



RESILIENT. INNOVATIVE.  
**FUTURE  
FOCUSED**

*Annual Report 2022*



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Gabriella Kendus

## Our Mission

*DSWA's mission is 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.*

## Here's How We Do It



### MODERN LANDFILLS

The trash you throw away is safely disposed in one of three DSWA landfills. DSWA's landfills are carefully designed and constructed to protect the groundwater, control odors from decomposing trash, and provide a reliable, efficient means of disposal. DSWA landfills are recognized throughout the world for innovative technology and research.



### TRANSFER STATIONS

Trash collectors and residents can bring trash to any of three Transfer Stations eliminating the need to travel further to a DSWA landfill.



### COLLECTION STATIONS

Residents of rural areas can toss bagged household trash at one of five DSWA Collection Stations. By paying per bag, you pay only for what you throw away. If you recycle first, you can save even more while helping the environment.



### RECYCLING

We made voluntary recycling a success story in Delaware. DSWA's Recycling Drop-Off Centers can be utilized statewide by all Delaware Residents. To help strengthen recycling efforts in the state, DSWA has established partnerships with recycling companies Republic Services and Revolution Recovery. Republic operates a Materials Recovery Facility (MRF) where household recycling is sorted and baled. Revolution Recovery, processes and bales construction and demolition (C&D) waste.



### SPECIAL COLLECTIONS

We're partners in keeping your home and community safe. When you have hazardous household products, old electronic devices, important documents to shred, or used motor oil and oil filters, we provide a safe way of recycling these unwanted items. We work to recycle these materials through safe, convenient collection programs.



### EDUCATION & OUTREACH

DSWA's education program strives to educate the Delaware community on best waste management practices and encourages all residents to participate in recycling. The highlight of the education program lies within the Environmental Education Building at the Delaware Recycling Center. This hands-on learning experience enhances their studies about waste in the school setting and promotes environmental stewardship.



### LOOKING TOWARD THE FUTURE

DSWA's Statewide Solid Waste Management Plan takes us to the year 2030, providing the framework for actions to be taken by DSWA and other stakeholders in Delaware to maximize recycling and diversion of materials from landfill disposal, and to help advance sustainable materials management practices and minimize greenhouse gas emissions in the State.



# MESSAGE FROM THE CHAIRMAN

As I look back at the performance of our organization during the July 1, 2021 – June 30, 2022 Fiscal Year, I am pleased to report another year of many achievements. Your Delaware Solid Waste Authority (DSWA) again managed an increasing amount of waste and recyclable materials generated by residents and businesses in the State of Delaware using the best technology and methods available while continuing to operate under conditions imposed by COVID – 19, labor shortages and supply chain issues. Unlike many other States, Delaware was able to address these issues without interrupting any of our services.

During FY 2022, the COVID virus was still present and caused necessary precautions to be taken. Our Management and Human Resources team developed procedures based on guidance provided by the Governor's office, the Centers for Disease Control and Prevention (CDC) and the Delaware Department of Public Health (DPH). The development and implementation of those procedures were a great success resulting in recognition from the Solid Waste Association of North America (SWANA) who presented DSWA with the COVID Resiliency Award.

DSWA utilized technology to allow for virtual participation at our internal and external meetings, including public meetings of the DSWA Board of Directors. This allowed all our business meetings to be conducted in the safest possible manner. As COVID conditions eased in January 2022, we were able to begin conducting Board meetings in person and Committee meetings hybridly.

Labor shortages and keeping staff healthy were challenges we met and overcame. Supply chain issues delayed some deliverables, but none created a critical shortage for our operations.

All these issues affected not only DSWA staff, but also our contractors, vendors and customers. Working cooperatively, we successfully met the recycling and solid waste disposal needs of all Delawareans. We are thankful for the leadership and guidance of the Governor, CDC and DPH.

I would also note and congratulate four of our Board members who were reappointed by the Governor and approved by the Delaware Senate to serve on our Board for another three years, namely :

Timothy P. Sheldon - Vice Chairman  
Tonda Parks  
Norman D. Griffiths  
Michael R. Paraskewich, Jr., Ph.D, P.E.

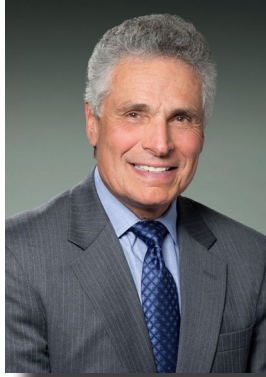
I wish to thank all our Board members and our dedicated staff who continue to show their commitment to all Delawareans to provide essential solid waste management and recycling services. Our organization truly believes and takes pride in our mission and strives to be the best we can be. I'm confident when I say that all Delawareans should also take great pride in their DSWA's performance this year.



A stylized, handwritten signature in black ink that reads "Gerard L. Esposito".

Gerard L. Esposito, Chairman of the Board

# BOARD OF DIRECTORS



Gerard L. Esposito, Chairman of the Board



Timothy P. Sheldon  
Vice Chairman



Tonda Parks



Norman D. Griffiths



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



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.

# CEO'S REVIEW

Another Fiscal Year has concluded with many positive accomplishments. We ended Fiscal Year 2022 (July 1, 2021 – June 30, 2022) on a strong note financially as presented in the Financial Statements section of this Annual Report. Delaware Solid Waste Authority (DSWA) continued to provide uninterrupted solid waste disposal and recycling services despite operating under the often confusing conditions caused by COVID – 19. In addition, we continued to see an ever increasing amount of tonnage.

FY 2022 was the first year of our new three year Discount Disposal Fee (DDF) contract system. Nearly all existing DDF customers signed up under the new contract. The new contract expanded the free recycling services with a minimal increase in our net tipping fees. The new tipping fees net of rebate for FY 2022 were \$70.00 per ton at our Landfills and \$77.50 per ton at our Transfer Stations. These rates are lower than our rates from six years ago. In FY 2016 the net rates were \$80.50 per ton at our Landfills and \$84.50 per ton at our Transfer Stations.

In concert with the new DDF agreement, a new three year recycling processing and building lease agreement began on July 1, 2021 with Republic Services. Republic owns and operates recycling processing equipment installed in DSWA buildings at our Delaware Recycle Center in New Castle, Delaware. Practically all of Delaware's single-stream recyclables are delivered to this facility for processing and then sold to markets as raw material for the manufacture of new products.

DSWA continued its emphasis on maintaining and improving its infrastructure during FY 2022. The following are examples of infrastructure improvement projects that were completed this Fiscal Year :

- 1) Transfer Trailer Storage Building at the Milford Transfer Station
- 2) Transfer Trailer Storage Building at the RT. 5 Transfer Station
- 3) Emergency Generator for the Landfill Gas Flare at the Cherry Island Landfill
- 4) Ten Acre Cap on Landfill Area F at the Sandtown Landfill

The following projects continued construction through FY 2022 :

- 1) New Dover Administration and Education Building
- 2) DSWA Borrow Pit at the Sandtown Landfill
- 3) New Leachate Storage Tank at the Sandtown Landfill

DSWA's continued success in accomplishing its mission is in large part due to the dedication and outstanding performance of its staff. Many have been with us for decades. We are also fortunate to have very good partnerships with our contractors and vendors who have helped us meet our needs during challenging supply chain and labor shortage conditions. Finally, we are thankful for the support of our Board of Directors who provide us with their knowledge and wisdom.

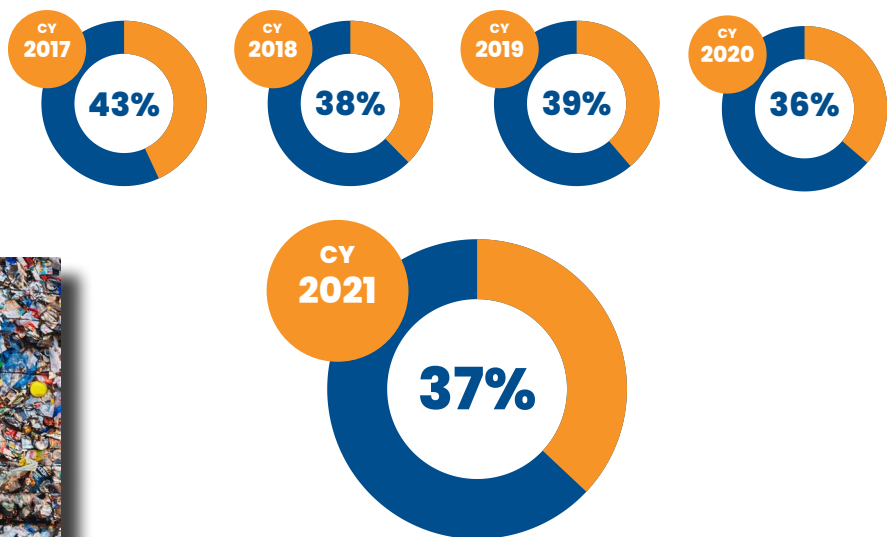
*Richard P. Watson*

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





# RECYCLING DIVERSION RATES IN DELAWARE



## MSW RECYCLING RATE CALCULATION CALENDAR YEAR 2022

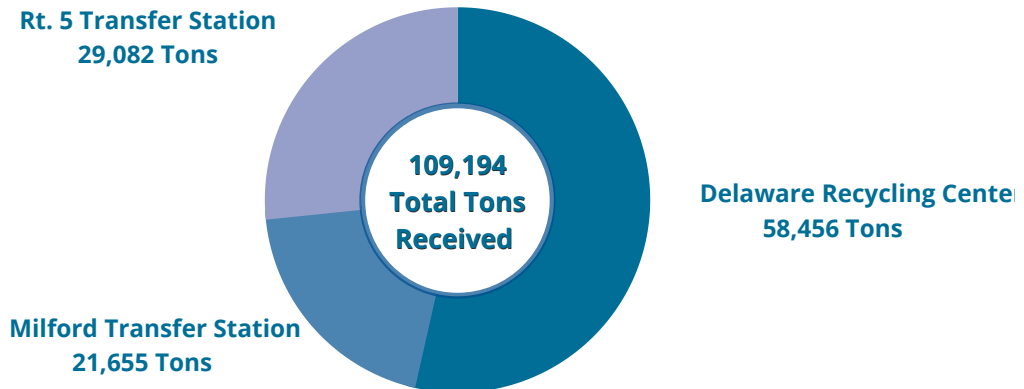
Diverted Recyclables	474,798 Tons
Landfilled Municipal Solid Waste (MSW)	798,571 Tons
Total MSW = Diverted Recyclables + Landfilled MSW	1,272,369 Tons
PERCENT DIVERTED RECYCLABLES	37%



Delaware Recycling Center



# STATEWIDE SINGLE-STREAM RECYCLING RECEIVED



*Delaware Recycling Center Scales*



*Delaware Recycling Center Tipping Floor*



*Materials Recovery Facility  
Operated By Republic Services*



*Finished Bales Inside Materials Recovery Facility*

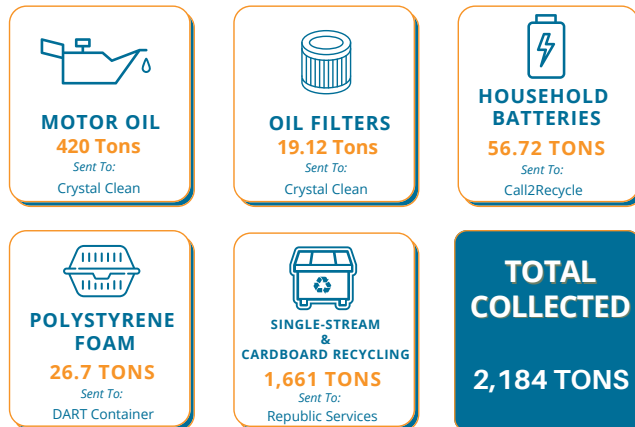


*Bales Ready for Market- Delaware Recycling Center*



# DROP-OFF RECYCLING

The Delaware Solid Waste Authority provides 13 recycling drop-off locations for Delaware residents at facilities statewide. These sites allow residents to drop off cardboard, single stream recycling, household batteries, oil filters and oil at no cost. In addition, the Newark, Cheswold, Milford and Jones Crossroads locations offer drop off for polystyrene at no cost.



*Cheswold Recycling Center*



*Delaware Recycling Center*



*Newark Recycling Center*



*Southern Recycling Center*



# HOUSEHOLD HAZARDOUS WASTE COLLECTION



**423** TONS OF  
HOUSEHOLD HAZARDOUS WASTE  
COLLECTED

**224**

HOUSEHOLD HAZARDOUS  
WASTE COLLECTION EVENTS

208 WEEKLY COLLECTION EVENTS  
16 SPECIAL SATURDAY EVENTS

PROGRAM  
COST



**\$703,921**



*Delaware Recycling Center*



*Southern Recycling Center*



# ELECTRONICS RECYCLING



 **1,275 TONS OF  
ELECTRONICS RECYCLED**

## COLLECTION POINTS



Collection Events  
86 Tons



Schools  
282 Tons



DSWA Recycling Centers  
811 Tons



Non-Profits  
17 Tons



Government  
79 Tons

## PROGRAM COST



**\$449,629**

## ITEM BREAKDOWN



Printers  
3,284 Items



Televisions  
21,176 Items



Computers  
46,158 Items



Delaware Recycling Center





# **269** TONS OF DOCUMENTS SHREDDED

## PROGRAM COST



**\$117,730**



## DOCUMENT SHREDDING EVENTS



Newark Recycling Center

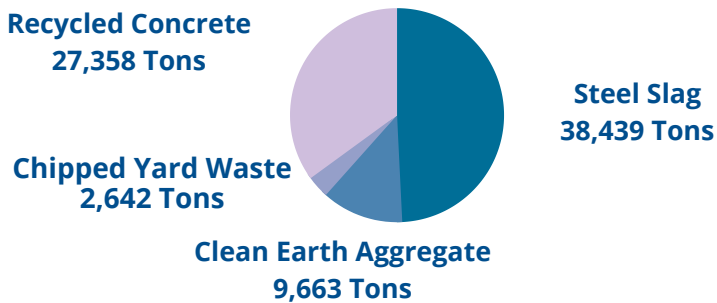
# RECOVERED RESOURCES FROM LANDFILLS & TRANSFER STATIONS

## Facility Recyclable Quantities Sent to Market by Material

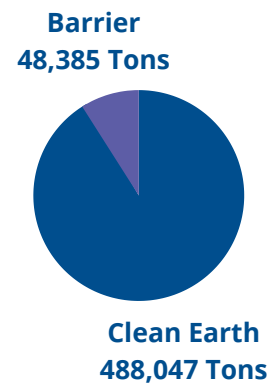


## Recovered Resource Quantities Used by Material

### Alternative Materials Used For Road Building



### Alternative Materials Used For Soil Cover



### Alternative Materials Used for Soil Amendment



**Yard Waste**  
2,218 Tons

**Total Recovered Resource  
Quantities Used**

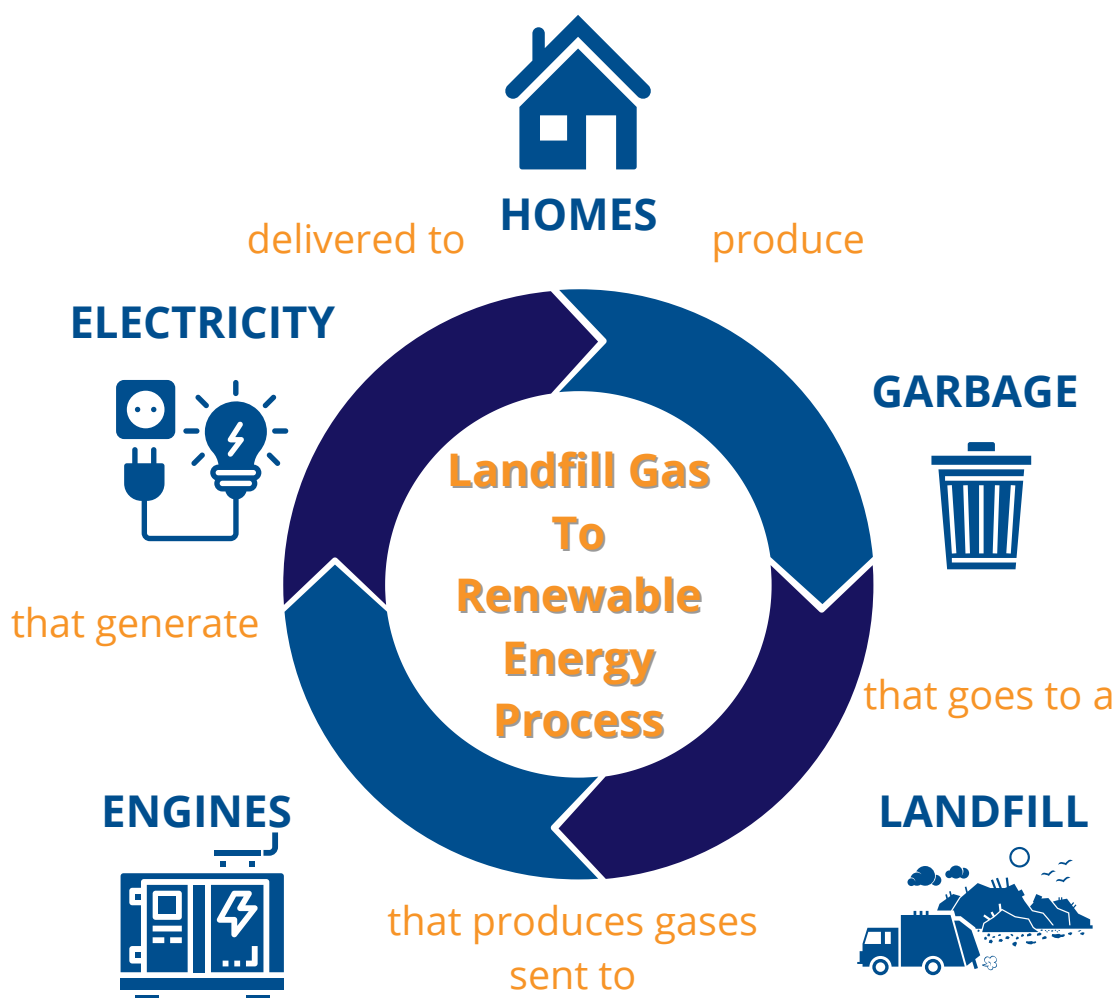
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**616,751.95 Tons**

# LANDFILL GAS UTILIZATION

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. Approximately 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 1,600 cubic feet of LFG per minute. In Sussex County the Southern Solid Waste Management Center (SSWMC) collects approximately 2,000 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.





SSWMC  
2,694



NSWMC  
2,475

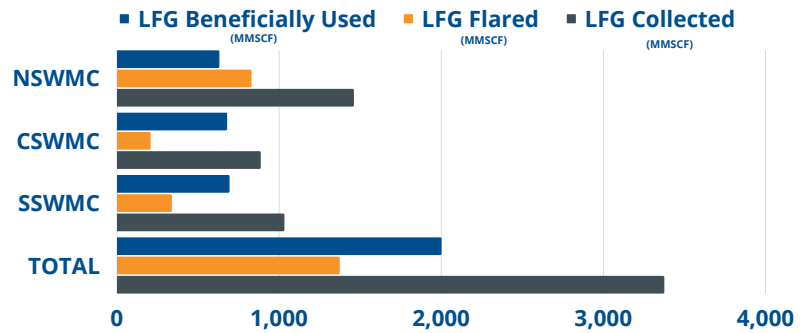


### GREENHOUSE GASES REDUCED

(MTCO<sub>2</sub>E)<sub>C</sub>= Metric Tons Of Carbon Dioxide Equivalents Per Year Reduced Thru LFG Collection

### NUMBER OF HOMES POWERED

Determined by USEPA 2014 LMOP LFG  
Energy Benefits Calculator



MMSCF= One Million Standard Cubic Feet



*Cherry Island Landfill Gas Plant*



*GE Jenbacher Engine*

# Delaware Solid Waste Authority

Financial Statements and  
Supplemental Information

Years Ended June 30, 2022 and 2021

A large, abstract, three-dimensional geometric graphic is positioned on the left side of the page. It is composed of several triangular and quadrilateral facets in various shades of gray, creating a faceted, crystalline appearance that tapers to a point towards the top right.

**WIPFLI**

## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the accompanying financial statements of Delaware Solid Waste Authority (the "DSWA"), which comprise the statements of net position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the DSWA as of June 30, 2022 and 2021, and the changes in financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the DSWA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the DSWA's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 DSWA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DSWA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

#### ***Required Supplementary Information***

GAAP requires that a management's discussion and analysis to be presented to supplement the financial statements. The 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 to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating revenues and expenses, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being particularly prominent and connected.

Wipfli LLP

Radnor, Pennsylvania

October 31, 2022

## 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, 2022 and 2021. 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 are 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 11 through 15 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 16 through 43 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 \$224.9 million and \$224.8 million at the close of fiscal years 2022 and 2021, respectively. This represents an increase of just over \$100,000 (0.05%) in net position in 2022 over the previous year.
- Total incoming tonnage in fiscal year 2022 increased by approximately 30,000 tons resulting in a 2.9% increase in revenue-generating tons compared to fiscal year 2021.
- Total operating revenue increased by approximately \$4.1 million or 5.2% more than fiscal year 2021. By comparison, the prior year was a \$6.9 million or a 9.7% increase from fiscal year 2020. While an increase in revenue generating tonnage of 2.9% was a contributing factor to the overall operating revenue increase, a continued beneficial recycling market was also a major factor in these operating revenue results. Recycling related operating revenue of \$4.8 million for fiscal year 2022 increased from \$2.4 million in the prior year. Net user fees reported in this item are net of the Differential Disposal Fee Programs rebates of approximately \$8.14 million in 2022 and \$8.15 million in 2021 (see Note 8).
- Total operating expenses for 2022 (prior to depreciation and closure costs) increased by approximately \$290,000 or 0.5% from the previous year. There were significant factors that increased operating expenses that were offset by beneficial year to year pension expenses. Those increases included tonnage related disposal / handling costs with increased incoming tonnage, direct and indirect fuel costs, utility costs, external consulting costs, and leachate handling costs. The annual year-end pension expense adjustment related to DSWA's portion of the plan administered by the State of Delaware was less than the prior fiscal year. This 2022 pension adjustment was a net \$2.4 million expense compared to approximately \$5.1 million in 2021.

- Operating income for 2022 was approximately \$6.1 million versus the prior year operating income of \$4.5 million. Revenue generating tonnage revenue and recycling related revenue helped increase operating revenue aided further by a reduction of pension related costs compared to the prior year as noted above. Partially offsetting these beneficial results were tonnage related costs compared to the prior year and increases to closure and post closure costs largely due to unusual inflationary adjustment requirements under current market conditions.
- 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 6). As of the end of fiscal year 2022, those bonds have been fully repaid and all debt related to these bonds is satisfied.

#### 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 2022 by \$110,157 and also increased by \$4,504,224 for 2021. A condensed summary of DSWA's net position for the three years being reported is presented below:

	Net Position		
	2022	2021*	2020*
Current and Other Assets	\$ 196,648,411	\$ 193,420,350	\$ 171,287,932
Capital Assets	183,540,735	176,687,849	183,799,040
Deferred Outflow of Resources	1,598,190	1,537,138	1,482,804
<b>Total Assets and Deferred Outflow of Resources</b>	<b>381,787,336</b>	<b>371,645,337</b>	<b>356,569,776</b>
Current Liabilities	12,039,961	16,862,961	13,512,670
Long-Term Obligations	125,964,636	119,070,374	112,193,913
Deferred Inflow of Resources	18,882,499	10,921,919	10,577,334
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>156,887,096</b>	<b>146,855,254</b>	<b>136,283,917</b>
Net Position:			
Invested in Capital Assets	183,540,735	174,592,237	177,688,690
Unrestricted	41,359,505	49,732,442	42,141,531
Restricted	-	465,404	455,638
<b>Total Net Position</b>	<b>\$ 224,900,240</b>	<b>\$ 224,790,083</b>	<b>\$ 220,285,859</b>

\* As restated, see Note 1

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 was 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. These provisions are no longer in effect as of June 30, 2022. The unrestricted funds administered by DSWA can be used to fund Capital Improvement Projects and other operating costs. Any 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, 2022, 2021 and 2020 is presented below:

	Change in Net Position		
	2022	2021	2020
Operating Revenues			
Net User Fees: Solid Waste	\$ 75,655,483	\$ 74,028,405	\$ 69,353,519
L/F Gas Marketing Income	1,455,132	1,377,904	1,272,105
Marketing Income (Expense) Recyclables	3,629,604	1,030,863	(826,269)
Other Income	1,174,668	1,425,995	1,164,801
<b>Total Operating Revenues</b>	<b>81,914,887</b>	<b>77,863,167</b>	<b>70,964,156</b>
Operating Expenses			
Salaries and Related Costs	13,196,569	15,849,922	11,905,593
Contractual Services	33,839,751	32,283,984	31,885,415
Depreciation	14,456,727	14,161,882	13,746,521
Landfill Closure	9,094,110	6,591,302	4,367,689
Other Expenses	5,239,671	4,431,650	4,761,414
<b>Total Operating Expenses</b>	<b>75,826,828</b>	<b>73,318,740</b>	<b>66,666,632</b>
Operating Income	6,088,059	4,544,427	4,297,524
Net Nonoperating Revenue / (Expense)	(5,977,902)	(40,203)	4,095,228
Increase in Net Position	<b>110,157</b>	<b>4,504,224</b>	<b>8,392,752</b>
Net Position - Beginning of Year	224,790,083	220,285,859	211,893,107
Net Position - End of Year	<b>\$ 224,900,240</b>	<b>\$ 224,790,083</b>	<b>\$ 220,285,859</b>

## Capital Asset Activity

The following provides a summary of the significant changes in capital assets for the year ended June 30, 2022 and a description of the major items affecting the year-end balances (see Note 4 - Capital Assets).

- Construction in Progress
 

Increases: Dover administrative building - \$7,884,527, Route 5 Transfer Station trailer storage building - \$728,521, Milford Transfer Station trailer storage building - \$736,452, Southern Landfill Sod Farm - \$149,034, Dover administrative building phone system - \$53,660, DE Recycle Center tarping station - \$213,172, Pinetree Transfer Station scale work - \$58,400, Sandtown Landfill borrow pit - \$979,164, Milford Transfer Station pole building - \$85,016, Sandtown Landfill design services partial capping Area F Phase I - \$213,658, Sandtown Landfill leachate tank work - \$3,149,503, Cherry Island Landfill backup generator - \$197,250, DE Recycle Center scale work - \$110,174, Southern Landfill SCADA upgrades - \$87,748, Central Landfill capping project - \$3,971,820, Southern Landfill land purchases - \$854,299
- Depreciable Capital Assets
 

Increases: Vehicles - \$109,665, Building and Land Improvements - \$140,805, Heavy Construction Equipment and Processing Equipment - \$1,177,844, Gas Collection System Installations - \$143,277.

Decreases: Vehicles & Machinery sold or traded-in - approximately \$143,950

## Review of Operations

**Landfill Operations.** During fiscal year 2022, the Delaware Solid Waste Authority's three operating landfills managed the safe disposal or recycling of 1,019,936 tons of waste compared to 990,567 tons during the previous year. Of the total waste received, dry waste, which includes construction and demolition waste, accounted for 177,097 tons in fiscal year 2022 compared to 168,704 tons in the previous fiscal year. During fiscal year 2022, 3,201 tons of tires were recycled. A total of 4,860 tons of yard waste were either recycled as soil amendment or used for road building and 2,478 tons of white goods were collected and recycled in fiscal year 2022. 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 \$15 at the landfills and \$7.50 at the transfer stations compared to \$16 at the landfills and \$8 at the transfer stations in the prior year.

**Transfer Stations.** During fiscal year 2022, the DSWA's Pine Tree Corners, Milford and Route 5 Transfer Stations received and transferred a total of 241,939 tons of waste compared to 241,572 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 112,793 customers disposed of 155,658 bags of household waste and 36,367 bags of yard waste during fiscal year 2022.

**Recycling.** During fiscal year 2022, DSWA's Drop Off Center Program collected 2,994 tons of various recyclables including cardboard, single-stream, batteries, oil filters, oil, electronic goods, and Polystyrene from its 13 sites. The Oil Filter Program recycled 19 tons of oil filters collected statewide. DSWA also recycled 111,922 gallons or 420 tons of motor oil. The Electronic Goods Program collected a grand total of 1,275 tons of electronic goods for recycling from special events, state agencies, schools, non-profit organizations, and DSWA drop off sites. At various locations throughout the state, the Recycling Group conducted a total of 16 special Saturday collection events. These events were for the collection of household hazardous waste, electronic goods, and paper shredding.

A total of 97 tons of hazardous materials were collected and either safely disposed or recycled from the special Saturday events. In addition to these special Saturday collection events, four weekly Household Hazardous Waste collections were conducted during fiscal year 2022. The weekly events are conducted at DSWA's Cheswold Collection Center, Delaware Recycling Center, Southern Solid Waste Management Center, and the Newark Recycling Facility. At those four locations a total of 325 tons of hazardous materials were collected and either safely disposed of or recycled. Paper shredding was also conducted at the special Saturday events in addition to monthly events and 269 tons of paper were shredded at these events combined.

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 2022, Revolution received 125,318 tons of C&D materials for processing versus fiscal year 2021 tonnage of 126,039 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. This contract has now been transferred from ReCom to Republic Services with all terms at the time of this transfer remaining in place. Republic is in the business of waste removal as well as receiving, processing and reselling residential and commercial recyclable materials that have residual value. During fiscal year 2022, ReCom (Republic) received 109,194 tons of recyclable materials for processing versus fiscal year 2021 incoming tonnage of 121,866 tons.



**Plans for the Future.** During fiscal year 2022 DSWA continued to face some challenges presented by the onset of the COVID-19 pandemic that began in the final quarter of fiscal year 2020. However, by the end of the year there has been a general return to normalcy. The abrupt operational changes that were required with this emergency and coming out of the pandemic fiscally sound with increased operational readiness will bode well for DSWA stability in the future. As is the case throughout the economy in general at this time, planning for operational needs and long-term goals has been complicated by inflationary pressures and supply chain inconsistencies. These will continue to be concerns in the immediate future but with past fiscal preparedness and current operational flexibility DSWA is confident in navigating these issues during this current economic cycle.

Fiscal year 2022 experienced a continued increase in revenue generating tonnage to approximately 1,019,000 tons. Since a low of 675,000 tons in 2012 and 2013, DSWA has experienced only one year of tonnage reduction on a year over year basis with that being a mere 1% drop off from 2019 to 2020. Having been through numerous economic cycles in the past ten years and overall positive tonnage growth during that time, confidence is high that sufficient revenue generating tonnage will be available to sustain operations and prepare for future needs.

While facility tonnage will often be closely tied to economic conditions and population trends, the ability to secure revenue generating tonnage recently in the face of turbulent and disruptive economic conditions gives DSWA greater assurance that decisions in recent years have helped to insulate the organization from some of these economic factors. With inflationary pressures continuing into fiscal year 2023, DSWA continues to monitor and make contingencies for further pressures on direct and indirect costs that may be affected by prolonged exposure to this factor. DSWA is currently in a financial position to withstand inflationary pressures as they currently exist and has positioned itself to have operational flexibility to minimize long term erosion of its financial condition if this condition were to continue in the near future.

Early in fiscal year 2023, revenue tonnage appears to be continuing on the steady upward trajectory of the last ten years. However, monitoring of any significant changes to tonnage levels at each site is ongoing in order to allow for timely operational adjustments as needed in order to mitigate any significant erosion of DSWA's financial position if that were to occur.

Fiscal year 2022 was the initial year of a 3-year rebate program that will be part of the fee structure through fiscal year 2024. This was a change from the previous rebate program period of 5 years that was in place through fiscal year 2021. During the second year of this three-year term in fiscal year 2023, management will begin to perform a review of internal costs, contractual costs, prevailing economic trends, and any tonnage trending that may require adjustments during the next rebate program period. This analysis will drive the future terms in the rebate program to allow for continued competitive market pricing, plan for DSWA immediate operational needs and goals, and prepare for long term capitalization investment. Realizing high inflationary conditions exist, the Authority is confident it will be able to remain steady in its fee structure for the near future. That expected rate consistency is indicative of the Authority's commitment to serving the community with the expectation that it do so in a fiscally responsible manner.

During fiscal year 2022 DSWA satisfied its final bond related debt obligations that remained from prior landfill expansion projects that were part of the long-term infrastructure needs at that time. In its ongoing evaluation of infrastructure demand for immediate needs and planning years into the future, DSWA will continue to weigh its options when it comes to funding infrastructure needs in the future. This, of course, will be dictated by the magnitude of the need and other financials concerns at that specific time.

The recycling market has proven to be an economic challenge to predict and volatile from year to year. Due to that volatility, DSWA maintains a tendency to lean toward a conservative outlook for planning purposes. Fiscal year 2022 experienced an overall positive market relative to the outlook at the beginning of the year. However, the market did indicate some moderate trending as the year progressed which is what is expected into fiscal year 2023. While improving its financial condition through positive recycling market conditions is a welcome plus recently, DSWA recognizes that its primary objective in this area is to provide these services in partnership with the private sector in good conditions or less than ideal conditions if they exist. With that in mind, inevitable downward trends in this market are always considered when making overall operational and financial plans.

While the direct economic threat related to the pandemic has decreased, lingering effects on the economic landscape continue. DSWA has transitioned from the immediate operational and financial adjustments that were required to continue its vital services without interruption to adjusting to the realities that linger in the surrounding economy and planning accordingly. The Authority has reacted in a way that has reinforced its mission to provide a reliable, quality service to its community and its obligation to secure its financial framework for the future commitment to the same.

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

Joseph J. Koskey  
Chief Financial Officer  
Delaware Solid Waste Authority  
1128 S. Bradford Street  
Dover, DE 19903  
Telephone: (302) 739-5361

Respectfully submitted,  
*Joseph J. Koskey*  
Joseph J. Koskey  
Chief Financial Officer

# Delaware Solid Waste Authority

## Statements of Net Position

<i>As of June 30, 2022 and 2021</i>	2022	2021
		RESTATED
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Unrestricted Current Assets:		
Cash and cash equivalents - Note 2	\$ 677,214	\$ 2,175,891
Investments - Note 3	86,492,606	4,107,753
Accounts receivable (net of allowance for doubtful accounts of \$35,824 and \$48,290, respectively)	8,292,590	7,455,744
Interest receivable	397,096	388,118
Leases receivable	292,679	330,981
Prepayments and miscellaneous receivables	1,600,944	2,109,302
Total Unrestricted Current Assets	97,753,129	16,567,789
Restricted Current Assets:		
Investments - Note 3	-	58,178,485
Total Current Assets	97,753,129	74,746,274
<b>NONCURRENT ASSETS</b>		
Unrestricted Noncurrent Assets:		
Investments - Note 3	91,185,616	21,959,509
Leases receivable, non-current - Note 11	3,947,331	4,240,011
Capital Assets - Note 4		
Land	29,260,964	28,406,665
Land improvements	324,925,936	323,595,787
Buildings	53,863,497	53,837,717
Equipment and furniture	22,596,825	21,004,014
Vehicles	3,336,567	3,370,852
Total	433,983,789	430,215,035
Less: Accumulated depreciation	274,419,111	260,106,342
	159,564,678	170,108,693
Construction in progress - Note 4	23,976,057	6,579,156
Total Capital Assets	183,540,735	176,687,849
Net Pension Asset - Note 7	3,762,335	-
Restricted Noncurrent Assets:		
Investments - Note 3	-	92,474,556
Total Noncurrent Assets	282,436,017	295,361,925
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Related to pensions - Note 7	797,905	825,835
Related to other post employment benefits - Note 7	800,285	711,303
Total Deferred Outflow of Resources	1,598,190	1,537,138
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 381,787,336</b>	<b>\$ 371,645,337</b>

See accompanying notes to financial statements.

# Delaware Solid Waste Authority

## Statements of Net Position

<i>As of June 30, 2022 and 2021</i>	2022	2021
		RESTATED
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,216,038	\$ 6,637,460
Contracts payable, including retainage	981,744	130,630
Accrued compensation	1,909,961	1,826,959
Current portion of bonds payable - Note 6	-	4,317,896
Contract rebate payable - Note 8	3,932,218	3,950,016
Total Current Liabilities	12,039,961	16,862,961
<b>NONCURRENT LIABILITIES</b>		
Accrued landfill closure and post closure care costs - Note 5	95,721,950	86,627,840
Net pension liability - Note 7	-	4,200,195
Net other post employment liability - Note 7	30,242,686	28,242,339
Total Noncurrent Liabilities	125,964,636	119,070,374
Total Liabilities	138,004,597	135,933,335
<b>DEFERRED INFLOW OF RESOURCES</b>		
Related to pensions - Note 7	7,587,762	806,660
Related to other post employment benefits - Note 7	7,054,727	5,544,267
Related to leases - Note 11	4,240,010	4,570,992
Total Deferred Inflow of Resources	18,882,499	10,921,919
<b>NET POSITION</b>		
Invested in capital assets, net of related debt and accumulated depreciation	183,540,735	174,592,237
Unrestricted	41,359,505	49,732,442
Restricted	-	465,404
Total Net Position	224,900,240	224,790,083
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b>\$ 381,787,336</b>	<b>\$ 371,645,337</b>

See accompanying notes to financial statements.



# Delaware Solid Waste Authority

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

<i>Years Ended June 30, 2022 and 2021</i>	2022	2021
<b>OPERATING REVENUES</b>		
Net user fees: solid waste	\$ 75,655,483	\$ 74,028,405
Landfill gas	1,455,132	1,377,904
Other income	4,804,272	2,456,858
<b>Total Operating Revenues</b>	<b>81,914,887</b>	<b>77,863,167</b>
<b>OPERATING EXPENSES</b>		
Salaries and related costs	13,196,569	15,849,922
Professional services	1,893,034	1,477,364
Travel	62,386	12,765
Supplies and materials	2,564,301	2,313,705
Utilities	719,950	627,816
Contractual services	33,839,751	32,283,984
Closure and post closure care of landfills	9,094,110	6,591,302
Depreciation expense	14,456,727	14,161,882
<b>Total Operating Expenses</b>	<b>75,826,828</b>	<b>73,318,740</b>
<b>OPERATING INCOME</b>	<b>6,088,059</b>	<b>4,544,427</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Net investment income (loss)	(5,882,037)	262,352
Bond interest and related expenses	(213,014)	(427,000)
Other nonoperating revenue - net	117,149	124,445
<b>Net Nonoperating Expenses</b>	<b>(5,977,902)</b>	<b>(40,203)</b>
<b>INCREASE IN NET POSITION</b>	<b>110,157</b>	<b>4,504,224</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>224,790,083</b>	<b>220,285,859</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 224,900,240</b>	<b>\$ 224,790,083</b>

See accompanying notes to financial statements.

# Delaware Solid Waste Authority

## Statements of Cash Flows

<i>Years Ended June 30, 2022 and 2021</i>	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 75,309,197	\$ 72,154,339
Cash paid to suppliers	(39,649,730)	(33,772,368)
Cash paid to employees	(10,845,240)	(10,610,248)
Landfill gas marketing revenues	1,455,132	1,377,904
Other operating revenues	4,804,272	2,456,858
Net Cash Provided by Operating Activities	31,073,631	31,606,485
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	1,759,016	1,817,865
Purchases of investments	(268,742,758)	(415,923,496)
Proceeds from sale of investments	260,143,785	395,325,753
Other investing income	106,772	37,553
Net Cash Used in Investing Activities	(6,733,185)	(18,742,325)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for debt service requirements	(4,300,000)	(4,000,000)
Interest paid on bonds	(230,910)	(441,711)
Cash payments for capital assets	(21,309,613)	(7,050,691)
Proceeds from sale of capital assets	1,400	47,584
Net Cash Used in Capital and Related Financing Activities	(25,839,123)	(11,444,818)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,498,677)	1,419,342
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	2,175,891	756,549
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 677,214	\$ 2,175,891

See accompanying notes to financial statements.

# Delaware Solid Waste Authority

## Statements of Cash Flows (Continued)

<i>Years Ended June 30, 2022 and 2021</i>	2022	2021
		RESTATED
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
OPERATING INCOME	\$ 6,088,059	\$ 4,544,427
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	14,456,727	14,161,882
Provision (recovery) of doubtful accounts	(12,466)	26,904
Increase in accounts receivable	(824,380)	(763,880)
(Increase) decrease in prepayments and miscellaneous receivables	508,358	(1,157,542)
Decrease in leases receivable	330,982	380,585
Increase in deferred outflow of resources	(61,052)	(54,334)
Increase (decrease) in accounts payable	(1,421,422)	2,868,989
Increase in contracts payable	851,114	74,277
Increase in accrued compensation	83,002	105,496
Increase in accrued closure and post closure care of landfills	9,094,110	6,591,302
Increase (decrease) in contract rebate payable	(17,798)	20,452
Increase (decrease) in net pension asset/liability	(7,962,530)	(436,900)
Increase (decrease) in net other post employment liability	2,000,347	5,017,847
Increase in deferred inflow of resources	7,960,580	226,980
Total Adjustments	24,985,572	27,062,058
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 31,073,631</b>	<b>\$ 31,606,485</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Amortization of premium/discount on bonds	\$ (1,356)	\$ (2,856)
Gain on disposition of capital assets	(1,400)	(47,584)
Unrealized loss on investments	7,685,323	1,625,924
Realized gain on sale of investments	(44,269)	(192,032)

See accompanying notes to financial statements.



# **Delaware Solid Waste Authority**

## **Notes to Financial Statements**

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### **Note 1: Summary of Significant Accounting Policies**

#### **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 of 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.

#### **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.

#### **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.

# Delaware Solid Waste Authority

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### 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. See Note 6.

#### 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.

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, 2022 and 2021 was \$14,456,727 and \$14,161,882, respectively.

#### 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.

# Delaware Solid Waste Authority

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **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 in the United States of America 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, 2022 and 2021:

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

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.

#### **Leases**

The leases receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized using the effective interest method to other income included in the statements of revenue and expenses and changes in net position. See Note 11.

#### **Compensated Absences**

Vacation and sick leave pay are recorded as an expense when earned by the DSWA's employees. As of June 30, 2022 and 2021, accrued vacation and sick leave aggregated \$1,401,802 and \$1,251,030, respectively; this resulted in a net increase of \$150,772, which is reflected in salaries and related costs in the current year. Accrued vacation and sick leave are based on the following criteria.

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

# Delaware Solid Waste Authority

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Compensated Absences** (Continued)

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

#### **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.

#### **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.

#### **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.



# Delaware Solid Waste Authority

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **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 position by the DSWA that is applicable to a future reporting period. Deferred inflows of resources are defined as acquisition of net position 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.

#### **Recently Adopted Accounting Pronouncements**

For fiscal year June 30, 2022, the DSWA adopted Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of this pronouncement is applied retroactively by restating the financial statements. See below and Note 11.

For fiscal year June 30, 2022, the DSWA adopted Governmental Accounting Standards Board (GASB) issued Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. There was no change to the reported revenue, net position, or the change in net position for either period presented.

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Prior Period Restatement

As described above, the DSWA adopted GASB issued Statement No. 87, *Leases*. The adoption of the Statement did not have a cumulative effect on previously reported changes in net position. The implementation of this Statement had the following effect on the June 30, 2021 and 2020 financial statements:

	As reported June 30, 2021	Adjustments	As restated - June 30, 2021	As restated - June 30, 2020
<b>Assets and deferred outflow of resources</b>				
Current portion - leases receivable	\$ -	\$ 330,981	\$ 330,981	\$ 262,980
Leases receivable- net of current portion	-	4,240,011	4,240,011	4,570,992
<b>Liabilities, deferred inflow of resources and net position</b>				
Deferred inflow - leases	-	4,570,992	4,570,992	4,833,972

### Note 2: Cash and Cash Equivalents

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

<http://https://regulations.delaware.gov/AdminCode/title1/1200/1201.shtml#TopOfPage>.

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, 2022, the DSWA's bank balances were not exposed to custodial credit risk.

# Delaware Solid Waste Authority

## Notes to Financial Statements

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### Note 3: Investments

In accordance with the DSWA's investment policy, investment purchases are limited to U.S. Government Securities, U.S. Government Agency Securities, Mortgage-Backed Securities with a rating of AAA and Corporate Debt Instruments, such as commercial paper with a rating of A-1 or better, senior long-term debt with a rating of A or better and corporate bonds and debentures with a rating of AA or better. As of June 30, 2022, 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, 2022, 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:

		2022	2021
Mutual Funds	AAA	28%	22%
Corporate Obligations	AAA	-%	1%
Corporate Obligations	AA+	27%	33%
Corporate Obligations	AA	2%	3%
Corporate Obligations	AA-	3%	6%
Corporate Obligations	A+	4%	4%
Corporate Obligations	A	9%	7%
Corporate Obligations	A-	5%	5%

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, 2022 are summarized below.

Credit risk is the risk that an issuer will not fulfill its obligations while concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. As indicated above in Note 2, the DSWA follows the "Statement of Objectives and Guidelines for the Investments of the State of Delaware" of the State's Cash Management Policy Board (the Board). The policy addresses credit risk as well as concentration of credit risk by not only limiting allowable investments but also by limiting the maximum amount that may be invested in any one issuer, except for investments in U.S. Government Securities which are not limited. The DSWA 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, 2022 and 2021.

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 3: Investments (Continued)

The 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, 2022 and 2021 resulted in unrealized losses of \$7,685,323 and \$1,625,924, respectively, and is included in net investment income. The calculation of the net change in the fair value of investments is independent of the calculation of realized gains and losses. The realized gains and losses are computed as the difference between the proceeds of the sale and the cost of the investments sold. Realized gains and losses of the current period include unrealized amounts from prior periods. Realized gains for the years ended June 30, 2022 and 2021 were \$44,269 and \$192,032, respectively.

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

The DSWA's investments are summarized as follows:

	2022		2021	
	Fair Value / Carrying Value	Cost	Fair Value / Carrying Value	Cost
U.S. Treasury Obligations	\$ 7,188,119	\$ 7,242,056	\$ 8,085,218	\$ 7,969,915
U.S. Government Agency Bonds and Notes	14,353,771	15,150,645	23,050,213	22,972,696
Wilmington U.S. Government Money Market Fund	44,086,214	44,086,214	39,502,106	39,502,106
Time Deposits	8,568,106	8,568,106	1,989,077	1,989,077
Corporate Bonds and Notes	103,482,012	110,544,130	104,093,689	104,516,024
<b>Total Investments</b>	<b>\$ 177,678,222</b>	<b>\$ 185,591,151</b>	<b>\$ 176,720,303</b>	<b>\$ 176,949,818</b>

Investments as of June 30, 2022 mature, or are available, as follows:

	Total	Less than 1 year	1-5 years
U.S. Treasury Obligations	\$ 7,188,119	\$ 5,489,868	\$ 1,698,251
U.S. Government Agency Bonds and Notes	14,353,771	4,582,012	9,771,759
Wilmington U.S. Government Money Market Fund	44,086,214	44,086,214	-
Time Deposits	8,568,106	8,568,106	-
Corporate Bonds and Notes	103,482,012	23,766,406	79,715,606
	<b>\$ 177,678,222</b>	<b>\$ 86,492,606</b>	<b>\$ 91,185,616</b>



# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 3: Investments (Continued)

The following table sets forth by level, within the fair value hierarchy, the DSWA's financial instruments carried at fair value as of June 30, 2022:

	Level 1	Level 2
Investments at fair value		
Debt Securities:		
U.S. Treasury Obligations	\$ 7,188,119	\$ -
Corporate Bonds and Notes	-	103,482,012
U.S. Government Agency Bonds and Notes	-	14,353,771
<b>Total Investments</b>	<b>\$ 7,188,119</b>	<b>\$ 117,835,783</b>

The following table sets forth by level, within the fair value hierarchy, the DSWA's financial instruments carried at fair value as of June 30, 2021:

	Level 1	Level 2
Investments at fair value		
Debt Securities:		
U.S. Treasury Obligations	\$ 8,085,218	\$ -
Corporate Bonds and Notes	-	104,093,689
U.S. Government Agency Bonds and Notes	-	23,050,213
<b>Total Investments</b>	<b>\$ 8,085,218</b>	<b>\$ 127,143,902</b>

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 4: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Transfers	Sales / Retirements	Balance June 30, 2022
Capital assets, not being depreciated:					
Construction in progress	\$ 6,579,156	\$ 18,804,409	\$ (1,407,508)	\$ -	\$ 23,976,057
Land	28,406,665	847,404	6,895	-	29,260,964
Total capital assets, not being depreciated	34,985,821	19,651,813	(1,400,613)	-	53,237,021
Depreciable capital assets:					
Land improvements	323,595,787	373,841	956,308	-	324,925,936
Less: accumulated depreciation	(199,918,960)	(10,652,217)	-	-	(210,571,177)
Buildings	53,837,717	25,780	-	-	53,863,497
Less: accumulated depreciation	(39,512,773)	(2,315,355)	-	-	(41,828,128)
Equipment and furniture	21,004,014	1,148,506	444,305	-	22,596,825
Less: accumulated depreciation	(18,065,320)	(1,208,220)	-	-	(19,273,540)
Vehicles	3,370,852	109,673	-	(143,958)	3,336,567
Less: accumulated depreciation	(2,609,289)	(280,935)	-	143,958	(2,746,266)
Depreciable assets, net of accumulated depreciation	141,702,028	(12,798,927)	1,400,613	-	130,303,714
Capital assets, net	\$ 176,687,849	\$ 6,852,886	\$ -	\$ -	\$ 183,540,735

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 4: Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Transfers	Sales / Retirements	Balance June 30, 2021
Capital assets, not being depreciated:					
Construction in progress	\$ 3,507,085	\$ 5,454,226	\$ (2,382,155)	\$ -	\$ 6,579,156
Land	28,025,738	380,927	-	-	28,406,665
<b>Total capital assets, not being depreciated</b>	<b>31,532,823</b>	<b>5,835,153</b>	<b>(2,382,155)</b>	<b>-</b>	<b>34,985,821</b>
Depreciable capital assets:					
Land improvements	321,958,748	265,664	1,371,375	-	323,595,787
Less: accumulated depreciation	(189,462,599)	(10,456,361)	-	-	(199,918,960)
Buildings	52,992,217	-	845,500	-	53,837,717
Less: accumulated depreciation	(37,171,609)	(2,341,164)	-	-	(39,512,773)
Equipment and furniture	20,146,957	776,790	165,280	(85,013)	21,004,014
Less: accumulated depreciation	(17,054,676)	(1,095,657)	-	85,013	(18,065,320)
Vehicles	3,405,067	173,093	-	(207,308)	3,370,852
Less: accumulated depreciation	(2,547,888)	(268,709)	-	207,308	(2,609,289)
<b>Depreciable assets, net of accumulated depreciation</b>	<b>152,266,217</b>	<b>(12,946,344)</b>	<b>2,382,155</b>	<b>-</b>	<b>141,702,028</b>
<b>Capital assets, net</b>	<b>\$ 183,799,040</b>	<b>\$ (7,111,191)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 176,687,849</b>

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 4: Capital Assets (Continued)

The status of the DSWA's construction in progress at June 30, 2022 is as follows:

	Expected Completion Date	Costs to Date
Location:		
Admin		
New office building	FY 2023	\$ 9,715,584
Building improvements	FY 2023	53,660
Recycle exhibits	FY 2023	38,138
Route 5		
Trailer storage building	FY 2023	1,434,654
MTS		
Trailer storage building	FY 2023	1,221,552
Concrete pad	FY 2023	85,016
Delaware Recycling Center		
Site improvements	FY 2023	227,872
Stormwater assessment	FY 2023	58,400
Landfills:		
Jones Crossroads		
Sod farm	FY 2023/2024	149,034
Land improvements - Ellsworth	FY 2023	3,730
Land improvements - Kniepfel	FY 2023	850
Tax ditch realignment	FY 2024	17,095
Scada system	FY 2024	638,773
Fill dirt - borrow pit	FY 2023	2,740,826
East feeder ditches	FY 2023	24,410
Land demolition - Darmsteadt	FY 2023	3,730
Third scale automation	FY 2023	19,204
Cheery Island		
Manhole project	FY 2023	79,900
Sandtown		
Area F capping	FY 2023	342,306
Leachate tank system replaced	FY 2023	3,149,503
Area F	FY 2023	3,971,820
Total Construction in Progress		\$ 23,976,057

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 5: Landfill Closure and Post Closure Care Costs

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

In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on the estimated future closure costs that will be incurred near or at the date of closure and the estimated post closure care costs at each site for thirty years after closure. The DSWA reports a portion of these closure and post closure care costs as an operating expense each year based on landfill capacity used during the year. Accrued landfill closure and post closure care costs of \$95,721,950 as of June 30, 2022 and \$86,627,840 as of June 30, 2021, 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 \$133,172,292 as the remaining estimated capacity is filled. The estimated total current cost of the landfill closure and post closure care of \$228,894,242 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, 2022. 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, 2022:

Landfill	Estimated Capacity Used	Cumulative Remaining Life	Accrued Costs	Costs to be Recognized in the Future
Cherry Island	64.13%	18	\$ 55,767,814	\$ 29,387,900
Sandtown	25.55%	47	12,076,652	59,524,886
Jones Crossroads	22.35%	47	27,877,484	44,259,506
Pigeon Point	100.00%	Closed 1985	-	-
<b>Total</b>			<b>\$ 95,721,950</b>	<b>\$ 133,172,292</b>



# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 5: Landfill Closure and Post Closure Care Costs (Continued)

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

	Total	Cherry Island	Sandtown	Jones Crossroads
Balance of accrual, June 30, 2021	\$ 86,627,840	\$ 51,205,601	\$ 10,427,146	\$ 24,995,093
Current year expenditures:				
Post closure costs	-	-	-	-
Net accrual	86,627,840	51,205,601	10,427,146	24,995,093
Balance of accrual, June 30, 2022	95,721,950	55,767,814	12,076,652	27,877,484
Net closure and post closure costs (recovery) recognized in current year	\$ 9,094,110	\$ 4,562,213	\$ 1,649,506	\$ 2,882,391

Included in the computation of Landfill Closure and Post Closure Care Costs as of June 30, 2022, are closure costs for: (1) Pine Tree Corners Transfer Station of \$20,000 (2) Cheswold Collection Station of \$4,000 (3) Milford Transfer Station of \$20,000 (4) Ellendale, Long Neck, Omar, and Bridgeville Collection Stations, each totaling \$4,000 and (5) Route 5 Transfer Station of \$20,000.

### Note 6: Bonds Payable

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

On 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. This series was previously paid off.

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

### Note 6: Bonds Payable (Continued)

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

	2022	2021
Series 2010 "B" principal	\$ -	\$ 4,300,000
Unamortized (discount)	-	(1,356)
Accrued interest	-	19,252
<b>Total Bonds Payable</b>	<b>\$ -</b>	<b>\$ 4,317,896</b>

During 2022, the Series 2010 series bonds were paid in full. The total interest expense incurred on the DSWA bond debt for the years ended June 30, 2022 and 2021 was \$211,658 and \$424,144, respectively.

### Note 7: 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.

**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 (5 of which must be consecutive).

# Delaware Solid Waste Authority

## Notes to Financial Statements

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### **Note 7: Pension Plan and Other Benefits** (Continued)

**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 12.33% and 11.96% of earnings for the Plan's fiscal years 2021 and 2020, respectively.

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

**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.

# Delaware Solid Waste Authority

## Notes to Financial Statements

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### Note 7: Pension Plan and Other Benefits (Continued)

#### Collective Net Pension Liability and Actuarial Information

The DSWA's proportionate share of the net pension liability as of June 30, 2022 and 2021 was as follows:

Plan year		Total pension liability (1)		Plan fiduciary net position (2)		Net pension (asset) liability (1) - (2)
2021	\$	35,908,927	\$	39,671,262	\$	(3,762,335)
2020		33,001,013		28,800,818		4,200,195

The collective total pension liability for the June 30, 2021 and 2020 measurement dates (Plan year) was determined by an actuarial valuation as of June 30, 2021 and 2020, 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, 2021. 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 Pub-2010 mortality tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2020 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

### Note 7: Pension Plan and Other Benefits (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the DPERS's current and expected asset allocation as of June 30, 2021 (Plan year) is summarized in the following table:

Asset class	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	32.3%
International equity	5.7	18.1
Fixed income	2.0	20.6
Alternative investments	7.8	24.2
Cash and equivalents	-	4.8

**Discount rate** - The discount rate used to measure the total pension liability for all plans was 7.0%. 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%)	Discount Rate (7.0%)	1% Increase to discount rate (8.0%)
DSWA's proportionate share of the net pension (asset) liability for 2022 (based on Plan year 2021)	\$ 445,030	\$ (3,762,335)	\$ (7,304,993)
DSWA's proportionate share of the net pension liability for 2021 (based on Plan year 2020)	\$ 8,064,803	\$ 4,200,195	\$ 943,888



# Delaware Solid Waste Authority

## Notes to Financial Statements

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### Note 7: Pension Plan and Other Benefits (Continued)

#### Collective Deferred Outflows of Resources and Deferred Inflows of Resources

Expected and actual experience differences - The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members which is 6 years. The first year of amortization is recognized as pension expense with the remaining years either a deferred outflow or deferred inflow. The collective amount of the difference between expected and actual experience based on the Plan's fiscal years ended June 30, 2021 and 2020 is \$7,556,420 and \$742,490, 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, 2021 and 2020 is \$7,587,762 and \$806,660, 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, 2022 (based on plan year ended June 30, 2021) will be recognized in pension expense as follows:

<u>Plan Year ending June 30:</u>	
2022	\$(1,568,010)
2023	(1,512,222)
2024	(1,669,888)
2025	(1,569,813)
2026	175,612

The amount of \$797,905 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, 2023.

# Delaware Solid Waste Authority

## Notes to Financial Statements

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### Note 7: Pension Plan and Other Benefits (Continued)

#### Collective Pension Expense

The components of the DSWA's pension expense for the years ended June 30, 2022 and 2021 (plan year ended June 30, 2021 and 2020) are as follows:

June 30,	2022	2021
Service costs	\$ 695,538	\$ 605,635
Interest on total pension liability	2,421,041	2,226,035
Member contributions	(237,727)	(221,611)
Administrative expense	17,454	18,092
Projected earnings on plan investments	(2,044,634)	(1,871,465)
Amortization of investment return differences	(1,712,112)	371,319
Pension expense (benefit)	\$ (860,440)	\$ 1,128,005

#### 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.

# Delaware Solid Waste Authority

## Notes to Financial Statements

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### Note 7: Pension Plan and Other Benefits (Continued)

**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. 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.

**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%

**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 2021 and 2020, the DSWA's contribution totaled \$711,303 and \$712,416, 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.

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 7: Pension Plan and Other Benefits (Continued)

#### Collective Net OPEB Liability and Actuarial Information

The DSWA's proportionate share of the collective net OPEB liability as of June 30, 2022 and 2021 was as follows:

Plan year	Total OPEB liability (1)	Plan fiduciary net position (2)	Net OPEB liability (1) - (2)
2021	\$ 32,192,138	\$ 1,949,452	\$ 30,242,686
2020	29,501,803	1,259,464	28,242,339

The collective total OPEB liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total OPEB liability to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

	2021	2020
Discount rate	2.16%	2.21%
Projected salary increases	3.25% + Merit	3.25% + Merit
Healthcare cost trend rates	5.5%	5.6%

Mortality rates were based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustment factors for Plan year 2020. For Plan year 2021, mortality rates were based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the Pub-2021 General Benefit Annuitant Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted tables from the base year.

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 for Plan year 2020. For Plan year 2021, the assumptions used were based on the results of an actuarial study performed in 2021 and covering the period July 1, 2015 through June 30, 2020. 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.

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 7: Pension Plan and Other Benefits (Continued)

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	5.7%	34.1%
International equity	5.7	12.5
Fixed income	2.0	25.5
Alternative investments	7.8	22.4
Cash and equivalents	-	5.5

**Discount Rate** - The discount rate used to measure the total OPEB liability was 2.21% at the beginning of the current measurement period and 2.16% 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.

**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 (1.16% for 2021 and 1.21% for 2020)	Discount Rate (2.16% for 2021 and 2.21% for 2020)	1% Increase to discount rate (3.16% for 2021 and 3.21% for 2020)
DSWA's proportionate share of the net OPEB liability for 2022 (based on Plan year 2021)	\$ 36,125,828	\$ 30,242,686	\$ 25,581,676
DSWA's proportionate share of the net OPEB liability for 2021 (based on Plan year 2020)	\$ 33,848,716	\$ 28,242,339	\$ 23,853,282

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 7: Pension Plan and Other Benefits (Continued)

**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 healthcare trend rate (4.5% for 2021 and 4.6% for 2020)	Healthcare Trend Rate (5.5% for 2021 and 5.6% for 2020)	1% Increase to healthcare trend rate (6.5% for 2021 and 6.6% for 2020)
DSWA's proportionate share of the net OPEB liability for 2022 (based on Plan year 2021)	\$ 24,730,508	\$ 30,242,686	\$ 37,485,235
DSWA's proportionate share of the net OPEB liability for 2021 (based on Plan year 2020)	\$ 26,496,755	\$ 28,242,339	\$ 30,892,425

### Collective Deferred Outflow of Resources and Deferred Inflow Resources

For the year ended June 30, 2022 (Plan year 2021) and 2021 (Plan year 2020), the DSWA recognized OPEB expense of \$1,588,705 and \$1,648,093, respectively. The DSWA reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	2022		2021	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on OPEB investments	\$ -	\$ 349,352	\$ -	\$ 31,375
Net difference between expected and actual experience	-	4,161,791	-	1,941,361
Change in assumptions	-	991,157	-	1,606,254
Changes in DSWA's proportionate share	-	1,552,427	-	1,965,277
DSWA contributions subsequent to the measurement date	800,285	-	711,303	-
<b>Total</b>	<b>\$ 800,285</b>	<b>\$ 7,054,727</b>	<b>\$ 711,303</b>	<b>\$ 5,544,267</b>



# Delaware Solid Waste Authority

## Notes to Financial Statements

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### Note 7: 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 except for the differences in projected and actual investment returns which are amortized over a five-year period. 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, 2022 (based on Plan year ended June 30, 2021) will be recognized in OPEB expense as follows:

<u>Plan Year ending June 30:</u>		
2022	\$	(238,785)
2023		345,372
2024		546,472
2025		856,798
2026		(110,414)

### Collective OPEB Expense

The components of the DSWA's OPEB expense for the years ended June 30, 2022 and 2021 (Plan year ended June 30, 2021 and 2020) are as follows:

<u>June 30,</u>	<u>2022</u>	<u>2021</u>
Service cost	\$ 1,398,066	\$ 978,343
Interest cost	728,004	800,322
Contributions	(435)	(431)
Administrative expenses	447	564
Expected return on assets	(98,853)	(79,180)
Recognition of deferred outflows and inflows of resources:		
Differences between projected and actual earnings on plan investments	(103,197)	(17,766)
Differences between liability gains and losses	(865,469)	(321,277)
Change in assumption with regards to factors or other inputs in the measurement of total OPEB Liability	530,142	287,518
<u>OPEB expense</u>	<u>\$ 1,588,705</u>	<u>\$ 1,648,093</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

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### Note 8: Contract Rebate Payable

The DSWA offers a Differential Disposal Fee Program to all customers who enter into a contract with the DSWA to bring all of their solid waste or dry waste which has been collected in the State of Delaware to the DSWA facilities in accordance with the contract. Beginning in 2017, the program in place offered rebates of \$20/ton and \$10/ton for deliveries to the landfills and transfer stations, respectively. In 2021 and 2022, the above rebates were reduced to \$16 and \$15/ton for deliveries to landfills and \$8 and \$7.50/ton for deliveries to transfer stations, respectively.

For the program years ended June 30, 2022 and 2021, three hundred and fifty-five (355) and three hundred and fifty-two (352) participants received rebates totaling \$8,135,206 and \$8,147,751, respectively; operating revenues are reported net of these rebates.

### Note 9: Risk Management

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

### Note 10: Commitments and Contingencies

Arbitrage: The Tax Reform Act of 1986 requires the DSWA to rebate the earnings on the investment of revenue bond proceeds, in excess of their yield, to the Federal Government. See Note 6. 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, 2022 and 2021, 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, 2022, the uncompleted contracts are summarized as follows:

	Contract Amount	Approved Payments	Retainage Payable	Remaining Contract Commitment
Central landfill	\$ 737,000	\$ 737,000	\$ -	\$ -
Southern landfill	11,415,285	-	-	11,415,285
Administrative Office	17,954,053	17,335,559	-	618,494
<b>Total</b>	<b>\$ 30,106,338</b>	<b>\$ 18,072,559</b>	<b>\$ -</b>	<b>\$ 12,033,779</b>

# Delaware Solid Waste Authority

## Notes to Financial Statements

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### **Note 10: Commitments and Contingencies** (Continued)

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, 2022 approximated \$32,368,000, which relates to contracts expiring through December 2031. The DSWA's contracts include termination for convenience clauses which allows the DSWA to cancel the contracts at any time.

### **Note 11: Service and Lease Agreements**

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

DSWA entered into a service agreement with Revolution Recovery Delaware, LLC (Revolution) to construct and operate a construction and demolition (C&D) MRF on behalf of DSWA. Revolution is in the business of receiving, processing and reselling C&D recyclables that have residual value. Operation of the C&D MRF is the full responsibility of Revolution. The Service Agreement provides for Revolution to pay DSWA a tipping fee per ton on all incoming C&D tonnage. Additionally, Revolution will lease one or more of the buildings, and related land area, at the Delaware Recycling Center (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 \$291,525 for the primary building, \$11,566 for a secondary building, and ground rent of \$283.45 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 \$2.75 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. As of June 30, 2022, the monthly rent was \$18,527 and is subject to an annual adjustment of 90% of the annual change in CPI.

# Delaware Solid Waste Authority

## Notes to Financial Statements

### Note 11: Service and Lease Agreements (Continued)

In October 2017, Republic Services (Republic) purchased ReCom and assumed all original and amended terms of DSWA's agreement with ReCom. During fiscal year 2021, DSWA entered into additional renegotiations with Republic in order to take into consideration the market conditions that continued to affect Republic's ability to provide the crucial services related to the processing of recycled goods in the State of Delaware. In doing so, DSWA accepted the additional responsibility of reimbursing Republic for additional material processing costs during market conditions that do not allow for these costs to be covered by recyclable material market pricing. Additional proactive material review measures were put into place in order to maximize marketability of incoming recyclables. These measures are intended to benefit product pricing and reduce costs. These renegotiated terms will remain in place through June 2024.

Future minimum lease payments as of June 30, 2022, are:

	Leases		
	Reduction of receivable and inflow of resources	Interest	Total
2023	\$ 292,679	\$ 212,000	\$ 504,679
2024	354,680	149,999	504,679
2025	325,046	179,633	504,679
2026	380,510	124,169	504,679
2027	360,324	144,355	504,679
2028 - 2032	2,160,246	363,151	2,523,397
2033 - 2037	366,525	20,283	386,808
Total	\$ 4,240,010	\$ 1,193,590	\$ 5,433,600

## **Supplemental Information**

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# Delaware Solid Waste Authority

## Schedule of Operating Revenues and Expenses

Year Ended June 30, 2022 (with Comparative Totals for 2021)										
	Landfill Operations	Transfer Station Operations	Collection Station Operations	Recycling Operations	Household Hazardous Waste Program	General & Administrative	2022 Total	2021 Total		
OPERATING REVENUES										
Net user fees: solid waste	\$ 56,087,330	\$ 19,310,267	\$ 257,886	\$ -	\$ -	\$ -	\$ 75,655,483	\$ 74,028,405		
Landfill gas	1,455,132	-	-	-	-	-	1,455,132	1,377,904		
Other income	1,370,344	176,427	-	3,257,501	-	-	4,804,272	2,456,858		
TOTAL OPERATING REVENUES	58,912,806	19,486,694	257,886	3,257,501	-	-	81,914,887	77,863,167		
OPERATING EXPENSES										
Salaries and related costs	5,679,354	697,633	578,297	1,271,195	-	4,970,090	13,196,569	15,849,922		
Professional services	1,054,695	5,060	1,500	2,000	-	829,779	1,893,034	1,477,364		
Travel	21,751	269	-	3,171	-	37,195	62,386	12,765		
Supplies and materials	2,058,362	11,625	2,400	214,709	-	277,205	2,564,301	2,313,705		
Utilities	540,963	54,495	8,256	62,479	-	53,757	719,950	627,816		
Contractual services	13,639,094	10,946,045	238,743	3,853,661	1,295,398	3,866,810	33,839,751	32,283,984		
Closure and post closure care of landfills	9,094,110	-	-	-	-	-	9,094,110	6,591,302		
Depreciation expense	11,730,456	1,457,608	19,851	1,139,244	-	109,568	14,456,727	14,161,882		
TOTAL OPERATING EXPENSES	43,818,785	13,172,735	849,047	6,546,459	1,295,398	10,144,404	75,826,828	73,318,740		
MANAGEMENT OPERATIONS DISTRIBUTION	7,399,325	2,492,483	-	252,596	-	(10,144,404)	-	-		
OPERATING INCOME	\$ 7,694,696	\$ 3,821,476	\$ (591,161)	\$ (3,541,554)	\$ (1,295,398)	\$ -	\$ 6,088,059	\$ 4,544,427		



# Delaware Solid Waste Authority

## Schedules of Proportionate Share of the Pension Liability State Employees' Pension Plan (1)

	2022	2021	2020	2019	2018
DSWA's proportion of the net pension liability	0.3087 %	0.2988 %	0.2978 %	0.3027 %	0.2819 %
DSWA's proportionate share of the net pension (asset) liability	\$ (3,762,335)	\$ 4,200,195	\$ 4,637,095	\$ 3,909,833	\$ 4,133,322
DSWA's covered payroll	\$ 6,715,084	\$ 6,697,768	\$ 6,441,373	\$ 6,180,384	\$ 6,010,847
DSWA's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	(56.00)%	62.70 %	72.00 %	63.30 %	68.80 %
Plan fiduciary net position as a percentage of the total pension liability	110.50 %	87.30 %	85.40 %	87.50 %	85.30 %
	2017	2016	2015	2014	
DSWA's proportion of the net pension liability	0.2842 %	0.2988 %	0.2971 %	0.3291 %	
DSWA's proportionate share of the net pension liability	\$ 4,282,934	\$ 1,987,790	\$ 1,093,931	\$ 3,563,426	
DSWA's covered payroll	\$ 5,915,614	\$ 5,200,028	\$ 5,468,431	\$ 5,941,607	
DSWA's proportionate share of the net pension liability as a percentage of its covered payroll	72.40 %	38.22 %	20.00 %	59.97 %	
Plan fiduciary net position as a percentage of the total pension liability	84.11 %	92.67 %	95.80 %	87.23 %	

(1) Plan years ended June 30, 2021, 2020, 2019, 2018, 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)

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 831,960	\$ 770,388	\$ 731,139	\$ 626,327	\$ 526,179
Contributions in relation to the contractually required contribution	(831,960)	(770,388)	(731,139)	(626,327)	(526,179)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
DSWA's covered payroll	\$ 6,715,084	\$ 6,697,768	\$ 6,441,373	\$ 6,180,384	\$ 6,010,847
Contributions as a percentage of covered payroll	12.39 %	11.50 %	11.35 %	10.13 %	8.75 %
	2017	2016	2015	2014	
Contractually required contribution	\$ 519,277	\$ 532,731	\$ 519,501	\$ 528,803	
Contributions in relation to the contractually required contribution	(519,277)	(532,731)	(519,501)	(528,803)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
DSWA's covered payroll	\$ 5,915,614	\$ 5,200,028	\$ 5,468,431	\$ 5,941,607	
Contributions as a percentage of covered payroll	8.78 %	10.24 %	9.50 %	8.90 %	

(1) Plan years ended June 30, 2021, 2020, 2019, 2018, 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)

	2022	2021	2020	2019	2018
DSWA's proportion of the collective net OPEB liability	0.2998 %	0.2712 %	0.2913 %	0.2978 %	0.2967 %
DSWA's proportion of the collective net OPEB liability	\$ 30,242,686	\$ 28,242,339	\$ 23,224,492	\$ 24,447,316	\$ 24,491,313
DSWA's covered-employee payroll	\$ 6,715,084	\$ 6,697,768	\$ 6,441,373	\$ 6,180,384	\$ 6,010,847
DSWA's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	450.00 %	422.00 %	361.00 %	396.00 %	407.00 %
Plan fiduciary net position as a percentage of the total OPEB liability	6.10 %	4.30 %	4.90 %	4.40 %	4.10 %
2017					
DSWA's proportion of the collective net OPEB liability	0.2868 %				
DSWA's proportion of the collective net OPEB liability	\$ 26,051,179				
DSWA's covered-employee payroll	\$ 5,915,614				
DSWA's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	440.00 %				
Plan fiduciary net position as a percentage of the total OPEB liability	3.30 %				

(1) Plan years ended June 30, 2021, 2020, 2019, 2018, 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' OPEB Plan (1)

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 711,303	\$ 712,416	\$ 699,620	\$ 688,864	\$ 703,745
Contributions in relation to the contractually required contribution	(711,303)	(712,416)	(699,620)	(688,864)	(703,745)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
DSWA's covered-employee payroll	\$ 6,715,084	\$ 6,697,768	\$ 6,441,373	\$ 6,180,384	\$ 6,010,847
Contributions as a percentage of covered-employee payroll	10.60 %	10.60 %	10.90 %	10.80 %	11.70 %
	2017				
Contractually required contribution	\$ 624,195				
Contributions in relation to the contractually required contribution	(624,195)				
Contribution deficiency (excess)	\$ -				
DSWA's covered-employee payroll	\$ 5,915,614				
Contributions as a percentage of covered-employee payroll	10.60 %				

(1) Plan years ended June 30, 2021, 2020, 2019, 2018, 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

1128 S. Bradford Street  
Dover, DE 19904

Phone: 302-739-5361  
Citizens' Response Line: 1-800-404-7080

email: [info@dswa.com](mailto:info@dswa.com)  
[www.dswa.com](http://www.dswa.com)