

Delaware County Solid Waste Authority

December 31, 2019

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Independent Auditor's Report

Board of Directors
Delaware County Solid Waste Authority

We have audited the accompanying financial statements of Delaware County Solid Waste Authority, a component unit of the County of Delaware, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Delaware County Solid Waste Authority as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Barsz Gowie Amon & Fultz LLC

Media, Pennsylvania
June 1, 2020

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

This section presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2019. This information should be read in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

Management believes the Authority's financial condition to continue to be strong and is continuing efforts to improve financial and operational performance and increase revenue streams. Operations exceeded budgetary and other expectations. The Authority in 2009 became financially independent of the County of Delaware and no longer accepted an operating subsidy and enhanced revenues through the institution of municipal user fees. In addition, the Authority embarked on a multiyear capital project and construction plan for which it incurred long term debt accordingly. Following are key financial highlights of the Authority this period:

- The Authority processed 667,712 tons of ash and solid waste at the landfill site during the period—a decrease of about 13% as sources of outside waste change from year to year. Management continues to proactively seek additional revenue streams and vendors.
- Beginning in January 2019, the Authority increased fees for municipal solid waste, the first increase in several years. The increase allows the Authority to continue to support necessary capital improvements and provide continuing environmentally positive services to its consumers.
- Total assets at year-end were \$43,528,554 and exceeded liabilities in the amount of \$5,780,574 (i.e.net position). The restricted portion of net position represents that amount required to secure a surety bond in place for requisite anticipated post closure costs.
- Total net position decreased from 2018 to 2019 in the amount of \$2,657,114, including non-cash items such as depreciation, depletion, and post closure costs of \$5,571,270. Actual operational costs, without regard to the above, resulted in a operational surplus of approximately \$2,914,156.
- The Authority's operating revenue increased during the period approximately \$4,276,000 primarily in the area of municipal waste disposal fees (including ash). Management is continuing to reach out to other resources for additional revenue sources. Operating expenses (without regard to depreciation, depletion or post closure costs) increased to \$38,471,327 or approximately 1 percent. While many operating costs were somewhat consistent with prior years, Covanta costs were increased as a result of contractual provisions. Contract hauling fees increased about \$559,000 significantly contributing to the increased operating costs as noted above primarily as a result of contractual hauling agreements with Waste Management that began in 2018. Host fees were reduced proportionately to the lower tonnage received.
- The Authority continues its program of capital improvement consistent with its capital project and construction plan and has incurred specific debt to further those goals along with establishing a reserve from the increased fees beginning in 2019.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a single enterprise fund and is component unit of the County of Delaware with the purpose of acquiring, holding, improving, maintaining, operating and owning solid waste disposal facilities and to enter into waste disposal agreements. This financial report consists of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and supplemental information. This MD&A represents management's analysis of the Authority's financial condition and performance. Summary financial statement data and other management tools were utilized for analysis. These financial statements report information about the Authority using the full accrual accounting methods as utilized by similar businesses in the private sector. These statements offer short and long-term financial information about its activities. Detailed sub-fund information is not presented in the basic financial statements, however separate accounts are maintained for each program to control and manage revenue and expenses for particular purposes such as landfill operations, solid waste management, and capital projects. Budget to actual expense comparatives are presented as supplementary information.

The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the liabilities to Authority creditors at year-end. It provides the financial position on a full accrual historical cost basis.

All of the current year revenue and expenses are accounted for in the *Statement of Revenue, Expenses, and Changes in Net Position*. This statement presents the result of the business activities over the course of the fiscal year and how financial position has changed during that year.

The *Statement of Cash Flows* is prepared on the direct method and is designed to provide information about the Authority's cash receipts and cash disbursements during the period.

The notes to the financial statements provide required disclosures and other information essential to a full understanding of the material data provided in the financial statements. The notes present information about the Authority's accounting policies, significant accounts and activities, obligations, commitments and subsequent events, if any. As noted above, supplementary information is provided comparing budget to actual expenses for each of the sub funds.

SUMMARY OF ORGANIZATION AND BUSINESS

The Authority was created pursuant to an ordinance of the County of Delaware and incorporated in 1954 in accordance with the Municipal Authorities Act of 1945, as amended. The Authority is empowered to acquire, hold, improve, maintain operate and own solid waste disposal facilities and to enter into waste disposal agreements. The Authority, in concurrence with service agreements with the County of Delaware, is responsible for the operation and maintenance of the Delaware County owned transfer stations for the purpose of facilitating solid waste disposal in the County

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

The Authority does not have taxing power. Operations are funded from revenues derived by the Authority functions including the disposal of solid waste and recycling projects. The Acquisition and construction of capital assets were funded in the past by capital contributions received from the County of Delaware. The Authority has not received capital project funding from the County for the past ten years. The Authority, through current operating revenues, has developed a capital project fund and periodically transfers surplus funds to the capital projects fund to be available for continuing capital improvements, cell and pad construction. Long-term revenue notes have been incurred as necessary to fulfill the capital needs of the Authority.

FINANCIAL ANALYSIS OF THE AUTHORITY

The following comparative condensed financial data serve as indicators of the Authority's financial health or financial position. The Authority's net position, as shown below, decreased by \$2,657,114. Table 1 below shows a comparative of the Authority's Net Position for the two-year period. The component change in net assets is shown below in Table 2 as a condensed *Statement of Revenue, Expenses and Changes in Net Assets*. Table 3 provides a comparative of the components of the capital assets from 2018 to 2019.

**TABLE 1
NET POSITION
December 31,**

	2019	2018	% increase/ (decrease)
Current assets	\$10,216,538	\$13,172,654	-22.44%
Noncurrent assets	33,312,016	33,337,078	-0.08%
Total assets	43,528,554	46,509,732	-6.41%
Current liabilities	4,252,174	5,037,319	-15.59%
Noncurrent liabilities	33,495,806	33,034,725	1.40%
Total liabilities	37,747,980	38,072,044	-0.85%
Net investment in capital assets	19,647,889	22,268,920	-11.77%
Restricted	5,750,000	2,000,000	187.50%
Unrestricted	(19,617,315)	(15,831,232)	23.92%
Total net position	\$5,780,574	\$8,437,688	

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

TABLE 2

**CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION**

December 31,

	2019	2018	% increase (decrease)
Operating revenues			
Hauler and tipping fees	\$ 33,990,946	\$ 29,247,544	16.22%
Covanta	7,102,055	7,602,534	-6.58%
Investment income	82,377	37,618	118.98%
Other revenues	257,982	268,791	-4.02%
Total operating revenues	<u>41,433,360</u>	<u>37,156,487</u>	11.51%
Operating expenses			
Cost of operations	27,878,198	28,789,384	-3.17%
Covanta	15,334,317	13,932,499	10.06%
Post closure costs	601,667	447,944	34.32%
Debt service	228,415	242,475	-5.80%
Total operating expenses	<u>44,042,597</u>	<u>43,412,302</u>	1.45%
Operating loss	<u>(2,609,237)</u>	<u>(6,255,815)</u>	-58.29%
Gain (loss) on sale of assets	(47,877)	211,509	-100.00%
	<u>(47,877)</u>	<u>211,509</u>	
Change in net position	<u>\$ (2,657,114)</u>	<u>\$ (6,044,306)</u>	-56.04%

**TABLE 3
CAPITAL ASSETS**

December 31,

	2019	2018	% increase (decrease)
Land, private road	\$ 7,000,000	\$ 7,000,000	0.00%
Landfill site	51,135,989	51,135,989	0.00%
Equipment	101,109,601	101,082,296	0.03%
Total	<u>159,245,590</u>	<u>159,218,285</u>	0.02%
Less: Accumulated depreciation and depletion	<u>(132,225,701)</u>	<u>(129,059,365)</u>	2.45%
Net property and equipment	<u>\$ 27,019,889</u>	<u>\$ 30,158,920</u>	-10.41%

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

TO CONTACT AUTHORITY MANAGEMENT AND REQUESTS FOR INFORMATION

The Authority's financial report is intended to provide readers with a general overview of the Authority's financial operations as well as to demonstrate the Authority's accountability for its County appropriations or subsidies and grants. Questions concerning any of the information provided in this report or additional requests for financial information should be addressed to Executive Director, Delaware County Solid Waste Authority, Rose Tree Hunt Club, Media, Pennsylvania, 19063.

Delaware County Solid Waste Authority
Statement of Net Position
December 31, 2019

Assets and Deferred Outflows of Resources

Current Assets

Cash and cash equivalents	\$ 4,834,322
Accounts receivable - haulers - net of allowance	4,052,803
Accounts receivable - others	674,596
Inventory	109,552
Prepaid expenses	312,189
Prepaid pension	233,076
Total current assets	<u>10,216,538</u>

Non-Current Assets

Restricted cash and investments	
Collateral deposit - surety bond	5,750,000
Environmental restricted cash account	418,588
Investments	10,500
Capital assets:	
Land, private road	7,000,000
Landfill site, net of depletion	1,782,138
Buildings, improvements and equipment, net of depreciation	<u>18,237,751</u>
Total noncurrent assets	<u>33,198,977</u>

Deferred Outflows of Resources

Changes in pension investment returns and actuarial assumptions	<u>113,039</u>
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<u>Total Assets and Deferred Outflows of Resources</u>	<u><u>\$ 43,528,554</u></u>
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See accompanying notes to financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities

Accounts payable	\$ 2,378,887
Accrued expenses	638,186
Net pension liability	701,101
Revenue notes payable, current maturities	534,000
Total current liabilities	<u>4,252,174</u>

Noncurrent Liabilities

Accrued closure costs	18,662,430
Revenue notes payable, long-term maturities	6,838,000
Due to County of Delaware	7,475,000
Total noncurrent liabilities	<u>32,975,430</u>

Deferred Inflows of Resources

Differences in pension experience	<u>520,376</u>
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Net Position

Net investment in capital assets	19,647,889
Restricted	5,750,000
Unrestricted	(19,617,315)
Total net position	<u>5,780,574</u>

<u>Total Liabilities, Deferred Inflows of Resources and Net Position</u>	<u>\$ 43,528,554</u>
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Delaware County Solid Waste Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

<u>Operating Revenues</u>	
Hauler fees	\$ 24,312,356
Covanta	7,102,055
Municipal waste disposal fee	9,678,590
Recycling and other grant revenue	86,578
Other revenues	171,404
Total operating revenues	<u>41,350,983</u>
<u>Operating Expenses</u>	
Salaries, wages and employee benefits	2,551,904
Contractual services, maintenance, supplies	4,192,118
Contract hauling fees	8,958,217
Host fees and fines	7,206,356
Covanta	15,334,317
Depreciation and depletion	4,969,603
Post-closure costs	601,667
Total operating expenses	<u>43,814,182</u>
<u>Operating Loss</u>	<u>(2,463,199)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment income	82,377
Loss on disposition of assets	(47,877)
Debt service payment	(228,415)
Total non-operating revenues (expenses)	<u>(193,915)</u>
<u>Change in Net Position</u>	<u>(2,657,114)</u>
<u>Net Position - beginning</u>	<u>8,437,688</u>
<u>Net Position - ending</u>	<u><u>\$ 5,780,574</u></u>

See accompanying notes to financial statements.

Delaware County Solid Waste Authority
Statement of Cash Flows
For the Year Ended December 31, 2019

<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 40,639,648
Other operating cash receipts	257,982
Payments to suppliers	(35,648,640)
Payments to employees	<u>(2,546,513)</u>
Net cash flows used in operating activities	<u>2,702,477</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases and construction of capital assets	(1,878,448)
Interest paid on revenue notes payable	(228,415)
Principal payments of note payable	<u>(518,000)</u>
Net cash flows used in capital and related financing activities	<u>(2,624,863)</u>
<u>Cash Flows from Investing Activities</u>	
Investment income	82,377
Increase in restricted cash and investments	<u>(3,750,000)</u>
Net cash flows provided by investing activities	<u>(3,667,623)</u>
<u>Net Decrease in Cash and Cash Equivalents</u>	(3,590,009)
<u>Cash and Cash Equivalents - beginning</u>	<u>8,842,919</u>
<u>Cash and Cash Equivalents - ending</u>	<u>\$ 5,252,910</u>

See accompanying notes to financial statements.

Reconciliation of operating loss to net cash
provided by operating activities:

Operating Loss	<u>\$ (2,463,199)</u>
Adjustments to reconcile net income to net cash provided by (used in) operating activities	
Depreciation and depletion	4,969,603
Post closure costs	601,667
Increase in allowance for doubtful accounts	23,893
Change in assets and liabilities:	
Accounts receivable - haulers	(461,492)
Accounts receivable - others	8,139
Inventory	33,022
Prepaid expenses	105,284
Accounts payable	(887,553)
Accrued expenses and payroll taxes	787,508
Net pension changes	(14,395)
Total adjustments	<u>5,165,676</u>
Net cash flows provided by operating activities	<u><u>\$ 2,702,477</u></u>

Delaware County Solid Waste Authority
Statement of Fiduciary Net Position
Pension Trust Fund
December 31, 2019

Assets

Cash and cash equivalents	\$ 271,115
Investments, at fair value:	
Core fixed income	2,174,480
Equity	2,509,997
International funds	<u>1,331,065</u>
 Total Assets	 <u>6,286,657</u>

Liabilities

Benefits payable	<u>-</u>
 Total Liabilities	 <u>-</u>

Net Position - Held in trust and restricted for:

Pension benefits and other purposes	<u><u>\$ 6,286,657</u></u>
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See accompanying notes to financial statements.

Delaware County Solid Waste Authority
Statement of Changes in Fiduciary Net Position
Pension Trust Fund
Year Ended December 31, 2019

Additions

Contributions:

Participant	\$ 96,285	
Employer	115,500	
Total contributions	115,500	\$ 211,785

Net investment income:

Net decrease in fair value of investments	898,507	
Interest and dividends	143,150	
Investment expenses	(28,630)	
Total net investment income	1,013,027	1,013,027
Total additions		1,224,812

Deductions

Benefits paid and withdrawals	220,895	
Total deductions	220,895	220,895

Change in Net Position

1,003,917

Net Position - beginning

5,282,740

Net Position - ending

\$ 6,286,657

See accompanying notes to financial statements.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 1 The Financial Reporting Entity

The Delaware County Solid Waste Authority (the “Authority”) was created pursuant to an ordinance of the Board of Commissioners (currently “County Council”) of the County of Delaware, Pennsylvania (the “County”) and incorporated on April 22, 1954, in accordance with the Municipal Authorities Act of 1945, as amended (the “Act”). The Authority, under the terms of the Act as amended March 8, 1985, has a term of existence to January 1, 2034. The Act empowers the Authority to acquire, hold, improve, maintain, operate and own solid waste disposal facilities and to enter into waste disposal agreements. The Authority is not directly subject to federal and state income taxes.

The Authority, on March 27, 1985, acquired the stock in a corporation that owned and operated a sanitary landfill in Berks County, Pennsylvania, at an acquisition price of \$36,000,000. The acquisition was originally financed by the assignment of a portion of a General Obligation Bond, Series of 1985, of the County of Delaware. The Authority concluded its payments on the bonds to the County in 1992. However, the County, from time-to-time, has made additional advances to the Authority, which were repaid from income derived from fees charged to the County and others for disposal of waste.

The Authority, pursuant to service agreements with the County, assumes the complete operation and maintenance of the County-owned transfer stations for the purpose of facilitating solid waste disposal in the County. Certain personnel remain under the general supervision of County Council but are assigned to perform services for the Authority. The Authority repays salaries and related benefits for these personnel to the County.

Separate financial statements are provided for proprietary and fiduciary funds.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is accepted as the standard body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies established in GAAP and utilized by the Authority are described below:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The measurement focus is on the flow of economic resources and the accrual basis of accounting; whereby, revenues are recognized when earned and expenses are recorded when incurred. Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Authority is a component unit of the County and is included in its financial statements. County Council appoints the Authority's governing board. The Authority is considered a component unit because of the significance of its operational and financial relationship with the County.

Cash and Cash Equivalents

For purposes of the statement of cash flows and presentation within the statement of net position, the Authority considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventory

The Authority maintains an inventory of purchased goods used in construction and capping activities, which are stated at cost.

Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

Investments

Investments are reported at their fair values in the statements of net position. Unrealized gains and losses are included in the change in net position.

Net Position

The Authority's net position represents the excess of assets over liabilities and is categorized as follows:

Net Investment in Capital Assets - Net investment consists of unrestricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.

Restricted - Net positions restricted are for use during the post-closure phase of the landfill's life. Additionally, escrow funds required to be set aside, as described in Note 4, are included in net position – restricted. When an expense is incurred for restricted purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

Unrestricted net position - Unrestricted net position is the remaining portion of net position and is categorized as designated or undesignated. Designated assets are committed for specific purposes pursuant to Authority policy and/or Board directives.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Landfill Site Depletion

The estimated value of the landfill at acquisition and additional purchases for expanding capacity is being depleted over the projected life of the landfill. Depletion is charged annually against income in a manner consistent with the physical usage of the site based upon the site's estimated capacity. The estimated remaining landfill life is approximately ten years.

Capital Assets

Capital Assets are recorded at historical cost. A full fixed asset inventory was conducted in a prior period. Estimates were used as original cost for those items where actual cost records were unavailable. Assets not previously accounted for at that time were shown at their net transferable value with accumulated depreciation charged accordingly. For those assets considered by management to be obsolete, a change in accounting estimate was made to reflect proper depreciation amounts.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from two to thirty-seven years. Assets exclusively related to the landfill are depreciated over the lesser of their estimated useful life or the anticipated life of the landfill.

The Authority capitalizes assets in excess of \$2,000.

Compensated Absences

Salaried employees are entitled to be paid for sick time. Hourly employees do not receive any sick time benefits. Sick pay is differentiated between one or two consecutive sick days and Serious Illness Leave, which is three or more consecutive sick days. Full time salaried employees can earn one Serious Illness Leave day for each month of service, up to a maximum of 30 days. An employee must be out sick for three or more consecutive days and have a doctor's note before they are eligible to use Serious Illness Leave.

All sick days unused at separation are lost and not paid to the employee.

All vacation days are on a use or lose anniversary date basis.

Operating Revenue and Expenses

Operating revenues are defined as all revenue received and related to charges for solid waste disposal onto Authority property.

Operating expenses are defined as all expenses paid and related to Authority solid waste disposal functions.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 2 Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Credit Risk

Financial instruments that potentially subject the Authority to concentrations of credit risk consist principally of cash and accounts receivables. The Authority maintains cash in bank accounts which, at times, may exceed the FDIC insurance coverage of \$250,000. The Authority primarily maintains deposits either with financial institutions which, pursuant to Act No. 72 of Pennsylvania, pool assets required to be pledged to secure public deposits, the total value of the pool to equal not less than the sum of all the pledges required for each separate deposit, or in the amounts insured by the FDIC. Deposits for all funds are either fully insured or collateralized pursuant with the Commonwealth of Pennsylvania statutes. For investment securities, custodial risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Authority's investments in certificates of deposit were not exposed to credit risk since they are all held by the custodian and are registered in the name of the Authority.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment or a deposit. As of December 31, 2019, the Authority's investment was held in certificates of deposit which reduce the exposure to interest rate risks as the rate is fixed through the duration of the investment period.

Revenue Concentrations - The Authority derived 17% of its operating revenue from Covanta.

Deferred Inflows of Resources

Deferred inflows of resources consist of the unamortized balance of differences in expected and actual experience related to the net pension liability.

Deferred Outflows of Resources

Deferred outflows of resources represent future cash outlays that are incorporated as part of the net pension liability on the current period's financial statements.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 2 Summary of Significant Accounting Policies (Continued)

New Accounting Standards Adopted

The Governmental Standards Board issued Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement amends Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, paragraph 119; Statement No. 38, *Certain Financial Statement Note Disclosures*, paragraphs 10 and 12; Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, paragraph 11; NCGA Interpretation 6, *Notes to the Financial Statements Disclosure*, paragraphs 4 and 5; and *Implementation Guide No. 2015-1, Question 7.85.7*. This Statement improves the consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for fiscal years beginning after June 15, 2018, with early adoption permitted. The Authority has elected to adopt the Statement for year-ended December 31, 2019.

Note 3 Accounts Receivable – Haulers

The Authority manages the County-owned transfer stations and is responsible for the receipt and transfer of solid waste materials as provided by commercial or private haulers. Beginning in January 1995, it was determined by agreement between the Authority and the County, that the fees and permits collected from commercial or private haulers would remain with the Authority and represent income. Fees that were due relative to the receipt of solid waste at December 31, 2019 are represented by receivables in the amount of \$2,750,864 (net of an allowance for doubtful accounts of \$127,407).

Commercial and private haulers that deposit waste at the Landfill are charged hauling fees that are reflected in the Authority’s income. Receivables representing hauler fees at December 31, 2019 totaled \$1,301,939 (net of an allowance for doubtful accounts of \$109,525.)

Note 4 Restricted Cash and Investments

The Authority holds a surety bond, as described in Note 9. The bond requires a cash collateral deposit of \$7,000,000. To meet this requirement the Authority has \$4,500,000 in restricted cash and a letter of credit of \$2,500,000 as of December 31, 2019. The terms of the letter of credit agreement require the Authority to maintain \$1,250,000 in collateral cash. Total restricted cash at December 31, 2019 related to the cash collateral of the surety bond was \$5,750,000. Per the terms of the surety bond, the collateral deposit is protected from custodial credit risk.

Additionally, the Authority has environmental restricted cash account totaling \$418,588 at December 31, 2019 related to a settlement with the Department of Environmental Protection (“DEP”) as described in Note 10.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 5 Investments and Fair Value Measurements

The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At December 31, 2019, the Authority's investments consists solely of certificates of deposits totaling \$10,500, which were all deemed to be Level 1 investments. The certificates of deposits were valued based on the stated value of the certificates plus accrued interest which was calculated based on stated interest rates and dates of maturity.

Note 6 Capital Assets

Landfill - Depletion

The capacity of the Landfill is 22,289,000 cubic yards. 18,602,998 cubic yards of capacity has been utilized through December 31, 2019. Approximately 83% of the existing landfill capacity has been utilized to date.

	<u>Cost</u>	<u>Accumulated Depletion</u>	<u>Net Basis</u>
Land	<u>\$51,135,989</u>	<u>\$49,353,851</u>	<u>\$1,782,138</u>

For the year ended December 31, 2019, depletion expense amounted to \$339,984.

	<u>Balance</u>	<u>Increases</u>	<u>Balance</u>
Non-Depreciable Assets:			
Land, private road	<u>\$7,000,000</u>	<u>\$ -</u>	<u>\$7,000,000</u>

Property, Plant and Equipment

Major classes of property, plant and equipment, useful lives and accumulated depreciation are as follows:

	<u>Estimated Useful Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Basis</u>
Machinery & Equipment	2-8 years	\$ 10,819,968	\$ 7,659,164	\$ 3,160,804
Buildings & Structures	4-25 years	15,261,966	12,982,070	2,279,896
Pad Construction	5-37 years	<u>75,027,666</u>	<u>62,230,615</u>	<u>12,797,051</u>
		<u>\$ 101,109,600</u>	<u>\$ 82,871,849</u>	<u>\$ 18,237,751</u>

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 6 Capital Assets (Continued)

Property, Plant and Equipment (Continued)

For the year ended December 31, 2019, depreciation expense amounted to \$4,629,619.

A summary of changes in property, plant and equipment, during 2019 is as follows:

Balance – January 1, 2019	\$ 101,082,296
Additions	1,878,448
Dispositions	<u>(1,851,144)</u>
Balance – December 31, 2019	<u>\$101,109,600</u>

Note 7 Notes Payable

Revenue Notes Payable

On March 25, 2009, the Authority authorized the issuance of Guaranteed Revenue Notes, 2009 Series (the “2009 Notes”) totaling \$7,200,000. The 2009 Notes were used for certain capital projects consisting of a) the construction of leachate collection and treatment facilities, b) the acquisition of vehicles and equipment, c) the construction of and improvements to the Rolling Hills Landfill, d) the rehabilitation of wells, and e) the payment of the costs of issuance of the 2009 Notes. The 2009 Notes were issued over a two-year period.

On March 25, 2009, the Delaware Valley Regional Finance Authority issued on behalf of the Authority, Guaranteed Revenue Notes, 2009 A Series (the “2009 A Notes”) in the amount of \$2,400,000, 2009 B Series (the “2009 B Notes”) in the amount of \$2,400,000, and 2009 C Series (the “2009 C Notes”) in the amount of \$2,400,000. Principal is payable annually on March 25 and interest is payable monthly at a rate of 3.38% for Series A, 3.23% for Series B and 3.39% for Series C as per the Notice of Fixed Rate Conversion.

On March 26, 2012, the Authority authorized the issuance of Guaranteed Revenue Notes, 2012 Series (the “2012 Notes”) totaling \$4,000,000. The 2012 Notes were used for certain capital projects consisting of a) the construction of leachate collection and treatment facilities, b) the acquisition of vehicles and equipment, c) the construction of and improvements to the Rolling Hills Landfill, d) the rehabilitation of wells, and e) the payment of the costs of issuance of the Notes. On March 26, 2012, the Delaware Valley Regional Finance Authority issued on behalf of the Authority, Guaranteed Revenue Notes, 2012 A Series (the “2012 A Notes”) in the amount of \$4,000,000. Principal is payable annually on June 25 beginning June 25, 2013. Interest is payable monthly at a rate of 2.485% as per the Notice of Fixed Rate Conversion.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 7 Notes Payable (Continued)

The Authority has an unused line of credit in the amount of \$2,000,000.

The Authority's outstanding notes from direct borrowings related to business-type activities that contain various provisions regarding events of default, termination events, and accelerated payment clauses that allow the lender to modify the repayment terms and accelerate payment of the entire principle amount to become immediately due if the lender determines that a material adverse change occurs. As of the date of these financials there were no adverse changes which caused the acceleration of principle due by the Authority for outstanding notes.

The aggregate annual principal payments for each of the following years ending December 31 are as follows:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 534,000	\$ 213,154
2021	551,000	196,632
2022	568,000	179,586
2023	585,000	161,991
2024	603,000	143,864
2025-2032	<u>4,531,000</u>	<u>472,339</u>
	<u>\$ 7,372,000</u>	<u>\$ 1,367,566</u>

For the year ended December 31, 2019, interest expense amounted to \$228,415.

Note 8 Changes in Long-Term Liabilities

	<u>01/01/19 Balance</u>	<u>Decreases</u>	<u>12/31/19 Balance</u>	<u>Due Within One Year</u>
Revenue Notes 2009 A	\$1,520,000	\$(116,000)	\$1,404,000	\$120,000
Revenue Notes 2009 B & C	3,372,000	(220,000)	3,152,000	228,000
Revenue Notes 2012	2,998,000	(182,000)	2,816,000	186,000

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 9 Closure and Post Closure Costs

Municipal landfill owners and operators are required to incur costs to provide for protection of the environment both during the period of the landfill operation and during the post closure period. These costs are estimated annually, and current cost is adjusted for changes in landfill capacity, operating conditions and increases or decreases in estimated costs. Closure and post closure costs include equipment installed and facilities constructed near or after the date of acceptance of solid waste, cost of the final capping, and the cost of monitoring and maintaining the area during the post closure period. The Authority has established an account to accumulate the anticipated cost of closure and post closure based on usage of the landfill. An amount is charged annually to operations to recognize the current cost and resultant liability based on landfill capacity used to date.

The estimates of closure and post closure costs were determined taking into account capping, revegetation, maintenance, leachate treatment, water quality monitoring, and gas control.

In determining the closure and post closure costs, an inflation rate was utilized at the rate of 4.967%, plus administrative fees of 10% and \$1,369,361 contingency charge that would anticipate covering unexpected changes in technology, inflation or applicable laws and regulations.

Pursuant to the Municipal Waste Planning, Recycling, and Waste Reduction Act of the Commonwealth of Pennsylvania, Act No. 101 of July 28, 1988, P.L. 556, the Authority is required to pay to a trust on a quarterly basis \$.25 per ton of weighed waste to be used for remedial measures and emergency actions necessary to prevent or abate adverse effects on the environment subsequent to landfill closure. Any funds remaining in the trust subsequent to the final closure are divided between the host county and host municipality.

The DEP raised the bonding requirement to the amount of \$20,714,788. In 2014, the Authority obtained a surety bond amounting to \$20,390,083 to cover post closure costs. The surety bond requires that the Authority maintain \$7,000,000 in cash collateral. To satisfy the cash collateral requirements, the Authority has deposited \$4,500,000 in an interest-bearing escrow account held by the Surety Company. Additionally, the Authority has obtained a letter of credit in the amount of \$2,500,000 to cover the remainder requirement. As a part of the letter of credit agreement the Authority is required to maintain \$1,250,000 as cash collateral. These amounts are reflected as restricted cash totaling \$5,750,000 on the statement of net position as of December 31, 2019.

Accrued closure and post closure costs, as reflected on the statement of net position, totaled \$18,662,430 as of December 31, 2019. \$601,667 was charged against income in 2019. The estimated closure and post closure costs total \$22,360,208, comprised of \$4,869,201 of closure costs and \$17,491,007 of post-closure costs. At December 31, 2019, there remains \$5,391,367 in closure and post closure costs to be recognized in excess of the Act 101 requirements previously mentioned.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 10 Environmental Liability – Department of Environmental Protection

In 2013, the Authority entered into a consent agreement with the Department of Environmental Protection (“DEP”) whereby the Authority agreed to update the leachate treatment facility to accommodate the treatment of the leachate. As a part of their settlement with DEP regarding the treatment of the leachate the Authority established a reserve totaling \$500,000 as ordered by DEP to be used to pay for future environmental projects in their neighborhood. Interest earned on the account has been included in the total reserved balance. In 2019, the Authority paid out costs totaling \$115,081 to two local environmental projects. The total liability at December 31, 2019 was \$418,588, which was included in accrued expenses on the Statement of Financial Position

Note 11 Due to County of Delaware

This indebtedness represents funds advanced to the Authority, which were used as a security deposit with the DEP relative to post-closure bonding. The advance is non-interest bearing and there is no formal schedule for repayment. The balance totaled \$7,475,000 at December 31, 2019 and is not expected to be repaid in 2020.

Note 12 Covanta Delaware Valley, LP – Revenue and Expense

As of May 15, 2017, the Authority signed an amended and restated service agreement with Covanta Delaware Valley, LP (“Covanta”). The County, through the Authority, is obligated to deliver County waste to the Covanta facility and Covanta is required, in turn, to pay to the Authority, landfill host community fees for process residue. Further, Covanta pays to the Authority disposal fees for non-County waste. Unless otherwise agreed in writing, the Authority shall not deliver greater than 370,000 tons of acceptable waste, 37,000 tons in each billing period or 2,500 tons each day. The company has no obligation to accept any excess waste of the maximums noted. If the Company accepts excess waste, then existing additional fees shall apply. For cash management purposes the two parties have agreed that the party owing the net balance shall pay to the order of the other party the statement balance within 30 days. During 2019, the Authority paid to Covanta \$15,334,317 for its County waste deliveries. Covanta paid to the Authority \$7,230,919 in residue charges.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 13 Pension Plan

Plan Description

The Authority established, effective September 1, 1994, a defined benefit pension plan on behalf of the Authority employees, known as the Delaware County Solid Waste Authority Pension Plan (the "Plan"). This single employer plan is a tax-deferred plan with compulsory membership and a mandatory seven-percent employee contribution. Benefits provided by the Plan agreement include provisions for normal retirement, early retirement, disability, vesting and death benefits. Vesting occurs after eight years of service. Current employees received credit for their time employed prior to the commencement of the Plan. Contributions are provided by the Authority and/or employee contributions. The Plan is subject to the authority of Pennsylvania Act 205 and the Plan agreement.

Under the provisions of the Plan, the retirement date is the first day of the month following the attainment of age 60, or the attainment of age 55 with completion of 20 years of service. The benefit is equal to 2.0% of the final three-year average compensation for each year of credited service. Death benefit is equal to the present value of the member's accrued benefit at the date of death. Trustees for the Plan have established an investment account for Plan assets. The Authority has selected a retirement committee as administrator for the Plan, although the Authority maintains fiduciary responsibility for Plan assets. Employees' contributions to the Plan and the deferred compensation amount are not available for withdrawal by the employees until termination, retirement, or death. There are no provisions in the Plan that allows partial refunds or loans.

Funding Policy and Status

Active plan members are required to contribute 7.0% of their annual covered salary. In addition, the Authority is required to make contributions at an actuarially determined rate in accordance with Pennsylvania Act 205 governing municipal pension plans. The Minimum Municipal Obligation under Pennsylvania Act 205 for the plan year ended December 31, 2019 plan provides that ten percent of the excess assets over the accrued liability are used to reduce required contribution. The minimum municipal obligation for 2020 is expected to be \$70,848.

Actuarially Determined Contributions Required and Contributions Made

Total contribution to the plan for the year ended December 31, 2019 were \$211,785, including \$96,285 in employee contributions and \$115,500 in employer contributions. The required contribution for the year was determined using the entry-age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return and (b) projected annual salary increases of 5.0%, compounded annually. Both (a) and (b) included an inflation component. 10% of the excess assets over the accrued liability are used to reduce the required contribution.

Delaware County Solid Waste Authority
Notes to Financial Statements
December 31, 2019

Note 14 Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (358,698)
Net difference between projected and actual earnings on pension plan investments		-
Changes in assumptions	<u>113,039</u>	<u>(161,678)</u>
Total	<u>\$ 113,039</u>	<u>\$ (520,376)</u>

The amounts of deferred outflows of resources and deferred inflows of resources related to the above items reported as of December 31, 2019 that will be recognized in pension expense in future periods are as follows:

Year Ended December 31:

2020	\$ (74,511)
2021	(80,288)
2022	(15,148)
2023	(165,013)
2024	(46,215)
Thereafter	(26,162)

Note 15 Subsequent Events

An ongoing worldwide pandemic of coronavirus disease 2019 (“COVID-19”), which is a new infectious disease, was first confirmed to have spread to the United States (the “U.S.”) in January 2020. COVID-19 spread rapidly throughout the U.S. and in March 2020 many of the large metropolitan areas of United States imposed strict limits on social gathering. This forced many businesses to temporarily close and/or allow employees to work from home. However, the Authority has not stopped its operations as a result of COVID-19. As of the report date, the Authority is evaluating any direct and indirect effects of this pandemic on its current and future 2020 operations.

The Delaware County Solid Waste Authority has evaluated subsequent events through June 1, 2020, the date which the financial statements were available to be issued.

Delaware County Solid Waste Authority
Required Supplementary Information
December 31, 2019

Schedule of Changes in Municipality's Net Pension Liability and Related Ratios (*) - Unaudited

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service Cost	\$ 153,741	\$ 185,275	\$ 176,452	\$ 151,239	\$ 144,037	\$ 128,743
Interest	443,352	437,526	404,976	383,615	355,173	327,941
Changes of Benefit Terms	-	-	-	-	-	23,975
Differences Between Expected and Actual Experience	(306,458)	-	(122,856)	-	(81,860)	-
Changes of Assumptions	-	-	143,965	-	87,241	-
Benefit Payments, Including Refunds of Member Contributions	<u>(220,895)</u>	<u>(198,366)</u>	<u>(142,129)</u>	<u>(159,621)</u>	<u>(142,129)</u>	<u>(131,811)</u>
Net Change in Total Pension Liability	69,740	424,435	460,408	375,233	362,462	348,848
Total Pension Liability - Beginning	<u>5,983,841</u>	<u>5,559,406</u>	<u>5,098,998</u>	<u>4,723,765</u>	<u>4,361,303</u>	<u>4,012,455</u>
Total Pension Liability - Ending	<u>\$ 6,053,581</u>	<u>\$ 5,983,841</u>	<u>\$ 5,559,406</u>	<u>\$ 5,098,998</u>	<u>\$ 4,723,765</u>	<u>\$ 4,361,303</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 115,500	\$ 115,500	\$ 105,000	\$ 95,000	\$ 90,000	\$ 90,000
Contributions - Member	96,285	90,502	95,108	100,035	95,787	89,455
Net Investment Income	1,013,027	(316,071)	704,734	333,462	(45,264)	293,218
Benefit Payments, Including Refunds of Member Contributions	<u>(220,895)</u>	<u>(198,366)</u>	<u>(217,702)</u>	<u>(159,621)</u>	<u>(142,129)</u>	<u>(131,811)</u>
Net Change in Plan Fiduciary Net Position	1,003,917	(308,435)	687,140	368,876	(1,606)	340,862
Plan Net Position - Beginning	<u>5,282,740</u>	<u>5,591,175</u>	<u>4,904,035</u>	<u>4,535,159</u>	<u>4,536,765</u>	<u>4,195,903</u>
Plan Net Position - Ending	<u>\$ 6,286,657</u>	<u>\$ 5,282,740</u>	<u>\$ 5,591,175</u>	<u>\$ 4,904,035</u>	<u>\$ 4,535,159</u>	<u>\$ 4,536,765</u>
Municipality's Net Pension Liability	<u>\$ (233,076)</u>	<u>\$ 701,101</u>	<u>\$ (31,769)</u>	<u>\$ 194,963</u>	<u>\$ 188,606</u>	<u>\$ (175,462)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>103.9%</u>	<u>88.3%</u>	<u>100.6%</u>	<u>96.2%</u>	<u>96.0%</u>	<u>104.0%</u>
Covered Employee Payroll	<u>\$ 1,291,424</u>	<u>\$ 1,292,216</u>	<u>\$ 1,378,635</u>	<u>\$ 1,449,664</u>	<u>\$ 1,278,718</u>	<u>\$ 1,073,521</u>
Municipality's Net Pension Liability as a Percentage of Covered Employee Payroll	<u>-18.0%</u>	<u>54.3%</u>	<u>-2.3%</u>	<u>13.4%</u>	<u>14.7%</u>	<u>(16.3)%</u>

* GASB Statement No. 68 requires this information to be reported for 10 years. Additional years will be displayed as the information is available.

See accompanying notes to required supplementary information.

Delaware County Solid Waste Authority
Required Supplementary Information
December 31, 2019

Schedule of Employer Contributions - Unaudited

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 60,572	\$ 67,776	\$ 44,877	\$ 43,609	\$ 86,241	\$ 55,970	\$ 74,957	\$ 71,030	\$ 88,171	\$ 88,118
Contributions in Relation to the Actuarially determined Contribution	90,000	90,000	90,000	90,000	90,000	90,000	95,000	105,000	115,500	115,500
Contribution Deficiency (Excess)	<u>\$ (29,428)</u>	<u>\$ (22,224)</u>	<u>\$ (45,123)</u>	<u>\$ (46,391)</u>	<u>\$ (3,759)</u>	<u>\$ (34,030)</u>	<u>\$ (20,043)</u>	<u>\$ (33,970)</u>	<u>\$ (27,329)</u>	<u>\$ (27,382)</u>
Covered Employee Payroll	<u>\$ 1,196,845</u>	<u>\$ 1,352,572</u>	<u>\$ 1,307,643</u>	<u>\$ 1,167,677</u>	<u>\$ 1,073,521</u>	<u>\$ 1,278,718</u>	<u>\$ 1,449,664</u>	<u>\$ 1,378,635</u>	<u>\$ 1,292,216</u>	<u>\$ 1,291,424</u>
Contributions as a Percentage of Covered Employee Payroll	<u>7.5%</u>	<u>6.7%</u>	<u>6.9%</u>	<u>7.7%</u>	<u>8.4%</u>	<u>7.0%</u>	<u>6.6%</u>	<u>7.6%</u>	<u>8.9%</u>	<u>8.9%</u>

Notes to schedules:

Benefit Changes - In 2013 and 2014 a cost of living increase was granted to the current retired members

Assumption Changes - In 2015, the mortality assumption was changed from RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from RP-2000 Table projected to 2015 using Scale AA to the RP-2000 Table projected to 2017 using Scale AA, and the interest rate was lowered from 8.0% to 7.75% per anum.

Delaware County Solid Waste Authority
Required Supplementary Information
December 31, 2019

Schedule of Money-Weighted Rate of Returns (*) - Unaudited

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	<u>19.19%</u>	<u>-5.65%</u>	<u>14.40%</u>	<u>7.34%</u>	<u>(0.99)%</u>	<u>7.47%</u>

* GASB Statement No. 68 requires this information to be reported for 10 years. Additional years will be displayed as the information is available.

Delaware County Solid Waste Authority
Notes to Required Supplementary Information
December 31, 2019

Note 1 Summary of Significant Accounting Policies

Investment Policy

The pension plan's policy regarding the allocation of invested assets is established and may be amended by the Pension Board. The investment policy of the Plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent.

The plan's investment policy establishes that the portfolio may be invested in the following asset classes with the following target asset allocation:

<u>Asset Class</u>	<u>Target</u>
Domestic Equity	
Large Cap	30%
Mid Cap	5%
Small Cap	5%
International Equity	21%
Fixed Income	35%
Cash	4%

Rate of Return

For the year ended December 31, 2019, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.19% percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Deferred Retirement Option Program (DROP)

The plan does not provide a Deferred Retirement Option Program.

Net Pension Liability

The components of the net pension liability of the municipality as of December 31, 2019 were as follows:

Total Pension Liability (TPL)	\$ 6,053,581
Plan Fiduciary Net Position	6,286,657
Net Pension Liability (NPL)	(233,076)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	103.9%

Delaware County Solid Waste Authority
Notes to Required Supplementary Information
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2019. Update procedures were used to roll forward to the plan's fiscal plan year ending December 31, 2019. This report was based upon the plan's actuarial assumptions, asset valuation method, and cost method.

Long-Term Expected Rate of Return

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 pension plan investment expense and inflation 2.25%) 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 allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity		International Equity	8.24%
Large Cap	6.09%	Fixed Income	3.17%
Mid Cap	7.27%	Cash	0.82%
Small Cap	7.27%		

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's 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.

Delaware County Solid Waste Authority
Notes to Required Supplementary Information
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate 7.75% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease <u>6.75%</u>	Current Discount Rate <u>7.75%</u>	1% Increase <u>8.75%</u>
Net Pension Liability	<u>\$386,433</u>	<u>(\$233,076)</u>	<u>(\$764,070)</u>

Pension Expense for the Year Ended December 31, 2019

Service Cost	\$ 153,741
Interest on Total Pension Liability	443,352
Differences Between Expected and Actual Experience	(74,722)
Changes of Assumptions	31,665
Employee Contributions	(96,285)
Projected Earnings on Pension Plan Assets	(406,822)
Differences Between Projected and Actual Earnings on Investments	<u>50,176</u>
Total pension expense	<u>\$ 101,105</u>

Delaware County Solid Waste Authority
Required Supplementary Information
Schedule of Expenses - Budget to Actual - Unaudited
Year Ended December 31, 2019

	Landfill Operating Fund		Rose Tree Fund		Total Funds	
	Budget	Actual	Budget	Actual	Budget	Actual
Operating Expenses						
Payroll	\$ 1,575,912	\$ 1,520,439	\$ 210,000	\$ 225,697	\$ 1,785,912	\$ 1,746,136
Payroll - fringe benefits, taxes and pension	737,000	805,768	-	-	737,000	805,768
Administrative and office expense	113,500	97,272	55,000	45,474	168,500	142,746
Utilities	80,000	79,517	63,000	43,294	143,000	122,811
Fuels and oil	250,000	246,180	-	-	250,000	246,180
Recycling	-	-	110,000	186,277	110,000	186,277
Equipment, maintenance and repairs	175,000	253,611	60,000	65,550	235,000	319,161
Rental equipment	5,000	-	-	-	5,000	-
Stone supplies	125,000	208,667	-	-	125,000	208,667
LTP Operations	-	-	-	-	-	-
Leachate treatment and cleanout	657,000	840,404	-	-	657,000	840,404
Lab testing	90,000	85,074	-	-	90,000	85,074
Hydroseeding	40,000	8,260	-	-	40,000	8,260
Site supplies	75,000	79,298	115,000	79,969	190,000	159,267
Engineering	210,000	189,668	10,000	32,465	220,000	222,133
Host fees, inspection fees, closure	4,143,287	4,523,211	-	-	4,143,287	4,523,211
Insurance	485,000	440,404	-	80,000	485,000	520,404
Professional services	255,000	533,525	73,500	102,340	328,500	635,865
Public Relations	52,000	24,000	-	-	52,000	24,000
Covanta	-	-	12,489,000	15,334,317	12,489,000	15,334,317
Leaf composting	-	-	-	-	-	-
Facility maintenance	30,000	22,686	-	-	30,000	22,686
Contract hauling fees	1,800,000	2,373,832	10,113,000	9,267,530	11,913,000	11,641,362
Post closure expense	-	601,667	-	-	-	601,667
Community environmental projects	-	115,082	-	-	-	115,082
Total Operating Expenses	10,898,699	13,048,565	23,298,500	25,462,913	34,197,199	38,511,478
Non-Operating Revenues (Expenses)						
Income on investments	-	82,351	-	26	-	82,377
Unrelaized income on investments	-	-	-	-	-	-
Debt service	-	-	(240,000)	(228,415)	(240,000)	(228,415)
Bad debt expense	-	-	-	-	-	-
Interfund transfers	-	-	-	-	-	-
Total Expenses	10,898,699	12,966,214	23,538,500	25,691,302	34,437,199	38,657,516
Amounts reflected in the Statement of Net Position						
Shenkel Road Settlement	-	-	-	-	-	-
	\$ 10,898,699	\$ 12,966,214	\$ 23,538,500	\$ 25,691,302	\$ 34,437,199	\$ 38,657,516

Delaware County Solid Waste Authority
Required Supplementary Information
Capital Projects Fund
Budget to Actual - Unaudited
Year Ended December 31, 2019

	<u>Budget</u>	<u>Expenditures</u>
Vehicles	\$ 90,000	\$ -
Construction Equipment	250,000	-
Equipment Capital Repairs	200,000	59,203
Transfer Station Upgrades	275,000	19,236
Landfill Gas Upgrade	285,000	3,301
Southern Area Expansion	<u>1,790,000</u>	<u>251,361</u>
Subtotal Budget to Actual	2,890,000	333,101
Depreciation Expense	-	4,629,619
Depletion Expense	-	339,984
Loss on Disposition of Assets		47,877
	<u> </u>	<u> </u>
Total Capital Projects Fund	<u><u>\$ 2,890,000</u></u>	<u><u>\$ 5,350,581</u></u>