2018) was another successful year for the Delaware Solid Waste Authority (DSWA). We were able to strengthen our financial position as detailed in the Financial Statements of this Annual Report as we continued to maintain and improve our solid waste and recycling services for Delaware during a time when there was a global recycling market crisis.

DSWA puts a great emphasis on maintaining and improving its infrastructure to optimize its operation, useful life and cost effectiveness. During Fiscal Year 2018, three major infrastructure improvement projects were completed:

- 1) Structural repairs to the two transfer buildings at the Pine Tree Corners Transfer Station in Townsend, Delaware, completed in September 2017.
- 2) Rehabilitation of the concrete tip floor at the Rt. 5 Transfer Station in Harbeson, Delaware, completed in April 2018.
- 3) Replacement of the 37 years old scale house trailer at the Central Solid Waste Management Center in Sandtown, Delaware with a new permanent scale house, along with new scales and road improvements, completed in June 2018.

Two major construction projects took place in Fiscal year 2018:

- 1) A new Recycling Drop-Off center at the Southern Solid Waste Management Center located in Jones Crossroads, Delaware. This facility opened November 1, 2017 and provides a staffed station for residents to drop off their recyclables free of charge. In addition, electronics recycling is provided six days a week, household hazardous waste collection every Monday and document shredding and latex paint recycling once per month. All these services are also free of charge to Delaware residents.
- 2) Construction of approximately 10 acres of the final cap on portions of landfill Cells 3 and 4 at the Southern Solid Waste Management Center. These portions of the landfill had been filled to their ultimate height with solid waste and needed to be capped in accordance with DNREC approved material including soil, geotextile, geomembrane, drainage material and topsoil.

In our effort which began in Fiscal Year 2017 to transition from remote unstaffed Recycling Drop-Off Centers to staffed DSWA properties, DSWA purchased property in the Spring of 2018 in Glasgow, Delaware for a new staffed DSWA site. It is anticipated that this new site will be opened by the Summer of 2019. At that time, closure of several nearby unstaffed remote sites will be completed.

A couple key events also occurred in our Recycling Program. First, ReCommunity who was the owner/operator of the recycling Material Recovery Facility (MRF) at DSWA's Delaware Recycling Center in New Castle, Delaware was bought by Republic Services Inc. in October 2017. Fortunately, the ownership transition went smoothly and the facility continued to operate very well. We greatly appreciated the positive business relationship we were able to build with Republic Services at this facility.



Second, a global recycling market crisis occurred due to policies enacted by China to restrict contaminated recyclables into their country. Many MRF's in the United States were highly dependent upon the Chinese market for the sale of their recyclables. Some MRF's had no replacement markets for mixed paper or plastics and had to landfill them. Fortunately, our operator was able to find markets, but unfortunately the price was substantially less than last year. In addition, in order to meet the higher standards demanded by the markets for cleaner materials, an increase in labor and operating expenses occurred. More contaminants were successfully removed but that also meant an increase in their disposal costs.

Although there was an increase in the net expenses for running our recycling program, it was more than offset by the increase in net revenue generated by our solid waste system. There was an overall increase of 4.4% in our revenue tons which included a 16% increase in our construction and demolition waste tonnage. New home and business construction especially in Sussex County led the way to this increased tonnage.

I continue to be amazed at how well this organization was created and operated over the 43 years of its existence. We have been able to weather major changes and fulfill our mission at all times. Thanks to our Board of Directors and our outstanding staff we have accomplished many goals and are ready for any and all future challenges.



*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	2017
<b>Diverted Recyclables (tons)</b>	318,032	232,637	359,147	401,883	405,953	450,499	472,344	499,363	541,234	520,110
<b>Landfilled Municipal Solid Waste (MSW) (tons)</b>	741,143	668,353	706,368	672,761	607,539	623,463	658,788	673,058	675,721	686,919
<b>Total MSW = Diverted Recyclables + Landfilled MSW (tons)</b>	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	1,207,029
<b>PERCENT DIVERTED RECYCLABLES</b>	30.0%	32.6%	33.7%	37.4%	40.1%	41.9%	41.8%	42.6%	44.5%	43.1%

Source: Recycling Public Advisory Council Annual Report



# DSWA Recycling

## SINGLE-STREAM RECYCLING FOR FY 2018 TONS RECEIVED

	Delaware Recycling Center	Milford Transfer Station	Rt. 5 Transfer Station	Total
Total Material Received (tons)	79,498	16,627	23,301	119,426



## DROP-OFF CENTER PROGRAM

Item/Source	Tons	Sent To
Motor Oil	485	Heritage-Crystal Clean
Oil Filters	35	Heritage-Crystal Clean
Household Batteries	32	Call2Recycle + Inmetco
Polystyrene Foam	16	Dart Container
Single-Stream	*	Republic/ReCommunity
Totals	568	

*\*Single-Stream Drop-Off Center Collection tons is included in total material received*





# Landfill Gas Utilization

LFG	Beneficially Used	Flared	Collected	Energy Derived from Beneficially Used Gas			GHG Reduced
	(MMSCF)	(MMSCF)	(MMSCF)	(MMBTU)	(KwH) <sup>a</sup>	(# homes powered) <sup>b</sup>	(MTCO <sub>2</sub> E) <sup>c</sup>
CIL	701	900	1,601	370,641	31,678,738	2,798	331,786
CSWMC	522	155	677	253,307	23,162,862	2,046	129,062
SSWMC	531	98	629	259,725	23,876,441	2,109	124,305
Total	1,754	1,153	2,907	883,673	78,718,041	6,953	585,153

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 of waste 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 (CIL) collects approximately 3,000 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 1,300 cubic feet of LFG per minute. In Sussex County the Southern Solid Waste Management Center (SSWMC) collects approximately 1,200 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.



# Recovered Resource Quantities Sent to Market by Material FY 2018

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	CIL	CSWMC	SSWMC	PTCTS	MTS	RT 5 TS	TOTAL
Refrigerant White Goods	84.12	43.25	56.29	55.22	20.01	64.77	323.66
Non Refrigerant White Goods	194.65	88.41	416.67	257.16	58.64	307.27	1,322.80
Tires	325.03	304.36	445.42	10.55	25.99	25.64	1,136.99
Dry Wall	89.07	37.56	1,811.93	20.81	30.77	109.45	2,099.59
Propane Bottles	4.30	0.79	3.02	0.79	2.35	1.26	12.51
Mattresses	69.25	36.25	66.00	-	-	-	171.50
TOTAL (TONS)	766.42	510.62	2,799.33	344.53	137.76	508.39	5,067.05

## Recovered Resource Quantities Used by Material FY 2018

	Cherry Island Landfill	Sandtown Landfill	Jones Crossroads Landfill	Total
Materials (Tons Material Used)				
Alternative Materials Used For Soil Cover				
Clean Earth	352,259.00	-	-	352,259.00
Barrier	83,780.00	-	-	83,780.00
Total	436,039.00	0.00	0.00	436,039.00
Alternative Materials Used For Road Building				
Steel Slag	40,989.00	-	-	40,989.00
Clear Earth Aggregate	17,290.00	-	-	17,290.00
Chipped Yardwaste	-	1,856.74	-	1,856.74
Recycled Concrete	-	2,643.00	-	2,643.00
Total	58,279.00	4,499.74	0.00	62,778.74
Alternative Materials Used for Soil Amendment				
Yard Waste	0.00	-	1,901.18	1,901.18
Total	0.00	0.00	1,901.18	1,901.18
TOTALS	494,318.00	4,499.74	1,901.18	500,718.92



# Electronics Recycling



Special Saturday Collections			
Locations (FY 2018)	Pounds Collected	Cost Per Event	Participants
July 2017 (St. Anne's School)	17,048	\$17,675.00	600
Aug 2017 (U of D STAR Campus)	29,496	\$31,387.00	1,042
Aug 2017 (Mt. Pleasant Elementary)	35,140	\$23,554.00	900
Sept 2017 (Long Neck Church)	8,346	\$13,888.00	509
Sept 2017 (Hocker's Store)	13,615	\$15,047.40	671
Oct 2017 (Frawley Stadium)	58,978	\$30,005.00	975
March 2018 (Fenwick Island)	8,163	\$11,783.00	488
April 2018 (St. Anne's School)	17,592	\$18,868.00	678
April 2018 (Mt. Pleasant Elementary)	22,750	\$23,696.00	820
April 2018 (Blue Hen Corporate Center)	13,732	\$14,475.00	460
May 2018 (North Star Elementary)	34,368	\$32,058.00	1,059
June 2018 (Delaware City)	14,205	\$13,302.00	345
June 2018 (Nylon Capital Shopping Center)	8,892	\$10,735.00	316
<b>Total</b>	<b>282,325</b>	<b>\$256,473.40</b>	<b>8,863</b>

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	12,126
Monitors	4,377
Televisions	21,131
<b>Total Items</b>	<b>37,634</b>

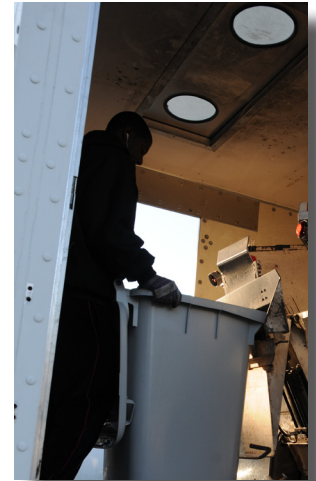


FY 18 Electronic Goods Collection Totals	
Material Collection Point	Pounds Collected
Saturday Collection Events	325,658
Weekly Drop-offs	1,373,567
Government Offices Collection	128,667
Non-profits Collections	59,648
School Collection	343,992
<b>TOTAL</b>	<b>2,231,532</b>
<b>TOTAL COST</b>	<b>\$491,043.46</b>

# Document Shredding

## Special Saturday Document Shredding Events

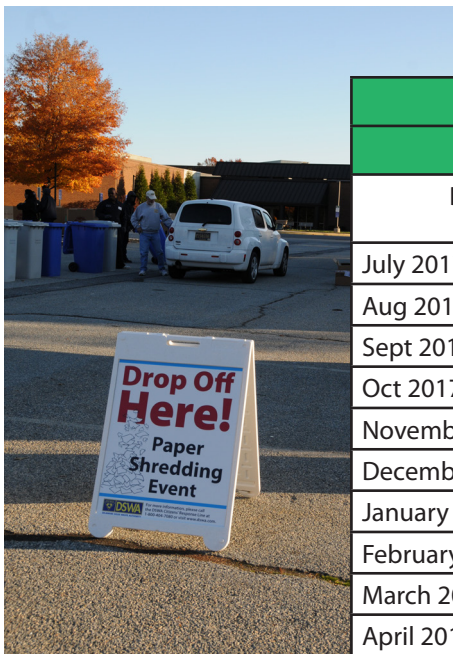
Locations (FY 2018)	Pounds Collected	Cost
July 2017 (St. Anne's School)	8,840	\$2,400
Aug 2017 (U of D STAR Campus)	14,780	\$4,250
Aug 2017 (Mt. Pleasant Elementary)	13,540	\$3,000
Sept 2017 (Long Neck Church)	3,960	\$1,250
Sept 2017 (Hocker's Store)	9,320	\$3,000
Oct 2017 (Frawley Stadium)	19,600	\$3,000
March 2018 (Fenwick Island)	10,560	\$3,000
April 2018 (St. Anne's School)	15,180	\$4,900
April 2018 (Mt. Pleasant Elementary)	19,920	\$3,000
April 2018 (Blue Hen Center Corporate Center)	5,260	\$3,000
May 2018 (North Star Elementary)	13,600	\$3,000
June 2018 (Delaware City)	14,300	\$3,650
June 2018 (Nylon Capital Shopping Center)	5,680	\$1,500
<b>Total</b>	<b>154,540</b>	<b>\$38,950</b>



DSWA offers document shredding at all Saturday Collection Events throughout the year, as well as special monthly events at DSWA facilities.

## Monthly Facility Document Shredding Events

Pounds Collected By Location				
Date (FY 2018)	SSWMC (1st Monday)	DRC (1st Wednesday+Saturday)	Cheswold Collection (1st Friday)	Total
July 2017	1,720	6,580	4,120	12,420
Aug 2017	1,680	8,500	5,340	15,520
Sept 2017	1,500	6,420	4,320	12,240
Oct 2017	1,972	5,680	4,600	12,252
November 2017	4,720	6,360	5,360	16,440
December 2017	5,860	10,300	8,620	24,780
January 2018	27	11,860	1,000	12,887
February 2018	6,760	14,820	9,740	31,320
March 2018	6,700	5,780	6,920	19,400
April 2018	5,700	22,560	9,740	38,000
May 2018	6,540	15,540	8,420	30,500
June 2018	4,780	12,020	8,360	25,160
<b>Total Pounds</b>	<b>47,959</b>	<b>126,420</b>	<b>76,540</b>	<b>250,919</b>
<b>Total Cost</b>	<b>\$14,500</b>	<b>\$29,346</b>	<b>\$14,000</b>	<b>\$57,846</b>
<b>FY 2018 Grand Total Pounds</b>				<b>405,459</b>
<b>FY 2018 Grand Total Cost</b>				<b>\$96,796</b>



# Household Hazardous Waste Collection

Special Saturday Collection Events			
Event (FY 2018)	Pounds Collected	Cost Per Event	Participants
July 2017 (St. Anne's School)	17,048	\$17,675.00	600
Aug 2017 (U of D STAR Campus)	29,496	\$31,387.00	1,042
Aug 2017 (Mt. Pleasant Elementary)	37,540	\$23,554.00	900
Sept 2017 (Long Neck Church)	8,346	\$13,888.00	509
Sept 2017 (Hocker's Store)	13,615	\$15,047.40	671
Oct 2017 (Frawley Stadium)	58,978	\$30,005.00	975
March 2018 (Fenwick Island)	8,163	\$11,783.00	488
April 2018 (St. Anne's School)	17,592	\$18,868.00	678
April 2018 (Mt. Pleasant Elementary)	22,750	\$23,696.00	820
April 2018 (Blue Hen Center Corporate Center)	13,732	\$14,475.00	460
May 2018 (North Star Elementary)	34,368	\$32,058.00	1,059
June 2018 (Delaware City)	14,205	\$13,302.00	345
June 2018 (Nylon Capital Shopping Center)	8,892	\$10,735.00	316
<b>Totals</b>	<b>284,725</b>	<b>\$256,473.40</b>	<b>8,863</b>



DSWA operates Household Hazardous Waste (HHW) Saturday Collection Events at different locations throughout the year. In addition, weekly and monthly collections are provided in each of Delaware's three counties. Delaware residents can bring their HHW to DSWA free of charge.





Weekly Collection Events		
July 2017-June 2018		
Location	Pounds Collected	Cost
Delaware Recycling Center (Every Wednesday)	161,761	\$223,624.55
Cheswold Collection Station (Every Friday)	110,918	\$182,132.80
Jones Crossroads Landfill (Every Monday)	120,926	\$187,750.50
<b>Total</b>	<b>393,605</b>	<b>\$593,507.85</b>



Monthly Collection Events		
Location	Pounds Collected	Cost
Delaware Recycling Center (1st Saturday)	100,826	\$111,270.60

Total Costs For HHW Program (FY 2018)		
Location	Pounds Collected	Cost
Saturday Special Events	284,725	\$256,473.40
Monthly Delaware Recycle Center	100,826	\$111,270.60
Weekly Events	393,605	\$593,507.85
<b>Grand Total Costs</b>	<b>779,156</b>	<b>\$961,251.85</b>



DELAWARE SOLID WASTE AUTHORITY  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017



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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, 2018 and 2017, and the related statements of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2018 and 2017, 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.

*Supplementary 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, schedules of contributions - pension, schedules of proportionate share of the collective net OPEB liability, and schedules of contributions - OPEB are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Media, Pennsylvania  
October 11, 2018

## 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, 2018 and 2017. 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 Statements 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 Statements 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 Statements 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 36 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 \$195.8 million and \$185.3 million at the close of fiscal years 2018 and 2017, respectively. This represents an increase of approximately \$10.5 million (5.7%) in net position in 2018 over the previous year.
- Total incoming tonnage in fiscal year 2018 increased by approximately 37,000 tons resulting in a 4.4% increase in revenue-generating tons compared to fiscal year 2017.
- Total operating revenue increased by approximately \$2.6 million or 4.0% more than fiscal year 2017. By comparison, the prior year was \$4.7 million or a 6.8% decrease from fiscal year 2016. 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 \$9.33 million in 2018 and \$9.15 million in 2017 (see Note 9).



- Total operating expenses for 2018 (prior to depreciation and closure costs) decreased by approximately \$24.4 million or 36% from the previous year. This was largely due to a \$25.3 million restatement of expense in 2017 related to the adoption of GASB Statement No. 75 (see Note 2). Excluding this non-recurring restatement of expense in 2017, operating expenses would have increased approximately \$900,000 or 2.1% from the previous year.
- Operating income for 2018 was approximately \$9.7 million versus the prior year operating loss of \$24.8 million. Again, excluding the 2017 restated additional expense (noted above) of \$25.3 million, the prior year income was approximately \$500,000 compared the \$9.7 million income in 2018. Fiscal 2018 experienced a \$6.5 million reduction in closure care costs year to year and operating revenue increased \$2.6 million. The closure, pension and other post employment costs are non-cash items in the foreseeable future but liabilities related to these future costs are adjusted annually.
- In June 2010, DSWA issued bonds to finance the construction of new landfill cells at Sandtown and Jones Crossroads. The issue was split into the 2010 Series "A" Tax Exempt Bonds with principal of \$24,625,000 maturing in 2018 and the 2010 Series "B" Taxable Build America Bonds with principal of \$18,855,000, maturing in 2022 (see Note 7).

#### Summary of Net Position

As noted earlier, net position may serve over time as a useful indicator of DSWA's financial position. The DSWA's net position increased during fiscal year 2018 by \$10,544,314 and also decreased by \$(24,134,153) for 2017. A condensed summary of DSWA's net position for the two years being reported is presented below:

	Net Position	
	2018	2017*
Current and Other Assets	\$ 133,943,584	\$ 121,863,271
Capital Assets	193,943,894	193,496,562
Deferred Outflow of Resources	1,295,191	1,270,745
<b>Total Assets and Deferred Outflow of Resources</b>	<b>329,182,669</b>	<b>316,630,578</b>
Current Liabilities	15,607,268	14,790,168
Long-Term Obligations	114,577,991	116,175,688
Deferred Inflow of Resources	3,199,430	411,056
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>133,384,689</b>	<b>131,376,912</b>
Net Position:		
Invested in Capital Assets	183,336,933	178,761,583
Unrestricted	11,977,117	5,973,574
Restricted	483,930	518,509
<b>Total Net Position</b>	<b>\$ 195,797,980</b>	<b>\$ 185,253,666</b>

\*As restated see Note 2

Net position invested in capital assets represents the DSWA's investment in capital assets (e.g., land, land improvements, buildings and equipment). The DSWA uses these capital assets to provide services to its customers and consequently, these assets are not available for future spending. The DSWA is bound by the provisions of the Indentures under the issuance of the 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, 2018 and 2017 is presented below:

	Change in Net Position	
	2018	2017*
Operating Revenues		
Net User Fees: Solid Waste	\$ 63,279,176	\$ 59,761,833
L/F Gas Marketing Income	1,322,215	1,298,489
Marketing Income Recyclables	566,069	1,802,843
Other Income	1,935,078	1,668,641
<b>Total Operating Revenues</b>	<b>67,102,538</b>	<b>64,531,806</b>
Operating Expenses		
Salaries and Related Costs	10,639,500	36,430,485
Contractual Services	28,675,852	27,343,915
Depreciation	10,036,915	10,976,113
Landfill Closure	4,002,772	10,557,467
Other Expenses	4,084,338	4,067,317
<b>Total Operating Expenses</b>	<b>57,439,377</b>	<b>89,375,297</b>
Operating Income (Loss)	9,663,161	(24,843,491)
Net Nonoperating Revenue	881,153	709,338
Increase (Decrease) in Net Position	<b>10,544,314</b>	<b>(24,134,153)</b>
Net Position - Beginning of Year	185,253,666	209,387,819
Net Position - End of Year	<b>\$ 195,797,980</b>	<b>\$ 185,253,666</b>

\*As restated, see Note 2

### Capital Asset Activity

The following provides a summary of the significant changes in capital assets for the year ended June 30, 2018 and a description of the major items affecting the year-end balances (see Note 5 - Capital Assets).

- Construction in Progress  
Increases: Central Landfill Scalehouse - \$2,957,146, Southern recycling site improvements \$621,997, Southern capping \$2,585,675, land adjacent to landfills \$272,997, Northern recycling land \$1,112,512.
- Depreciable Capital Assets  
Increases: Vehicles - \$103,801, Building and Land Improvements - \$1,792,375, Heavy Construction Equipment and Processing Equipment - \$785,662  
Decreases: Vehicles sold or traded-in - approximately \$112,000 and Heavy Construction Equipment and Processing Equipment sold or traded-in - approximately \$1,055,000.

## Review of Operations

**Landfill Operations.** During the fiscal year 2018, the Delaware Solid Waste Authority's three operating landfills managed the safe disposal or recycling of 882,809 tons of waste compared to 845,397 tons during the previous year. Of the total waste received, dry waste, which includes construction and demolition waste, 117,838 tons were received in fiscal year 2018 compared to 101,573 tons in the previous fiscal year. During fiscal year 2018, 1,137 tons of tires were recycled as either tire-derived fuel or consumer products. A total of 3,758 tons of yard waste were either recycled as soil amendment or used for road building. The user fee for solid waste was \$85.00 per ton at the landfills and transfer stations. The user fees remained unchanged from the prior year. Solid waste rebates per ton were \$19 at the landfills and \$9.50 at the transfer stations compared to \$20 at the landfills and \$10 at the transfer stations in the prior year.

**Transfer Stations.** During the fiscal year 2018, the DSWA's Pine Tree Corners, Milford and Route 5 Transfer Stations received and transferred a total of 196,816 tons of waste compared to 199,262 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 86,152 customers disposed of 118,084 bags of household waste and 23,928 bags of yard waste during fiscal year 2018.

**Recycling.** During the fiscal year 2018, the DSWA's Drop Off Center Program collected 1,955 tons of various recyclables including cardboard, single stream, batteries, textiles, oil filters and oil from its 17 sites. Due to changes in the statewide method of collection, these 17 sites were reduced to less than 10 during the course of the year and tonnage at the remaining sites was far below prior years. This tonnage is now collected by other means. The Oil Filter Program marketed 35 tons of oil filters collected statewide. The oil filters were generated from the drop off sites and state agencies. In addition to the oil filters, 129,256 gallons or 485 tons of used motor oil were recycled. The Electronic Goods Program collected 1,116 tons of electronic goods for recycling. The Recycling Group conducted 25 special collection events for the collection of household hazardous waste, electronic goods, and paper shredding at various locations statewide. From the special collection events, 193 tons of hazardous materials and 163 tons of electronic goods were either recycled or safely disposed of along with 77 tons of paper shredded. During fiscal year 2018, monthly paper shredding was made available at three DSWA facilities which added another 126 tons of shredded paper. In addition to the special collection events, three weekly Household Hazardous Waste collection programs were conducted during fiscal year 2018 at our Cheswold Collection Center, Delaware Recycling Center, and Southern Solid Waste Management Center. At those three locations 197 tons of material were collected, which were then either recycled or safely disposed. In fiscal year 2018, a mattress recycling program collected 171 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 2018, Revolution took in 131,071 tons of C&D materials for processing versus fiscal year 2017 tonnage of 112,195 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 2018, ReCom received 119,979 tons of recyclable materials for processing versus fiscal year 2017 incoming tonnage of 130,451 tons.

**Plans for the Future.** The DSWA's revenue generating tonnage continued to climb for the fifth consecutive year. For several years after the economic downturn in 2008, this tonnage decreased annually until reaching a low of approximately 675,000 tons in back to back years 2012 and 2013. Since that time, the tonnage has increased over 30% from those 2013 results. As the overall economy began recovering and ultimately stabilized, this proved to be a major factor for the steady increases to the tonnage at DSWA facilities. The current levels and short-term projections indicate tonnage amounts not experienced at DSWA in close to ten years. DSWA also implemented flow control during the prior fiscal year (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. In efforts to do so in a way to also be competitively priced, DSWA implemented an aggressive rebate program at the identical time. As we enter into year 3 of a 5-year rebate program, revenue generating tonnage will continue to be reviewed with a focus on making every effort to set future fees and rebates consistent with the idea of being competitively priced as the flow of tonnage is mandated for delivery to DSWA facilities.

In recent years, decisions were made to not only reduce the gross fee for waste compared to several years ago but also enter into an aggressive rebate program to further reduce the net fee contracted customers would pay. At the same time, DSWA performed cost cutting measures in order to more efficiently handle the tonnage entering its facilities. Debt obligations from landfill expansions will be completely satisfied in just a few years which should further allow for additional review of savings that could be passed onto the community we serve. Due to the long-term nature of the service DSWA performs, the short-term benefits given back to the community will need to be balanced with the infrastructure commitments required to perform these services well into the future in a responsible manner.

As is the case with any organization, DSWA also faces its challenges as well. Recently, the optimism of revenues generated due to waste tonnage has been tempered by uncertainty and financial difficulties surrounding the overall market conditions in the recycling arena. While the most recent fiscal year experienced mixed results overall, the trend has been downward in the market. Management continues to assess the market and make ongoing evaluations of other operational efforts to aid in absorbing these recent trends.

Overall, DSWA expects to continue to see tonnage and related revenues increase while being able to do so with minimal increases to long-term fixed costs beyond facility infrastructure needs. This will allow for the subsidizing of operational areas that are sometimes not economically beneficial as market conditions change. The mission of DSWA is to preserve its long-term economic health while performing necessary services for the community.

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

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Respectfully submitted,

*Joseph J. Koskey*

Joseph J. Koskey  
Chief Financial Officer

## **STATEMENTS OF NET POSITION**



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

	JUNE 30,	
	<u>2018</u>	<u>2017</u>
		RESTATED
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Unrestricted Current Assets:		
Cash and cash equivalents - Note 3	\$ 1,725,122	\$ 616,078
Investments - Note 4	5,239,605	6,419,050
Accounts receivable (net of allowance for doubtful accounts of \$27,725 and \$93,507, respectively)	6,618,284	6,181,888
Interest receivable	400,632	262,596
Prepayments and miscellaneous receivables	<u>1,159,455</u>	<u>1,710,119</u>
Total Unrestricted Current Assets	15,143,098	15,189,731
Restricted Current Assets:		
Investments - Note 4	<u>54,902,985</u>	<u>60,667,300</u>
Total Current Assets	<u>70,046,083</u>	<u>75,857,031</u>
<b>NONCURRENT ASSETS</b>		
Unrestricted Noncurrent Assets:		
Investments - Note 4	<u>18,706,912</u>	<u>17,498,406</u>
Capital Assets - Note 5		
Land	26,327,056	24,941,548
Land improvements	313,207,869	312,845,413
Buildings	46,252,272	44,777,510
Equipment and furniture	19,149,262	19,319,889
Vehicles	<u>2,876,186</u>	<u>2,879,466</u>
Total	407,812,645	404,763,826
Less: Accumulated depreciation	<u>222,262,534</u>	<u>213,392,458</u>
	185,550,111	191,371,368
Construction in progress - Note 5	<u>8,393,783</u>	<u>2,125,194</u>
Total Capital Assets	<u>193,943,894</u>	<u>193,496,562</u>
Restricted Noncurrent Assets:		
Investments - Note 4	<u>45,190,589</u>	<u>28,507,834</u>
Total Noncurrent Assets	<u>257,841,395</u>	<u>239,502,802</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Related to pensions - Note 8	626,327	567,000
Related to other post employment benefits - Note 8	<u>668,864</u>	<u>703,745</u>
Total Deferred Outflow of Resources	<u>1,295,191</u>	<u>1,270,745</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u><u>\$ 329,182,669</u></u>	<u><u>\$ 316,630,578</u></u>

The accompanying Notes are an integral part of these statements.

	JUNE 30,	
	2018	2017
		RESTATED
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,562,861	\$ 4,374,203
Contracts payable, including retainage	225,159	-
Accrued compensation	1,150,454	1,145,402
Current portion of bonds payable - Note 7	3,975,048	4,737,171
Contract rebate payable - Note 9	4,693,746	4,533,392
Total Current Liabilities	15,607,268	14,790,168
<b>NONCURRENT LIABILITIES</b>		
Bonds payable - Note 7	12,285,017	16,176,008
Accrued landfill closure and post closure care costs - Note 6	73,668,339	69,665,567
Net pension liability - Note 8	4,133,322	4,282,934
Net other post employment liability - Note 8	24,491,313	26,051,179
Total Noncurrent Liabilities	114,577,991	116,175,688
Total Liabilities	130,185,259	130,965,856
<b>DEFERRED INFLOW OF RESOURCES</b>		
Related to pensions - Note 8	291,760	411,056
Related to other post employment benefits - Note 8	2,907,670	-
Total Deferred Inflow of Resources	3,199,430	411,056
<b>NET POSITION</b>		
Invested in capital assets, net of related debt and accumulated depreciation	183,336,933	178,761,583
Unrestricted	11,977,117	5,973,574
Restricted	483,930	518,509
Total Net Position	195,797,980	185,253,666
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 329,182,669</b>	<b>\$ 316,630,578</b>

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,	
	2018	2017 RESTATED
<b>OPERATING REVENUES</b>		
Net user fees: solid waste	\$ 63,279,176	\$ 59,761,833
Landfill gas	1,322,215	1,298,489
Other income	2,501,147	3,471,484
Total Operating Revenues	<u>67,102,538</u>	<u>64,531,806</u>
<b>OPERATING EXPENSES</b>		
Salaries and related costs	10,639,500	36,430,485
Professional services	1,361,750	1,280,993
Travel	91,184	68,221
Supplies and materials	1,890,098	1,950,658
Utilities	741,306	767,445
Contractual services	28,675,852	27,343,915
Closure and post closure care of landfills	4,002,772	10,557,467
Depreciation expense	10,036,915	10,976,113
Total Operating Expenses	<u>57,439,377</u>	<u>89,375,297</u>
OPERATING INCOME (LOSS)	<u>9,663,161</u>	<u>(24,843,491)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Net investment income	609,642	334,808
Bond interest and related expenses	(139,600)	(149,808)
Other nonoperating revenue - net	411,111	524,338
Net Nonoperating Revenues	<u>881,153</u>	<u>709,338</u>
INCREASE (DECREASE) IN NET POSITION	10,544,314	(24,134,153)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>185,253,666</u>	<u>209,387,819</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 195,797,980</u>	<u>\$ 185,253,666</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,	
	2018	2017 RESTATED
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 63,553,798	\$ 61,198,174
Cash paid to suppliers	(31,346,373)	(31,287,210)
Cash paid to employees	(9,579,998)	(9,557,866)
Landfill gas marketing revenues	1,322,215	1,298,489
Other operating revenues	2,501,147	3,471,484
Net Cash Provided by Operating Activities	26,450,789	25,123,071
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	1,748,503	970,650
Purchases of investments	(369,673,815)	(439,304,172)
Proceeds from sale of investments	357,510,507	419,421,550
Other investing income	253,031	318,826
Net Cash Used in Investing Activities	(10,161,774)	(18,593,146)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for debt service requirements	(4,655,000)	(3,650,000)
Interest paid on bonds	(986,057)	(1,095,557)
Cash payments for capital assets	(9,635,904)	(2,245,012)
Proceeds from sale of capital assets	96,990	290,690
Net Cash Used in Capital and Related Financing Activities	(15,179,971)	(6,699,879)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,109,044	(169,954)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	616,078	786,032
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,725,122</u>	<u>\$ 616,078</u>

The accompanying Notes are an integral part of these statements.

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

	FOR THE YEARS ENDED JUNE 30,	
	2018	2017 RESTATED
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
OPERATING INCOME (LOSS)	\$ 9,663,161	\$ (24,843,491)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	10,036,915	10,976,113
Recovery of doubtful accounts	(65,782)	(4,242)
(Increase) decrease in accounts receivable	(370,614)	88,753
Decrease in prepayments and miscellaneous receivables	550,664	467,816
Increase in deferred outflow of resources	(24,446)	(751,468)
Increase in accounts payable	1,188,658	124,022
Increase in contracts payable	225,159	-
Increase (decrease) in accrued compensation	5,052	(250,145)
Increase in accrued closure and post closure care of landfills	4,002,772	10,557,467
Increase in contract rebate payable	160,354	884,014
Increase (decrease) in net pension liability	(149,612)	2,295,144
Increase (decrease) in net other post employment liability	(1,559,866)	26,051,179
Increase (decrease) in deferred inflow of resource	2,788,374	(472,091)
Total Adjustments	16,787,628	49,966,562
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 26,450,789</u>	<u>\$ 25,123,071</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Amortization of premium/discount on bonds	\$ (14,009)	\$ (18,756)
Gain on disposition of capital assets	(96,990)	(251,022)
Unrealized loss on investments	1,220,898	748,550
Realized (gain) loss on sale of investments	(5,091)	11,061
Capitalized interest	848,343	955,379

The accompanying Notes are an integral part of these statements.

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**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.



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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**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, 2018 and 2017 was \$10,036,915 and \$10,976,113, 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, 2018:

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**  
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**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, 2018 and 2017, accrued vacation and sick leave aggregated \$828,011 and \$863,872, respectively; this resulted in a net decrease of \$35,861 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**  
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**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 and Other Benefits**

The DSWA participates in the Delaware Public Employees' Retirement System ("DPERS"). For purposes of measuring the net pension liability (asset) and net other post employment liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and other post employment benefits, and related expenses, information about the fiduciary net position of DPERS and additions to/deductions from DPERS's 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.

Deferred outflows of resources are defined as consumption of net assets by the DSWA that is applicable to a future reporting period. Deferred inflows of resources are defined as acquisition of net assets by the DSWA that is applicable to a future reporting period. Deferred outflows increase net position, similar to assets and deferred inflows decrease net position, similar to liabilities.

**NOTE 2 - Prior Period Restatement**

For fiscal year June 30, 2018, the DSWA implemented 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 implementation of this pronouncement had the following effect on net position as reported on June 30, 2017:

Net Position June 30, 2017	\$ 210,601,100
Adjustments	
Net other post employment liability	(26,051,179)
Deferred outflow - payments subsequent to measurement date	<u>703,745</u>
Restated net position June 30, 2017	<u><u>\$ 185,253,666</u></u>

Other than employer contributions subsequent to the measurement date, the DSWA made no other restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 - 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>.

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, 2018, the DSWA's bank balances were not exposed to custodial credit risk.

**NOTE 4 - Investments**

In accordance with the DSWA's investment policy, investment purchases are limited to U.S. Government Securities, U.S. Government Agency Securities, Mortgage-Backed Securities with a rating of AAA and Corporate Debt Instruments, such as commercial paper with a rating of A-1 or better, senior long-term debt with a rating of A or better and corporate bonds and debentures with a rating of AA or better. As of June 30, 2018, 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, 2018, 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>2018</u>	<u>2017</u>
Mutual Funds	AAA	32%	36%
Corporate Obligations	AAA	2%	1%
Corporate Obligations	AA+	3%	2%
Corporate Obligations	AA	4%	3%
Corporate Obligations	AA-	15%	12%
Corporate Obligations	A+	3%	1%
Corporate Obligations	A	3%	2%

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, 2018 are summarized below.

**DELAWARE SOLID WASTE AUTHORITY**  
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**NOTE 4 - Investments - continued**

Credit risk is the risk that an issuer will not fulfill its obligations while concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. As indicated above in Note 3, the DSWA follows the "Statement of Objectives and Guidelines for the Investments of the State of Delaware" of the State's Cash Management Policy Board (the Board). The policy addresses credit risk as well as concentration of credit risk by not only limiting allowable investments but also by limiting the maximum amount that may be invested in any one issuer, except for investments in U.S. Government Securities which are not limited. The DSWA did not have more than 5 percent of its total investments invested in any one company's corporate bonds and notes as of June 30, 2018 and 2017.

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, 2018 and 2017 resulted in unrealized losses of \$1,220,898 and \$748,550, 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 gain (loss) for the years ended June 30, 2018 and 2017 were \$5,091 and \$(11,061), respectively.

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

The DSWA's investments are summarized as follows:

	2018		2017	
	<u>Fair Value/ Carrying Value</u>	<u>Cost</u>	<u>Fair Value/ Carrying Value</u>	<u>Cost</u>
U.S. Treasury Obligations	\$ 10,859,341	\$ 11,008,955	\$ 8,456,932	\$ 8,465,012
U.S. Government Agency Bonds and Notes	30,197,380	30,719,413	24,131,463	24,264,569
Wilmington U.S. Government Money Market Fund	39,655,173	39,655,173	41,115,775	41,115,775
Time Deposits	6,561,353	6,561,353	15,123,567	15,123,567
Corporate Bonds and Notes	<u>36,766,844</u>	<u>37,456,201</u>	<u>24,264,853</u>	<u>24,263,774</u>
Total Investments	<u>\$ 124,040,091</u>	<u>\$ 125,401,095</u>	<u>\$ 113,092,590</u>	<u>\$ 113,232,697</u>

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 - Investments - continued**

Investments as of June 30, 2018 mature, or are available, as follows:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>
U.S. Treasury Obligations	\$ 10,859,341	\$ 2,591,263	\$ 8,268,078
U.S. Government Agency Bonds and Notes	30,197,380	7,452,232	22,745,148
Wilmington U.S. Government Money Market Fund	39,655,173	39,655,173	-
Time Deposits	6,561,353	6,561,353	-
Corporate Bonds and Notes	<u>36,766,844</u>	<u>3,882,569</u>	<u>32,884,275</u>
	<u>\$ 124,040,091</u>	<u>\$ 60,142,590</u>	<u>\$ 63,897,501</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, 2018:

	<u>Level 1</u>	<u>Level 2</u>
<u>Investments at fair value</u>		
Debt Securities:		
U.S. Treasury Obligations	\$ 10,859,341	\$ -
Corporate bonds and notes	-	36,766,844
U.S. Government Agency bonds and notes	-	30,197,380
Total Investments	<u>\$ 10,859,341</u>	<u>\$ 66,964,224</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	-	24,264,854
U.S. Government Agency bonds and notes	-	24,131,463
Total Investments	<u>\$ 8,456,932</u>	<u>\$ 48,396,317</u>

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 - Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Sales/ Retirements</u>	<u>June 30, 2018</u>
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 2,125,194	\$ 6,268,589	\$ -	\$ -	\$ 8,393,783
Land	<u>24,941,548</u>	<u>1,385,508</u>	<u>-</u>	<u>-</u>	<u>26,327,056</u>
Total capital assets not being depreciated	<u>27,066,742</u>	<u>7,654,097</u>	<u>-</u>	<u>-</u>	<u>34,720,839</u>
<b>Depreciable capital assets:</b>					
Land improvements	312,845,413	362,456	-	-	313,207,869
Less: accumulated depreciation	(162,932,977)	(7,417,363)	-	-	(170,350,340)
Buildings	44,777,510	1,474,762	-	-	46,252,272
Less: accumulated depreciation	(31,402,179)	(1,518,877)	-	-	(32,921,056)
Equipment and furniture	19,319,889	883,602	-	(1,054,225)	19,149,266
Less: accumulated depreciation	(16,765,963)	(909,703)	-	1,054,225	(16,621,441)
Vehicles	2,879,466	109,330	-	(112,606)	2,876,190
Less: accumulated depreciation	<u>(2,291,339)</u>	<u>(190,972)</u>	<u>-</u>	<u>112,606</u>	<u>(2,369,705)</u>
Depreciable assets, net of accumulated depreciation	<u>166,429,820</u>	<u>(7,206,765)</u>	<u>-</u>	<u>-</u>	<u>159,223,055</u>
Capital assets, net	<u>\$ 193,496,562</u>	<u>\$ 447,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,943,894</u>

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 5 - Capital Assets - continued**

The status of the DSWA's construction in progress at June 30, 2018 is as follows:

	<u>Expected Completion Date</u>	<u>Costs to Date</u>
Landfills:		
<u>Sandtown</u>		
Borrow pit	FY 2019	\$ 118,094
Scalehouse	FY 2019	4,905,001
<u>Jones Crossroads</u>		
Land Demo & Electric Gate	FY 2019	6,587
Cell Capping	FY 2019	2,624,503
Interceptor Trench & Beaverdam Ditch	FY 2021	72,007
Recycling operations:		
Aerial relocation (DRC)	FY 2019	45,594
Recycling drop of area (Southern)	FY 2019	<u>621,997</u>
 Total Construction In Progress		 <u><u>\$ 8,393,783</u></u>

**NOTE 6 - Landfill Closure and Post Closure Care Costs**

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



**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - 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 \$73,668,339 as of June 30, 2018 and \$69,665,567 as of June 30, 2017, 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 \$130,949,851 as the remaining estimated capacity is filled. The estimated total current cost of the landfill closure and post closure care of \$204,618,190 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, 2018. 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, 2018:

<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	55.90%	29 years	\$ 41,612,650	\$ 26,361,861
Sandtown	27.30%	67 years	10,998,585	54,452,336
Jones Crossroads	20.54%	88 years	21,041,113	50,135,654
Pigeon Point	100.00%	Closed 1985	15,991	-
Total			<u>\$ 73,668,339</u>	<u>\$ 130,949,851</u>

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 6 - 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, 2017	\$ 69,665,567	\$ 40,218,620	\$ 9,866,779	\$ 19,564,628	\$ 15,540
Current year expenditures:					
Post closure costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net accrual	69,665,567	40,218,620	9,866,779	19,564,628	15,540
Balance of accrual, June 30, 2018	<u>73,668,339</u>	<u>41,612,650</u>	<u>10,998,585</u>	<u>21,041,113</u>	<u>15,991</u>
Net closure and post closure care costs recognized in current year	<u>\$ 4,002,772</u>	<u>\$ 1,394,030</u>	<u>\$ 1,131,806</u>	<u>\$ 1,476,485</u>	<u>\$ 451</u>

Included in the computation of Landfill Closure and Post Closure Care Costs as of June 30, 2018, are closure costs for: (1) Pine Tree Corners Transfer Station of \$15,991 (2) Cheswold Collection Station of \$2,099 (3) Milford Transfer Station of \$15,991 (4) Ellendale, Long Neck, Omar, and Bridgeville Collection Stations, each totaling \$2,099 (5) DRC Transfer Station of \$15,991 and (6) Route 5 Transfer Station of \$15,991.

**NOTE 7 - Bonds Payable**

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

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

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

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

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 - Bonds Payable - continued**

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

	<u>2018</u>	<u>2017</u>
Series 2010 "A"	\$ -	\$ 4,655,000
Series 2010 "B"	<u>16,205,000</u>	<u>16,205,000</u>
 Total Principal	 16,205,000	 20,860,000
Unamortized premium (discount)	(14,983)	(28,992)
Accrued interest	<u>70,048</u>	<u>82,171</u>
 Total Bonds Payable	 <u><u>\$ 16,260,065</u></u>	 <u><u>\$ 20,913,179</u></u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,905,000	\$ 840,588	\$ 4,745,588
2020	4,000,000	646,510	4,646,510
2021	4,000,000	441,710	4,441,710
2022	<u>4,300,000</u>	<u>230,910</u>	<u>4,530,910</u>
	<u><u>\$ 16,205,000</u></u>	<u><u>\$ 2,159,718</u></u>	<u><u>\$ 18,364,718</u></u>

The total interest expense incurred on the DSWA bond debt for the years ended June 30, 2018 and 2017 was \$973,934 and \$1,086,433, respectively. The total interest capitalized and included in Construction in progress on the Statements of Net Position for the years ended June 30, 2018 and 2017 was \$848,343 and \$955,379, respectively.

**NOTE 8 - Pension Plan and Other Benefits**

**Pension Plan:**

**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.

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 - Pension Plan and Other Benefits - continued**

**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% of earnings for each of the Plan's fiscal years 2017 and 2016.

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, 2018 AND 2017**

**NOTE 8 - 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, 2018 and 2017 was as follows:

<u>Plan Year</u>	<u>Total pension liability (1)</u>	<u>Plan fiduciary net position (2)</u>	<u>Net pension liability (1) - (2)</u>
2017	\$ 28,133,806	\$ 24,000,484	\$ 4,133,322
2016	26,954,901	22,671,967	4,282,934

The collective total pension liability for the June 30, 2017 and 2016 measurement dates was determined by an actuarial valuation as of June 30, 2017 and 2016, respectively. These actuarial valuations used the following actuarial assumptions:

Investment rate of return/discount rate (a)	7.0%
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, with update procedures used to roll forward the total pension liability to June 30, 2017. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality 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, 2018 AND 2017**

**NOTE 8 - 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 as of June 30, 2017 (Plan year) is summarized in the following table:

Asset Class	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	33.5%
International equity	5.7	13.7
Fixed income	2.0	26.6
Alternative investments	7.8	22.7
Cash and equivalents	-	3.5

**Discount rate** - The discount rate used to measure the total pension liability for all plans was 7.0%. The change in the discount rate assumption to 7.0% from 7.2% was due to an adoption by the Board of Trustees in Fiscal Year 2017. 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 7.0%, 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 (6.0% for 2017 and 6.2% for 2016)	Discount Rate (7.0% for 2017 and 7.2% for 2016)	1% Increase to discount rate (8.0% for 2017 and 8.2% for 2016)
DSWA's proportionate share of the net pension liability for 2018 (based on Plan year 2017)	\$ 7,439,840	\$ 4,133,322	\$ 1,329,037
DSWA's proportionate share of the net pension liability for 2017 (based on Plan year 2016)	\$ 7,443,917	\$ 4,282,934	\$ 1,625,019

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 - 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, 2017 and 2016 is \$72,862 and \$93,941, 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 7.0% 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, 2017 and 2016 is \$291,760 and \$411,056, 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, 2018 (based on plan year ended June 30, 2017) will be recognized in pension expense as follows:

Year ending June 30:

2018	\$121,230
2019	533,620
2020	367,680
2021	(36,660)
2022	73,553
Thereafter	-

The amount of \$626,327 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, 2019.



**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 - Pension Plan and Other Benefits - continued**

**Collective Pension Expense**

The components of the DSWA's pension expense for the year ended June 30, 2018 (plan year ended June 30, 2017) are as follows:

Service costs	\$ 509,379
Interest on total pension liability	1,907,253
Member contributions	(173,893)
Administrative expense	15,888
Change in benefit plan	13,571
Projected earning on plan investments	(1,586,705)
Amortization of investment return differences	<u>165,007</u>
Pension expense	<u><u>\$ 850,500</u></u>

**Other Post-Employment Plans**

**Plan Description** - The State of Delaware's Other Postemployment Benefit (OPEB) Fund Trust (the Plan) is a cost-sharing multiple-employer defined-benefit plan established in Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS). The State of Delaware (the State) is responsible for the policy and management of the OPEB benefits provided to retirees. 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** - Substantially all State employees become eligible for post-retirement benefits if they reach retirement age while working for the State. The costs of providing these benefits are shared between the State and the retired employee.

Early Retirement - Age 55 with 15 years of service or any age with 25 years of service

Normal Retirement (hired before January 1, 2012):

Non-General Assembly: Age 62 with 5 years of service, or age 60 with 15 years of service, or any age with 30 years of service.

General Assembly: Age 60 with 5 years of service, or age 55 with 10 years of service

Normal Retirement (hired on or after January 1, 2012): Age 65 with 10 years of service, or age 60 with 20 years of service, or any age with 30 years of service.

**Benefits** - The Plan provides medical coverage to pensioners and their eligible dependents covered under the Plan. The participant's cost of Plan benefits is variable based on years of service within those pension plan categories. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. During the fiscal year ended June 30, 2017, the State provided health insurance options through several providers.

**Spouse and Survivor Coverage** - Both are available under any of the plan options with similar retiree contributions. Surviving spouses are eligible for coverage after the retiree's death.

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 - Pension Plan and Other Benefits - continued**

**Retiree Contributions** - If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 (except disability pension), contributions depend on years of service, as shown on the table below:

Between July 1, 1991 and December 31, 2006		After January 1, 2007	
Years of Service	Percent of Premium Paid by State	Years of Service	Percent of Premium Paid by State
Less than 10	0%	Less than 15	0%
10 - 14	50%	15 - 17.5	50%
15 - 19	75%	17.5 - 19	75%
20 or more	100%	20 or more	100%

Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay in addition to their percentage above, an additional 5% of the Medicare Supplement offered by the State.

**Funding Policy** - Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may not be amended by the State Legislature. Funds are recorded in the Plan for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the Plan. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the Plan and is responsible for the financial management of the Plan.

**Contributions** - The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For Plan year 2017 and 2016, the DSWA's contribution totaled \$703,745 and \$624,195, respectively.

Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20.

**Collective Net OPEB Liability and Actuarial Information**

The DSWA's proportionate share of the collective net OPEB liability as of June 30, 2018 and 2017 was as follows:

Plan Year	Total OPEB liability (1)	Plan fiduciary net position (2)	Net OPEB liability (1) - (2)
2017	\$ 25,545,233	\$ 1,053,920	\$ 24,491,313
2016	26,940,187	889,008	26,051,179

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 - Pension Plan and Other Benefits - continued**

The collective total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total OPEB liability to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

	2017	2016
Discount rate	3.58%	2.85%
Projected salary increases	3.25% + Merit	3.25% + Merit
Healthcare cost trend rates	7.0%	*

\* Rate not available for years prior to GASB 74/75 measurement. The rate was 7.0% for 2017, decreasing 0.2% per year to an ultimate rate of 4.0% for 2032 and later years.

Mortality rates were based on the sex-distinct RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustments for healthy annuitant and disabled annuitant factors for each covered pension plan. Future mortality improvements are projected to 2020.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, 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.

The long-term expected rate of return on the OPEB Trust 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the following table:

Asset Class	Long-term expected real rate of return	Asset allocation
Domestic equity	3.75%	36.7%
International equity	3.75	19.2
Fixed income	3.75	38.1
Cash and equivalents	-	6.0

**Discount Rate** - The discount rate used to measure the total OPEB liability was 2.85 percent at the beginning of the current measurement period and 3.58 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay- as-you-go plan, the discount rates used at the June 30, 2017 and 2016 measurement dates are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 - Pension Plan and Other Benefits - continued**

**Sensitivity of the Collective Net OPEB Liability to Changes in the Discount Rate** - The following presents the DSWA's proportionate share of the collective net OPEB liability, calculated using the discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease to discount rate (2.58%)	Discount Rate (3.58%)	1% Increase to discount rate (4.58%)
DSWA's 2017 (Plan year) proportionate share of the net OPEB liability	\$ 29,369,959	\$ 24,491,313	\$ 20,695,249

**Sensitivity of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the DSWA's proportionate share of the collective net OPEB liability, calculated using healthcare cost trends that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease to discount rate (6.0%)	Discount Rate (7.0%)	1% Increase to discount rate (8.0%)
DSWA's 2017 (Plan year) proportionate share of the net OPEB liability	\$ 20,739,377	\$ 24,491,313	\$ 29,094,177

**Collective Deferred Outflow of Resources and Deferred Inflow Resources**

For the year ended June 30, 2018 (Plan year 2017), the DSWA recognized OPEB expense of \$1,153,715. At June 30, 2018, the DSWA reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on OPEB investments	\$ -	\$ 48,494
Changes in assumptions	-	2,859,176
DSWA contributions subsequent to the measurement date	668,864	-
Total	<u>\$ 668,864</u>	<u>\$ 2,907,670</u>

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 8 - Pension Plan and Other Benefits - continued**

The components of collective deferred outflows of resources and deferred inflows of resources are amortized into OPEB expense 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 net deferred outflows (inflows) of resources and deferred inflows of resources as of June 30, 2018 (based on plan year ended June 30, 2017) will be recognized in OPEB expense as follows:

<u>Year ending June 30:</u>	
2018	\$584,033
2019	584,033
2020	584,033
2021	584,033
2022	571,537
Thereafter	-

**Collective OPEB Expense**

The components of the DSWA's OPEB expense for the year ended June 30, 2018 (plan year ended June 30, 2017) are as follows:

Service cost	\$ 1,010,133
Interest cost	798,579
Contributions	(36,016)
Administrative expenses	255
Expected return on assets	(35,200)
Difference between projected and actual earnings on plan investments	(12,126)
Change in assumption with regards to factors or other inputs in the measurement of total OPEB liability	<u>(571,910)</u>
OPEB expense	<u><u>\$ 1,153,715</u></u>

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](http://www.delawarepensions.com) or by calling 1-800-722-7300.

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 9 - Contract Rebate Payable**

The DSWA offers a Differential Disposal Fee Program to all customers who enter into a contract with the DSWA to bring all of their solid waste or dry waste which has been collected in the State of Delaware to the DSWA facilities in accordance with the contract. Beginning in 2017, the program in place offered rebates of \$20/ton and \$10/ton for deliveries to the landfills and transfer stations, respectively. In 2018, the above rebates were reduced to \$19.00/ton for deliveries to landfills and \$9.50/ton for deliveries to transfer stations.

For the program years ended June 30, 2018 and 2017, three hundred and thirty one (331) and three hundred and five (305) participants received rebates totaling \$9,333,147 and \$9,144,410, respectively; operating revenues are reported net of these rebates.

**NOTE 10 - Risk Management**

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

**NOTE 11 - Commitments and Contingencies**

Arbitrage: The Tax Reform Act of 1986 requires the DSWA to rebate the earnings on the investment of revenue bond proceeds, in excess of their yield, to the Federal Government. Of the rebate, 90 percent is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after they are retired. As of June 30, 2018, the DSWA has no contingent liability for arbitrage rebate.

Contract Commitments: The DSWA has several uncompleted construction contracts for landfill development and improvements to the solid waste system. The construction is being funded primarily from existing renewal and replacement funds. At June 30, 2018, 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	\$ 1,997,061	\$ 1,881,133	\$ 99,007	\$ 115,928
Jones Crossroads Landfill	<u>3,996,566</u>	<u>1,819,789</u>	<u>121,148</u>	<u>2,176,777</u>
	<u>\$ 5,993,627</u>	<u>\$ 3,700,922</u>	<u>\$ 220,155</u>	<u>\$ 2,292,705</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, 2018 approximated \$41,000,000, which relates to contracts expiring through May 2021. The DSWA's contracts include termination for convenience clauses which allows the DSWA to cancel the contracts at any time.

**DELAWARE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 12 - Service and Lease Agreements**

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

DSWA entered into a service agreement with Revolution Recovery Delaware, LLC (Revolution) to construct and operate a construction and demolition (C&D) MRF on behalf of DSWA. Revolution is in the business of receiving, processing and reselling C&D recyclables that have residual value. Operation of the C&D MRF is the full responsibility of Revolution. The Service Agreement provides for Revolution to pay DSWA a tipping fee per ton on all incoming C&D tonnage. Additionally, Revolution will lease one or more of the buildings, and related land area, at the DRC to utilize as its operational facility. The lease carries an initial one-year term, with nineteen automatic annual renewals. Current rental is set at \$271,262 for the primary building, \$10,762 for a secondary building, and Ground Rent of \$263.74 per thousand square feet of outside storage area, with future annual rents subject to the annual change in CPI.

DSWA entered into a Service Agreement with ReCommunity Delaware, LLC (ReCom) to construct and operate a single stream and commercial recyclable materials MRF on behalf of DSWA. ReCom is in the business of receiving, processing and reselling residential and commercial recyclable materials that have residual value. Operation of this MRF is the full responsibility of ReCom. During the construction phase of the MRF, ReCom 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 2018 is set at \$210,828 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. In October 2017, Republic Services purchased ReCom and assumed all original and amended terms DSWA's agreement with ReCom.



## **SUPPLEMENTARY INFORMATION**

**DELAWARE SOLID WASTE AUTHORITY**  
**SCHEDULES OF OPERATING REVENUES AND EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	Landfill Operations	Transfer Station Operations	Collection Station Operations	Recycling Operations	Household Hazardous Waste Program	General & Administrative	2018 Total	2017 Total (RESTATED)
<b>OPERATING REVENUES</b>								
Net user fees: solid waste	\$ 47,720,639	\$ 15,381,577	\$ 176,960	\$ -	\$ -	\$ -	\$ 63,279,176	\$ 59,761,833
Landfill gas	1,322,215	-	-	-	-	-	1,322,215	1,298,489
Other income	2,006,284	62,577	-	432,046	-	240	2,501,147	3,471,484
<b>TOTAL OPERATING REVENUES</b>	<b>51,049,138</b>	<b>15,444,154</b>	<b>176,960</b>	<b>432,046</b>	<b>-</b>	<b>240</b>	<b>67,102,538</b>	<b>64,531,806</b>
<b>OPERATING EXPENSES</b>								
SALARIES AND RELATED COSTS	4,511,748	600,760	376,218	1,176,500	1,359	3,972,915	10,639,500	36,430,485
PROFESSIONAL SERVICES	707,657	32,349	1,500	13,550	-	606,694	1,361,750	1,280,993
TRAVEL	20,197	26	133	4,477	-	66,351	91,184	68,221
SUPPLIES AND MATERIALS	1,541,287	15,214	1,540	125,080	-	206,977	1,890,098	1,950,658
UTILITIES	473,273	78,292	7,740	107,755	-	74,246	741,306	767,445
CONTRACTUAL SERVICES	14,087,352	9,052,138	163,855	2,404,548	1,035,353	1,932,606	28,675,852	27,343,915
CLOSURE AND POST CLOSURE CARE OF LANDFILLS	4,002,772	-	-	-	-	-	4,002,772	10,557,467
DEPRECIATION EXPENSE	8,082,776	1,233,700	20,583	597,001	-	102,855	10,036,915	10,976,113
<b>TOTAL OPERATING EXPENSES</b>	<b>33,427,062</b>	<b>11,012,479</b>	<b>571,569</b>	<b>4,428,911</b>	<b>1,036,712</b>	<b>6,962,644</b>	<b>57,439,377</b>	<b>89,375,297</b>
MANAGEMENT OPERATIONS DISTRIBUTION	4,677,342	1,740,600	-	544,462	-	(6,962,404)	-	-
<b>OPERATING INCOME</b>	<b>\$ 12,944,734</b>	<b>\$ 2,691,075</b>	<b>\$ (394,609)</b>	<b>\$ (4,541,327)</b>	<b>\$ (1,036,712)</b>	<b>\$ -</b>	<b>\$ 9,663,161</b>	<b>\$ (24,843,491)</b>

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

	2018	2017	2016	2015	2014
DSWA's proportion of the net pension liability	0.2819 %	0.2842 %	0.2988 %	0.2971 %	0.3291 %
DSWA's proportionate share of the net pension liability	\$ 4,133,322	\$ 4,282,934	\$ 1,987,790	\$ 1,093,931	\$ 3,563,426
DSWA's covered-employee payroll	\$ 6,010,847	\$ 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	68.80 %	72.40 %	38.22 %	20.00 %	59.97 %
Plan fiduciary net position as a percentage of the total pension liability	85.30 %	84.11 %	92.67 %	95.80 %	87.23 %

(1) Plan years ended June 30, 2017, 2016, 2015, 2014 and 2013

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

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

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 526,179	\$ 519,277	\$ 532,731	\$ 519,501	\$ 528,803
Contributions in relation to the contractually required contribution	<u>(526,179)</u>	<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>	<u>\$ -</u>
DSWA's covered-employee payroll	\$ 6,010,847	\$ 5,915,614	\$ 5,200,028	\$ 5,468,431	\$ 5,941,607
Contributions as a percentage of covered-employee payroll	8.75 %	8.78 %	10.24 %	9.50 %	8.90 %

(1) Plan years ended June 30, 2017, 2016, 2015, 2014 and 2013

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

**DELAWARE SOLID WASTE AUTHORITY**  
**SCHEDULES OF PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY**  
**STATE EMPLOYEES' OPEB PLAN (1)**

	2018	2017
DSWA's proportion of the collective net OPEB liability	0.2967 %	0.2868 %
DSWA's proportion of the collective net OPEB liability	\$ 24,491,313	\$ 26,051,179
DSWA's covered-employee payroll	\$ 6,010,847	\$ 5,915,614
DSWA's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	407.00 %	440.00 %
Plan fiduciary net position as a percentage of the total OPEB liability	4.10 %	3.30 %

(1) Plan years ended June 30, 2017 and 2016

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

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

	2018	2017
Contractually required contribution	\$ 703,745	\$ 624,195
Contributions in relation to the contractually required contribution	<u>(703,745)</u>	<u>(624,195)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
DSWA's covered-employee payroll	\$ 6,010,847	\$ 5,915,614
Contributions as a percentage of covered-employee payroll	11.70 %	10.60 %

(1) Plan years ended June 30, 2017 and 2016

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

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**Delaware Solid Waste Authority**  
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